

Annual Report

2019

December 1, 2018 to November 30, 2019

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, 2020 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:	Nobuo Inoue Director, Executive Corporate Officer
Telephone:	+81-3-3486-3331

Table of Contents

	Page
I. Outline of the Company.....	1
1. Principal Management Indexes.....	1
2. Nature of Business.....	3
3. Outline of Associated Companies.....	5
4. Employees.....	8
II. Business Operations.....	9
1. Management Policy, Business Environment, Tasks Ahead, Etc.....	9
2. Operational Risks.....	20
3. Management Analysis of Financial Position, Operating Results and Cash Flows.....	25
4. Material Contracts.....	29
5. Research and Development.....	29
III. Facilities and Equipment.....	36
1. Investments in Facilities and Equipment.....	36
2. Principal Facilities and Equipment.....	37
IV. The Company.....	40
1. Shares.....	40
(1) Number of authorized and issued shares.....	40
(2) Stock acquisition rights.....	40
(3) Exercise of bonds with stock acquisition rights containing a clause for exercise price revision.....	40
(4) Principal shareholders.....	41
2. Acquisition of the Company's Treasury Stock.....	41
3. Dividend Policy.....	42
4. Corporate Governance.....	43
V. Financial Information.....	73
Consolidated Financial Statements.....	74
(1) Consolidated financial statements.....	74
(2) Other.....	126
Independent Auditors' Audit Report and Internal Control Audit Report.....	127
VI. Stock Information of Reporting Company.....	129

I. Outline of the Company

1. Principal Management Indexes

(1) Consolidated principal management indexes for the five years ended November 30, 2019

Period ended	Nov. 2015	Nov. 2016	Nov. 2017	Nov. 2018	Nov. 2019
Net sales (millions of yen)	549,774	552,306	561,688	573,525	545,723
Ordinary income (millions of yen)	27,224	31,364	32,511	34,349	33,275
Profit attributable to owners of parent (millions of yen)	16,973	17,093	18,099	18,320	18,698
Comprehensive income (millions of yen)	26,159	10,955	33,897	17,786	17,646
Total net assets (millions of yen)	244,717	245,861	263,432	266,100	276,753
Total assets (millions of yen)	371,495	384,263	417,710	419,736	444,309
Net assets per share (yen)	1,403.05	1,420.63	1,539.94	1,582.27	1,646.73
Earnings per share (yen)	111.82	113.47	121.05	124.85	130.72
Earnings per share – diluted (yen)	–	–	–	–	–
Equity ratio (%)	57.3	55.3	54.2	53.9	53.0
Return on equity (%)	8.3	8.0	8.2	8.1	8.1
Price earnings ratio (times)	26.4	23.8	23.8	22.1	18.6
Cash flows from operating activities (millions of yen)	28,094	45,260	27,234	41,778	43,916
Cash flows from investing activities (millions of yen)	(31,181)	(32,046)	(31,421)	(20,199)	(29,720)
Cash flows from financing activities (millions of yen)	(7,101)	(5,805)	4,010	(15,293)	(4,602)
Cash and cash equivalents at the end of the fiscal year (millions of yen)	34,841	40,790	41,411	47,970	56,777
Number of regular full-time employees, and average number of temporary employees in brackets	13,478 [11,519]	14,095 [11,150]	14,924 [11,456]	14,808 [9,843]	15,452 [9,404]

(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.

4. The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant guidelines effective as of the beginning of the current fiscal year. Accordingly, the principal management indexes pertaining to the period extending from the fiscal year ended November 30, 2015 to the fiscal year ended November 30, 2018 have been retroactively adjusted to reflect the adoption of said accounting standard and relevant guidelines.

(2) Non-consolidated principal management indexes for the five years ended November 30, 2019

Period ended	Nov. 2015	Nov. 2016	Nov. 2017	Nov. 2018	Nov. 2019
Net sales (millions of yen)	210,426	205,102	204,072	203,449	192,881
Ordinary income (millions of yen)	11,472	12,973	16,060	16,400	17,245
Profit (millions of yen)	7,910	9,161	12,691	11,586	12,453
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	150,000,000	150,000,000	150,000,000
Total net assets (millions of yen)	152,916	152,232	153,669	147,756	153,101
Total assets (millions of yen)	227,151	241,471	260,083	252,009	259,373
Net assets per share (yen)	1,007.57	1,017.15	1,045.05	1,032.95	1,070.33
Annual dividends per share, and interim dividends per share in brackets (yen)	29.0 [12.5]	34.5 [15.0]	36.5 [18.0]	38.0 [19.0]	45.0 [20.0]
Earnings per share (yen)	52.12	60.82	84.88	78.96	87.06
Earnings per share – diluted (yen)	—	—	—	—	—
Equity ratio (%)	67.3	63.0	59.1	58.6	59.0
Return on equity (%)	5.3	6.0	8.3	7.7	8.3
Price earnings ratio (times)	56.7	44.4	34.0	34.9	27.9
Dividend payout ratio (%)	55.6	52.6	43.0	48.1	51.7
Number of regular full-time employees, and average number of temporary employees in brackets	2,520 [963]	2,510 [926]	2,523 [853]	2,508 [774]	2,447 [738]
Total shareholder return (Comparative index: Dividend-included TOPIX) (%)	153.6 [114.2]	142.5 [108.6]	153.7 [135.2]	149.0 [128.5]	134.7 [134.3]
Highest stock price (yen)	3,645	3,590	3,290	3,145	2,782
Lowest stock price (yen)	1,903	2,304	2,479	2,435	2,303

- (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.
 4. The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant guidelines effective as of the beginning of the current fiscal year. Accordingly, the principal management indexes pertaining to the period extending from the fiscal year ended November 30, 2015 to the fiscal year ended November 30, 2018 have been retroactively adjusted to reflect the adoption of said accounting standard and relevant guidelines.
 5. The highest and lowest stock prices are those of the first section of the Tokyo Stock Exchange.

2. Nature of Business

The Kewpie Group (the "Group") consists of the Company, seventy-six 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 reporting segments.

Business category	The Company and principal associated companies	Major handling items / services
Condiments and Processed Foods	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.	Mayonnaise and dressings
	Co-op Foods Co., Ltd.	Prepared foods
	Kewpie Jyozo Co., Ltd.	Vinegar
Salad and Delicatessen	Kewpie Corporation Deria Foods Co., Ltd. Shunsai Deli Co., Ltd. Potato Delica Co., Ltd.	Salads and Delicatessen foods
	Salad Club, Inc.	Packaged salads
Egg	Kewpie Corporation Kewpie Egg Corporation Zen-noh Kewpie Egg-station Co., Ltd.	Liquid egg and egg products
	HENNINGSEN FOODS, INC.	Egg products and dried meats
Fruit Solution	Aohata Corporation	Jams and fruit processed foods
Fine Chemicals	Kewpie Corporation	Hyaluronic acid and others
Distribution	K.R.S. Corporation K. Tis Corporation	Transportation and warehousing of food products
	S.Y. PROMOTION Co., Ltd.	Transportation of food products
	Kewso Services Corporation	Sale of vehicles, distribution equipment, fuel and other products related to transportation and warehousing of food products
Common Business Operations	Shiba Seisakusyo Co., Ltd.	Sale of food production equipment
	San-ei Provisions Co., Ltd.	Sale of foods

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.

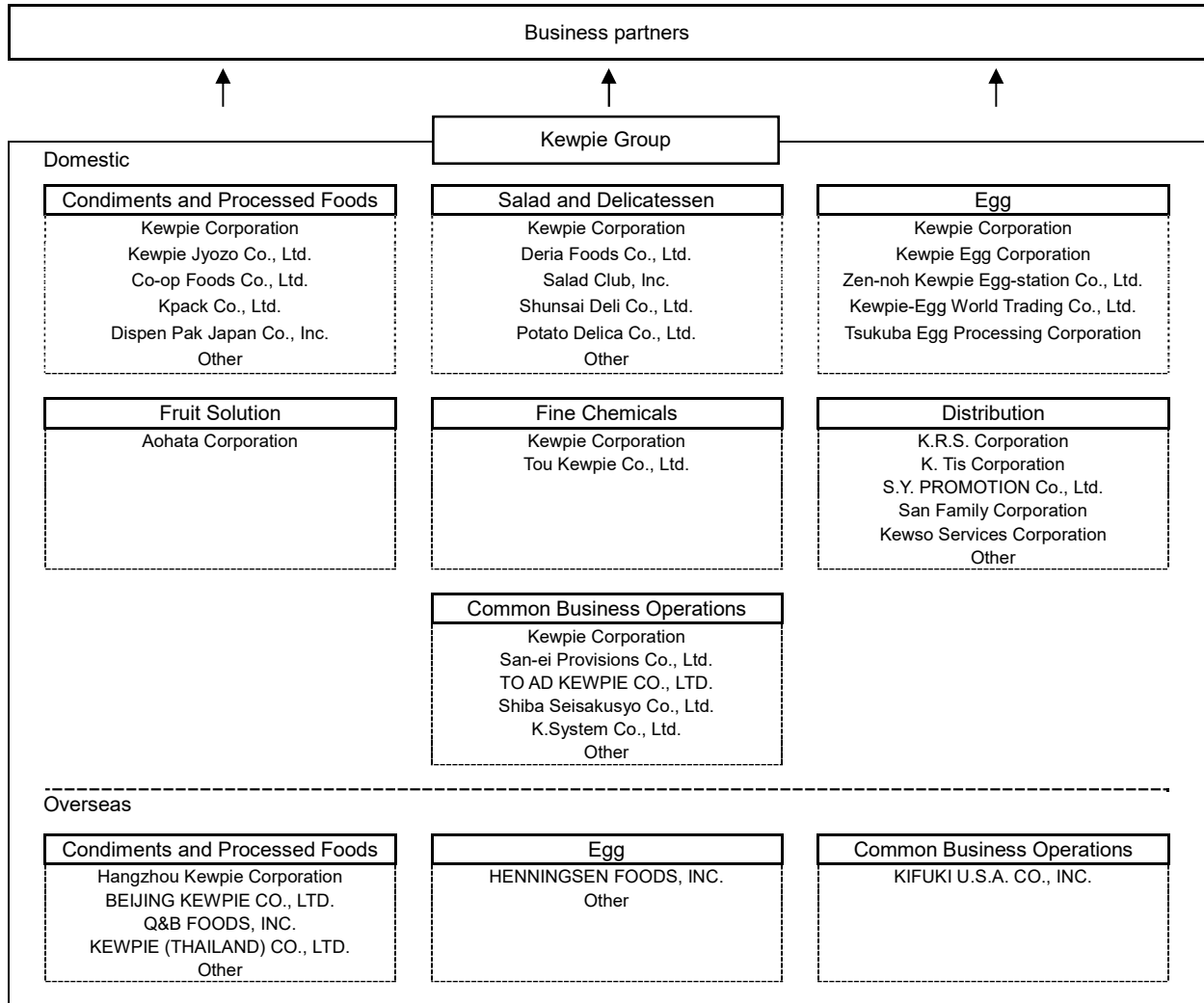
(Note) The Company has made changes to the reporting segment classifications effective from the current fiscal year. Accordingly, the reporting segments of the Group are as follows.

Before change: "Condiments products", "Egg products", "Delicatessen products", "Processed foods", "Fine chemical products", "Distribution system", and "Common Business Operations".

After change: "Condiments and Processed Foods", "Salad and Delicatessen", "Egg", "Fruit Solution", "Fine Chemicals", "Distribution", and "Common Business Operations".

For further details, please refer to "V. Financial Information, Consolidated Financial Statements, (1) Consolidated financial statements, Notes, Segment Information".

(Group Business Network)



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	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
Kewpie Egg Corporation (Notes 1 & 4)	Chofu-shi, Tokyo	350 million yen	Production and sale of liquid, frozen and processed egg	100.0	D or A Employees 29	None	Purchase of products and raw materials, etc.	Leases of offices and factories
Deria Foods Co., Ltd. (Notes 1 & 4)	Chofu-shi, Tokyo	50 million yen	Sale of salads and delicatessen foods	100.0	D or A Employees 25	None	Sale of goods and products	Leases of offices
Kewpie Jyozo Co., Ltd.	Chofu-shi, Tokyo	450 million yen	Production and sale of vinegar	100.0	D or A Employees 32	None	Purchase of products and raw materials	Leases of offices
K.R.S. Corporation (Notes 1, 3, 4, 5 & 6)	Chofu-shi, Tokyo	4,063 million yen	Warehousing and transportation	45.7 (0.3) [5.9]	D or A 1	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 food service use	66.2	D or A Employees 14	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 retort pouch foods	100.0	D or A Employees 22	778 million yen	Purchase of products	Leases of offices
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 Employees 23	207 million yen	Purchase of 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 3	None	None	None
KIFUKU 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	None	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 Employees 12	Liabilities for guarantee 73 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 Employees 22	200 million yen	Sale of goods and products	None
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, subdividing and packing work	51.0	D or A Employees 23	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	70 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 6	389 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	D or A Employees 15	None	Purchase of products	Leases of offices

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	
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 (66.4)	D or A Employees	1 5	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	5	562 million yen	Sale of goods and products	None
Ishikari Delica Co., Ltd.	Teine-ku, Sapporo-shi, Hokkaido	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees	5	61 million yen	Sale of goods and 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 goods and products	Leases of factories
Salad Club, Inc.	Chofu-shi, Tokyo	300 million yen	Processing and sale of fresh vegetables	51.0	D or A Employees	2 3	None	Sale of products	Leases of offices and factories
K. Tis Corporation	Chofu-shi, Tokyo	82 million yen	Warehousing and transportation	100.0 (100.0)	None		None	None	None
BEIJING KEWPIE CO., LTD.	Beijing, China	42 million yuan	Production and sale of condiments	65.0 (65.0)	D or A Employees	1 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	5	None	Sale of goods and products	Leases of factories
Kewpie Ai Co., Ltd.	Machida-shi, Tokyo	30 million yen	Consigned clerical work	100.0	Employees	4	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	91 million yen	Sale of goods and products	None
Fujiyoshida Kewpie Co., Ltd.	Fujiyoshida-shi, Yamanashi	10 million yen	Production and processing of foods; outsourced work	51.0	D or A Employees	1 2	559 million yen	Consignment of production	Leases of production facilities
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	268 million baht	Production and sale of condiments, vinegar, salads and processed foods	45.3	D or A Employees	3 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	5	None	Sale of goods and products	Leases of factories
Osaka Sanei Logistics Corporation	Hirakata-shi, Osaka	66 million yen	Transportation	90.0 (90.0)	None		None	None	None
San 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	4	26 million yen	None	None
KEWPIE VIETNAM CO., LTD.	Binh Duong, Vietnam	256.4 billion dong	Production and sale of condiments	80.0	Employees	3	None	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

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
Kewpie-Egg World Trading Co., Ltd.	Chofu-shi, Tokyo	100 million yen	Sale of egg and processed egg	100.0 (51.0)	D or A Employees 2/4	62 million yen	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 Employees 2/3	169 million yen	Sale of products	None
Tou Kewpie Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Mail-order business	70.0	Employees 4	224 million yen	Sale of goods and products	Leases of offices
Aohata Corporation (Notes 3, 5 & 6)	Takehara-shi, Hiroshima	915 million yen	Production and sale of jams and fruit processed 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 (72.0)	D or A Employees 1/5	Liabilities for guarantee 132 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	1,536 million yen	None	None
Fresh Delica Network Corporation	Fuchu-shi, Tokyo	20 million yen	Transportation	100.0 (100.0)	Employees 2	None	None	Leases of parking lots
TO AD KEWPIE CO., LTD. (Note 5)	Shibuya-ku, Tokyo	4 million yen	Agency service for advertising, publicity, and exhibitions	50.0	Employees 3	None	Advertising agency services	Leases of offices
Hisamatsu Transport Corporation	Ayaka-gun, Utazu-cho, Kagawa	20 million yen	Transportation	100.0 (100.0)	None	None	None	None
Kewpie China Corporation (Note 1)	Beijing, China	447 million yuan	Financial management and business management of the Company's local subsidiaries in China	100.0	D or A Employees 1/3	None	None	None
Guangzhou Kewpie Corporation (Note 1)	Guangdong Province, China	187 million yuan	Production and sale of condiments	100.0 (100.0)	Employees 4	None	None	None
Kewpie Philippines, Inc.	Manila, Philippines	50 million peso	Sale of condiments	100.0	Employees 3	None	None	None
Tsukuba Egg Processing Corporation	Tsukuba-shi, Ibaraki	100 million yen	Production and sale of processed egg	51.0 (51.0)	Employees 3	None	None	None
Other: 1								

(Notes) 1. Kewpie Egg Corporation, Deria Foods Co., Ltd., K.R.S. Corporation, Nantong Kewpie Corporation, Mosso Kewpie Poland Sp. z o.o., Kewpie China Corporation, and Guangzhou Kewpie Corporation are classified under Japanese tax law as *tokutei kogaisha*, a special category of subsidiary.

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

3. The companies file their own annual securities report to the Commissioner of the Financial Services Agency.

4. Net sales of Kewpie Egg Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales.

Major profit/loss information:	(1) Net sales	¥92,146 million
	(2) Ordinary income	¥6,081 million
	(3) Profit	¥4,055 million
	(4) Total net assets	¥38,061 million
	(5) Total assets	¥53,984 million

Net sales of Deria Foods Co., Ltd. (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales.

Major profit/loss information:	(1) Net sales	¥58,323 million
	(2) Ordinary income	¥1,355 million
	(3) Profit	¥991 million
	(4) Total net assets	¥3,852 million
	(5) Total assets	¥15,013 million

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

5. K.R.S. Corporation, KEWPIE (THAILAND) CO., LTD., 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	Employees 3	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	185 million yen	Purchase of products	None
To Solutions Co., Ltd.	Chofu-shi, Tokyo	90 million yen	Plan, development, sale, maintenance and operations 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, 2019)

Number of employees	
15,452	(9,404)

(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 policy 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 celebrated 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 ended November 30, 2019. Working to maintain growth in Japan and accelerate growth overseas, we have set forth three management policies: (i) promoting our products, centering on the three businesses, as integral parts of our daily meals in Japan; (ii) accelerating business expansion overseas, particularly in China and South East Asia; and (iii) 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

(i) Domestic <Promoting our products, centering on the three businesses, as integral parts of our daily meals>	(ii) Overseas <Accelerating business expansion, particularly in China and South East Asia>
<ul style="list-style-type: none"> ◇ 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".) 	<ul style="list-style-type: none"> ◇ All Areas Expand and cultivate consumers' salad needs with focus on mayonnaise and deep-roasted sesame dressing. ◇ Area Specific (Focus Areas: China and Southeast Asia) Develop businesses compatible to the local needs of each area and strengthen category type strategies and the business foundation.

(iii) <Strengthen the business foundation for better adaptability to environmental changes>
<ul style="list-style-type: none"> ◇ Initiatives for the environment <ul style="list-style-type: none"> • Effective utilization of resources: Utilization of unused parts of vegetables, etc. • Reduction in product waste: SCM optimization, etc. • Reduction of CO₂ emissions: Improved efficiency of production, distribution, etc. ◇ Initiatives for society <ul style="list-style-type: none"> • Promoting longer, healthier lives: Food lifestyle proposals involving salads 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	570.0
Japan: Food businesses	364.2
Japan: Distribution business	147.0
Overseas	58.8
Operating income	34.5
Japan: Food businesses	31.4
Japan: Distribution business	4.5
Overseas	6.2
Company-wide expenses	(7.5)
Ordinary income	35.0
Profit attributable to owners of parent	18.8
ROA (Return on assets)	7.7%

Key indicators

Operating income ratio	6.1%
ROE (Return on equity)	7.5%
Operating income ratio for the three businesses in Japan	8.5%
Sales growth rate in China and Southeast Asia (Local currency basis)	113%

C. Net sales and operating income targets by segment (FY 2021)

(Billions of yen)

Business category	Net sales	Operating income
Condiments and Processed Foods	194.1	22.3
Salad and Delicatessen	93.0	3.7
Egg	103.8	8.1
Fruit Solution	17.0	0.8
Fine Chemicals	9.5	1.5
Distribution	147.0	4.5
Common Business Operations	5.6	1.2
Company-wide expenses	—	(7.5)
Total	570.0	34.5

- (Notes) 1. The business categories are the same categories as the reporting segments.
2. Company-wide expenses are expenses that cannot be allocated to any specific business (headquarters expenses, etc.).

D. Net sales and operating income targets for overseas expansion (FY 2021)

(Billions of yen)

	Net sales	Operating income
China	24.3	3.4
Southeast Asia	13.6	1.2
U.S.	12.0	0.8
Condiments and Processed Foods	7.1	0.6
Egg	4.8	0.2
Europe	3.0	(0.1)
Exports	6.0	1.0
Other expenses	—	(0.2)
Total	58.8	6.2

(Note) Other expenses are expenses for overseas expansion that cannot be allocated to any specific area.

E. Initiatives for sustainability











The Group establishes priority material issues and targets based on the Group's ambitions and business attributes premised on the aims of helping to bring about a sustainable society and enabling the Group to achieve ongoing growth.

Amid a drastically changing social environment, we have been strengthening our business foundations and addressing future risks in a manner that will give rise to business opportunities on a Group-wide basis.

Material issues for sustainability

We have identified social issues that the Group ought to address by analyzing risks and opportunities inherent in our value chain drawing from the Sustainable Development Goals (SDGs*).

We have pinpointed material issues for sustainability to be given priority, which has involved assessing the extent of stakeholder expectation and the degree to which the Group affects society with respect to each of the social issues.

Material issues	Our Approach	Related SDGs*
Contribution to extending healthy lifespan	<ul style="list-style-type: none"> Tapping the nutritional power of salad (vegetables) and eggs to help prevent lifestyle diseases among the middle-aged and prevent malnutrition among the elderly. 	 
Mental and physical health support for children	<ul style="list-style-type: none"> Creating opportunities for food education and communal dining incorporating salad and egg products. Providing food assistance to children and their families, in the process strengthening communication between children, families, and the community. 	 
Efficient use of resources and sustainable procurement	<ul style="list-style-type: none"> Using food resources efficiently and effectively and reducing food waste. Working with producers to promote sustainable agriculture. 	  
Reduction of CO ₂ emissions (response to climate change)	<ul style="list-style-type: none"> Cutting CO₂ emissions across the supply chain, from procurement of ingredients to product use and disposal. 	
In addition to the above, we promote the following as the platform of our Group growth strategy.		
Promotion of diversity	<ul style="list-style-type: none"> Creating new work styles and environments where diverse human resources can work comfortably and grow, giving birth to new social values. 	 

Sustainability targets

Our sustainability targets serve as benchmarks for specific initiatives we are taking to address the material issues for sustainability.

We will make our Kewpie Group 2030 Vision long-term vision a reality by achieving the sustainability targets in conjunction with our performance targets, particularly those of our Medium-term Business Plan.

Material issues	Indicators	FY2019 Results	FY2021 Targets	FY2030 Targets
Contribution to extending healthy lifespan	As a leading company in salads and eggs, we will <ul style="list-style-type: none"> Contribute to achieving a vegetable intake target of 350 grams* per day. Promote a boost in egg consumption in order to contribute to increasing protein intake. 			
Mental and physical health support for children	Number of smiles of children through our Group's food education activities	101 thousand people	Over 0.2 million people (cumulative since fiscal 2019)	Over 1 million people (cumulative since fiscal 2019)
Efficient use of resources and sustainable procurement	Unused portions of main vegetables used by the Group	Efficient use of 21.2%	Efficient use of 30%	Efficient use of 90%
	Reduce product disposal (compared to fiscal 2015)	(29.9)%	(25)%	(50)%
Reduction of CO ₂ emissions	CO ₂ emissions (compared to fiscal 2013)	(7.2)%	(7.5)%	(20)%
Promotion of diversity	Proportion of women in management positions (in Kewpie Corporation)	9.2%	12% or higher	30% or higher

* SDGs (Sustainable Development Goals) are goals shared by the international community, which were decided at the summit held by the United Nations in September 2015. They consist of 17 goals to achieve by 2030 in order to realize a sustainable society.

(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 shareholder 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 this regard, although tender offer regulations under the prevailing Financial Instruments and Exchange Law stipulate certain mechanisms for providing information, the Company is unable to address large purchase actions implemented in the market drawing on such mechanisms for provision of information because such large purchase actions are not subject to tender offer regulations. Furthermore, when it comes to large purchase actions that are subject to tender offer regulations, only one question may be asked of a purchaser recognized under the Financial Instruments and Exchange Law by means of a subject company's position statement. Moreover, purchasers are not required to furnish a sufficient response to any such question, in that it is possible for them not to furnish a reply if they state detailed rationale in that regard. As such, there is no denying the notion that there may be a need to furnish approval or disapproval even with respect to a large purchase action that is subject to tender offer regulations amid a scenario where our shareholders have not been provided with sufficient information while also lacking sufficient time to consider whether or not our shareholders are willing to accept the takeover bid (TOB).

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. Formulation of the Group's long-term vision and its Medium-term Business Plan

Under the Kewpie Group 2030 Vision as its long-term vision, the Group embraces a single common purpose and broadly evokes a sense of empathy by extending the areas of business in which we can contribute to the world and engaging in initiatives aimed at solving social issues.

In addition, we aim to achieve sustainable growth in Japan while achieving dramatic growth overseas under our Medium-term Business Plan covering three years starting from the fiscal year ended November 30, 2019. To such ends, the plan calls for initiatives that mainly involve 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.

To put the Medium-term Business Plan and the Kewpie Group 2030 Vision into action, the Group will make proactive business and capital investments to strengthen revenue-generating base and enhance asset efficiency at each business, with the policies of the plan at the core of these efforts. We believe that doing so will help to further enhance its corporate value and the common interests of its shareholders.

B. Streamlining of corporate governance

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

The Company sets the term of directors and corporate officers 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. Additionally, to further strengthen its audit system, the Company employs five corporate auditors (members of the Audit & Supervisory Board), including three outside corporate auditors.

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 methods of nomination and compensation of directors and other officers. 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 defined by the Company. Moreover, the committee's chairman is to be selected from among those committee members who are outside directors.

The Company has also established its Management Advisory Board as an advisory body to the Company's President and Chief Executive Corporate Officer, composed of experts from outside the Company. It 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.

(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 December 26, 2019 to continue to adopt the defense plan against large purchase actions of the shares of the Company (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 107th Ordinary General Meeting of Shareholders on February 27, 2020. The continuous adoption of the Defense Plan was approved at the above-mentioned 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 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 the Large Purchaser provides the Board of Directors of the Company with necessary and sufficient information on the large purchase action in advance, and, in principle, 60 days from completion thereof (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 establish an Independent Committee as a monitoring body to ensure the Defense Plan is implemented properly and to prevent arbitrary judgments by the Board of Directors as far as possible, and, the Company will follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intentions.

The Independent Committee shall consist of at least three members, who shall be appointed from among the Company's outside directors and its outside corporate auditors who are registered with the Tokyo Stock Exchange as independent officers, 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 based on 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.

When determining whether or not to trigger the Defense Measure, the Company shall ensure objectivity and rationality in that regard. To such ends, the Board of Directors shall respect recommendation from the Independent Committee to the maximum extent possible, upon having studied specifics of the Large Purchaser and the large purchase action, and having reviewed the effects that the large purchase action will have on the corporate value of the Company and the common interests of its shareholders, while seeking advice from third-party experts wherever necessary. Furthermore, a decision by the Board of Directors to trigger the Defense Measure shall be allowed only if there is an Independent Committee recommendation deeming it desirable to trigger the Defense Measure.

(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, as authorized by the Companies Act and other laws or ordinances and the Articles of Incorporation of the Company, against the large purchase action.

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 recommendation from the Independent Committee to the maximum extent possible. Furthermore, a decision by the Board of Directors to trigger the Defense Measure shall be allowed only if there is an Independent Committee recommendation deeming it desirable to trigger the Defense Measure.

(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 recommendation 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 110th Ordinary General Meeting of Shareholders to be held no later than February 28, 2023.

(4) Assessment of the Defense Plan 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 limited 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 continue the Defense Plan by itself, but subject to the approval of the shareholders of the Company.

In addition, the Board of Directors shall seek advice from third-party experts whenever necessary in making any important decision on the Defense Policy such as those involving whether or not to trigger the Defense Measure with respect to a large purchase action, and shall also consult with the Independent Committee consisting of the members independent of the management responsible for execution of business. The Board of Directors shall respect recommendation from the Independent Committee to the maximum extent possible. Furthermore, a decision by the Board of Directors to trigger the Defense Measure shall be allowed only if there is an Independent Committee recommendation deeming it desirable to trigger the Defense Measure. 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.

In this way, 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 shown in the list below.

The Group, recognizing the risks inherent in the Group's business, takes all reasonable measures to inhibit or avoid the occurrence of risks. To such ends, the risk management basic policy has set specific, systematic procedures for managing the Company's risk, under which each responsible unit exercises continuous oversight of each individual risk factor. In addition, the Risk Management Committee, chaired by the director in charge of risk management, 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. In addition, the director in charge of risk management regularly reports to the Board of Directors regarding matters that include policies and developments regarding Company-wide risk assessment and response.

Nevertheless, the Group's credibility, business performance and financial position may be substantially affected should an event occur such that is beyond the control of the Group. An overview of the risks involved is given in the list 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.

	Event	Risks	Measures to address risks
Business environment	Market developments	<ul style="list-style-type: none"> Declining domestic demand Long-term market contraction to decreasing population Sales of mayonnaise and dressings adversely affected by vegetable price volatility 	<p>We are taking steps to achieve sustainable growth in Japan and are developing markets and tapping demand with a focus on the Condiments and Processed Foods Business, the Salad and Delicatessen Business, and the Egg Business. We are seeking more diverse uses for mayonnaise and dressings, and consistently expanding demand. Meanwhile, we are aiming to create business opportunities by contributing to extending healthy lifespan which entails leveraging our distinctive characteristics in our core business involving salads and eggs. To achieve those aims, we are building an optimal production system and expanding into new sales channels, such that involves making reciprocal use of sales channels in our respective businesses. We are also creating new value that includes an entirely new level of exquisite taste by expanding R&D themes that cut across businesses.</p> <p>Overseas, we have positioned Kewpie-brand mayonnaise and deep-roasted sesame dressing as global strategic products, and are looking to expand and cultivate demand for salads, particularly in China and Southeast Asia.</p>
	Procurement of principal ingredients	<ul style="list-style-type: none"> Volatility in edible oil prices due to fluctuations in market prices of soybeans and rapeseed, exchange rates as well as supply and demand Price volatility and procurement difficulties with respect to shell eggs caused by factors that include shell egg consumption trends, changes in the number of egg-laying hens and outbreaks of avian influenza 	<p>We promote initiatives geared to ensuring stable purchase prices and necessary volume.</p> <p>As for edible oils, we are taking steps to curb effects of price volatility. For instance, 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.</p> <p>As for shell eggs, we take steps that include arranging a combination of scheduled annual volume purchases with producers in respective regions with a focus on major egg producers, fixed-price contracts, and spot contract purchases on the open market. Moreover, we are also establishing a framework encompassing nationwide procurement and egg-breaking plants that provides coverage through plants in other regions should restrictions be placed on shipments amid an outbreak of avian influenza in some geographic areas.</p>

	Event	Risks	Measures to address risks
Business operations	Product liability	<ul style="list-style-type: none"> • Incidents causing damage to the health of consumers, such as the insertion of foreign matter into products and false or mistaken indications on product labels 	<p>Insistence on the highest product quality has been our most fundamental concern since the Company was established. Accordingly, we rigorously and systematically enhance product quality assurance systems by acquiring Food Safety System Certification (FSSC 22000, JFS-C certification, etc.), engaging in trans-group quality monitoring, developing product quality assurance and traceability systems that make use of factory automation, self-monitoring, and constructing quality standard control systems for procured ingredients focused on insistence on meeting our safety and hygiene standards.</p> <p>In addition, 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.</p>
	Natural disasters and other such contingencies	<ul style="list-style-type: none"> • Natural disasters, proliferation of disease and other such social turmoil • Damage to manufacturing and distribution facilities, equipment, etc. • Difficulties procuring raw materials and energy • Shortages of human resources necessary for operations 	<p>We are working on measures that entail establishing business continuity plans (BCP) to go into effect in the event of any crisis extending across the Group, leveraging our crisis-related experience particularly involving natural disasters and proliferation of disease.</p> <p>We have prepared manuals pertaining to respective disaster types in preparation for the potential occurrence of a crisis scenario. This has involved efforts that include developing frameworks for setting up operations in Kansai area that substitute for those of the Tokyo Head Office, establishing emergency communications networks and stockpiling supplies, reinforcing production and distribution facilities, developing systems for confirming available production capacity in the event of a contingency, and developing site redundancies in relation to our core products with respect to production, as well as the functions of raw material procurement and order acceptance.</p> <p>To ensure that such operations perform effectively, we also carry out large-scale disaster response training sessions (initial response training, product supply training, and safety verification training).</p>

	Event	Risks	Measures to address risks
Business operations	Human resources and labor-related	<ul style="list-style-type: none"> • Insufficient human resources in terms of carrying out on-site work at manufacturing and distribution sites • Improper management of working hours • Harassment 	<p>We take steps to secure and retain human resources that involve engaging in ongoing recruitment, upgrading employee education, developing optimal working environments.</p> <p>At our manufacturing sites, we streamline operations and achieve labor savings. More specifically, we make use of IoT technologies, robotic process automation (RPA), various types of robots and artificial intelligence. In addition, we will extend our range of employment in part by developing working environments that enable foreign nationals to work more effectively, in line with revisions to Japan's Immigration Control Act.</p> <p>At our distribution sites, we are curbing on-duty hours of our drivers by easing up on delivery lead-times by implementing two-day delivery and simplifying inspections. We are also improving their working environments and taking steps to be more flexible in securing drivers. Moreover, we are promoting alternatives to truck transport by making a modal shift to railway and ship transport.</p> <p>We are also taking steps to reduce our exposure to labor-related risk. This has involved developing workplace environments where employees are able to balance their careers and family life, thereby enabling every employee at all of our locations to work with peace of mind, developing optimal work schedules and appropriately implementing labor controls pursuant to laws and regulations, providing thorough employee education on harassment prevention, and establishing an internal reporting system (helpline).</p>

	Event	Risks	Measures to address risks
Society and the environment	Overseas expansion	<ul style="list-style-type: none"> • Problems stemming from vulnerable business foundation • Occupational safety • Leakage of information • Counterfeit goods 	<p>Our overseas subsidiaries also implement on-site education and various training programs with the aim of instilling the Group's philosophy. We are also developing internal control systems to strengthen our business foundation. More specifically, this has entailed efforts that involve clarifying decision-making authority; establishing and operating various regulations and systems such that include rules on contracts and regulations management, as well as accounting and financial regulations, anti-bribery regulations, and personnel evaluation systems; adopting an internal reporting system; establishing business continuity plans (BCP); and implementing crisis management training sessions.</p> <p>Moreover, we strive to ensure that our factories overseas have the same occupational safety environments as those in Japan by providing guidance and carrying out audits based on the Group's own occupational safety standards.</p> <p>We have also adopted rules on our handling and security of corporate information and important technical information, and are building a solid ICT network.</p> <p>We are taking countermeasures against counterfeit goods that involve eliminating from the market products that infringe on our trademark rights and misleading products of other companies, while also seeing to it that we do not confer the right to file for malicious trademarks.</p>
	Global environmental issues	<ul style="list-style-type: none"> • Diminished reputation based on the perception that we have taken insufficient action 	<p>We set targets and engage in environmental conservation initiatives on the basis of our Code of Conduct, which in relation to the global environment states that we are to "promote a sustainable society for future generations by effectively utilizing resources and preserving the environment".</p> <p>In terms of making effective use of resources, we have been working to reduce food loss by recycling unused food portions such as eggshells, vegetable cores and outer leaves, and by extending best-before dates and expiration dates.</p> <p>In addressing the issue of plastics, we are working to reduce the amount of plastics that we use in packaging and production. Furthermore, having embarked on research seeking alternative materials that have less of an impact on the environment, we are helping to reduce plastic consumption and contributing to the notion of a recycling-oriented society.</p> <p>To help prevent global warming and otherwise alleviate climate change, we are adopting energy-saving practices at our manufacturing, distribution and office sites, while also switching to renewable energy in terms of using solar power.</p>

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, 2019, 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, consumption has been affected by factors that include unfavorable weather conditions, natural disasters, and Japan's consumption tax hike. 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 include escalating personnel costs and vehicle procurement costs against a backdrop of manpower shortages, in addition to adverse effects from unfavorable weather conditions and natural disasters.

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

• Net sales

Consolidated net sales decreased by ¥27,802 million (4.8%) year on year to ¥545,723 million, due to effects of factors that include a transfer of business carried out in the previous fiscal year and a downturn in the domestic shell egg market.

• Profit

Despite having achieved a better gross profit margin, particularly given growth in the sales of value-added products, operating income decreased by ¥1,019 million (3.1%) year on year to ¥32,048 million, and ordinary income decreased by ¥1,074 million (3.1%) year on year to ¥33,275 million, largely due to effects of factors that include the transfer of business carried out in the previous fiscal year, expenses incurred in relation to the Company's 100-year anniversary, and sluggish sales.

In addition, profit attributable to owners of parent increased by ¥378 million (2.1%) year on year to ¥18,698 million largely as a result of income taxes having decreased compared to the previous fiscal year.

◇ Business overview by segment

[Breakdown of net sales]

(Millions of yen unless otherwise stated)

	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)	Change (amount)	Change (ratio)
Condiments and Processed Foods	184,292	185,213	921	0.5%
Salad and Delicatessen	118,323	90,291	(28,032)	(23.7)%
Egg	100,895	99,991	(904)	(0.9)%
Fruit Solution	15,871	15,648	(223)	(1.4)%
Fine Chemicals	10,035	8,348	(1,687)	(16.8)%
Distribution	138,263	140,976	2,713	2.0%
Common Business Operations	5,843	5,253	(590)	(10.1)%
Total	573,525	545,723	(27,802)	(4.8)%

[Breakdown of operating income]		(Millions of yen unless otherwise stated)		
	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)	Change (amount)	Change (ratio)
Condiments and Processed Foods	19,833	21,587	1,754	8.8%
Salad and Delicatessen	4,288	3,185	(1,103)	(25.7)%
Egg	7,789	7,438	(351)	(4.5)%
Fruit Solution	678	312	(366)	(54.0)%
Fine Chemicals	1,459	1,236	(223)	(15.3)%
Distribution	4,661	4,133	(528)	(11.3)%
Common Business Operations	1,464	1,349	(115)	(7.9)%
Company-wide expenses	(7,107)	(7,194)	(87)	—
Total	33,067	32,048	(1,019)	(3.1)%

Condiments and Processed Foods

- Sales increased due to growth in domestic mayonnaise and growth in overseas mayonnaise and dressings.
- Operating income increased due to effects of an increase in sales overseas and having reviewed low-profit products, as well as due to stable prices of major raw materials.

Salad and Delicatessen

- Both sales and operating income decreased due to effects of the transfer of business carried out in the previous fiscal year and declining sales of cut vegetables amid a downturn in market prices of leafy vegetables.

Egg

- Sales decreased due to effects of a decline in the shell egg market extending through the third quarter, despite an increase in domestic sales volume.
- Operating income decreased due to rising costs associated with new plant operations and increasing shell egg market prices in the fourth quarter.

Fruit Solution

- Sales decreased largely due to a downturn in sales of products for food manufacturers, despite favorable sales of jams and spread.
- Operating income decreased largely due to lower profit associated with lower sales and due to effects of having transferred production of prepared foods to other businesses.

Fine Chemicals

- Both sales and operating income decreased largely due to effects of having transferred the EPA for medical use business in the previous fiscal year, despite favorable performance in the medical equipment business.

Distribution

- Sales increased due to progress made in expanding service to existing customers in areas such as joint distribution.
- Operating income decreased largely due to increase in personnel costs associated with business expansion and systemic enhancement.

Common Business Operations

- Both sales and operating income decreased due to a downturn in sales of raw materials externally.

◇ Status of financial position

- Total assets increased by ¥24,573 million year on year to ¥444,309 million.

This was mainly due to an ¥8,284 million increase in cash and deposits, a ¥6,617 million increase in notes and accounts receivable — trade, a ¥3,514 million increase in machinery, equipment and vehicles, and a ¥4,045 million increase in construction in progress.

- Total liabilities increased by ¥13,920 million year on year to ¥167,556 million.

This was mainly due to an ¥8,781 million increase in notes and accounts payable — trade and a ¥5,952 million increase in long-term loans payable.

- Total net assets increased by ¥10,653 million year on year to ¥276,753 million.

This was mainly due to a ¥13,120 million increase in earned surplus and a ¥1,782 million decrease in foreign currency translation adjustments.

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective as of the beginning of the current fiscal year. Accordingly, the Company has performed comparison and analysis of its financial position based on the previous fiscal year-end figures that have been retroactively adjusted to reflect the adoption of said accounting standard.

B. Status of cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥56,777 million, which represents an increase of ¥8,806 million from the end of the previous fiscal year.

Status of cash flows is as follows:

Net cash provided by operating activities came to ¥43,916 million for the current fiscal year, compared with ¥41,778 million for the previous fiscal year. This was the result of profit before income taxes of ¥32,487 million, depreciation and amortization of ¥18,649 million and income taxes paid of ¥12,171 million.

Net cash used in investing activities amounted to ¥29,720 million, compared with ¥20,199 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥24,952 million and purchases of intangible fixed assets of ¥5,074 million.

Net cash used in financing activities amounted to ¥4,602 million, compared with ¥15,293 million used in the previous fiscal year. This was the result of cash dividends paid of ¥5,578 million, a net decrease in short-term loans payable of ¥3,135 million, a repayment of long-term loans payable of ¥3,014 million, and proceeds from long-term loans payable of ¥10,039 million.

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

	FY2015	FY2016	FY2017	FY2018	FY2019
Equity ratio (%)	57.3	55.3	54.2	53.9	53.0
Equity ratio based on market value (%)	120.6	105.3	101.6	93.9	78.3
Interest-bearing debt to cash flows ratio (year)	1.1	0.8	2.2	1.5	1.5
Interest coverage ratio (times)	89.5	146.4	75.8	122.5	144.7

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 (used in) operating activities" and "Interest paid" reported in the Consolidated Statements of Cash Flows, respectively.

(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.

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) Analysis of financial position and operating results

Details regarding analysis of the Group's financial position and operating results for the current fiscal year is given in "3. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of operating results, etc., A. Financial position and operating results".

b) Sources of cash and liquidity

(i) Cash flow analysis

Details regarding overview of the Group's cash flows 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".

(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 domestic consolidated subsidiaries, and has accordingly adopted a cash management system with the aim of enhancing funding efficiency and reducing financing costs.

c) Progress made in achieving target management indexes

Having drawn up its Medium-term Business Plan covering the three years starting from fiscal year ended November 30, 2019, the Group has set a return on equity (ROE) target of 7.5% and a return on assets (ROA) target of 7.7% to be achieved in the plan's final fiscal year ending November 30, 2021.

In the current fiscal year, which is the initial fiscal year of the Medium-term Business Plan, return on equity (ROE) was 8.1% and return on assets (ROA) was 7.7%.

Movements in each of the indexes are as follows:

		FY2015	FY2016	FY2017	FY2018	FY2019
ROE (Return on equity)	(%)	8.3	8.0	8.2	8.1	8.1
ROA (Return on assets)	(%)	7.5	8.3	8.1	8.2	7.7

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 the respective lines of business — "Condiments and Processed Foods", "Salad and Delicatessen", "Egg", and "Fine Chemicals", 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, Kewpie Egg Corporation, Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., Co-op Foods Co., Ltd., and Salad Club, Inc., all of which are based in Japan, and overseas facilities including 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.

As for the Group's R&D, we engage in research and development with the aim of providing enjoyable and healthy diets and lifestyles for the world of the future, premised on our R&D philosophy of sharing technology-based inspiration with customers. We work with partners worldwide to do so, prioritizing research in the fields of salads, eggs, diet and lifestyle creation, and presymptomatic healthcare.

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 initial fiscal year of the Ninth Medium-term Business Plan, the Group embarked on initiatives under its new system geared to bringing about transformation. We have 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 technological 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 core technologies 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. With respect to new technologies, they also engage in initiatives leveraging AI and otherwise 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 ¥4,156 million.

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

(1) Condiments and Processed Foods,

Salad and Delicatessen, Egg, Fine Chemicals

During the current fiscal year, 29 presentations were made and 12 essays were published regarding research results created through 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
Heating behavior of cysteine residues on heat-induced gel formation of hen egg white	The 2019 Annual Meeting of Japan Society for Bioscience, Biotechnology and Agrochemistry	Tokyo University of Agriculture
Thermal behavior of soluble aggregate of dried egg white	The 2019 Annual Meeting of Japan Society for Bioscience, Biotechnology and Agrochemistry	Tokyo University of Agriculture

Title	Annual Meeting	Collaborator
2 kDa hyaluronan promotes collagen remodeling in skin by simultaneous upregulation of collagen degradation and synthesis	The 25th IFSCC Conference	Josai University
Hydrogel using egg yolk lecithin and its application	The 34th Annual Meeting of The Academy of Pharmaceutical Science and Technology, Japan	
Optimization of microbial inactivation in liquid whole egg by using pulsed electric fields combined with mild thermal treatment	The 3rd World Congress on Electroporation and Pulsed Electric Fields in Biology, Medicine, and Food & Environmental Technologies	Kumamoto University
The effects of black vinegar and onion dressing on the physical properties and taste of pork	The Japan Society of Cookery Science (2019 Annual Meeting)	
Effect of mayonnaise on reduction of a fishy smell	The Japan Society of Cookery Science (2019 Annual Meeting)	
Development of products utilizing untapped resources from cabbage	71st Meeting of the Japan Society of Home Economics	Tokyo Kasei University
Study of egg white fermentation using lactic acid bacteria derived from commercial yogurt starter	2019 Annual Meeting of Japan Society for Lactic Acid Bacteria	Meiji University
Inactivation effect of heat-denatured lysozyme on norovirus on wetted sheet material	46th Annual Meeting of the Society for Antibacterial and Antifungal Agents, Japan	Unicharm Corporation
Comparison of the physiological functions of raw potatoes with cooked potatoes on the various storage times	The Japan Society of Cookery Science (2019 Annual Meeting)	Tokyo Kasei University
Method for suppressing changes in flavor during ultra-high pressure processing of prepared foods using a blend of organic acids	The Japan Society of Cookery Science (2019 Annual Meeting)	
Structural changes occurring during heat gelation of dry-heated pasteurized egg whites	66th Annual Meeting of The Japanese Society for Food Science and Technology	Tokyo University of Agriculture
Development of delicious Koji-aged egg yolks	71st Meeting of the Society for Biotechnology, Japan	
Development of the egg-koji	71st Meeting of the Society for Biotechnology, Japan	Higuchi Matsunosuke Shoten Co., Ltd.
Deliciousness of potato salad by difference of manufacturing	The Japan Society of Cookery Science (2019 Annual Meeting)	
Reduction effect of lactic acid fermented egg white on the smell of fish	The Japan Society of Cookery Science (2019 Annual Meeting)	
Potential of acetic acid bacteria research and development of products involving <i>YOITOKI</i> supplements containing alcohol dehydrogenase compounds	KUROZU Association	
Study on packaging Kewpie pasta sauce in microwave oven pouches for greater convenience with pasta	68th Technical Meeting of Japan Canners Association	
Effects on human norovirus of ethanol solution containing heat-denatured lysozymes	115th Japanese Society for Food Hygiene and Safety Academic Lectures	Tokyo University of Marine Science and Technology
Study on packaging Kewpie pasta sauce in microwave oven pouches for greater convenience with delicious pasta	57th Study Meeting of Japan Packaging Institute	
Reversed micelles preparation with egg yolk lecithin	The 41st Annual Meeting of the Japanese Society for Biomaterials	
Aged egg yolk as an enhancer of umami flavor and richness	Institute of Food Technologists	

Title	Annual Meeting	Collaborator
Inactivation effect of heat-denatured lysozyme on norovirus surrogated for human norovirus	Japanese Society of Food Microbiology (The 40th Annual General Conference)	
Development of recipes utilizing untapped resources from cabbage	The Japan Society of Cookery Science (2019 Annual Meeting)	Tokyo Kasei University
Questionnaire survey about food loss	The Japan Society of Cookery Science (2019 Annual Meeting)	Tokyo Kasei University

<Essays>

Title	Journal of Publication	Collaborator
Genotoxicity Studies of Acetic Acid Bacteria	Japanese Pharmacology & Therapeutics	Biotoxtech Co. Ltd.
Topical hyaluronan alone promotes corneal epithelial cell migration whereas combination with benzalkonium chloride impairs epithelial wound healing	Cutaneous and Ocular Toxicology	Wakayama Medical University
Safety of Excessive Intake of a Supplement Containing Acetic Acid Bacterium Dry Powder	Japanese Pharmacology & Therapeutics	Kagawa Nutrition University
Safety of the Long-term Intake of a Supplement Containing Acetic Acid Bacterium Dry Powder	Japanese Pharmacology & Therapeutics	Kagawa Nutrition University
Acetic acid bacteria (<i>Gluconacetobacter hansenii</i> GK-1) relieves nasal discomforts of Japanese cedar pollinosis - A randomized double-blinded placebo-controlled study -	Japanese Pharmacology & Therapeutics	NPO Japan Health Promotion Supporting Network
Redox Denaturation of Proteins: Electrochemical Treatment of Egg Plasma	Electroanalysis	Tokyo University of Agriculture and Technology

<Condiments and Processed Foods>

In commemoration of the 100-year anniversary since its founding, the Company has released mayonnaise-type condiments in certain geographic areas and in limited quantities. We have divided Japan up into seven geographic areas and accordingly proposed more extensive uses for mayonnaise. This has involved our employees of respective geographic areas in conjunction with product development units and R&D units devising flavors and menu options under the Communities x Mayonnaise project, in an effort to align iconic foods and ingredients with respective localities. Moreover, we have completely revamped our *Egg free mayonnaise-type condiment*, a mayonnaise-style condiment that does not contain eggs. This has involved discontinuing use of apples which are one of the 27 items on the list of specified ingredients containing food allergens, improving product quality, and heightening convenience by extending the product's best-before period to ten months, from eight months previously.

In the category of dressings, we have expanded our sesame dressings worldwide in terms of both tastes and product uses with the launch of our *Deep-roasted Sesame Dressing Yuzu Taste* which enables people to enjoy the fragrance and creamy taste of roasted sesame seeds combined with the crisp and refreshing flavor of yuzu citrus. In addition, we have proposed new dressing and salad flavors with launches of our *Apple and Strawberry Dressing* and *Olive Oil & Onion Dressing*, the former of which enables people to enjoy refreshing flavors and vivid colors and the latter of which draws on authentic flavors of extra virgin olive oil and onions. With respect to expanding dressing use scenarios, we have developed easy-to-use dressings for use not only for vegetable salads but also for vegetable and meat menu options, with the launch of our *All-purpose dressing for Both Vegetables and Meats* series, which consists of *Japanese-style Onion Dressing* and *Leek Salted Lemon Dressing*.

Likewise in food services, we have launched *Tomato* and *Black Pepper* options as additional items in our *Kewpie Gudakusan Dressing* series, in order to expand menu options of dressings used in restaurants.

As for pasta sauces, we have launched three pasta sauce products in the two-person format, designed to enable convenient use under busy food preparation scenarios given that the items can be eaten simply by heating them in a microwave oven (*Meat Sauce with Fond de Veau*, *Creamy Cheese Carbonara* and *Smooth and Creamy Cod Roe Cream*). Moreover, as part of our aromatic series of fragrant and readily consumable pasta sauces, we have launched our *Citrus-flavored Soy Sauce enriched with "Dashi" Broth* which enables people to enjoy the refreshing aroma of citrus fruit and the savoriness of dashi soy sauce.

In baby foods, as for our main and side dish products packaged in retort cups, we have revamped our *Niko-niko Box (smiling package)* series of separate items in a single box and launched 11 new products. Not only does the outer-box packaging take on a functional role, it also lends the products value beyond delicious taste in that it helps make the experience of eating fun because the packaging is designed to turn into an animal puppet that children can play with.

In nursing care foods, we launched products packaged in cups that can be heated in the microwave under our *Yasashii Kondate* category of foods that "can be broken down by tongue pressure", such that include *Soft Chicken Kamameshi*, *Soft Fried Rice*, *Soft Rice Omelet*, and *Soft Curry and Rice*. These products make it easy to enjoy a variety of foods given that they can be heated in the microwave and served in the cup packaging without the need to transfer the contents to dishware. We have devised container and packaging designs that make meals more convenient and enjoyable.

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 *Vinegar Sauce (Herb & Wine Vinegar)* and *Vinegar Drink (Citrus Mix)* commercial-use products. Kewpie Jyozo has also launched sales of its *Seasoning for Salads (NN)*, a commercial-use seasoning for delicatessen foods.

<Salad and Delicatessen>

In the Salad and Delicatessen Business, we have been engaging in product development looking toward growing markets, which has involved refining our processing technology that provides safe, delicious salads and delicatessen foods, working closely with the Company's R&D Division as well as partners including consolidated subsidiaries Deria Foods Co., Ltd. and Salad Club, Inc.

In delicatessen foods, we have been gaining an understanding of the mechanisms attributable to the palatability of home-made potato salad, and have been offering potato salad products that leverage such knowledge.

As for packaged salads (cut vegetables), we have extended the expiration date of our Salad Club *Shredded Cabbage* by one day to five days including the processing date, upon having improved technology for manufacturing that product. We have also adopted new technologies that extend best-before dates of both delicatessen foods and packaged salads. This has helped us increase product sales by allowing customers greater purchasing flexibility and by enabling retailers to reduce lost opportunities for sales when products are sold out and food disposal loss.

As for related products, we launched sales of two products under our *Seasoning Sauce for Shredded Cabbage* line of special single-use products that go well with shredded cabbage. Also, we have received many positive reactions from very health-conscious customers who are concerned about their intake of calories and carbohydrates with respect to our *Cabbage Rice* product which is promoted as a new way of enjoying vegetables and made from cores of cabbage cut into rice-sized pieces that offer an enjoyable sweetness, texture and flavor.

In the area of long shelf life (LL) salads for commercial use, we launched sales of *3 Mushroom Creamy Salad* under the *Salad by Kewpie* brand. It has been well received by customers for its mellow fragrance and delicious flavor when served with baked bread.

Moreover, we received the Food Industry Affairs Bureau Director-General Award of the Ministry of Agriculture, Forestry and Fisheries in the 6th Food Industry 'Mottainai' Awards (contributing to food loss reduction) for our efforts that involve recycling vegetable scraps generated by the Group and putting it to use as feed for dairy cows, as an initiative geared to effective use of resources and environmental conservation.

<Egg>

For the consumer markets, we have launched sales of three chilled products under our *Tsubushite-tsukuro (Cooking to Crush)* series (*Egg Salad, Egg and Potato Salad, Egg and Macaroni Salad*), as products under the KEWPIE-NO-TAMAGO brand. These products offer an easy way to prepare freshly-made egg salad with a savory yolk flavor, simply by smashing the hard-boiled eggs while still in the product packaging immediately before serving.

The products enable consumers to smash the eggs to the texture they prefer, while eliminating the time it takes to make hard-boiled eggs along with the need to prepare cooking utensils necessary for mixing ingredients.

In addition, we have also launched sales of two items in the *Egg Spread* series, which is a new series of products under the KEWPIE-NO-TAMAGO brand. The items include *Cheese Flavor* and *Garlic Flavor*, which both go well with bread, thereby making it possible to readily prepare egg toast and egg salad sandwiches featuring the richness and flavor of eggs, simply by spreading either flavor on bread.

Both the *Tsubushite-tsukuro (Cooking to Crush)* series and the *Egg Spread* series are in a format suitable for individual meals. As such, consumers such as those representing the increasing number of single-person households, as well as double-income households and senior citizen households can easily store the products in their refrigerators and readily serve them.

In the food services market, as products under the *Snowman* brand we have launched sales of *Sunny-side Up Disc Omelets* and *Sunny-side Up Disc Omelets-P*, which can be readily served simply by thawing them out. With labor shortages having become a conspicuous social situation, we have received positive feedback from various customers who say the products are easy to serve and delicious. These products are made using our original egg processing technologies to produce a soft-boiled egg that does not solidify even when heated.

<Fine Chemicals>

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 have refined our original molecular weight control technology and developed three fermented hyaluronic acid for medical use products. We gained new evidence regarding low-molecular-weight cosmetic hyaluronic acid (HAbooster) and gave an oral presentation at an international conference in that regard. Furthermore, we have embarked on sales of the *Hyalo One* skincare product which contains five functional hyaluronic acids, including HAbooster.

As for egg components, we engaged in joint development with Unicharm Corporation, with respect to products utilizing heat-denatured lysozyme derived from egg whites which effectively deactivates the norovirus. In compound products, Unicharm Corporation initiated nationwide sales of *Silcot Noroclear® Antibacterial Wet Tissues*.

In overseas product development efforts, with the aim of tapping the growing health-consciousness trend in China, we locally developed three Kewpie brand Fat-free dressings, *Lemon, Thousand Island, and Japanese-style Onion* for household use, and subsequently added them to our product series which now features a total of five products.

In the food services market, we launched sales of ample-ingredient-type room temperature sauces for the growing bakery business category, such that include *Sauce for Bread : Curry & Onion* and *Sauce for Bread : Mustard and Onion*.

In Thailand, we locally developed *Cream Soup with Mushroom, Creamy Japanese Pumpkin Soup* and *Potato Soup with Barley*, which are convenient ready-to-eat chilled soups packaged in cups that can be heated in the microwave and promptly served. The soups are tailored to taste preferences of Thai

consumers, and have been launched as healthy products featuring the Healthier Choice logo specifying ingredient standards.

In Malaysia, we locally developed and launched sales of *Roasted Sesame Yuzu Taste Dressing* featuring yuzu citrus flavor, with the aim of enabling many customers to enjoy the popular *Roasted Sesame Dressing* series.

In Vietnam, we locally developed and launched sales of *Thousand Island Dressing* which involved re-examining local consumer preferences. That product has been well received.

In Indonesia, we newly launched sales of *Roasted Sesame Dressing 100ml*, in a small size that makes it easy to sample so that consumers will have more opportunities to enjoy the delicious taste of vegetables with dressing. The product uses small-size stand-up pouches that maintains flavor and is easy for consumers to use.

In Poland, we developed and launched sales of five new sauce products in PET bottles for the consumer market (*Mustard Horseradish Sauce, Garlic Sauce, Curry Sauce, BBQ Sauce, and Burger Sauce*), and two improved ketchup products.

(2) Common Business Operations and Distribution

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 ¥28,569 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 and Processed Foods	6,925	Augmenting and streamlining facilities for production of mayonnaise, dressings
Salad and Delicatessen	2,092	Augmenting and streamlining facilities for production of salads, delicatessen foods
Egg	7,701	Augmenting and streamlining facilities for production of liquid egg, egg spread, thick omelet
Fruit Solution	1,561	Augmenting and streamlining facilities for production of jams
Fine Chemicals	272	Augmenting and streamlining facilities for production of hyaluronic acid
Distribution	7,672	Warehouse facilities, vehicles
Common Business Operations	294	Software
Other	2,049	Kewpie Group core systems

- (Notes) 1. The amounts of capital investment include investment in intangible fixed assets and long-term prepaid expenses.
 2. The amount stated for "Other" is that of investment in Kewpie Group core systems prior to being allocated to the reporting segments.
 3. 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, 2019 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 and Processed Foods Salad and Delicatessen Egg	For foods	537	603	553 (46,365)	—	20	1,714	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments and Processed Foods Fine Chemicals	For foods	6,366	3,212	3,734 (221,051)	29	97	13,440	287 (122)
Nakagawara Factory (Fuchu-shi, Tokyo)	Condiments and Processed Foods	For foods	4,418	1,424	405 (43,484)	0	76	6,326	139 (95)
Fujiyoshida Factory (Fujiyoshida-shi, Yamanashi)	Condiments and Processed Foods	For foods	—	326	— (—)	—	1	328	1 (—)
Koromo Factory (Toyota-shi, Aichi)	Condiments and Processed Foods Egg	For foods	1,209	1,892	16 (37,876)	4	39	3,163	142 (115)
Itami Factory (Itami-shi, Hyogo)	Egg	For foods	1,382	587	2,337 (37,919)	—	9	4,316	41 (123)
Kobe Factory (Higashinada-ku, Kobe-shi, Hyogo)	Condiments and Processed Foods	For foods	6,972	5,766	1,601 (16,776)	98	221	14,660	112 (21)
Izumisano Factory (Izumisano-shi, Osaka)	Condiments and Processed Foods	For foods	732	545	663 (18,576)	—	18	1,959	67 (63)
Tosu Factory (Tosu-shi, Saga)	Condiments and Processed Foods	For foods	2,451	687	363 (53,958)	—	11	3,513	1 (—)
Head Office (Shibuya-ku, Tokyo)	—	For others	691 [5,560]	0	— (—)	107	215	1,015	743 (139)
Complex of facilities (Chofu-shi, Tokyo)	—	For others	6,348	125	138 (16,510)	0	408	7,021	236 (8)
Tokyo Branch and other 8 branches and 14 sales offices	—	For others	88 [16,577]	0	— (—)	—	26	115	677 (52)
Kobe Distribution Center (Higashinada-ku, Kobe-shi, Hyogo)	Common Business Operations	For warehousing and distribution system	3,995	531	6,075 (47,252)	—	9	10,612	— (—)

(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	For foods	6,579	10,042	5,761 (132,019)	270	230	22,885	1,840 (458)
Deria Foods Co., Ltd.	Head Office and Branch, etc. (Chofu-shi, Tokyo, etc.)	Salad and Delicatessen	For foods	2,341	55	217 (13,790)	22	13	2,649	186 (56)
Kewpie Jyozo Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Condiments and Processed Foods	For foods	1,240	1,156	2,163 (69,749)	9	100	4,670	214 (112)
K.R.S. Corporation	Head Office and Branch, etc. (Chofu-shi, Tokyo, etc.)	Distribution	For warehousing and distribution system	9,326	4,465	14,567 (282,516)	748	860	29,968	666 (298)

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	
Co-op Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Condiments and Processed Foods	For foods	1,948	1,599	281 (72,409)	11	26	3,867	190 (207)
Zen-noh Kewpie Egg-station Co., Ltd.	Head Office and Factory (Goka-machi, Sashima-gun, Ibaraki, etc.)	Egg	For foods	884	755	405 (10,287)	—	14	2,060	151 (147)
Soka Delica Co., Ltd.	Head Office and Factory (Soka-shi, Saitama)	Salad and Delicatessen	For foods	689	67	1,264 (7,858)	84	7	2,112	50 (143)
Dispen Pak Japan Co., Inc.	Head Office and Factory (Minami-Ashigara-shi, Kanagawa, etc.)	Condiments and Processed Foods	For foods	252	650	836 (7,697)	—	8	1,747	105 (78)
Potato Delica Co., Ltd.	Head Office and Factory, etc. (Azumino-shi, Nagano, etc.)	Salad and Delicatessen	For foods	1,045	663	518 (32,635)	241	7	2,474	96 (171)
S.Y. PROMOTION Co., Ltd.	Head Office and Office, etc. (Koto-ku, Tokyo, etc.)	Distribution	For warehousing and distribution system	787	3,072	2,384 (115,791)	—	32	6,277	502 (105)
Seto Delica Co., Ltd.	Head Office and Factory (Seto-shi, Aichi)	Salad and Delicatessen	For foods	198	154	— (—)	820	11	1,184	57 (211)
Salad Club, Inc.	Head Office, Factory, and Branch, etc. (Chofu-shi, Tokyo, etc.)	Salad and Delicatessen	For foods	1,914	1,563	117 (9,782)	10	29	3,636	318 (715)
K. Tis Corporation	Head Office and Office (Chofu-shi, Tokyo, etc.)	Distribution	For warehousing and distribution system	418	2,460	2,877 (57,117)	104	9	5,870	1,307 (232)
Fujiyoshida Kewpie Co., Ltd.	Head Office and Factory (Fujiyoshida-shi, Yamanashi)	Condiments and Processed Foods	For foods	836	257	283 (59,299)	9	8	1,395	43 (25)
Kewso Services Corporation	Head Office and Office (Chofu-shi, Tokyo, etc.)	Distribution	For warehousing and distribution system	6	901	— (—)	69	259	1,237	103 (7)
Shunsai Deli Co., Ltd.	Head Office and Office (Akishima-shi, Tokyo, etc.)	Salad and Delicatessen	For foods	600	823	200 (4,761)	5	47	1,677	207 (578)
San Family Corporation	Head Office and Office, etc. (Yoshikawa-shi, Saitama, etc.)	Distribution	For warehousing and distribution system	498	314	517 (10,889)	346	36	1,713	1,278 (1,634)
Green Message Co., Ltd.	Head Office and Factory (Yamato-shi, Kanagawa)	Salad and Delicatessen	For foods	993	382	— (—)	—	11	1,386	33 (157)
Aohata Corporation	Head Office, Factory and Office, etc. (Takehara-shi, Hiroshima, etc.)	Fruit Solution	For foods	1,919	2,637	1,343 (67,378)	—	121	6,022	448 (273)
Tsukuba Egg Processing Corporation	Head Office and Factory (Tsukuba-shi, Ibaraki)	Egg	For foods	—	—	— (—)	1,068	—	1,068	3 (2)

(3) Foreign subsidiaries

Trade name	Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Lease assets	Other	Total	
HENNINGSEN FOODS, INC.	Nebraska, USA	Egg	For foods	460	1,122	19 (56,170)	150	223	1,976	150 (-)
Hangzhou Kewpie Corporation	Zhejiang Province, China	Condiments and Processed Foods	For foods	537	1,420	- (-)	-	73	2,031	626 (-)
BEIJING KEWPIE CO., LTD.	Beijing, China	Condiments and Processed Foods	For foods	765	977	- (-)	-	43	1,787	667 (-)
KEWPIE (THAILAND) CO., LTD.	Bangkok, Thailand	Condiments and Processed Foods	For foods	426	571	147 (104,797)	26	477	1,649	1,054 (9)
Nantong Kewpie Corporation	Jiangsu Province, China	Condiments and Processed Foods	For foods	1,256	617	- (-)	-	43	1,917	95 (-)
Mosso Kewpie Poland Sp. z o.o.	Puchaty, Poland	Condiments and Processed Foods	For foods	676	191	222 (11,599)	44	12	1,147	163 (-)

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

- "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
- The figures in brackets under Buildings and structures indicate the total area (m²) of leased properties.
- 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, 2019)	Filing date (Feb. 28, 2020)		
Common stock	150,000,000	150,000,000	Tokyo Stock Exchange (First Section)	<ul style="list-style-type: none"> • 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, 2019)

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	7,477	5.23
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	7,301	5.10
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	2.97
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,208	2.24
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	3,157	2.21
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	—	57,135	39.94

- (Notes) 1. The 3,157 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 6,958,050 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, Item 7 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

Not applicable.

(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	1,125	2,849,048
Shares repurchased during the specified period	110	270,470

- (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, 2020 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	6,958,050	—	6,958,160	—

(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, 2020 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%.

The Articles of Incorporation of the Company stipulate that the Company can pay dividends from surplus 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 ¥25 per share (including a dividend of ¥5 to commemorate the 100th anniversary). The annual dividends is ¥45 per share (including a dividend of ¥5 to commemorate the 100th anniversary), which includes the interim dividend of ¥20 paid in August, an increase of ¥7 per share in comparison with the previous fiscal year.

As a result, the Company's consolidated dividend payout ratio and consolidated DOE came to 34.4% and 2.2% 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) Overview of corporate governance

(a) Basic policy regarding corporate governance

The Kewpie Group seeks to realize sustainable growth and increase in corporate value by contributing to better and healthier dietary lifestyles of people from around the world through business activities based on its Group philosophy. To realize this, the Group's most important management priorities include establishing organizational frameworks, mechanisms, systems and so forth for management and implementing the necessary measures appropriately, as well as distributing the results of management appropriately to its stakeholders, including customers, employees, business partners, shareholders and investors, and local communities.

The Group defines corporate governance as the mechanisms used to secure transparent, fair, swift and resolute decision making. The Company observes the Group Policies, and constantly takes measures to develop and enhance appropriate and effective systems in accordance with the following basic policy. To this end, the Group has established the Corporate Governance Guidelines as the basic framework and philosophy of its corporate governance policy, and has disclosed these on its corporate website.

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.

<Basic Policy on the Development and Enhancement of Corporate Governance Systems>

- i) The Company shall respect the rights of its shareholders and ensure the equal treatment of shareholders.
- ii) The Company shall respect the positions and rights of its various stakeholders, including its customers, employees, business partners, shareholders and investors, as well as local communities, and foster appropriate relationships with such parties.
- iii) The Company shall disclose its corporate information in a proper manner and ensure the transparency of its operations.
- iv) The Company shall build mechanisms to facilitate the cooperation of all management resources for its corporate governance systems.
- v) The Company shall engage in constructive dialog with shareholders who expect medium- to long-term investment returns.

(b) 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. For details of the members of the Board of Directors and the Audit & Supervisory Board, please refer to "(2) Officers".

In addition to directors and corporate officers, the management 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.

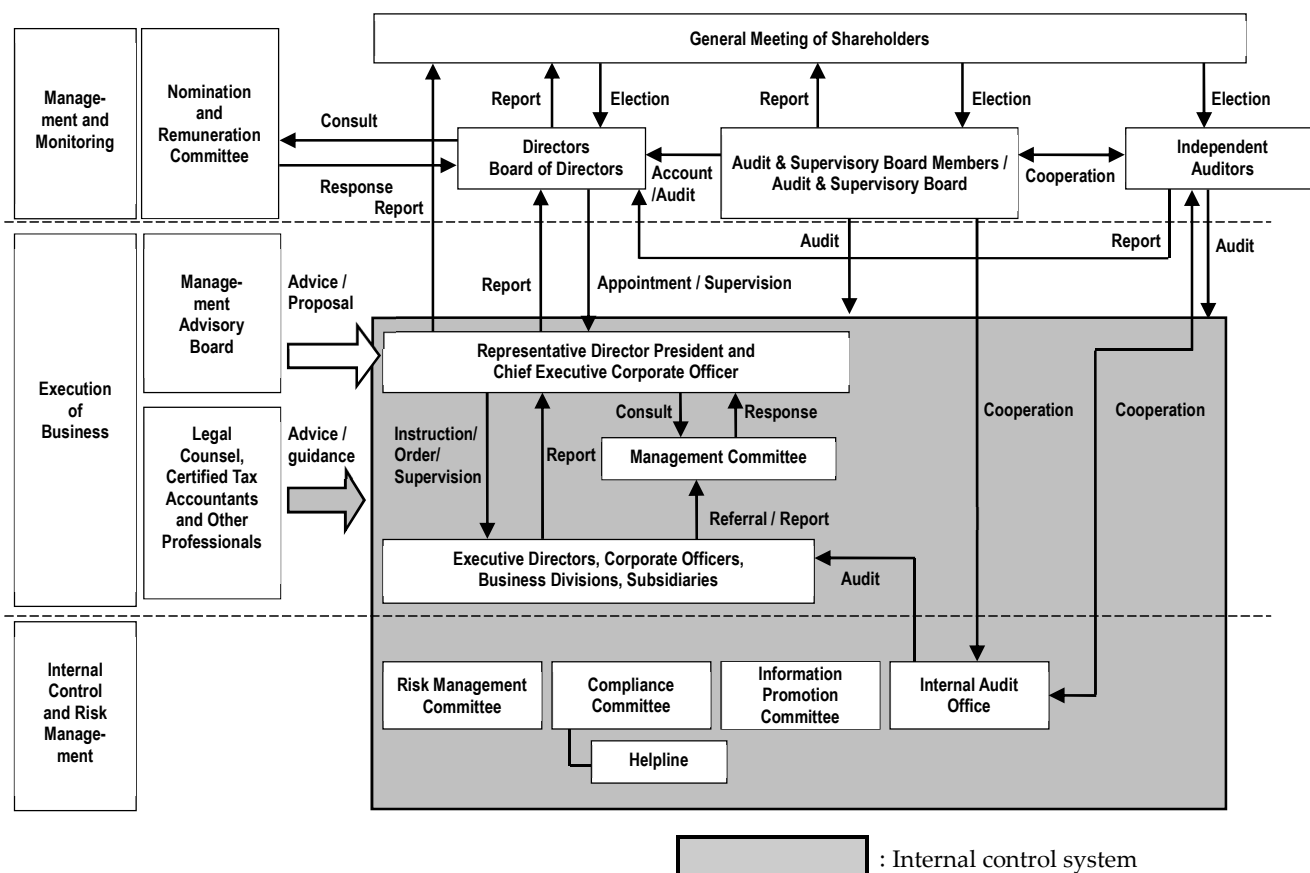
In August 2018, the Company established its Nomination and Remuneration Committee as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy and transparency regarding factors such as the composition of the Board of Directors and methods of nomination and compensation of directors and other officers. 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. For information about the committee chairman and its members, please refer to "◇ Status of the Nomination and Remuneration Committee".

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. For information about the board members, please refer to "◇ Management Advisory Board".

Furthermore, the Company has reviewed the corporate officer system and since the conclusion of the 103rd Ordinary General Meeting of Shareholders held on February 26, 2016, it has 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. For information about the current corporate officers, please refer to the notes to "(2) Officers".

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



(c) Reason for adopting the Group's corporate governance structure

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

The Company receives opinion and guidance from the two outside directors and the three outside corporate auditors concerning the overall management of the Company. They also serve the important role of monitoring the Representative Director, 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 terms of directors and corporate officers 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.

The current corporate governance system is functioning effectively for ensuring the effectiveness of corporate governance.

(d) Other matters concerning corporate governance

◇ Progress made in establishing internal control system

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

(1) 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.

- (2) 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 records 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 records.
- (3) 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 gather information related to companywide risks at the Risk Management Committee, which is chaired by the director in charge of risk management. The Risk Management Committee shall evaluate, and manage the overall order of priority of the risks, and the committee chairman shall regularly report the evaluation and response status of companywide risks to the Board of Directors.
 - b. The Company shall create a crisis management manual, first identifying and categorizing specific crisis and then establishing information transmission and emergency response systems that provide a quick and proper response in times of emergency. In the event of a major crisis, the Company shall strive to respond rapidly and appropriately by quickly establishing a Crisis Response Headquarters headed by a pre-designated director in charge of each category of crisis.
- (4) 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 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 quickly and appropriately 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. In accordance with the basic policy on execution of duties that was resolved by the Board of Directors, specific measures for promoting management activities shall be entrusted to scheduled or unscheduled discussions held in the Management Council, which serves as an advisory body to the Representative Director, President and Chief Executive Corporate Officer, in order to achieve flexible decision making and execution of duties.

- (5) System necessary to ensure the properness of operations in the corporate group that is formed by the Company and its subsidiaries
- a. To ensure proper operations of subsidiaries, the Company shall share its Corporate Motto and Principles, 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.
 - b. 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.
 - c. The Company's subsidiaries shall make monthly reports on the status of progress on business plans to director in charge designated by the Company's Representative Director, President and Chief Executive Corporate Officer. 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 above-mentioned directors in charge regarding the status of discussions by the subsidiary's Board of Directors and management issues.
 - d. 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.
 - e. To contribute to the Group's sustainable growth and increase in corporate value, the Company has established the Corporate Governance Guidelines, which reflect the basic framework and philosophy of its corporate governance, and revises them appropriately.
 - f. Based on the Corporate Governance Guidelines, the Company has established the Nomination and Remuneration Committee (with at least half of its membership comprising independent outside officers) as an advisory body to the Board of Directors. The committee deliberates on the composition of the Board of Directors, as well as the methods of nomination and compensation of directors and other officers, among other matters. The Company has also established a Management Advisory Board (composed of experts from outside the Company), to serve as an advisory body to the Representative Director, President and Chief Executive Corporate Officer, who receives advice and proposals from the board to maintain and increase the soundness, fairness, and transparency of the Group, and reflects these in decision making.
 - g. 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.
 - h. 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, each responsible unit in charge of finance

reporting, in cooperation with corporate auditors, shall construct a scheme for regularly evaluating and improving the state of the design and operation of this system.

- i. The Internal Audit Office shall coordinate with staff members in each division or department in charge of auditing duties relating to product quality, environmental protection, safety, and labor to conduct internal audits of the Group's management and operation systems for overall management activities and the execution status of duties, from a perspective of legality and rationality. In addition, the Internal Audit Office shall take responsibility for planning and execution of an effectiveness assessment of the internal controls related to financial reporting in accordance with the nomination by the Representative Director, President and Chief Executive Corporate Officer.
- j. 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 form 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.

(6) 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 corporate auditors request to appoint an employee to assist in such duties, the Company shall expeditiously comply with such a request.

(7) Independence from the directors of employees who assist in corporate auditor duties and ensuring effectiveness of corporate auditor instructions conveyed to such employees

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, when employees are assigned to assist in corporate auditor duties, the employees shall not receive instructions or orders from anyone other than the corporate auditors, in order to ensure their independence.

(8) System for reporting to the Company's corporate auditors including system for directors and employees, and officers and employees of subsidiaries to report to the Company's corporate auditors

- a. Directors and employees, and officers and employees of subsidiaries shall report the information necessary to respond to requests from the Company's corporate auditor 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 each unit concerning the construction of the Company's internal control system
 - Status of activities of the Internal Audit Office, staff members in each division or department in charge of auditing duties, and corporate auditors of subsidiaries
 - 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 that enables directors, employees, and officers and employees of subsidiaries to make anonymous reports to the Company's directors as a "helpline" internal reporting system.
- (9) System to ensure that persons who have reported as aforementioned in section (8) above are not treated disadvantageously for making such reports
- a. When a person has made a report to the Company's corporate auditors, the Company shall not subject that person to disadvantageous treatment for having made the report. This shall also be thoroughly enforced at subsidiaries.
 - b. Compliance regulations and helpline regulations applicable across the Group shall ensure protection of persons who seek consultation or report issues.
- (10) 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.
- (11) Other system necessary to ensure auditing of corporate auditors is effectively executed
- a. The Board of Directors shall require the Audit & Supervisory Board to report on the audit policies, important audit matters, and audit method, etc., of respective fiscal years, and this information shall be shared.
 - b. The directors, employees, and officers and employees of subsidiaries shall cooperate appropriately with requests for interviews from the Company's corporate auditors. Moreover, the Representative Director, President and Chief Executive Corporate Officer shall have regular opportunities to exchange opinions with the Audit & Supervisory Board.
 - c. 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.

◇ Progress made in operating the internal control system

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

- (1) System for managing risk of loss
- The Risk Management Committee identified major risks for management from the perspective of impact on the Group and management level, and promoted activities to reduce the risks such as the plastic issue and labor-related risks.
 - A risk map of overseas sites was updated and steps taken to reduce the risks. In addition, the Company focused on initiatives to set up internal control systems, particularly in Chinese subsidiaries.

(2) System to ensure effective execution of duties

- A project to revamp the Group's core information technology systems made progress in defining the requirements of the new system and commenced initiatives aimed at simplifying each type of operation in manufacturing, sales, distribution, and accounting, with a view to aligning the operations to the system.
- The Group advanced various initiatives to promote use of AI in fields such as quality assurance, productivity improvement, and product development, including the introduction of an AI-based raw material inspection device to delicatessen foods plants within the Group.
- The Nomination and Remuneration Committee that was established in the previous fiscal year met seven times, conducting lively discussion regarding the composition and personnel requirements of outside officers, revision of the mandatory retirement age for officers, and development of future management personnel.

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

- The Company merged its two core companies in the Egg Business (Kewpie Egg Corporation and Kanae Foods Co., Ltd.) in order to strengthen the market competitiveness of the Egg Business and to further increase quality control capabilities and technological capabilities. It also transferred management of the main sales structure for processed egg from the Company to Kewpie Egg Corporation.
- 100th founding anniversary meetings were held at 153 business offices in Japan and overseas, at which the management teams talked with employees about the Group philosophy, including its Corporate Motto and Principles, and the Group's future.
- The Company restructured its manufacturing plants, mainly in the Egg Business, with a view to building an optimal production framework in response to internal and external environmental changes.

(4) 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 (chaired by the director in charge of risk management, with administrative work performed by members of the Risk Management Office) 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. The Committee chairman reports back to the Board of Directors and the Audit & Supervisory Board on the status of risk management. 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.

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.

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 (chaired by the corporate officer in charge of promoting IT and operation reform or a person designated thereby) 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 membership is to comprise 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.

The Nomination and Remuneration Committee met seven times in the current fiscal year, conducting lively discussion regarding the composition and personnel requirements of outside officers, key personnel proposals, including outside officers, revision of the mandatory retirement age for officers, development of future management personnel, director bonuses for the current fiscal year, and other matters.

As of February 28, 2020, the committee's chairman and its members are as listed below.

<Chairman>

- Kazunari Uchida, Outside Director

<Member>

- Kazunari Uchida, Outside Director
- Shihoko Urushi, Outside Director
- Kazumine Terawaki, Outside Corporate Auditor
- Amane Nakashima, Chairman
- Osamu Chonan, Representative Director, President and Chief Executive Corporate Officer
- Nobuo Inoue, Director, Executive Corporate Officer

◇ Evaluation of the effectiveness of the Board of Directors

From December 2018 through January 2019, the Company implemented an evaluation of the effectiveness of the Board of Directors (third 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

- We conducted a questionnaire survey to all the officers through an external organization. The first part of the questionnaire was comprised of the questions to think back on their activities, in light of enhancement of supervisory function of the Board of Directors and improvement of the training systems for officers, sufficiency of discussion time at the Board of Directors meetings, and adequacy of argument-point organization or information provision. The questions in the next part focused on the future activities and sought the answers regarding themes and risks about which the Board of Directors should concern or discuss, issues for improving the effectiveness of the Nomination and Remuneration Committee, necessary reinforcement in capabilities, knowledge and experience among the officers as a whole, and issues and countermeasures for ensuring productive discussions, among others.
- 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 the officers present at the meeting of the Board of Directors.

(2) Evaluation results

- According to the evaluation results, while improvements have generally been made in many issues identified in the previous (second) effectiveness evaluation, there are some notes indicating that it would be necessary to have further discussion time for certain subjects and to elaborate discussion materials aiming at promoting better understanding for outside officers.

(3) Improvement initiatives

- In addition to further enhancing productive the activities of the Nomination and Remuneration Committee, the discussions of the same committee and the activity status of the Risk Management Committee have become shared with the Board of Directors through their periodical reporting.
- Training sessions were planned and implemented for officers and other executive personnel on the subject of corporate group management and sustainability.
- The format of Board of Directors meeting materials was improved so as to explain the purpose and issues of discussions as well as a summary of reports at the beginning of the meeting, along with an effort to introduce points of argument and opinions brought up in the internal discussions regarding certain topics.

From December 2019 to January 2020, the Company conducted a questionnaire survey, as the effectiveness evaluation for the current fiscal year (fourth evaluation), to officers through 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.

The questionnaire led an overall evaluation that the initiatives based on the previous effectiveness evaluation have delivered a certain achievement. However, the Company will share future issues and plans for concrete initiatives again at the Board of Directors and 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.

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

(Inside director)

1. Must respect the corporate philosophy of the Company and embody these values.
2. Must possess abundant knowledge on domestic and international market trends concerning the Group business.
3. Must possess excellent competency in objective managerial judgment and business execution that contributes 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, human resource development, and CSR and possess abundant experience and expertise in such fields.
2. Must have high affinity with the corporate philosophy and business of the Company, and possess the ability to express opinions, provide guidance and advice, and carry out

supervision with respect to the inside directors when deemed timely and appropriate to do so.

3. Must secure sufficient time to perform duties as an outside director of the Company.

<Policy for Nomination of Corporate Auditor Candidates>

The corporate auditors, in working to follow the mandate of the shareholders, shall have responsibilities to strive to prevent occurrences of infringements of laws and regulations and the Articles of Incorporation and maintain and improve the soundness of the Group's management and its trust from society. Concerning the election of corporate auditors, the Board of Directors has set forth the following criteria through which the persons deemed capable of fulfilling these responsibilities are nominated as candidates.

(Inside Corporate Auditor)

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

(Outside Corporate Auditor)

1. Must provide a guiding role in particular fields, such as legal affairs, corporate management, accounting, overseas, human resource development, and CSR and possess abundant experience and expertise in such fields.
2. Must have high affinity with 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 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. Subsequently, the candidates recommended by the committee are reviewed and decided upon at a Board of Directors meeting.

As for 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.

◇ 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.

◇ Management Advisory Board

The Management Advisory Board has been set up as an advisory body to the Company's Representative Director, President and Chief Executive Corporate Officer. Participants in the board meetings consist of outside members made up outside experts, observing committee members (outside corporate officers) and the Representative Director, President and Chief Executive Corporate Officer. Other directors may also participate as necessary, depending on the agenda. The Company receives advice and proposals from this Board for the maintenance and improvement of the sound, fair and transparent management of the Group, which it takes into account in decision-making. The Board meets regularly twice per year, with additional special meetings held as necessary.

As of February 28, 2020, outside members are as listed below.

<Outside Members>

- Ms. Yuri Okina, Chairperson of the Japan Research Institute, Limited
- Ms. Izumi Kobayashi, Outside Director of ANA HOLDINGS INC.
- Ms. Atsuko Fukushima, Journalist
- Ms. Chieko Matsuda, Professor, Graduate School of Management at Tokyo Metropolitan University

(e) 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.

(f) 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.

(g) 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.

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

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.

(i) 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) Officers

Outside Officers

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

Outside director Mr. Kazunari Uchida has long-standing experience as a corporate management consultant and has a strong expertise on corporate management and broad insight. In addition, Mr. Uchida is an external Director of Lion Corporation. There is no special interest between the said Company and the 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.

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. and Nisshin Fire & Marine Insurance Co., Ltd. There is no special interest between the Company and the said companies. 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., outside Audit & Supervisory Board Member of Kajima Corporation and outside Director of TOSHIBA MACHINE CO., LTD. There is no special interest between the Company and the said companies. 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.

Outside corporate auditor Ms. Mika Kumahira has experience in corporate management, including overseas, as well as an advanced insight into organizational reform and leadership development. In addition, Ms. Kumahira is Representative Director of Atech Kumahira Co., Ltd. and Outside Director of NITTAN VALVE CO., LTD. There is no special interest between the Company and the said companies. 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 director Mr. Kazunari Uchida and outside corporate auditor Mr. Kazumine Terawaki have shareholdings in the Company; however, as the percentage of the total number of issued shares of the Company is negligible and has no impact on management, there is no special interest between either of them and the Company.

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

<Independence Criteria for Outside 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 Tokyo Stock Exchange, Inc. as well as checking whether the following apply.

- (1) A major shareholder of the Company (holding 10% or more of voting rights either directly or indirectly), or a person who executes business for a major shareholder of the 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 five such individuals with 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, Mr. Kazumine Terawaki and Ms. Mika Kumahira 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.

(3) Status of audits

(a) Status of corporate auditor audits

In the current fiscal year, the Audit & Supervisory Board consists of four members: two standing corporate auditors and two outside corporate auditors. 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, Management Council 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. They also visit the Head Office divisions, important business places, and subsidiaries, receive business reports, and investigate the status of operations and assets. Furthermore, the (two) standing corporate auditors also serve as corporate auditors for the main subsidiaries (except for two listed 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 Audit & Supervisory Board also coordinates closely with the accounting auditors, receiving an explanation of the auditing plan at the start of the fiscal year, interviewing the accounting auditors about the status of the audit as needed during the fiscal year, and receiving a report of the audit result at the end of the fiscal year.

(b) Status of internal audits

The Company has set up an Internal Audit Office to act as its internal auditing unit with ten 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) Status of accounting audit

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Names & titles of CPAs

Yoshimi Kimura

Designated and Engagement Partner

Yoshiyuki Sakuma

Designated and Engagement Partner

Miyuki Nakamura

Designated and Engagement Partner

c. Composition of persons who assisted in audit work

Audit work for the Company during the current fiscal year was assisted by 46 persons, comprising 21 CPAs and 25 other persons.

d. Policy and reason for selection of audit firm

In accordance with the auditing standards for corporate auditors, the Company's Audit & Supervisory Board selected the audit firm having comprehensively considered the status of the execution of duties, the audit system, independence, expertise, and quality control systems of the accounting auditors, as well as whether the audit fees were rational and appropriate.

e. Evaluation of audit firm by the corporate auditors and the Audit & Supervisory Board

In addition to considering whether the audit firm qualifies under the standard given in the selection policy for accounting auditor, the Company's Audit & Supervisory Board also evaluated the audit firm from the perspective of appropriately carrying out communication with the management, corporate auditors, accounting and financing division, and Internal Audit Office, etc., audits of the entire Group, and response to risk of fraud, etc. through regular auditing activities. As a result, the Audit & Supervisory Board determined that Ernst & Young ShinNihon LLC is qualified to be the accounting auditor.

(d) Fees for auditing certificated public accountants

a. 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	93	3
Consolidated subsidiaries	80	–	85	15
Total	172	2	178	18

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. Furthermore, details of non-audit services at consolidated subsidiaries include entrustment of advisory services, and the consolidated subsidiaries pay fees to the auditing certificated public accountants for those services.

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 ¥56 million for audit services and ¥6 million for non-audit services, in the previous fiscal year, and ¥63 million for audit services and ¥8 million for non-audit services, in the current fiscal year.

c. 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.

d. Reason for Audit & Supervisory Board's agreement with accounting auditors' fees

The Company's Audit & Supervisory Board examined whether the accounting auditors' audit plan, the status of execution of the accounting audit, and the grounds for estimation of the audit fee were appropriate. As a result, the fees and so forth for the accounting auditors were judged to be appropriate and the Board has agreed with them according to Article 399 Paragraph 1 of the Companies Act.

(4) Compensation of officers

(a) Policy concerning compensation amounts of officers and calculation method thereof

A. 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>

- a. Rationale and procedures for compensation of officers, and corporate officers
 - (i) 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.
 - (ii) The Company discusses the rationale (system design) at the meeting of Nomination and Remuneration Committee, and improves its objectivity, appropriateness and transparency.
 - (iii) The total amount of bonuses paid to directors must be approved at a General Meeting of Shareholders.
 - (iv) The amounts of compensations paid to outside directors and corporate auditors (inside and outside) shall respectively be fixed and no bonuses will be paid.
- b. Calculation method for monthly remuneration
 - (i) 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.
 - (ii) 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).
- c. Calculation method for bonuses
 - (i) The bonus amount is calculated according to the rank of the director and corporate officer, using consolidated operating income and goal attainment levels of the individual and the division for which they are responsible as an indicator.
 - (ii) During the respective fiscal years covered under the Ninth Medium-term Business Plan (December 1, 2018 to 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.
 - (iii) 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.

B. Mission and activities of the Nomination and Remuneration Committee

One of the duties assumed by the Nomination and Remuneration Committee from the Board of Directors is to deliberate on matters such as the evaluation standard for directors and corporate officers and the basic design of the compensation system, and to make resolutions on them as necessary.

In the current fiscal year, the Nomination and Remuneration Committee deliberated at its October 2019 meeting on the approach to directors' bonuses based on the earnings forecast for the current fiscal year.

In the previous fiscal year, the Company revised the basic design of directors' bonuses, changing the calculation method for them during the fiscal years covered by the Ninth Medium-term Business Plan (December 1, 2018 to November 30, 2021) to link more closely with performance evaluation indicators such as earnings (particularly in the final fiscal year

of the plan). In this matter, the Nomination and Remuneration Committee held multiple deliberations ahead of the resolution of the Board of Directors.

(b) 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
		Fixed compensation	Performance-linked compensation	
Directors (excluding outside directors)	335	250	84	11
Corporate auditors (excluding outside corporate auditors)	43	43	—	3
Outside officers	47	47	—	5

- (Notes)
1. The limit amount for fixed compensation of directors was resolved to be within ¥35 million per month, excluding employee salaries, at the 82nd Ordinary General Meeting of Shareholders held on February 24, 1995.
 2. The limit amount for fixed compensation of corporate auditors was resolved to be within ¥8 million per month at the 81st Ordinary General Meeting of Shareholders held on February 25, 1994.
 3. The above fixed compensation includes the payments made to two directors and two corporate auditors (including one outside corporate auditor) who retired at the conclusion of the 106th Ordinary General Meeting of Shareholders.
 4. Directors' bonuses are performance linked compensation. The amount reflects the consolidated operating income for the current fiscal year, as well as the division that the director was in charge of, degree of achievement on individual targets (consolidated operating income did not achieve the plan).
 5. The compensation amounts listed above exclude employee salaries (including bonuses) of those serving concurrently as employee and director.
 6. The retirement bonus system for directors and corporate auditors was abolished at conclusion of the 95th Ordinary General Meeting of Shareholders held on February 22, 2008.

(5) Status of shareholdings

(a) Standards and rationale for classification of investment shares

The Company classifies investment shares held for the purpose of receiving profit through fluctuations in stock prices or dividends related to the shares as investment shares held for pure investment, and investment shares held for any other reason as investment shares held for purposes other than pure investment.

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

a. Holding policy and method to inspect justification for holding, and details of inspection made at a meeting of the Board of Directors, etc. related to the propriety of holding individual issues

The Company will maintain cross-shareholdings only in the case that they are deemed to assist in the continuous development and increase in corporate value in the medium to long term of the Group, taking maintenance and strengthening of relationships with business partners, and business operation requirements and economic justification into consideration. When inspecting the economic justification, the generation of necessary profits will be inspected using the cost of holding and transaction volume of each cross-shareholding, taking dividends income into consideration.

Furthermore, the Company inspects the significance of holding individual cross-shareholdings based on this standard for judgment every year at the meeting of the Board of Directors, and will proceed to sell issues that are judged to have little significance.

Based on inspection by the Board of Directors, all shares of seven issues have been sold, and a portion of shares of one issue have been sold for the current fiscal year.

b. Number of issues and book value on the balance sheet

	Number of issues (issues)	Book value on the balance sheet (millions of yen)
Unlisted stocks	35	880
Stocks other than unlisted stocks	78	20,003

(Issues with which the number of shares increased during the current fiscal year)

	Number of issues (issues)	Total acquisition price related to the increase in shares	Reasons for the increase in shares
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	13	16	Regular purchase at business partner shareholding association

(Issues with which the number of shares decreased during the current fiscal year)

	Number of issues (issues)	Total sale price related to the decrease in shares
Unlisted stocks	3	26
Stocks other than unlisted stocks	5	168

c. Number of specified investment shares and stocks regarded as holding shares by issuance name, and information related to the book value on the balance sheet

Specified investment shares

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Nichirei Corporation	1,554,500	1,554,500	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	Yes
	3,953	4,982		
Kato Sangyo Co., Ltd.	840,300	840,300	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	3,079	2,953		
Nisshin Seifun Group Inc.	1,003,981	1,003,981	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	Yes
	2,064	2,394		
Kikkoman Corporation	374,000	374,000	Held for the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	Yes
	2,057	2,475		
Saha Pathana Inter-Holding Public Company Limited	5,719,331	5,719,331	Held for the purpose of maintaining and strengthening joint business operations overseas, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	No
	1,339	1,267		
Saha Pathanapibul Public Co., Ltd.	5,219,737	5,219,737	Held for the purpose of maintaining and strengthening joint business operations overseas, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	No
	1,117	929		
Yoshinoya Holdings Co., Ltd.	296,746	295,915	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
	818	576		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Seven & i Holdings Co., Ltd.	124,600	124,600	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	508	615		
Inageya Co., Ltd.	309,652	308,495	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	454	488		
Sumitomo Mitsui Financial Group, Inc.	112,483	112,483	Held for the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	No
	448	470		
Mizuho Financial Group, Inc.	1,807,200	1,807,200	Held for the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	No
	305	339		
Mitsubishi UFJ Financial Group, Inc.	495,500	495,500	Held for the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	No
	286	309		
Toho Co., Ltd.	110,000	110,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	203	263		
KFC Holdings Japan, Ltd.	67,000	67,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	193	132		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
internet infinity INC.	240,000	240,000	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	No
	193	181		
Kadoya Sesame Mills Incorporated	50,000	50,000	Held for the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	Yes
	192	292		
Showa Sangyo Co., Ltd.	53,600	53,600	Held for the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	Yes
	171	152		
Aeon Co., Ltd.	72,472	70,385	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
	161	191		
The Nisshin OilliO Group, Ltd.	40,000	40,000	Held for the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	Yes
	155	140		
Morozoff Limited	30,000	30,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	148	164		
TAKARA HOLDINGS INC.	125,000	125,000	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	Yes
	132	180		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Nakamura Co., Ltd.	29,625	29,188	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	130	131		
Dai-Ichi Life Holdings, Inc.	74,200	74,200	Held for the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	No
	130	146		
Rengo Co., Ltd.	134,000	134,000	Held for the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	Yes
	108	129		
Maruichi Co., Ltd.	99,572	98,894	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	106	104		
Tokan Co., Ltd. (Note)	60,160	59,757	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	106	111		
Daito Pharmaceutical Co., Ltd.	33,000	33,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	105	112		
ITOCHU-SHOKUHIN Co., Ltd.	20,000	20,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	103	106		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Sumitomo Mitsui Trust Holdings, Inc.	21,903	21,903	Held for the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including transaction status.	No
	91	99		
WARABEYA NICHIO HOLDINGS CO., LTD.	49,200	49,200	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	89	96		
MOS FOOD SERVICES, INC.	28,900	28,900	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	88	88		
ARCS COMPANY, LIMITED	37,020	37,020	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	84	105		
Valor Holdings Co., Ltd.	31,600	31,600	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	64	92		
Kisoji Co., Ltd.	21,100	21,100	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	59	55		
YUTAKA FOODS CORPORATION	31,200	31,200	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	51	62		
Satoh & Co., Ltd.	28,800	28,800	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	44	50		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Rock Field Co., Ltd.	29,000	29,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	42	48		
Heiwado Co, Ltd.	20,000	20,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	41	63		
LIFE CORPORATION	16,200	16,200	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	40	43		
YAMAHEHISANO Co., Ltd.	29,992	28,688	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	39	37		
United Super Markets Holdings Inc.	39,270	39,270	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	38	51		
J-OIL MILLS, Inc.	8,200	8,200	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	Yes
	35	33		
FUJI CO.,LTD	18,100	18,100	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	35	38		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
ROYAL HOLDINGS Co., Ltd.	13,600	13,600	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	34	38		
OIE SANGYO Co., Ltd.	25,200	25,200	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	34	33		
Torikizoku Co., Ltd.	18,000	18,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	33	40		
RETAIL PARTNERS CO., LTD.	34,812	34,055	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
	32	46		
Kansai Super Market Ltd.	25,367	24,866	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
	27	27		
MARUDAI FOOD CO., LTD.	10,814	10,377	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
	25	20		
FUJIYA CO., LTD.	10,000	10,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	21	25		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Yuasa Funashoku Co., Ltd.	5,000	5,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	18	18		
Yamanaka Co., Ltd.	22,000	22,000	Held for the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	16	21		
HAGOROMO FOODS CORPORATION	6,205	5,921	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	16	15		

(Note) Tokan Co., Ltd. was delisted on March 27, 2019, but the Company received an allotment of shares of Central Forest Group, Inc. as a result of share transfer on April 1, 2019.

Stocks regarded as holding shares

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Toyo Suisan Kaisha, Ltd.	728,000	728,000	Held for the purpose of maintaining and strengthening a stable business relationship. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	Yes
	3,436	2,831		
Seven & i Holdings Co., Ltd.	485,000	485,000	Held for the purpose of maintaining and strengthening a stable business relationship. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	1,977	2,397		
Kyowa Kirin Co., Ltd.	475,000	475,000	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	No
	1,103	1,105		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Sumitomo Corporation	654,000	654,000	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	No
	1,078	1,140		
Mitsubishi Shokuhin Co., Ltd.	299,000	299,000	Held for the purpose of maintaining and strengthening a stable business relationship. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	868	916		
Aeon Co., Ltd.	220,000	220,000	Held for the purpose of maintaining and strengthening a stable business relationship. The quantitative effects of holding are not presented from a standpoint of confidentiality, but have been judged to have sufficient quantitative effects.	No
	491	598		
Yamato Holdings Co., Ltd.	219,000	219,000	Held for the purpose of increasing future corporate value through mutual initiatives. The quantitative effects of holding are not presented from a standpoint of confidentiality, but the effects of holding have been assessed through comprehensive judgment, including future initiatives.	Yes
	412	659		

(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.

3. Kyowa Hakko Kirin Co., Ltd. changed its name to Kyowa Kirin Co., Ltd. on July 1, 2019.

(iii) Investment shares for pure investment purposes

Not applicable.

V. Financial Information

1. 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).

2. Audit

The audits were performed by Ernst & Young ShinNihon LLC on the consolidated financial statements for the fiscal year (from December 1, 2018 to November 30, 2019) in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law.

3. Special measures for ensuring appropriateness of consolidated financial statements

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

Consolidated Financial Statements

(1) Consolidated financial statements

(a) Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (As of November 30, 2018)	Current fiscal year (As of November 30, 2019)
Assets		
Current assets		
Cash and deposits	38,493	46,777
Notes and accounts receivable — trade	77,034	83,651
Securities	9,500	10,000
Purchased goods and products	16,695	17,392
Work in process	963	2,354
Raw materials and supplies	10,595	9,089
Other	5,566	5,951
Allowances for doubtful accounts	(446)	(426)
Total current assets	158,402	174,790
Fixed assets		
Tangible fixed assets		
Buildings and structures	*4 181,314	*4 183,036
Accumulated depreciation	(106,708)	(108,069)
Net book value	*2 74,605	*2 74,966
Machinery, equipment and vehicles	*4 175,809	*4 179,442
Accumulated depreciation	(123,835)	(123,953)
Net book value	51,974	55,488
Land	*2, *4 52,084	*2, *4 52,178
Lease assets	8,966	9,768
Accumulated depreciation	(4,205)	(4,340)
Net book value	4,761	5,427
Construction in progress	11,223	15,268
Other	*4 16,183	*4 16,415
Accumulated depreciation	(11,977)	(12,286)
Net book value	4,206	4,129
Total tangible fixed assets	198,856	207,459
Intangible fixed assets		
Goodwill	1,233	989
Software	4,322	6,399
Other	737	2,531
Total intangible fixed assets	6,293	9,921
Investments and other assets		
Investment securities	*1 29,673	*1 27,225
Long-term loans receivable	879	901
Assets for retirement benefits	11,552	9,898
Deferred tax assets	3,812	3,625
Other	*1 10,449	*1 10,664
Allowances for doubtful accounts	(181)	(177)
Total investments and other assets	56,184	52,138
Total fixed assets	261,334	269,519
Total assets	419,736	444,309

	(Millions of yen)	
	Previous fiscal year (As of November 30, 2018)	Current fiscal year (As of November 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable — trade	44,518	53,299
Short-term loans payable	*2 9,496	*2 7,322
Current portion of bonds	10,000	—
Accounts payable — other	17,025	20,406
Accrued expenses	6,462	6,769
Accrued income taxes	6,775	4,208
Reserves for sales rebates	831	861
Reserves for bonuses	1,937	2,083
Reserves for directors' bonuses	116	151
Other reserves	52	50
Other	3,672	3,852
Total current liabilities	100,888	99,006
Non-current liabilities		
Bonds	—	10,000
Long-term loans payable	*2 36,664	*2 42,616
Lease obligations	3,804	4,631
Deferred tax liabilities	6,100	5,344
Liabilities for retirement benefits	3,546	3,306
Asset retirement obligations	1,123	1,187
Other	1,508	1,463
Total non-current liabilities	52,748	68,550
Total liabilities	153,636	167,556
Net assets		
Shareholders' equity		
Paid-in capital	24,104	24,104
Capital surplus	29,543	29,483
Earned surplus	183,431	196,551
Treasury stock	(15,859)	(15,862)
Total shareholders' equity	221,219	234,276
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	10,618	9,045
Unrealized gains (losses) on hedges	(28)	6
Foreign currency translation adjustments	(1,459)	(3,241)
Accumulated adjustments for retirement benefits	(4,018)	(4,534)
Total accumulated other comprehensive income	5,112	1,275
Non-controlling interests	39,768	41,201
Total net assets	266,100	276,753
Total liabilities and net assets	419,736	444,309

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

	(Millions of yen)	
	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Net sales	573,525	545,723
Cost of sales	*1 440,378	*1 412,741
Gross profit	133,146	132,981
Selling, general and administrative expenses	*2, *3 100,078	*2, *3 100,933
Operating income	33,067	32,048
Non-operating income		
Interest income	82	103
Dividends income	515	461
Equity in earnings of affiliates	130	168
Insurance income	274	470
Subsidy income	303	354
Other	826	892
Total non-operating income	2,132	2,451
Non-operating expenses		
Interest expenses	341	294
Business commencement expenses	13	131
Foreign exchange losses	88	131
Other	406	667
Total non-operating expenses	850	1,224
Ordinary income	34,349	33,275
Extraordinary gains		
Gains on transfer of business	*4 670	*4 643
Gains on sales of investment securities	3,670	370
Gains on sales of fixed assets	*5 137	*5 137
Other	109	75
Total extraordinary gains	4,587	1,226
Extraordinary losses		
Losses on disposal of fixed assets	*6 1,016	*6 988
Impairment losses	*7 2,983	*7 729
Other	1,349	295
Total extraordinary losses	5,350	2,013
Profit before income taxes	33,586	32,487
Income taxes	11,998	10,203
Income taxes — deferred	(275)	368
Total income taxes	11,722	10,572
Profit	21,863	21,915
Profit attributable to non-controlling interests	3,542	3,216
Profit attributable to owners of parent	18,320	18,698

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Profit	21,863	21,915
Other comprehensive income		
Unrealized holding gains (losses) on securities	(2,903)	(1,611)
Unrealized gains (losses) on hedges	(22)	38
Foreign currency translation adjustments	(391)	(2,117)
Adjustments for retirement benefits	(758)	(578)
Total other comprehensive income	* (4,076)	* (4,268)
Comprehensive income	17,786	17,646
(Breakdown)		
Comprehensive income attributable to owners of parent	14,503	14,861
Comprehensive income attributable to non-controlling interests	3,283	2,784

(c) Consolidated Statements of Changes in Net Assets

Previous 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)
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
Capital increase of consolidated subsidiaries					
Sales of shares of consolidated subsidiaries					
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					Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	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)
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
Capital increase of consolidated subsidiaries							—
Sales of shares of consolidated subsidiaries							—
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

Current fiscal year (From December 1, 2018 to November 30, 2019)

(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	29,543	183,431	(15,859)	221,219
Changes of items during the fiscal year					
Dividends from surplus			(5,578)		(5,578)
Profit attributable to owners of parent			18,698		18,698
Purchase of treasury stock				(2)	(2)
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					
Capital increase of consolidated subsidiaries		(10)			(10)
Sales of shares of consolidated subsidiaries		(49)			(49)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(59)	13,119	(2)	13,056
Balance at the end of the current fiscal year	24,104	29,483	196,551	(15,862)	234,276

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	10,618	(28)	(1,459)	(4,018)	5,112	39,768	266,100
Changes of items during the fiscal year							
Dividends from surplus							(5,578)
Profit attributable to owners of parent							18,698
Purchase of treasury stock							(2)
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							—
Capital increase of consolidated subsidiaries							(10)
Sales of shares of consolidated subsidiaries							(49)
Net changes of items other than shareholders' equity	(1,572)	34	(1,782)	(516)	(3,836)	1,433	(2,403)
Total changes of items during the fiscal year	(1,572)	34	(1,782)	(516)	(3,836)	1,433	10,653
Balance at the end of the current fiscal year	9,045	6	(3,241)	(4,534)	1,275	41,201	276,753

(d) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Cash flows from operating activities		
Profit before income taxes	33,586	32,487
Depreciation and amortization	18,215	18,649
Impairment losses	2,983	729
Amortization of goodwill	514	244
Retirement benefit expenses	1,885	1,997
Equity in losses (earnings) of affiliates	(130)	(168)
Losses (gains) on valuation of investment securities	45	16
Increase (decrease) in liabilities for retirement benefits	(111)	(200)
Decrease (increase) in assets for retirement benefits	5	(1,058)
Increase (decrease) in reserves for sales rebates	29	30
Increase (decrease) in reserves for directors' bonuses	(5)	35
Increase (decrease) in reserves for bonuses	181	185
Increase (decrease) in allowances for doubtful accounts	225	(17)
Interest and dividends income	(597)	(565)
Interest expenses	341	294
Losses (gains) on sales of investment securities	(3,670)	(369)
Losses (gains) on sales and disposal of fixed assets	943	933
Losses (gains) on transfer of business	(670)	(643)
Decrease (increase) in notes and accounts receivable — trade	1,293	(6,983)
Decrease (increase) in inventories	(1,132)	(925)
Increase (decrease) in notes and accounts payable — trade	(3,415)	9,078
Increase (decrease) in accounts payable — other	1,740	3,166
Increase (decrease) in accrued consumption taxes	(196)	(825)
Increase (decrease) in long-term accounts payable	288	(71)
Other	(1,657)	(272)
Sub-total	50,692	55,748
Interest and dividends income received	656	643
Interest paid	(340)	(303)
Income taxes paid	(9,229)	(12,171)
Net cash provided by (used in) operating activities	41,778	43,916

	(Millions of yen)	
	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Cash flows from investing activities		
Purchases of tangible fixed assets	(29,217)	(24,952)
Purchases of intangible fixed assets	(2,089)	(5,074)
Purchases of investment securities	(1,766)	(42)
Proceeds from sales of investment securities	5,159	637
Net decrease (increase) in short-term loans receivable	57	(357)
Payments of long-term loans receivable	(430)	(593)
Collection of long-term loans receivable	46	75
Proceeds from transfer of business	8,309	643
Other	(269)	(55)
Net cash provided by (used in) investing activities	(20,199)	(29,720)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	985	(3,135)
Repayment of lease obligations	(2,131)	(1,499)
Proceeds from long-term loans payable	3,200	10,039
Repayment of long-term loans payable	(2,248)	(3,014)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	(10,000)
Cash dividends paid	(5,514)	(5,578)
Cash dividends paid to non-controlling interests	(847)	(1,470)
Purchase of treasury stock	(9,278)	(2)
Proceeds from issuance of common shares	541	—
Other	—	59
Net cash provided by (used in) financing activities	(15,293)	(4,602)
Effects of exchange rate changes on cash and cash equivalents	(194)	(785)
Increase (decrease) in cash and cash equivalents	6,091	8,806
Cash and cash equivalents at the beginning of the fiscal year	41,411	47,970
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	* 47,970	* 56,777

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, Salad Club, Inc. and Aohata Corporation.

In the current fiscal year, Tsukuba Egg Processing Corporation was newly included in the scope of consolidation due to its new establishment.

In addition, Kanae Foods Co., Ltd. (specified subsidiary) has been excluded from the scope of consolidation as a result of the merger with Kewpie Egg Corporation (specified subsidiary) in which Kewpie Egg Corporation was the surviving entity.

As a consequence, one company was added and one company was excluded.

Among the eighteen (18) 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 seventeen (17) 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.

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 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 method
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)

1. The Company and its domestic consolidated subsidiaries

- "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 policy in developing it. The basic policy was: 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.

2. Foreign consolidated subsidiaries

- "Leases" (IFRS 16, ASU No. 2016-02)

(1) Overview

This accounting standard requires lessees, in principle, to recognize all leases as assets and liabilities, and so forth.

(2) Timing of adoption

The scheduled adoption is from the beginning of the fiscal year ending November 30, 2020 for IFRS 16 and from the beginning of the fiscal year ending November 30, 2021 for ASU 2016-02.

(3) Effect of adoption of accounting standards

The effect of adopting "Leases" on the consolidated financial statements is currently under evaluation.

(Changes in presentation)

Changes in accordance with adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company and its consolidated subsidiaries have adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective as of the beginning of the current fiscal year. Accordingly, deferred tax assets are presented under "Investments and other assets" and deferred tax liabilities are presented under "Non-current liabilities".

As a result, in the consolidated balance sheets of the previous fiscal year, the amount of "Deferred tax assets" under "Current assets" decreased by ¥3,024 million, and the amount of "Deferred tax assets" under "Investments and other assets" increased by ¥1,387 million. Furthermore, the amount of "Deferred tax

liabilities" under "Current liabilities" decreased by ¥15 million and "Deferred tax liabilities" under "Non-current liabilities" decreased by ¥1,621 million.

Moreover, deferred tax assets and deferred tax liabilities of the same taxpayer are presented as offset against each other, and total assets decreased by ¥1,636 million compared to before the change.

Consolidated Statements of Income

Insurance income, included in "Other" under "Non-operating income" in the previous fiscal year, was presented as a separate item under "Non-operating income" from the current fiscal year, because it now accounts for more than 10% of total non-operating income. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in the consolidated statements of income, ¥274 million, which was presented in "Other" under "Non-operating income" in the previous fiscal year was reclassified as "Insurance income".

Consolidated Balance Sheets

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

	Previous fiscal year (As of November 30, 2018)	Current fiscal year (As of November 30, 2019)
Investment securities (stocks)	¥ 2,719 million	¥ 2,813 million
Other (Investments in capital)	¥ 786 million	¥ 792 million

*2 *Pledged assets and secured obligations

Pledged assets are as follows:

	Previous fiscal year (As of November 30, 2018)	Current fiscal year (As of November 30, 2019)
Buildings and structures	¥ 67 million	¥ 68 million
Land	¥ 1,064 million	¥ 1,064 million
Total	¥ 1,132 million	¥ 1,133 million

Secured obligations are as follows:

	Previous fiscal year (As of November 30, 2018)	Current fiscal year (As of November 30, 2019)
Short-term loans payable	¥ 825 million	¥ 713 million
Long-term loans payable	¥ 336 million	¥ 356 million
Total	¥ 1,162 million	¥ 1,070 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, 2018)	Current fiscal year (As of November 30, 2019)
Employees (loan)	¥ 249 million	¥ 241 million
AK Franchise System Co., Ltd. (loan)	¥ 30 million	¥ —
Kewpie-Egg World Trading Europe B.V. (Guarantee for payment of purchases)	¥ 14 million	¥ —
Total	¥ 294 million	¥ 241 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, 2018)	Current fiscal year (As of November 30, 2019)
Buildings and structures	¥ 572 million	¥ 572 million
Machinery, equipment and vehicles	¥ 652 million	¥ 670 million
Land	¥ 117 million	¥ 117 million
Other	¥ 383 million	¥ 383 million
Total	¥ 1,726 million	¥ 1,744 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, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
¥ 198 million	¥ 192 million

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

	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Transportation and warehousing expenses	¥ 26,833 million	¥ 26,038 million
Sales promotion expenses	¥ 3,930 million	¥ 4,029 million
Research and development expenses	¥ 4,142 million	¥ 4,156 million
Advertising expenses	¥ 9,142 million	¥ 9,487 million
Payroll expenses	¥ 22,820 million	¥ 23,091 million
Depreciation expenses	¥ 2,913 million	¥ 2,897 million
Provision of reserves for bonuses	¥ 573 million	¥ 625 million
Retirement benefit expenses	¥ 1,874 million	¥ 2,133 million
Provision of allowances for doubtful accounts	¥ 53 million	¥ 21 million

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

Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
¥ 4,142 million	¥ 4,156 million

*4 Gains on transfer of business

Previous 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.

Current fiscal year (From December 1, 2018 to November 30, 2019)

This is due to the transfer of part of the marketing rights of thick liquid foods and related products of the Company.

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

	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Machinery, equipment and vehicles	¥ 68 million	¥ 73 million
Land	¥ 51 million	¥ 62 million
Other	¥ 17 million	¥ 1 million
Total	¥ 137 million	¥ 137 million

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

	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Buildings and structures	¥ 240 million	¥ 479 million
Machinery, equipment and vehicles	¥ 731 million	¥ 471 million
Other	¥ 43 million	¥ 37 million
Total	¥ 1,016 million	¥ 988 million

*7 Impairment losses

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

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

Location	Use	Item	Impairment losses (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, each management accounting unit, on which revenue and expenditure are continuously monitored such as company, business location, is classified as one asset-grouping unit.

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 impairment losses. 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 impairment losses. 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 impairment losses.

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%.

Current fiscal year (From December 1, 2018 to November 30, 2019)

Location	Use	Item	Impairment losses (millions of yen)
Fujiyoshida-shi, Yamanashi	Factory	Buildings, etc.	550
Kumiyama-cho, Kuse-gun, Kyoto	Factory	Land, etc.	92
Oishida-machi Kitamurayama-gun, Yamagata	Production lines	Machinery, equipment, etc.	50
Kawagoe-shi, Saitama	Business office	Buildings, etc.	36
Total			729

In principle, each management accounting unit, on which revenue and expenditure are continuously monitored such as company, business location, is classified as one asset-grouping unit.

In the current fiscal year, the Company wrote down the book values of a factory in Fujiyoshida-shi, Yamanashi, to recoverable amounts as a result of the decision to sell the factory. As such, the relevant write-down amount of ¥550 million is recorded as impairment losses. The recoverable amounts are measured by their net sales value based on the estimated sales value.

The Company wrote down the book values of a factory in Kumiyama-cho, Kuse-gun, Kyoto, to recoverable amounts as a result of the decision to close the factory. As such, the relevant write-down amount of ¥92 million is recorded as impairment losses. 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 ¥50 million is recorded as impairment losses. The recoverable amounts are measured according to value in use, but as no future cash flow is expected to be generated in the future, the recoverable value is assessed as zero.

The Company wrote down the book values of business offices in Kawagoe-shi, Saitama to recoverable amounts, because it no longer expects to recover its investment due to diminished profitability. As such, the relevant write-down amount of ¥36 million is recorded as impairment losses. The recoverable amounts are measured according to value in use, and are calculated by discounting the future cash flows using a rate of 2.90%.

Consolidated Statements of Comprehensive Income

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

	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Unrealized holding gains (losses) on securities:		
Amount arising during the fiscal year	¥ (508) million	¥ (1,934) million
Reclassification adjustments	¥ (3,655) million	¥ (370) million
Before income tax effects	¥ (4,164) million	¥ (2,304) million
Amount of income tax effects	¥ 1,260 million	¥ 692 million
Unrealized holding gains (losses) on securities	¥ (2,903) million	¥ (1,611) million
Unrealized gains (losses) on hedges:		
Amount arising during the fiscal year	¥ (46) million	¥ 35 million
Reclassification adjustments	18 million	14 million
Before income tax effects	¥ (27) million	¥ 49 million
Amount of income tax effects	¥ 4 million	¥ (11) million
Unrealized gains (losses) on hedges	¥ (22) million	¥ 38 million
Foreign currency translation adjustments:		
Amount arising during the fiscal year	¥ (391) million	¥ (2,117) million
Reclassification adjustments	—	—
Foreign currency translation adjustments	¥ (391) million	¥ (2,117) million
Adjustments for retirement benefits:		
Amount arising during the fiscal year	¥ (2,985) million	¥ (2,825) million
Reclassification adjustments	¥ 1,885 million	¥ 1,997 million
Before income tax effects	¥ (1,099) million	¥ (827) million
Amount of income tax effects	¥ 340 million	¥ 249 million
Adjustments for retirement benefits	¥ (758) million	¥ (578) million
Total other comprehensive income	¥ (4,076) million	¥ (4,268) million

Consolidated Statements of Changes in Net Assets

Previous 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 an increase of 4,000,000 shares due to the purchase of treasury stock pursuant to the resolution of the Board of Directors, and an increase of 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

Current fiscal year (From December 1, 2018 to November 30, 2019)

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)	6,956,925	1,125	—	6,958,050
Total	6,956,925	1,125	—	6,958,050

(Note) Increase in number of shares of common stock in treasury stock is due to 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, 2019	Common stock	2,717	19.00	November 30, 2018	February 7, 2019
The Board of Directors' meeting held on June 26, 2019	Common stock	2,860	20.00	May 31, 2019	August 5, 2019

(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 22, 2020	Common stock	3,576	Earned surplus	25.00	November 30, 2019	February 7, 2020

Consolidated Statements of Cash Flows

- * Reconciliation between "Cash and cash equivalents at the end of the fiscal year" and "Cash and deposits" on the consolidated balance sheets

	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Cash and deposits	¥ 38,493 million	¥ 46,777 million
Time deposits with maturity over three months	¥ (23) million	¥ —
Securities	¥ 9,500 million	¥ 10,000 million
Cash and cash equivalents at the end of the fiscal year	¥ 47,970 million	¥ 56,777 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, 2018)	Current fiscal year (As of November 30, 2019)
Due within one year	1,813	2,474
Due over one year	8,485	15,586
Total	10,298	18,061

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 "Significant Matters Forming the Basis for the 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, 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.

Current fiscal year (As of November 30, 2019)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	46,777	46,777	—
(2) Notes and accounts receivable — trade	83,651		
Allowances for doubtful accounts (*1)	(409)		
	83,241	83,241	—
(3) Securities and investment securities	32,017	32,017	—
Total assets	162,036	162,036	—
(4) Notes and accounts payable — trade	53,299	53,299	—
(5) Short-term loans payable	3,862	3,862	—
(6) Current portion of bonds	—	—	—
(7) Accounts payable — other	20,406	20,406	—
(8) Accrued income taxes	4,208	4,208	—
(9) Bonds	10,000	10,006	6
(10) Long-term loans payable (*2)	46,077	46,073	(3)
Total liabilities	137,853	137,855	2
Derivatives (*3)	9	9	—

(*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 borrowing. 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, 2018)	Current fiscal year (As of November 30, 2019)
Unlisted stocks	5,156	5,207

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, 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	—	—	—

Current fiscal year (As of November 30, 2019)

	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	46,742	—	—	—
Notes and accounts receivable — trade	83,651	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	10,000	—	—	—
Total	140,394	—	—	—

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, 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

Current fiscal year (As of November 30, 2019)

	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	3,862	—	—	—	—	—
Bonds	—	—	—	—	—	10,000
Long-term loans payable	3,460	3,349	13,105	2,440	16,765	6,955
Total	7,322	3,349	13,105	2,440	16,765	16,955

Securities

1. Other securities

Previous 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.

Current fiscal year (As of November 30, 2019)

	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	20,505	6,902	13,603
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	62	50	12
	Sub-total	20,568	6,953	13,615
Securities whose acquisition cost exceeds their balance sheet amount	(1) Stocks	1,439	1,585	(146)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	10,009	10,010	(0)
	Sub-total	11,449	11,595	(146)
Total		32,017	18,548	13,468

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,393 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, 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	—

Current fiscal year (From December 1, 2018 to November 30, 2019)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	639	370	0
(2) Bonds			
(a) Government and local bonds	—	—	—
(b) Corporate bonds	—	—	—
(c) Other	—	—	—
(3) Other	—	—	—
Total	639	370	0

3. Securities for which impairment losses are recognized

Previous 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.

Current fiscal year (From December 1, 2018 to November 30, 2019)

Impairment losses of ¥16 million were recognized for securities (¥16 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

(1) Commodity derivatives

Previous fiscal year (As of November 30, 2018)

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

Current fiscal year (As of November 30, 2019)

Classification	Item	Transaction type	Contract amount		Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)		
Transactions other than market transactions	Oil	Swap transactions Floating receipt Fixed payment	77	25	(9)	(9)

(Note) Calculation of fair values

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

(2) Currency derivatives

Previous fiscal year (As of November 30, 2018)

Not applicable

Current fiscal year (As of November 30, 2019)

Classification	Transaction type	Contract amount		Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
		Total (millions of yen)	Over one year (millions of yen)		
Transactions other than market transactions	Purchased forward exchange contracts— Polish zloty	1,482	—	8	8

(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, 2018)

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

(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, 2019)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Allocation method for forward exchange contracts, etc.	Purchased forward exchange contracts—	Accounts payable — trade			
	U.S. dollar		1,163	—	24
	RMB		207	—	(2)
	Euro		66	—	0
Total			1,438	—	22

(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, 2018)

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

(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, 2019)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Special treatment for interest rate swap transactions	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	43	15	— (Note 2)
Deferral hedge method	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	412	362	(10)

(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, 2018)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Deferral hedge method	Purchased commodity futures transactions— U.S. dollar	Accounts payable — trade	51	—	21

(Note) Calculation of fair values

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

Current fiscal year (As of November 30, 2019)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Deferral hedge method	Purchased commodity futures transactions— U.S. dollar	Accounts payable — trade	14	—	13

(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, 2017 to November 30, 2018)		Current fiscal year (From December 1, 2018 to November 30, 2019)	
Balance of retirement benefit obligations at the beginning of the fiscal year	¥	76,218 million	¥	75,414 million
Service costs	¥	3,222 million	¥	3,148 million
Interest costs	¥	322 million	¥	388 million
Actuarial gains or losses incurred	¥	(353) million	¥	1,651 million
Retirement benefits paid	¥	(3,550) million	¥	(3,652) million
Other	¥	(445) million	¥	215 million
Balance of retirement benefit obligations at the end of the fiscal year	¥	75,414 million	¥	77,165 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, 2017 to November 30, 2018)		Current fiscal year (From December 1, 2018 to November 30, 2019)	
Balance of pension plan assets at the beginning of the fiscal year	¥	85,700 million	¥	83,419 million
Expected return on pension plan assets	¥	2,137 million	¥	2,085 million
Actuarial gains or losses incurred	¥	(3,339) million	¥	(953) million
Contributions by the employer	¥	2,915 million	¥	2,695 million
Retirement benefits paid	¥	(3,429) million	¥	(3,328) million
Other	¥	(565) million	¥	(161) million
Balance of pension plan assets at the end of the fiscal year	¥	83,419 million	¥	83,757 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, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Retirement benefit obligations for funded plans	¥ 73,013 million	¥ 75,160 million
Pension plan assets	¥ (83,419) million	¥ (83,757) million
	¥ (10,405) million	¥ (8,597) million
Retirement benefit obligations for non-funded plans	¥ 2,400 million	¥ 2,004 million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (8,005) million	¥ (6,592) million
Liabilities for retirement benefits	¥ 3,546 million	¥ 3,306 million
Assets for retirement benefits	¥ (11,552) million	¥ (9,898) million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (8,005) million	¥ (6,592) million

- (4) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Service costs	¥ 3,222 million	¥ 3,148 million
Interest costs	¥ 322 million	¥ 388 million
Expected return on pension plan assets	¥ (2,137) million	¥ (2,085) million
Amortization of actuarial gains or losses	¥ 1,714 million	¥ 1,832 million
Amortization of prior service costs	¥ 171 million	¥ 165 million
Retirement benefit expenses for defined benefit plans	¥ 3,293 million	¥ 3,449 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, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Prior service costs	¥ (171) million	¥ 55 million
Actuarial gains or losses	¥ 1,271 million	¥ 772 million
Total	¥ 1,099 million	¥ 827 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, 2018)	Current fiscal year (As of November 30, 2019)
Unrecognized prior service costs	¥ 547 million	¥ 603 million
Unrecognized actuarial gains or losses	¥ 5,953 million	¥ 6,725 million
Total	¥ 6,501 million	¥ 7,328 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, 2018)	Current fiscal year (As of November 30, 2019)
Bonds	34%	35%
Stocks	35%	36%
Insurance assets (general account)	6%	6%
Cash and deposits	10%	8%
Other	15%	15%
Total	100%	100%

(Note) Total pension plan assets include retirement benefit trusts established for corporate pension plans of 14% 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, 2018)	Current fiscal year (As of November 30, 2019)
Discount rate	0.5% to 0.6%	0.3% to 0.5%
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 ¥476 million for the previous fiscal year and ¥623 million for the current fiscal year, and the amount paid under the retirement benefit advance payment systems is ¥132 million for the previous fiscal year and ¥115 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, 2018)	Current fiscal year (As of November 30, 2019)
Deferred tax assets		
Unrealized gains	¥ 1,981 million	¥ 2,070 million
Reserves for sales rebates	¥ 261 million	¥ 270 million
Accrued expenses (sales promotion expenses)	¥ 867 million	¥ 826 million
Reserves for bonuses	¥ 441 million	¥ 642 million
Accrued social security expenses	¥ 52 million	¥ 60 million
Accrued enterprise taxes	¥ 449 million	¥ 331 million
Liabilities for retirement benefits	¥ 930 million	¥ 803 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	¥ 162 million
Tax loss carryforwards	¥ 707 million	¥ 966 million
Depreciation	¥ 1,384 million	¥ 1,209 million
Impairment losses	¥ 966 million	¥ 846 million
Other	¥ 2,697 million	¥ 2,668 million
Sub-total deferred tax assets	¥ 11,976 million	¥ 11,944 million
Valuation allowance	¥ (1,917) million	¥ (2,396) million
Total deferred tax assets	¥ 10,059 million	¥ 9,547 million
Deferred tax liabilities		
Assets for retirement benefits	¥ (3,462) million	¥ (2,907) million
Differences on valuation of fixed assets	¥ (735) million	¥ (735) million
Reserves for reduction entry of property by purchase	¥ (1,212) million	¥ (1,164) million
Unrealized holding gains on securities	¥ (4,690) million	¥ (3,982) million
Other	¥ (2,245) million	¥ (2,475) million
Total deferred tax liabilities	¥ (12,347) million	¥ (11,266) million
Net deferred tax assets (liabilities)	¥ (2,288) million	¥ (1,719) million

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

	Previous fiscal year (As of November 30, 2018)	Current fiscal year (As of November 30, 2019)
Statutory tax rate	30.9%	30.6%
(Adjustments)		
Changes in valuation allowance	2.1%	0.9%
Expenses not deductible permanently	1.0%	1.3%
Income not taxable permanently	(0.3%)	(0.1%)
Inhabitant tax levied per capita	0.7%	0.7%
Tax deduction	(1.0%)	(1.5%)
Other	1.5%	0.6%
Effective tax rate	34.9%	32.5%

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, 2017 to November 30, 2018)		Current fiscal year (From December 1, 2018 to November 30, 2019)	
Balance at the beginning of the fiscal year	¥	1,120 million	¥	1,123 million
Increase due to purchases of tangible fixed assets	¥	0 million	¥	59 million
Adjustments to interest	¥	7 million	¥	7 million
Decrease due to payments for asset retirement obligations	¥	(4) million	¥	(3) million
Balance at the end of the fiscal year	¥	1,123 million	¥	1,187 million

Segment Information

Segment Information

1. Outline of reporting segments

The reporting 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 and Processed Foods", "Salad and Delicatessen", "Egg", "Fruit Solution", "Fine Chemicals", "Distribution" and "Common Business Operations".

The following is the overview of each segment:

Condiments and Processed Foods:	Mayonnaise, dressings, vinegar, pasta sauces, baby foods and nursing care foods
Salad and Delicatessen:	Salads, delicatessen foods and packaged salads
Egg:	Liquid egg, frozen egg, dried egg and egg processed foods
Fruit Solution:	Jams and fruit processed foods
Fine Chemicals:	Hyaluronic acid and others
Distribution:	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 reporting segment

Accounting treatment applied to the reporting segments is generally the same with what is described in "Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements".

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

(Information on changes in reporting segment)

From the current fiscal year, the Company has changed the Group's framework for promoting business to better develop our business activities in a manner that aligns with areas of management responsibility outlined in the Medium-term Business Plan, which covers three years starting from fiscal year 2019. These changes are as follows:

◇ Changes in business category

- All business operations of the former "Processed foods business" segment except the Aohata Corporation portion have been transferred to the former "Condiments products business" segment and this segment was renamed as "Condiments and Processed Foods Business"
- The Aohata Corporation portion included in the former "Processed foods business" segment has been split off and this new segment was named as "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.

Segment information of the previous fiscal year has been restated and disclosed based on the current segment classifications after the change.

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

Previous 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	Consolidated (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	143,537	34,824	67,593	17,355	8,931	80,893	24,319	377,456	42,280	419,736
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 reporting segments. The company-wide expenses mainly consist of expenditures pertaining to general and administrative expenses not attributable to the reporting segments.
 - (ii) "Adjustments" of ¥42,280 million in "Segment assets" mainly includes company-wide assets of ¥48,794 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 reporting 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".

Current fiscal year (From December 1, 2018 to November 30, 2019)

(Millions of yen)

	Condiments and Processed Foods	Salad and Delicatessen	Egg	Fruit Solution	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Consolidated (Note)
Net sales										
Net sales to external customers	185,213	90,291	99,991	15,648	8,348	140,976	5,253	545,723	—	545,723
Intersegment net sales or transfers	6,447	124	3,329	934	448	31,250	9,589	52,124	(52,124)	—
Total	191,661	90,415	103,321	16,582	8,797	172,226	14,843	597,847	(52,124)	545,723
Segment profit	21,587	3,185	7,438	312	1,236	4,133	1,349	39,243	(7,194)	32,048
Segment assets	140,830	37,127	73,380	19,841	8,464	86,606	24,403	390,653	53,655	444,309
Others										
Depreciation and amortization	7,036	1,775	3,175	879	498	4,050	932	18,348	300	18,649
Investment in affiliates accounted for by equity method	1,529	—	—	—	—	—	248	1,777	—	1,777
Increase in tangible and intangible fixed assets	6,925	2,092	7,701	3,670	272	7,672	294	28,629	2,049	30,678

(Notes) 1. Adjustments are as follows:

- (i) "Adjustments" of ¥(7,194) million in "Segment profit" includes company-wide expenses unallocated to the respective reporting segments. The company-wide expenses mainly consist of expenditures pertaining to general and administrative expenses not attributable to the reporting segments.
 - (ii) "Adjustments" of ¥53,655 million in "Segment assets" mainly includes company-wide assets of ¥60,300 million and elimination of intersegment receivables and payables of ¥(5,554) 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 ¥300 million in "Depreciation and amortization" is mainly related to company-wide assets unallocated to the reporting segments.
 - (iv) "Adjustments" of ¥2,049 million in "Increase in tangible and intangible fixed assets" mainly represents the investments in the Kewpie Group core systems before allocation to the reporting 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".

Related Information

Previous 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.

Current fiscal year (From December 1, 2018 to November 30, 2019)

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 Impairment Losses by Reporting Segment

Previous 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	Total
Impairment losses	2,623	—	219	141	—	—	—	2,983	—	2,983

Current fiscal year (From December 1, 2018 to November 30, 2019)

(Millions of yen)

	Condiments and Processed Foods	Salad and Delicatessen	Egg	Fruit Solution	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Impairment losses	550	—	92	50	—	36	—	729	—	729

Information on Amortization of Goodwill and Unamortized Balance by Reporting Segment

Previous 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	Total
Amortization in the current fiscal year	271	—	—	182	29	30	—	514	—	514
Unamortized balance at the end of the current fiscal year	53	—	—	1,093	22	64	—	1,233	—	1,233

Current fiscal year (From December 1, 2018 to November 30, 2019)

(Millions of yen)

	Condiments and Processed Foods	Salad and Delicatessen	Egg	Fruit Solution	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Amortization in the current fiscal year	16	—	—	182	22	23	—	244	—	244
Unamortized balance at the end of the current fiscal year	37	—	—	911	—	40	—	989	—	989

Information on Gains on Negative Goodwill by Reporting Segment

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

Not applicable.

Current fiscal year (From December 1, 2018 to November 30, 2019)

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, 2017 to November 30, 2018)

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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	Sale of various processed foods	Direct: 10.3% Direct: 10.5% Indirect: 5.7%	Purchase of products and payment of brand use fees	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	Accounts payable — other	31
							Purchase of promotional items	60		
							Lease of property	16		
							Purchase of treasury stock (Note 8)	8,095		
							Interlocking officers			
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	1,082	Investments and other assets (Other)	946	
						Interlocking officers	1,156	Accounts payable — other	6	
						Purchase of treasury stock (Note 9)				
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	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	2,046	Accounts payable — other	249	
						Interlocking officers	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	95	Investments and other assets (Other)	116	

Category	Corporate / individual name	Address	Paid-in capital/equity investment (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 purchase of treasury stock, 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 purchase of treasury stock, 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.

Current fiscal year (From December 1, 2018 to November 30, 2019)

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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	Sale 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	424	Notes and accounts payable — trade	75
							Sale of goods and products	93	Notes and accounts receivable — trade	14
							Payment of brand use fees	400		
							Purchase of promotional items	75	Accounts payable — other	37
							Lease of property	16		
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	1,081	Investments and other assets (Other)	946
							Purchase of lease assets	11	Accounts payable — other	6
									Current liabilities (Other)	51
		Lease obligations (fixed)	108							
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	134	Notes and accounts receivable — trade	43
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)	Chofushi, 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	2,040	Accounts payable — other	858
							Purchase of software	269		
							Purchase of tangible fixed assets	28		
							Lease of property	56		
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)	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.
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.

(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, 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	Sale of various processed foods	Direct: 10.3% (Direct: 10.5%) (Indirect: 5.7%)	Purchase of product 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
							Purchase of lease assets	14	Investments and other assets (Other)	104
									Current liabilities (Other)	2
									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 Singapore 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.

Current fiscal year (From December 1, 2018 to November 30, 2019)

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	Sale 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	496	Notes and accounts payable — trade	72
							Sale of goods and products	80	Notes and accounts receivable — trade	10
							Rent of property	21	Accounts payable — other	22
							Purchase of trademark rights (Note 6)	2,100		
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	432	Current assets (Other)	55
							Purchase of lease assets	28	Investments and other assets (Other)	389
									Accounts payable — other	0
									Current liabilities (Other)	5
		Lease obligations (fixed)	20							
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	Sale of goods and products	418	Notes and accounts receivable — trade	47
							Purchase of products	51	Notes and accounts payable — trade	0
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	922	Accounts payable—other	112
							Purchase of tangible fixed assets	22		
							Purchase of software	318		
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 4)	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	97	Notes and accounts receivable — trade	27
							Payment of selling-related costs	18		

- (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. Purchase price of trademark rights is determined by referring to evaluations calculated by independent third-party organizations.

Per Share Information

		Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Net assets per share	(yen)	1,582.27	1,646.73
Earnings per share	(yen)	124.85	130.72

(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, 2018)	Current fiscal year (As of November 30, 2019)
Total net assets	(millions of yen)	266,100	276,753
Amount subtracted from total net assets	(millions of yen)	39,768	41,201
[Non-controlling interests]	(millions of yen)	[39,768]	[41,201]
Net assets attributable to common stock at the end of the fiscal year	(millions of yen)	226,332	235,552
Number of shares of common stock at the end of the fiscal year	(thousand shares)	143,043	143,041

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

		Previous fiscal year (From December 1, 2017 to November 30, 2018)	Current fiscal year (From December 1, 2018 to November 30, 2019)
Profit attributable to owners of parent	(millions of yen)	18,320	18,698
Amounts not attributable to common shareholders	(millions of yen)	—	—
Profit attributable to owners of parent attributable to common stock	(millions of yen)	18,320	18,698
Weighted average number of shares of common stock	(thousand shares)	146,736	143,042

(Significant subsequent events)

Not applicable.

(e) Consolidated Supplementary Statements

1. Description of bonds

Corporate name	Issue	Issue date	Beginning balance (millions of yen)	Ending balance (millions of yen)	Interest rate per annum (%)	Pledged	Maturity date
The Company	The 2nd Unsecured Bonds	February 15, 2012	10,000	—	0.777	None	February 15, 2019
The Company	The 3rd Unsecured Bonds	February 15, 2019	—	10,000	0.230	None	February 13, 2026
Total	—	—	10,000	10,000	—	—	—

(Note) 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	7,108	3,862	0.529	—
Current portion of long-term loans payable	2,387	3,460	0.389	—
Current portion of lease obligations	1,449	1,390	1.397	—
Long-term loans payable	36,664	42,616	0.321	From December 2020 to September 2029
Long-term lease obligations	3,804	4,631	1.432	From December 2020 to November 2050
Other interest-bearing debt	—	—	—	—
Total	51,414	55,962	—	—

(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	3,349	13,105	2,440	16,765	6,955
Lease obligations	1,006	770	497	250	2,107

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.

(2) Other

Quarterly information for the current fiscal year

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales (millions of yen)	128,319	268,986	407,467	545,723
Profit before income taxes (millions of yen)	6,082	16,538	25,570	32,487
Profit attributable to owners of parent (millions of yen)	3,500	9,556	14,737	18,698
Earnings per share (yen)	24.47	66.81	103.03	130.72

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	24.47	42.34	36.22	27.69

Independent Auditors' Audit Report and Internal Control Audit Report

February 27, 2020

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

Ernst & Young ShinNihon LLC

Designated and Engagement Partner	<u>Yoshimi Kimura</u> Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	<u>Yoshiyuki Sakuma</u> Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	<u>Miyuki Nakamura</u> 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, 2018 to November 30, 2019, 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, 2019, 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, 2019 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, 2019 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 shares								
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.com/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 <table border="1"> <thead> <tr> <th>Number of shares held</th> <th>Contents of gift</th> </tr> </thead> <tbody> <tr> <td>100 shares to 499 shares</td> <td>Assortment of the Group products valued at ¥1,000</td> </tr> <tr> <td>500 shares to 999 shares</td> <td>Assortment of the Group products valued at ¥2,000</td> </tr> <tr> <td>1,000 shares or more</td> <td>Assortment of the Group products valued at ¥3,000</td> </tr> </tbody> </table> <p>* A shareholder who has held the Company's shares for three years or more is defined as a shareholder who has been registered in the shareholder registry as of May 31 and November 30 under the same shareholder number on seven or more consecutive occasions.</p>	Number of shares held	Contents of gift	100 shares 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
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								

(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, 2020 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, 2019, 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 20 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, 2019.

American Depositary Receipts:

Ratio (ADR : ORD): 1 : 2

Exchange: OTC (Over-the-Counter)

Symbol: KWPCY

CUSIP: 493054100

Depository:

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