Annual Report

2021

December 1, 2020 to November 30, 2021

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, 2022 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:	Mitsuru Takamiya
	Representative Director President and Chief Executive Corporate Officer
Location of Head Office:	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo 150-0002, Japan
Contact:	Takeshi Kitagawa
	Senior General Manager of Management Promotion Division
Telephone:	+81-3-3486-3331

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I. Outline of the Company

1. Principal Management Indexes

(1) Consolidated principal management indexes for the five years ended November 30, 2021

Period ended	Nov. 2017	Nov. 2018	Nov. 2019	Nov. 2020	Nov. 2021
Net sales (millions of yen)	561,688	573,525	545,723	531,103	407,039
Ordinary income (millions of yen)	32,511	34,349	33,275	28,989	29,698
Profit attributable to owners of parent (millions of yen)	18,099	18,320	18,698	11,591	18,014
Comprehensive income (millions of yen)	33,897	17,786	17,646	14,347	24,546
Total net assets (millions of yen)	263,432	266,100	276,753	287,356	269,301
Total assets (millions of yen)	417,710	419,736	444,309	454,276	381,003
Net assets per share (yen)	1,539.94	1,582.27	1,646.73	1,676.05	1,767.14
Earnings per share (yen)	121.05	124.85	130.72	81.04	128.17
Earnings per share – diluted (yen)	—	—	—	—	—
Equity ratio (%)	54.2	53.9	53.0	52.8	64.5
Return on equity (%)	8.2	8.1	8.1	4.9	7.4
Price earnings ratio (times)	23.8	22.1	18.6	26.8	18.0
Cash flows from operating activities (millions of yen)	27,234	41,778	43,916	34,955	38,533
Cash flows from investing activities (millions of yen)	(31,421)	(20,199)	(29,720)	(26,039)	(20,277)
Cash flows from financing activities (millions of yen)	4,010	(15,293)	(4,602)	5	(18,701)
Cash and cash equivalents at the end of the fiscal year (millions of yen)	41,411	47,970	56,777	65,777	66,703
Number of regular full-time employees, and average number of temporary employees in brackets	14,924 [11,456]	14,808 [9,843]	15,452 [9,404]	16,003 [9,268]	10,719 [5,166]

(Notes)
1. Consumption taxes are not included in net sales.
2. Earnings per share – diluted is not presented because of no issue of potential shares.
3. 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 fiscal year ended November 30, 2019. Accordingly, the principal management indexes pertaining the fiscal year ended November 30, 2017 and the fiscal year ended November 30, 2018 have been retroactively adjusted to reflect the adoption of said accounting standard and relevant guidelines.
4. In the current fiscal year, the Company finalized the provisional accounting treatment for business combinations. Accordingly, the principal management indexes pertaining to the fiscal year ended November 30, 2020 have been retroactively adjusted to reflect the finalization of the provisional accounting treatment.
5. In the current fiscal year, K.R.S. Corporation ("KRS") and its subsidiaries have changed from being consolidated subsidiaries to being affiliated companies accounted for by the equity method, as the Company sold part of the shares of KRS.
   For further details, please refer to "Notes, Business Combination" of the Consolidated Financial Statements.

(2) Non-consolidated principal management indexes for the five years ended November 30, 2021

Period ended		Nov. 2017	Nov. 2018	Nov. 2019	Nov. 2020	Nov. 2021
Net sales	(millions of yen)	204,072	203,449	192,881	176,734	178,513
Ordinary income	(millions of yen)	16,060	16,400	17,245	16,214	15,518
Profit	(millions of yen)	12,691	11,586	12,453	9,794	11,009
Paid-in capital	(millions of yen)	24,104	24,104	24,104	24,104	24,104
Total number of issued shares		150,000,000	150,000,000	150,000,000	150,000,000	141,500,000
Total net assets	(millions of yen)	153,669	147,756	153,101	156,326	151,519
Total assets	(millions of yen)	260,083	252,009	259,373	250,929	254,560
Net assets per share	(yen)	1,045.05	1,032.95	1,070.33	1,092.88	1,090.03
Annual dividends per share, and interim dividends per share in brackets	(yen)	36.5 [18.0]	38.0 [19.0]	45.0 [20.0]	40.0 [20.0]	47.0 [20.0]
Earnings per share	(yen)	84.88	78.96	87.06	68.47	78.33
Earnings per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	59.1	58.6	59.0	62.3	59.5
Return on equity	(%)	8.3	7.7	8.3	6.3	7.2
Price earnings ratio	(times)	34.0	34.9	27.9	31.8	29.5
Dividend payout ratio	(%)	43.0	48.1	51.7	58.4	60.0
Number of regular full-time employees, and average number of temporary employees in brackets		2,523 [853]	2,508 [774]	2,447 [738]	2,426 [569]	2,394 [537]
Total shareholder return (Comparative index: Dividend-included TOPIX)	(%)	108.1 [124.5]	104.7 [118.4]	94.4 [123.7]	86.3 [130.9]	93.1 [146.9]
Highest stock price	(yen)	3,290	3,145	2,782	2,496	2,813
Lowest stock price	(yen)	2,479	2,435	2,303	1,783	2,123

(Notes) 1. Consumption taxes are not included in net sales.
2. Earnings per share – diluted is not presented because of no issue of potential shares.
3. 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 fiscal year ended November 30, 2019. Accordingly, the principal management indexes pertaining to the fiscal year ended November 30, 2017 and the fiscal year ended November 30, 2018 have been retroactively adjusted to reflect the adoption of said accounting standard and relevant guidelines.
4. 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, fifty-six (56) consolidated subsidiaries, twenty-seven (27) affiliated companies, and one other associated company. The Group's principal businesses are manufacturing and wholesaling 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
Retail Market	Kewpie Corporation Kpack Co., Ltd. Dispen Pak Japan Co., Inc.	Mayonnaise and dressings
	Deria Foods Co., Ltd. Shunsai Deli Co., Ltd.	Salads and Delicatessen foods
	Salad Club, Inc.	Packaged salads
Food Service	Kewpie Corporation	Mayonnaise and dressings
	Kewpie Egg Corporation	Liquid egg and egg products
	Kewpie Jyozo Co., Ltd.	Vinegar
Overseas	Kewpie Corporation Hangzhou Kewpie Corporation BEIJING KEWPIE CO., LTD. Q&B FOODS, INC. KEWPIE (THAILAND) CO., LTD. KEWPIE MALAYSIA SDN. BHD.	Mayonnaise and dressings
Fruit Solutions	Aohata Corporation	Jams and fruit processed foods
Fine Chemicals	Kewpie Corporation	Hyaluronic acid and others
Common Business Operations	Shiba Seisakusyo Co., Ltd.	Sale of food production equipment

The Group Business Network chart on the next page shows the relationships of the business activities of Group companies.

Aohata Corporation, a consolidated subsidiary, is listed on the second section of the Tokyo Stock Exchange.

(Notes) 1. In January 2021, the Company sold part of the shares of KRS, which was a consolidated subsidiary of the Company. As a result of this share sale, from the current fiscal year, KRS and its fourteen (14) subsidiaries have changed from being consolidated subsidiaries to being affiliated companies accounted for by the equity method.

2. The Company has made changes to the reporting segment classifications effective from the current fiscal year. For further details, please refer to "V. Financial Information, Consolidated Financial Statements, Notes, Segment Information".

(Group Business Network)

Business partners

↑ ↑ ↑

Kewpie Group

Retail Market

Kewpie Corporation
Deria Foods Co., Ltd.
Salad Club, Inc.
Shunsai Deli Co., Ltd.
Potato Delica Co., Ltd.
Kpack Co., Ltd.
Dispen Pak Japan Co., Inc.
Other

Food Service

Kewpie Corporation
Kewpie Egg Corporation
Zen-noh Kewpie Egg-station Co., Ltd.
Kewpie Jyozo Co., Ltd.
Kewpie-Egg World Trading Co., Ltd.
Co-op Foods Co., Ltd.
Deft Co., Ltd.
Other

Overseas

Kewpie Corporation
Hangzhou Kewpie Corporation
Q&B FOODS, INC.
BEIJING KEWPIE CO., LTD.
KEWPIE (THAILAND) CO., LTD.
KEWPIE VIETNAM CO., LTD.
KEWPIE MALAYSIA SDN. BHD.
Other

Fruit Solutions

Aohata Corporation

Fine Chemicals

Kewpie Corporation
Tou Kewpie Co., Ltd.

Common Business Operations

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

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 1 Employees 7	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 3 Employees 6	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 2 Employees 3	None	Purchase of products and raw materials	Leases of offices
San-ei Provisions Co., Ltd.	Chofu-shi, Tokyo	57 million yen	Sale of products for food service use	66.2	Employees 4	None	Sale of products and purchase of raw materials	Leases of offices
Co-op Foods Co., Ltd.	Chofu-shi, Tokyo	50 million yen	Production and sale of bottled, canned and retort pouch foods	100.0	Employees 3	852 million yen	Purchase of products	Leases of offices
Co-op Foods Co., Ltd.	Kumamoto-shi, Kumamoto	0 million yen	Production, processing and sale of foods	100.0	D or A 1 Employees 2	None	None	None
Zen-noh Kewpie Egg-station Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	100 million yen	Production and sale of dried egg and liquid egg	51.4	D or A 2 Employees 3	494 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
KIFUKI U.S.A. CO., INC.	Delaware, USA	7.17 U.S. dollars	Investment in and management of U.S. associates	100.0	Employees 2	None	None	None
Soka Delica Co., Ltd.	Soka-shi, Saitama	98 million yen	Production and sale of delicatessen foods	100.0	Employees 5	249 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	Employees 2	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 1 Employees 4	None	Purchase of products	Leases of offices and factories
Shiba Seisakusyo Co., Ltd.	Kawasaki-ku, Kawasaki-shi, Kanagawa	20 million yen	Production of machinery and equipment	100.0	Employees 4	61 million yen	Purchase of machinery and equipment	None
Potato Delica Co., Ltd.	Azumino-shi, Nagano	50 million yen	Production of frozen and chilled foods	100.0 (0.9)	Employees 5	163 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 goods and products	Leases of offices
K.System Co., Ltd.	Machida-shi, Tokyo	50 million yen	Consigned clerical work	80.0	Employees 3	None	Consignment of clerical work	Leases of offices
Kpack Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	30 million yen	Production and sale of condiments	100.0	D or A 1 Employees 4	None	Purchase of products	Leases of offices
Tosu Kewpie Co., Ltd.	Tosu-shi, Saga	10 million yen	Production and processing of foods; outsourced work	100.0	Employees 2	None	Consignment of production	Leases of factories
Hangzhou Kewpie Corporation	Zhejiang Province, China	140 million yuan	Production and sale of condiments	72.0 (72.0)	Employees 6	None	None	None
Seto Delica Co., Ltd.	Seto-shi, Aichi	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	355 million yen	Sale of goods and products	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
Ishikari Delica Co., Ltd.	Teine-ku, Sapporo-shi, Hokkaido	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	None	Sale of 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 2 Employees 3	None	Sale of goods and products	Leases of offices and factories
BEIJING KEWPIE CO., LTD. (Note 1)	Beijing, China	211 million yuan	Production and sale of condiments	72.0 (72.0)	Employees 6	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 5	None	Consignment of clerical work	Leases of offices
Kitakami Delica Co., Ltd.	Kitakami-shi, Iwate	20 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	None	Sale of goods and products	None
K.SS Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Planning, production and services for sales promotion	100.0	Employees 5	None	Consignment of sales	Leases of offices
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 2 Employees 4	None	None	None
Shunsai Deli Co., Ltd.	Akishima-shi, Tokyo	20 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 6	None	Sale of goods and products	Leases of factories
KEWPIE MALAYSIA SDN. BHD.	Malacca, Malaysia	57 million ringgit	Production and sale of condiments	70.0	Employees 4	None	None	None
KEWPIE VIETNAM CO., LTD.	Binh Duong, Vietnam	256.4 billion dong	Production and sale of condiments	80.0	Employees 3	None	Sale of goods and products	None
PT. KEWPIE INDONESIA	West Java, Indonesia	255.8 billion rupiah	Production and sale of condiments	60.0 (3.5)	Employees 3	None	None	None
Kewpie-Egg World Trading Co., Ltd.	Chofu-shi, Tokyo	100 million yen	Sale of egg and processed egg	100.0 (51.0)	Employees 5	None	Purchase of raw materials	Leases of offices
Green Message Co., Ltd.	Yamato-shi, Kanagawa	100 million yen	Processing and sale of fresh vegetables	51.0	D or A 1 Employees 4	165 million yen	Sale of products	None
Tou Kewpie Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Mail-order business	70.0	Employees 4	None	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	44.8 [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	72.0 (72.0)	Employees 6	None	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 4	Liabilities for guarantee 1,099 million yen	None	None
TO AD KEWPIE CO., LTD. (Note 5)	Shibuya-ku, Tokyo	4 million yen	Agency service for advertising, publicity, and exhibitions	50.0	Employees 3	None	Advertising agency services	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
Kewpie China Corporation (Note 1)	Beijing, China	723 million yuan	Financial management and business management of the Company's local subsidiaries in China	100.0	Employees 5	None	None	None
Guangzhou Kewpie Corporation (Note 1)	Guangdong Province, China	270 million yuan	Production and sale of condiments	72.0 (72.0)	Employees 6	None	None	None
Kewpie Philippines, Inc.	Manila, Philippines	50 million peso	Sale of condiments	100.0	Employees 3	Liabilities for guarantee 45 million yen	None	None
Tsukuba Egg Processing Corporation	Tsukuba-shi, Ibaraki	100 million yen	Production and sale of processed egg	51.0 (51.0)	Employees 2	None	None	None
KEWPIE SINGAPORE PTE. LTD.	Singapore, Singapore	1 million Singapore dollars	Sale of condiments	80.0	Employees 2	None	Sale of goods and products	None
Kewpie Trading Europe B.V.	Amsterdam, the Netherlands	181 thousand Euro	Sale of condiments	100.0	Employees 3	192 million yen	Sale of products	None

(3) Equity-method affiliates

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
Summit Oil Mill Co., Ltd.	Mihama-ku, Chiba-shi, Chiba	97 million yen	Production of vegetable oil	49.0	D or A 1 Employees 2	None	Sale of products and purchase of raw materials	None
Kunimi Nosankako Co., Ltd.	Kunisaki-shi, Oita	80 million yen	Production and sale of frozen and chilled foods	20.6	Employees 2	125 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
K.R.S. Corporation (Note 3)	Chofu-shi, Tokyo	4,063 million yen	Warehousing and transportation	43.6 (0.3)	Employee 1	None	Consignment of storage and transportation of products and raw materials of Group companies	Leases of offices, land and warehouses
S.Y. PROMOTION Co., Ltd. (Note 7)	Koto-ku, Tokyo	200 million yen	Transportation	37.4	Employee 1	None	Consignment of transportation services	None
K. Tis Corporation (Note 7)	Chofu-shi, Tokyo	82 million yen	Warehousing and transportation	—	None	None	None	None
Kewso Services Corporation (Note 7)	Chofu-shi, Tokyo	30 million yen	Sale of equipment for cars	—	None	None	Rental of cars for factories	Rental of cars for factories
KLQ Corporation (Note 7)	Chofu-shi, Tokyo	30 million yen	Transportation	—	None	None	None	None
San-ei Logistics Corporation (Note 7)	Akishima-shi, Tokyo	38 million yen	Transportation	—	None	None	None	None
Osaka Sanei Logistics Corporation (Note 7)	Hirakata-shi, Osaka	66 million yen	Transportation	—	None	None	None	None
San Family Corporation (Note 7)	Yoshikawa-shi, Saitama	99 million yen	Transportation	—	None	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
KAT Corporation (Note 7)	Hirakata-shi, Osaka	20 million yen	Transportation	—	None	None	None	None
Fresh Delica Network Corporation (Note 7)	Fuchu-shi, Tokyo	20 million yen	Transportation	49.0	Employees 2	None	None	Leases of parking lots
Hisamatsu Transport Corporation (Note 7)	Utazu-cho, Ayaka-gun, Kagawa	20 million yen	Transportation	—	None	None	None	None
PT Kiat Ananda Cold Storage (Note 7)	West Java, Indonesia	10.5 billion rupiah	Warehousing	—	None	None	None	None
PT Ananda Solusindo (Note 7)	West Java, Indonesia	91.0 billion rupiah	Warehousing	—	None	None	None	None
PT Manggala Kiat Ananda (Note 7)	Jakarta Indonesia	50.4 billion rupiah	Transportation	—	None	None	None	None
PT Trans Kontainer Solusindo (Note 7)	West Java, Indonesia	2.0 billion rupiah	Ship transportation	—	None	None	None	None

(Notes)
1. Kewpie Egg Corporation, Deria Foods Co., Ltd., BEIJING KEWPIE CO., LTD., 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 ¥94,196 million
   (2) Ordinary income ¥2,119 million
   (3) Profit ¥1,411 million
   (4) Total net assets ¥38,676 million
   (5) Total assets ¥48,797 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 ¥62,656 million
   (2) Ordinary income ¥1,806 million
   (3) Profit ¥1,316 million
   (4) Total net assets ¥5,060 million
   (5) Total assets ¥12,508 million
5. 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.
7. The companies are consolidated subsidiaries of KRS.

(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	16.7 (5.8)	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 and is included in the respective figure above.

4. Employees

(1) The Company and its consolidated subsidiaries

(As of November 30, 2021)

Number of employees
10,719 (5,166)

(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 aims to contribute to the food culture and health of the world through "great taste, empathy, and uniqueness", acting as a corporate group in the food sector which forms an essential part of human existence.

We seek healthy dietary lifestyles and aim to help create abundant food cultures by providing the world with the great taste and appeal of salads and eggs in the course of our simultaneously engaging in business and social initiatives. Meanwhile, our efforts are underpinned by the blessings of nature. We also promote sustainability of the global environment for future generations by effectively utilizing resources and earnestly preserving the environment, while helping give rise to a sustainable society.

The Group remains closely involved in various dietary settings encompassing people's lifetimes from their infancy through to old age, as it engages in widespread and extensive expansion into the home-cooked meals, ready-made foods, and restaurant sectors. Going forward, we value the Group's philosophy and 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.

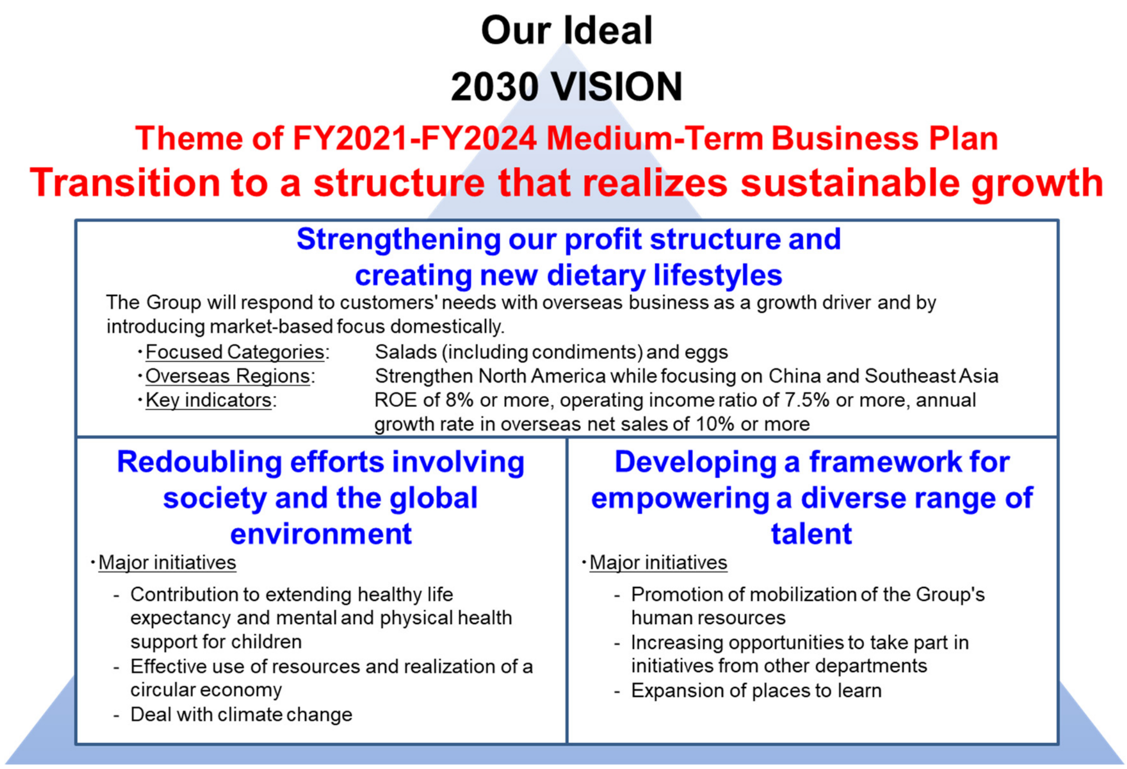
(2) Medium- to long-term business strategies, business environment, tasks ahead, etc.

The Group aims to be a group contributing to the food culture and health of the world through "great taste, empathy, and uniqueness" and has established the "Kewpie Group 2030 Vision" as its long-term vision.

In recent years, the family composition has been undergoing transformation amid new trends that include a declining birthrate in conjunction with an aging population, along with growing numbers of dual-income family and one-person households. Such changes have given rise to needs for time savings and convenience for cooking at home. We are also seeing expanding options for food purchase channels, including e-commerce and drugstores. Meanwhile, global proliferation of the COVID-19 pandemic has greatly affected the Group's business performance and has also given rise to new normal lifestyle amid further acceleration of such new trends. Among such lifestyle changes, people are increasingly rethinking the notion of cooking at home as they are spending more time in their residences; people pay attention for volume buying and product life of foods given lower frequency and less time for food shopping; and people's needs also change reflecting concerns on hygiene and health particularly preventing disease and developing immunity. These transformative changes now underway are likely to persist even after COVID-19 subsides.

Under our FY2021-FY2024 Medium-term Business Plan, we will deal with customer and market diversity. With the conceptual theme of "transition to a structure that realizes sustainable growth", we have drawn up three management policies of "strengthening our profit structure and creating new dietary lifestyles", "redoubling efforts involving society and the global environment", and "developing a framework for empowering a diverse range of talent". Under these management policies, we will be able to swiftly take action aligned with respective markets as a result of having transitioned to a market-oriented business structure from the product-based business structure we have enlisted thus far.

[Management policies and key initiatives]



◇ Strengthening our profit structure and creating new dietary lifestyles

The Group will expand overseas business as a growth driver. In so doing, we will furthermore seek expansion into North America, while also focusing management resources particularly in China and Southeast Asia with the aim of strengthening our business foundations in areas that include human resources, product development, marketing and governance. Meanwhile, we will expand our marketing focus toward the upper-middle class demographic from the affluent demographic which serves as the Group's current customer base. This initiative will involve achieving greater rates of brand recognition and product use by integrating traditional sales promotion campaigns at stores with promotions that utilize digital marketing. In China, our primary overseas market, we launched operations of our Guangzhou Plant in January 2021, as our fourth production site in China. Given that the Guangzhou Plant is to be equipped with state-of-the-art equipment and approaches, it is bound to deliver substantially greater productivity and will act as a foothold that makes it possible for us to facilitate expansion of marketing areas and demands.

In Japan, with the transformation to a market-oriented business structure, we will shift to a market-based focus, which will entail transforming to a customer-oriented perspective based on the market needs, and away from a product-oriented perspective. This will enable us to swiftly propose ideas for food products and services that address customer concerns about dietary lifestyles and create new dietary scenes. We will be more dedicated to salads and eggs, particularly to mayonnaise and salad dressings. We will furthermore utilize digital technologies as a means of connecting with our customers from various angles and opening up new possibilities.

In the Retail Market Business, we have been developing products that serve as daily necessities still in the changing lifestyles. We have been proposing uses of mayonnaise in serving as an all-purpose condiment that can be used in various cooking scenes beyond its traditional use with salads. In the realm of other core products, we will develop the notion of product versatility by strengthening our efforts to propose such items for use across a wide range of cooking scenes.

Moreover, we will take steps to enhance our brand and product recognitions as we supply products that bring solutions for customers mainly through our fresh stock™ business launched in 2020.

In the Food Service Business, we will strive to increase profitability and efficiency by rebuilding our business portfolio, which will involve utilizing the Group's sales channels effectively and focusing management resources on business formats catering to home-cooked meals and ready-made foods. We will also help to activate the food service market by creating new value through great taste and technologies, and by proposing new options to cultivate potential customer needs.

During FY2021, the first year of the Medium-term Business Plan, we encountered a challenging business environment due to factors that included soaring prices of our primary raw materials in the second half amid ongoing impact of COVID-19. Under these circumstances, we have been taking action from a medium- to long-term perspective in addressing risk of surging raw material costs in part by revising prices of our mayonnaise products in July 2021. During FY2022, the second year of the Medium-term Business Plan, we are likely to keep encountering similar circumstances. As such, we will take steps that involve shifting to a resilient structure that is not susceptible to raw materials market volatility while advancing efforts to further establish price revisions centered on mayonnaise both in Japan and overseas. Overseas, we will seek further expansion particularly in the markets of China, Southeast Asia, and North America, which are accordingly to serve as drivers of growth as we more rapidly tap into local food cultures in those markets.

◇ Redoubling efforts involving society and the global environment

Appreciating the blessings of nature, the Group has been engaged in environmental activities for many years with the idea of making the most of the world's precious resources. Amid the global-scale issues, including the risks from climate change, food loss, and marine plastic pollution, that are becoming obvious one after another, the Group aims to contribute to achieve a sustainable society and sustainable growth of the Group, and has established "Kewpie Group Basic Policy on Sustainability". We have also been addressing material issues identified on the basis of the Sustainable Development Goals (SDGs) with our sights set on sustainability.

We are working to enhance our brand value by fulfilling our corporate responsibilities to society and the global environment, and striving through coordinated efforts across the entire value chain to deal with increasingly complex social issues.

<Basic Policy on Sustainability (partially excerpted)>

With an emphasis on the aspiration for "love around the kitchen table", we aim to address and resolve various issues through "great taste, empathy and uniqueness".

We will create a future full of smiles by caring for people and the environment throughout the value chain, from product design and raw material procurement, to production, sales and consumption.

<Sustainability targets>

Material Issues	Initiative Theme	Indicators	FY2024 Target	FY2030 Target	Related SDGs
Contributing to Food Culture and Health	Contribution to extending healthy life expectancy	As a food partner for every person: ・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 children's smiles via our activities (cumulative since FY2019)	At least 400 thousand	At least 1 million	
Effective Use and Recycling of Resources	Elimination and effective utilization of food loss	Food waste reduction rate (compared to FY2015)	At least 50%	At least 65%	
		Effective utilization rate of unused portions of vegetables Main vegetables: Cabbage, etc.	At least 70%	At least 90%	
		Reduction rate in volume of product waste (compared to FY 2015)	At least 60%	At least 70%	
	Reduction and reuse of plastic emissions	Reduction rate in volume of plastic waste (compared to FY2018)	At least 8%	At least 30%	
	Sustainable use of water resources	Water usage (basic unit) reduction rate (compared to FY2020)	At least 3%	At least 10%	
Deal with Climate Change	Reduction of CO_2 emissions	Reduction rate in CO_2 emissions (compared to FY2013)	At least 30%	At least 50%	
Sustainable Procurement	Promotion of sustainable procurement	Promote Fundamental Policy for Sustainable Procurement in cooperation with business partners			
Respect for Human Rights	Respect for Human Rights	Promote the Kewpie Group Human Rights Policy to respect the human rights of all people involved in our business			

Note: In light of conditions in FY2021, a portion of this content has been revised.
In addition, the "Food waste reduction rate" indicator also includes the "effective utilization rate of unused portions of vegetables."

◇ Developing a framework for empowering a diverse range of talent

The Group will develop a framework for empowering a diverse range of talent in order to foster motivated human resources who will be able to play an active role for our sustainable growth.

In the process of overseas expansion and the transformation to a market-oriented business structure, it is necessary to analyze things and events from a variety of viewpoints and to develop new business opportunities. In order to see the point of change in the market from a bird's-eye view, it is essential to develop human resources who are well versed in the market and have various background and skills. We will work to develop human resources that have diversified skills by further promoting the mobilization of human resources.

Moreover, we will create a culture where we can acknowledge diversity and have a connection by actively participating in projects and meetings with other departments, and through internships within the Company and the Group.

Furthermore, we will build an environment where employees can acquire new experiences and knowledge, and demonstrate their own abilities by providing opportunities to learn while utilizing outside resources.

We have set targets for the proportion of women in management positions, as a key indicator regarding diversified use of human resources, to reach 18% in FY2024 and 30% in FY2030 (in Kewpie Corporation).

[Cash flow allocation and management indexes]

◇ Cash flow allocation

We will establish sound business foundations while adequately undertaking investment and providing returns to our shareholders with the aim of achieving sustainable growth.

In terms of cash flow allocation, we are targeting a cumulative amount of ¥140 billion in operating cash flow over four years, and essentially intend to keep operating cash flow within that range. We plan to make capital expenditure amounting to approximately ¥70 billion with a focus on efficiency of assets and investment. As for retained earnings, we will increase shareholder returns upon having secured funds for new expansion looking toward generating future growth, and accordingly aim to achieve an equity ratio of at least 60%.

◇ Management indexes

	FY2024 Targets
ROE	At least 8%
Operating income ratio	7.5%
Growth ratio in overseas net sales (Local currency basis)	(Annualized rate) At least 10%

(3) Impact of COVID-19

The spread of the novel coronavirus disease ("COVID-19") has caused changes in dietary lifestyles of people, which is by no means irrelevant to the Group's business performance. The Group is working on countermeasures and responses based on the three policies.

<Policy 1> Cooperate with national and local measures and lower risk of infection

The Group has been thoroughly implementing measures to prevent viral transmission upon having set up its Emergency Headquarters for COVID-19 for the purpose of taking action tailored to curbing risk of infection among all of its stakeholders, including employees and their families, customers, and business partners.

In response to the spread of COVID-19 and the declaration of a state of emergency, the Group has worked on to lower the infection risk through remote work, flextime and staggered work hours. On top of these measures, we firmly established and expanded for even more new work style options by developing and enhancing online and mobile environments so that our employees can work at home or any other location. We are also making efforts to reduce employee stress and prevent their mental health problems (by setting up an employee consultation service and recommending exercises using video). We will strive to increase productivity by ensuring that these work style options are in place even after risk of infection has decreased.

<Policy 2> Fulfill our mission as a food manufacturer

Our mission is to continuously supply safe and reliable products to customers. While keeping a close eye on the COVID-19's impact on our business continuity, such as on raw material procurement, we have developed a system that can flexibly respond to changes in demand. We also offer cooking recipes and other content so that our customers, who are under stress due to restrictions on going out and other inconvenience, can enjoy their "home time".

<Policy 3> Contribute to society in the ways that only Kewpie can

As part of our social contribution, we provide our products or meals to local communities, especially children; the elderly and their caregivers who are in need of food; and those engaged in medical services in a way unique to the Group.

We also make donations through the Kewpie Mirai Tamago Foundation to support activities including "Children's Cafeterias" which provide take-out meals for children and financially struggling families.

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. The Management Council, Risk Management Committee, and Sustainability Committee assume tasks that include sharing information, assessing risk, setting priorities, and engaging in countermeasures. In that regard, the Management Council addresses major risks that could affect near-term financial results, the Risk Management Committee addresses Company-wide risks, and the Sustainability Committee addresses social and environmental risks, including those with respect to climate change. 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
Market developments	The following are the main risks that may have a progressively greater impact on the Group's business over the long term. • Long-term market contraction due to decreasing population in Japan • Sales of mayonnaise and dressings adversely affected by vegetable price volatility	In Japan, we seek to achieve sustainable growth by flexibly responding to the market through a dual system of the "Retail Market Business" and the "Food Service Business". We aim to create business opportunities by leveraging the Group's ability to expand its business into home-cooked meal, ready-made food and restaurant sectors, expanding the possibilities of salads and eggs and contributing to the extension of healthy life expectancy. We are also promoting to cultivate the market and demand by promptly proposing ideas for food products and services that help resolve customer concerns about dietary lifestyles and create new dietary scenes. In addition to exploring untapped sales channels such as, in particular, drugstores with growth potential, we are advancing into the D2C, or direct-to-consumer, market by strengthening our digital marketing capability. As for our overseas operations, we will focus on China, Southeast Asia, and North America, in which we will expand our marketing focus toward the middle class demographic from the affluent demographic, which is the Group's current customer base. We will also strengthen our digital communication and marketing functions to achieve greater rates of recognition and product use of "KEWPIE brand". To this end, we are investing our management resources intensively into areas that include human resources, product development, marketing and governance to achieve sustainable growth.

Event	Risks	Measures to address risks
Procurement of principal ingredients	• Procurement of edible oils may be significantly affected by short-term and long-term risks of price volatility due to fluctuations in market prices of soybeans and rapeseed, foreign exchange rates, supply and demand, and other factors. • Procurement of shell eggs may also be significantly affected by risks of price volatility and procurement difficulties cause by factors including sudden outbreaks of avian influenza, changes in the number of laying hens, and long-term trends in shell egg consumption.	In order to stably procure better raw materials, the Group promotes appropriate communication with suppliers, deepens relationships of trust and mutual understanding with them, and resolves diverse issues in the supply chain. In this way, we promote initiatives geared to sustainable procurement (such as stabilizing purchase prices and ensuring necessary volume) based on social considerations. As for procurement of 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. The Group joined the Roundtable on Sustainable Palm Oil (RSPO) to contribute to resolving issues surrounding deforestation of tropical forests and human rights for farm workers, and thereby to promote sustainable procurement of palm oil. As for procurement of 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. In addition, from the perspective of medium- to long-term sustainability, we are working on the issue of animal welfare for egg-laying hens in cooperation with related industries and governments.
Product liability	As for 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, we always regard them as serious risks.	Insistence on the highest product quality has been our most fundamental concern since the Group was established. Accordingly, we rigorously and systematically enhance product quality assurance systems by acquiring Food Safety System Certification (FSSC 22000), 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. 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.

Event	Risks	Measures to address risks
Natural disasters and other such contingencies	We expect the impact of natural disasters such as massive typhoons, floods caused by torrential and prolonged rains, and large-scale earthquakes to be even more significant. Specifically, we assume they could pose the following risks: • Damage to manufacturing and distribution facilities, equipment, etc. • Difficulties procuring raw materials and energy • Shortages of human resources necessary for operations	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 experience involving natural disasters. 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. 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).
System failure	In recent years, we have been facing the possibility that our business activities could be significantly affected by system disruptions caused by cyberattacks involving ransomware and other sophisticated means externally.	The Group maintains a system that applies multiple layers of security to safeguard against cyberattacks, which entails blocking unsolicited e-mail and unauthorized access, and implementing endpoint detection and response (EDR) systems that monitor information networks around the clock in the course of pinpointing behavior of suspicious computer code and preventing its execution. We also seek to develop literacy of our employees, which involves regularly conducting simulation-based training in responding to email attacks and offering education on information security. Such efforts also involve having the Information Promotion Committee disseminate relevant information to maintain a high level of information security awareness among our employees.

Event	Risks	Measures to address risks
COVID-19	People's lives have been restricted by the spread of the infection, and the resultant requests to refrain from going out and to shorten business hours for restaurants coupled with the declaration of a state of emergency, which have had a significant impact on our business activities, especially those related to the food service market. The infection of employees and the occurrence of clusters at our business sites may affect our business activities.	The Group will improve its business efficiency by streamlining priority areas and product line-ups through selection and concentration, and by consolidating dispersed functions and businesses with potential value. With respect to the food service market that is particularly susceptible to the impact of COVID-19, we have set delicatessen, bakery, and frozen processed foods as channels to strengthen. We accordingly focus management resources on condiments and eggs, and respond to declining demand by offering proposals that swiftly respond to customer needs, thereby improving profitability. In addition, we are 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. We have been responding to COVID-19 since the early stages of its outbreak in accordance with the guidelines of the national and local governments. We have been implementing measures to lower the infection risk and prevent infection in the workplace in order to continue our business activities, while placing the highest priority on ensuring the safety of our employees and their families. We also continue providing employees with time off for vaccinations as well as administering vaccinations at workplaces. In addition, staff and sales divisions have been spearheading efforts drawing on our experience with work-style options for addressing the possibility of COVID-19 transmission in pursuing optimal post-corona work-style arrangements that enable us to further develop what we have learned and achieved thus far.

Event	Risks	Measures to address risks
Human resources and labor-related	Regarding human resources and labor, we always assume the following risks: • Insufficient human resources in terms of carrying out on-site work at manufacturing and distribution sites • Improper management of working hours, overwork • Harassment	The Group takes steps to secure and retain human resources that involve engaging in ongoing recruitment, upgrading employee education, developing optimal working environments. Specifically, 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. We are 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, actively using remote work, 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). In addition to these efforts, to foster motivated human resources who will be able to play an active role for our sustainable growth, the Group has developed a framework for empowering a diverse range of talent, while at the same time actively recruiting and appointing external human resources with high expertise.
Overseas expansion	Regarding overseas expansion, we mainly assume the following risks: • Problems stemming from vulnerable business foundation • Information leakage due to inadequate information management • Damage to competitiveness and brand image caused by circulation of counterfeit goods	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. We have also adopted rules on our handling and security of corporate information and important technical information, and are building a solid ICT network. 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.

Event	Risks	Measures to address risks
Global environmental issues and climate change	Regarding global environmental issues and climate change, we mainly assume the following risks: • Difficulties in procuring raw materials and rising costs • Strengthening CO_2 emission regulation • Rising energy costs • Damage to production lines caused by torrential rainfall and flooding If the Group's efforts and responses to these sustainability issues are perceived as inadequate, its reputation may gradually diminish.	In the environment aspect, the Group has identified "Effective use and recycling of resources" and "Deal with climate change" as material issues regarding sustainability and the entire Group is working on them. Our efforts for the effective use and recycling of resources involve recycling of food such as converting egg shells and unused portions of vegetables (cabbage, etc.) such as cores and outer leaves of vegetables into fertilizer and animal feed. We are also working to reduce food loss (or reduce product waste) by extending best-before dates and expiration dates and elaborating the matching between demands and supplies. With regard to the reduction and reuse of plastics, we are making containers and packaging lighter and thinner, while cutting back on the amount of plastics used and wasted in our production activities. 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. To address the climate change, we are promoting the use of renewable energy by newly constructing solar power generation facilities in addition to improving efficiency in manufacturing processes and installing energy-saving equipment. In distribution, we are actively promoting the modal shift from long-haul trucks to railroad and ship transportation, joint collaboration on transportation with manufacturers from different industries, and improvement of loading efficiency. In our offices, we are working to optimize energy use. These initiatives help reduce CO_2 emissions. The Kewpie Group's operations are highly dependent on the blessings of nature and are accordingly susceptible to various effects of climate change, including lower harvest yields, reduced quality of ingredients, and surging prices. As such, we have been proceeding with initiatives that include flexibly adjusting prices, optimizing our product portfolio with the aim of shifting to a structure that is resilient to raw materials market volatility, and building a procurement framework by coordinating efforts of Group companies. Going forward, we will address and respond to future climate-change related events as management risks, while at the same time identifying new opportunities and incorporating them into our corporate strategies. Having accordingly announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we disclose information based on the TCFD's four-part framework consisting of governance, strategy, risk management, and metrics and targets. https://www.kewpie.com/sustainability/pdf/sustainability_20220111_tcfd.pdf

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

In the current fiscal year, KRS, which was a consolidated subsidiary, and its subsidiaries have changed to be affiliated companies accounted for by the equity method, as the Company sold part of the shares of KRS. This resulted in decreases in net sales of ¥140,423 million and operating income of ¥2,837 million.

During the current fiscal year, the outlook for the Group remained uncertain amid factors that included restrictions on economic activity due to COVID-19 and soaring international grain prices.

Net sales decreased due to change of the distribution business to affiliated companies accounted for by the equity method, despite increased orders received amid recovery in restaurant demand as a result of COVID-19 having receded overseas. Despite higher sales overseas and other positive factors, operating income decreased due to a surge in prices of our primary raw materials and the change of the distribution business to affiliated companies accounted for by the equity method. Profit attributable to owners of parent increased due to a decrease in extraordinary losses.

Our consolidated financial results for the current fiscal year were as follows:

(Millions of yen)

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)	Change (amount)	Change (ratio)	[Reference] Previous fiscal year (After retrospective adjustments)
Net sales	531,103	407,039	(124,064)	(23.4)%	390,680
Operating income	28,303	27,972	(331)	(1.2)%	25,466
Ordinary income	28,989	29,698	709	2.4%	26,812
Profit attributable to owners of parent	11,591	18,014	6,423	55.4%	11,591

(Notes)

1. Respective figures pertaining to the previous fiscal year reflect finalization of provisional accounting treatment applied in relation to business combination for the current fiscal year.
2. Previous fiscal year (after retrospective adjustments) are the figures after retrospective application, excluding the distribution business.

◊ Business overview by segment

The Company has made changes to the reporting segment classifications effective from the current fiscal year.

- The domestic operations in the "Condiments and Processed Foods", "Salad and Delicatessen" and "Egg" business segments have been reorganized into the "Retail Market" and "Food Service".
- The overseas operations in the "Condiments and Processed Foods" have been split into the new "Overseas".
- The "Distribution" has changed to affiliated companies accounted for by equity method.

With regard to the following year-on-year comparison, the previous fiscal year's figures have been reclassified based on the segment classification after the change.

[Breakdown of net sales] (Millions of yen unless otherwise stated)

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)	Change (amount)	Change (ratio)
Retail Market	168,031	172,678	4,647	2.8%
Food Service	145,035	149,792	4,757	3.3%
Overseas	47,163	53,383	6,220	13.2%
Fruit Solutions	16,473	16,878	405	2.5%
Fine Chemicals	7,942	8,770	828	10.4%
Distribution	140,423	—	(140,423)	—
Common Business Operations	6,034	5,536	(498)	(8.3)%
Total	531,103	407,039	(124,064)	(23.4)%

[Breakdown of operating income] (Millions of yen unless otherwise stated)

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)	Change (amount)	Change (ratio)
Retail Market	15,824	17,195	1,371	8.7%
Food Service	7,787	6,292	(1,495)	(19.2)%
Overseas	4,947	7,229	2,282	46.1%
Fruit Solutions	561	719	158	28.2%
Fine Chemicals	1,156	1,075	(81)	(7.0)%
Distribution	2,837	—	(2,837)	—
Common Business Operations	1,329	1,328	(1)	(0.1)%
Company-wide expenses	(6,141)	(5,868)	273	—
Total	28,303	27,972	(331)	(1.2)%

<Retail Market>

- Sales increased year on year due to growth in net sales centered on core products amid mounting demand for home-cooked meals due to the spread of COVID-19.
- Operating income increased year on year mainly due to higher sales and efforts taken toward improving the gross profit margin.

<Food Service>

- Sales increased year on year amid rising sales prices of egg products due to surging prices in the shell egg market.
- Operating income decreased year on year largely because of lower demand due to the spread of COVID-19 and discontinued sales of select items.

<Overseas>

- Sales increased year on year amid apparent recovery after COVID-19 particularly in China, despite adverse effects due to transfer of Egg Business in North America carried out in the previous fiscal year.

- Operating income increased year on year due to higher sales in respective geographic areas and strong sales of high value-added dressings.

<Fruit Solutions>

- Both sales and operating income increased year on year largely due to new orders received for food manufacturers, despite recoiling of the previous year's stay-at-home demand for jams and spreads for household use.

<Fine Chemicals>

- Sales increased year on year amid strong performance in mail order sales, but operating income decreased amid a slump in raw material sales and a decrease in production capacity utilization.

<Common Business Operations>

- Both sales and operating income decreased year on year due to lower sales of manufacturing machinery for food manufacturers.

◊ Status of financial position

- Total assets decreased by ¥73,273 million year on year to ¥381,003 million.

  This was mainly due to a ¥16,908 million decrease in notes and accounts receivable – trade, a ¥16,234 million decrease in buildings and structures, a ¥18,992 million decrease in machinery, equipment and vehicles, a ¥22,654 million decrease in land, and a ¥16,519 million increase in investment securities.
- Total liabilities decreased by ¥55,218 million year on year to ¥111,702 million.

  This was mainly due to a ¥13,813 million decrease in notes and accounts payable – trade and a ¥35,505 million decrease in long-term loans payable.
- Total net assets decreased by ¥18,055 million year on year to ¥269,301 million.

  This was mainly due to a ¥7,690 million decrease in earned surplus, a ¥10,027 million decrease in treasury stock, and a ¥23,952 million decrease in non-controlling interests.

Total assets decreased by ¥105,264 million and total liabilities decreased by ¥62,241 million as a result of having conducted a partial transfer of shares of KRS, which had been a consolidated subsidiary, in January 2021, thereby making it and its subsidiaries affiliated companies accounted for by the equity method, effective from the current fiscal year.

B. Status of cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥66,703 million, which represents an increase of ¥926 million from the end of the previous fiscal year.

Status of cash flows is as follows:

Net cash provided by operating activities came to ¥38,533 million for the current fiscal year, compared with ¥34,955 million provided in the previous fiscal year. This was the result of profit before income taxes of ¥28,860 million, depreciation and amortization of ¥15,336 million, and income taxes paid of ¥7,383 million.

Net cash used in investing activities amounted to ¥20,277 million for the current fiscal year, compared with ¥26,039 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥7,743 million, purchases of intangible fixed assets of ¥3,842 million, and payments for sales of shares of subsidiaries resulting in change in scope of consolidation of ¥8,801 million.

Net cash used in financing activities amounted to ¥18,701 million for the current fiscal year, compared with ¥5 million provided in the previous fiscal year. This was the result of cash dividends paid of ¥5,665 million and purchase of treasury stock of ¥10,004 million.

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

	FY2017	FY2018	FY2019	FY2020	FY2021
Equity ratio (%)	54.2	53.9	53.0	52.8	64.5
Equity ratio based on market value (%)	101.6	93.9	78.3	68.5	84.2
Interest-bearing debt to cash flows ratio (year)	2.2	1.5	1.5	2.3	1.1
Interest coverage ratio (times)	75.8	122.5	144.7	103.7	159.0

(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 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) Impairment losses on fixed assets

For fixed assets owned, each management accounting unit, on which revenue and expenditure are continuously monitored such as company, business, business location, is, in principle, classified as one asset-grouping unit. The Group identifies indicators of impairment by asset group. The future cash flows used to determine whether an impairment loss should be recognized and the value in use are calculated with reasonable assumptions based on information about external factors such as the business environment and internal information used by the Group.

If an estimated amount deviates from actual value due to future changes in the market environment, an impairment loss may be incurred.

Details regarding the impact of the spread of COVID-19 are given in "V. Financial Information, Consolidated Financial Statements, (1) Consolidated financial statements, Notes, Significant accounting estimates".

b) 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.

c) 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.

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.

d) 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

The Group developed a Medium-term Business Plan that covers the four years starting from FY2021. Under the Plan, the Group has set the following targets to be achieved in the plan's final fiscal year ending November 30, 2024: return on equity (ROE) of at least 8%, operating income ratio of 7.5%, and annualized growth ratio in overseas net sales (on a local currency basis) of at least 10%.

In the current fiscal year, which is the initial fiscal year of the Medium-term Business Plan, return on equity (ROE) was 7.4%, operating income ratio was 6.9%, and growth ratio in overseas net sales (on a local currency basis) was 18.5% higher than the previous year.

◇Management indexes

	FY2021	FY2024 Targets
ROE (Return on equity)	7.4%	At least 8%
Operating income ratio	6.9%	7.5%
Growth ratio in overseas net sales (Local currency basis)	(Year to Year) 18.5%	(Annualized rate) At least 10%

(Note) Growth ratio in overseas net sales is calculated by removing previous year's results of Egg Business in North America.

4. Material Contracts

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

5. Research and Development

In seeking to bring healthy and enjoyable diets and lifestyle to our customers around the world, the Group engages in research and development across fields of study that include human health, the wellbeing of our planet, and creating diets and lifestyles of the future.

This fiscal year we have taken action with respect to our shift to a market-oriented business structure by modifying our organizational framework for taking on research and development. We have accordingly established a framework that enables us to devote our attention to development incorporating greater market awareness, to which end we have divided the Institute of Food Creation's Cookery & Condiments Development Department into two separate units, the Retail Market Development Department and the Food Service Market Development Department. In addition, operations of the fresh stock™ business have shifted into full gear after having been launched last year, with roll-outs of the *Watashi no Oryori* series of products for fresh food sections of mass-merchandise stores and the *Watashi no Osozai* series of products for delicatessen foods.

Our society-based initiatives have involved promoting efforts to reduce plastics by developing commercial products such as the *Kewpie Tasty Dressing* series sold in bottles made with recycled plastics. In addition, we have also released our commercial-use *HOBOTAMA* scrambled egg substitute made using plant-based ingredients. The product serves as an offering that reflects new dietary scenes aligned with diverse values of our customers. Since its release, the product has generated a positive reaction from many consumers including those who are interested in plant-based foods and those with allergy-related concerns. We are committed to remaining close to our customers by providing them with new dietary lifestyle options.

Having been engaged in the business of food for more than a century, Kewpie will continue to take on challenges of creating abundant dietary lifestyles of the future. We have also taken part in a project on developing QOL management systems involving research and development in the realm of outer space exploration, carried out by the SPACE FOODSPHERE Association. The project also serves as a strategic project of Japan's Ministry of Agriculture, Forestry and Fisheries. By applying food technologies, we have developed thus far, we will come up with pleasant meals that can be prepared under the extreme conditions of the moon, while also helping to address social challenges that may emerge on our planet in the future.

In addition, we are seeking to develop commercial opportunities tied to the assessment of future carcinogenic risk through measuring miRNA in blood, and proposals of lifestyles that will help improve miRNA in order to minimize carcinogenic risk. We are currently working in conjunction with Yokohama National University and Tokyo Medical University in carrying out research under the "Technology Development Project on Next-generation Artificial Intelligence Evolving Together With Humans" operated by the New Energy and Industrial Technology Development Organization (NEDO).

Underpinned by our aim of serving as a leading company for salads and eggs as set forth under our 2030 Vision, we have been working in areas of study in helping to facilitate development of the poultry industry by elucidating the functionality of eggs. Specifically, we have been engaging in research jointly with The University of Tokyo and four other parties in carrying out a study to shed light on the prospect of improving cognitive function by ingesting eggs, under the "Research Program on Development of Innovative Technology" project operated by the Bio-oriented Technology Research Advancement Institution (BRAIN).

The production technology units utilize and deploy the abundant core technologies we have built up and develop facilities and equipment that will efficiently produce products developed by research units with an emphasis on quality. With respect to new technologies, they also extensively promote development of production environments that will raise the Group's production efficiency and enhance its quality assurance systems in partnership with third-parties looking toward shortening lead times enlisting AI-based initiatives and simulation technologies, and also looking toward automating labor-intensive processes.

Total research and development expenses for the Group for the current fiscal year amounted to ¥4,033 million.

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

(1) Retail Market, Food Service, Overseas, Fruit Solutions, and Fine Chemicals

<Retail Market>

In the Retail Market Business, we develop new products and also improve our existing products, which enables us to make proposals with respect to further enhancing palatability and functionality of such products and developing multipurpose applications involving such products. Moreover, we also encourage people to take a more active approach to health through their daily eating habits. To such ends, we have improved products such as *Kewpie Flaxseed Oil Mayonnaise*, while simultaneously launching sales of our mayonnaise-type food with function claims *that reduces visceral fat*. It contains rosehip-derived tiliroside, which reportedly helps reduce visceral fat of people with high BMI. In the category of dressings, we have launched sales of foods with function claims such as *Kewpie Sesame Dressing*. We have also been working to make it possible for children to overcome their dislike of vegetables and have accordingly released research findings indicating that use of dressings reduces the bitterness and distinctive odor of vegetables. In the category of sauces, we have proposed new methods for cooking vegetables that involve braising, and have accordingly launched the products *Kewpie Extended Recipe Pasta Sauce*, which offers a more expansive range of meal options centered around pasta, and *Kewpie Three-minute Cooking Sauce for Steaming*.

In the fresh stock™ business under the *Watashi no Oryori* series, we have rolled out new products embracing innovative concepts including our *Meat Karame-yaki* and *Pork Hotpot Broth* products for the meat section of supermarkets, and our *Steamed Salmon Sauce* products for the fresh fish section of supermarkets. Under the *Watashi no Osozai* series, we have received positive feedback upon having rolled out a series of side dishes that serve as main dishes, a series of sauces that pair well with fried foods sold in the delicatessen section of supermarkets, and a series of salads made using our *High Pressure Processing* enabling salads to maintain freshness for 20 days, which is longer than expiration dates of conventional fresh salads. Deria Foods Co., Ltd. has extended its sales territory to the Hokkaido, Kansai, and Kyushu areas with respect to its *Karada Omoi Menu* (body friendly menu) series of foods with function claims. Going forward, we will contribute to extending healthy life expectancy of our customers by upgrading this series of products with new menu options and food functions, and developing products that improve health awareness and encourage people to eat more vegetables. Salad Club, Inc. has been taking steps to further maintain freshness of packaged salads, and has accordingly extended expiration dates by one day to five days with respect to *Mixed Salad*, which serves as its secondary core product next to its *Shredded Cabbage* product. Going forward, we will continue to pursue scenes where consumers are able to conveniently and readily use packaged salad products as an essential component of their dietary lifestyles. Likewise, in our fresh stock™ business, we have also upgraded egg processed food products for the retail market. We have launched sales on a trial basis of our *KEWPIE-NO-TAMAGO Boiled Egg* product packaged in cups for convenient use and easily stored in refrigerators of consumers such as those representing the increasing number of single-person households, double-income households, and senior citizen households. We have also launched *Tsubushitetsukuro Egg Tartar* from the *KEWPIE-NO-TAMAGO* brand *Tsubushitetsukuro (Cooking by Crush)* series.

<Food Service>

In the Food Service Business, we are engaging in development for proposing palatability and functionality originating from distinctiveness. In the category of mayonnaise and dressings, we have launched products that include *Kewpie Creamy Mayonnaise* that enables commercial production of potato salad with a homemade taste, *Kewpie Course-ground Black Pepper Mayo* for the bakery industry, and *Kewpie Black Sesame Dressing* that reproduces the flavor and appearance as though it was handmade by a chef. We also launched sales of *Kewpie Gudakusan Filling Black Sesame* and *Snowman Gudakusan Sauce Salsa Piccante (high viscosity type)*, thereby upgrading the *Gudakusan* series of products that add flavor and color for delicatessen foods and bakeries. Extended shelf-life salads have been attracting strong demand even for commercial use amid trends with respect to increasingly health-conscious customers, shortages of labor, and convenience. In that market, we have launched sales of eight products including *Salad by Kewpie Gourmet Potato Salad (containing vegetables grown in Japan)* and *Salad by Kewpie 15 Variety Healthy Salad*.

Mentioned earlier in this report, *HOBOTAMA* is Japan's first plant-based egg substitute. It is made from processed soy milk and resembles the appearance and texture of scrambled eggs through use of proprietary technologies developed in the course of processing egg products. The product's texture resembles that of soft-boiled eggs handmade by chefs, thereby enabling restaurants and other such establishments to increase the added value of their menu options. Its unseasoned taste pairs well with bread and vegetables and can be used in sandwiches, breakfast menu items and other foods.

Kewpie Jyozo Co., Ltd. has launched sales of enzyme preparations for retaining textures of cooked rice and delicatessen foods, with Rice EZ-2 for rice and Delica EZ for delicatessen foods.

<Overseas>

In overseas markets, we have been creating products aligned with local needs and disseminating information on health, serving as a Group that contributes to food culture and health of the world. We have also been making progress with development centered on condiments such as mayonnaise and dressings that help bring about greater consumption of vegetables particularly in the form of salads. In China, we have been making progress in launching items that give rise to an extended range of applications, to which end we have been developing mayonnaise for commercial use in menu items and across business categories such as bakeries, sandwiches, and sushi. We have been tapping into the market by modifying packaging and otherwise making changes to design so that consumers are more likely to understand and pick up our products. In the dressings category, we have developed a condiment for the local noodle dish known as "*lo mein*", and have accordingly expanded our reach to menu items beyond vegetables. In Malaysia, we have launched *Kewpie Chilli Mayo* for household use and have been furthermore tapping into the market enlisting collaboration involving condiments that are popular in Malaysia. In addition, we launched *Mentai Mayo* for commercial use, and have accordingly been rolling out Japanese flavors and proposing new food scenarios while also obtaining halal certification. Such initiatives have helped stimulate the market by promoting a positive balance between local food culture and new food options. In Vietnam, we have launched *Kewpie Dressing Roasted Sesame Chili & Cheese Taste*. The product has been formulated to pair well with meat dishes as well as vegetables, thereby giving rise to a more extensive range of dressing applications. With *Kewpie Mayonnaise Sweet Taste*, we have been undertaking development that pinpoints new needs of our customers with respect to preservative-free products. In Indonesia, we have launched *Kewpie Mentai Mayo* for the food service market. This product has taken hold with respect to its use in mentai rice (*nasi mentai*), a creative dish currently popular in Indonesia. We have been taking steps to develop and establish new mayonnaise and sauce products, while assessing trends in each national market.

<Fruit Solutions>

In the jam and spreads category, we have renewed three *Aohata Calorie Half* products so that they more suitably pair with bread, and have revamped *Aohata Fully Fruit Orange* by improving its orange fruity texture and aroma. We have launched seasonal jams that include the new *Aohata Berry Mix Jam (with four types of berries)* as part of the *Aohata 55* series, and have launched strawberry, blueberry, and marmalade jam packaged in boxes containing eight individual portions. We also launched *Aohata Wild Blueberry & Maple Syrup* jam. In the *Toast Spread* series of the *VERDE* brand, we modified oil and fat content and otherwise made improvements to enhance the sense of ingredient flavors with respect to three products including *Garlic Toast Spread*, and also launched the *Garlic Shrimp Toast Spread* product. We also launched *Aohata Hitokuchi Kankitsu* (bite-sized citrus fruit snack), which provides a new dietary scene of a bite-sized processed fruit product that can be eaten anywhere.

<Fine Chemicals>

In the Fine Chemicals Business, we have been engaging in research and product development with respect to maximizing the potential of hyaluronic acid, egg components and our original performance ingredients.

In the hyaluronic acid pharmaceuticals sector, we set up a sales framework upon having completed registration of pharmaceutical raw materials in China across a new molecular weight range. In the food products sector, we have embarked on making proposals of anti-wrinkle ingredients, which has involved conducting human trials indicating that absorption of hyaluronic acid helps with dry skin and wrinkled skin. We engaged in joint research on our proprietary egg component heat-denatured lysozyme with the Obihiro University of Agriculture and Veterinary Medicine and the International University of Health and Welfare. The research findings indicate the heat-denatured lysozyme has a deactivating effect against COVID-19 in addition to a deactivating effect with respect to norovirus.

We have launched sales of products containing the proprietary ingredients and available exclusively through mail order. These products include: *Handecorté* hand and neck skincare product containing hyaluronic acid; *YOITOKI* alcohol-consumption care supplement containing acetic acid bacterial enzyme; and *YOITOKI One* alcohol-consumption care supplement improved so that it takes effect upon ingesting one tablet as opposed to two tablets previously.

(2) Common Business Operations

Not applicable.

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 ¥12,100 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 innovating core systems, 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
Retail Market	2,931	Production lines of condiments, salads and delicatessen foods
Food Service	3,404	Production lines of condiments and egg products
Overseas	1,366	Production lines of condiments
Fruit Solutions	354	Production lines of jams and fruit processed foods
Fine Chemicals	197	Production lines of hyaluronic acid
Common Business Operations	180	Software
Other	3,665	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, 2021 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)	Retail Market Food Service	For foods	476	557	553 (46,365)	—	18	1,605	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Retail Market Food Service Fine Chemicals	For foods	6,235	3,080	3,884 (243,645)	94	89	13,385	292 (117)
Nakagawara Factory (Fuchu-shi, Tokyo)	Retail Market Food Service Overseas	For foods	4,328	1,477	405 (43,484)	—	50	6,261	152 (91)
Koromo Factory (Toyota-shi, Aichi)	Retail Market Food Service	For foods	1,154	1,709	16 (37,876)	11	25	2,917	138 (99)
Kobe Factory (Higashinada-ku, Kobe-shi, Hyogo)	Retail Market Food Service Overseas	For foods	6,243	4,381	1,601 (16,776)	38	112	12,377	114 (20)
Izumisano Factory (Izumisano-shi, Osaka)	Retail Market Food Service Overseas	For foods	866	802	663 (18,576)	6	8	2,347	74 (55)
Tosu Factory (Tosu-shi, Saga)	Retail Market Food Service Overseas	For foods	2,224	576	363 (53,958)	3	17	3,185	1 (—)
Head Office (Shibuya-ku, Tokyo)	—	For others	621	0	— (—)	90	116	829	729 (95)
Complex of facilities (Chofu-shi, Tokyo)	—	For others	5,699	79	138 (16,510)	16	252	6,186	224 (11)
Complex of facilities (Itami-shi, Hyogo)	—	For others	7,881	461	2,337 (37,919)	7	120	10,808	— (—)
Tokyo Branch and other 8 branches and 14 sales offices	—	For others	73	—	— (—)	—	22	95	638 (49)
Kansai SLC (Higashinada-ku, Kobe-shi, Hyogo)	Common Business Operations	For warehousing and distribution system	3,420	391	6,075 (47,252)	—	5	9,892	— (—)

(2) Domestic subsidiaries

Trade name	Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m²)	Lease assets	Other	Total	
Kewpie Egg Corporation	Head Office, Factory, Office, etc. (Chofu-shi, Tokyo, etc.)	Food Service	For foods	5,927	11,768	5,317 (127,048)	470	210	23,694	1,955 (453)
Deria Foods Co., Ltd.	Head Office, Branch, etc. (Chofu-shi, Tokyo, etc.)	Retail Market	For foods	2,305	30	217 (13,790)	26	11	2,591	200 (61)
Kewpie Jyozo Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Food Service	For foods	1,101	1,007	2,163 (69,749)	28	73	4,376	213 (101)
Co-op Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Food Service	For foods	1,632	1,527	254 (72,409)	1	15	3,431	191 (171)
Zen-noh Kewpie Egg-station Co., Ltd.	Head Office and Factory (Goka-machi, Sashima-gun, Ibaraki, etc.)	Food Service	For foods	768	803	405 (10,287)	—	11	1,987	233 (70)
Dispen Pak Japan Co., Inc.	Head Office and Factory (Minami-Ashigara-shi, Kanagawa, etc.)	Retail Market	For foods	275	830	836 (7,697)	—	17	1,961	117 (96)
Potato Delica Co., Ltd.	Head Office, Factory, etc. (Azumino-shi, Nagano, etc.)	Retail Market	For foods	993	748	518 (32,635)	128	11	2,400	97 (200)
Seto Delica Co., Ltd.	Head Office and Factory (Seto-shi, Aichi)	Retail Market	For foods	171	173	— (—)	743	9	1,097	62 (176)
Salad Club, Inc.	Head Office, Factory, Branch, etc. (Chofu-shi, Tokyo, etc.)	Retail Market	For foods	1,759	1,486	117 (9,782)	3	27	3,393	339 (656)
Shunsai Deli Co., Ltd.	Head Office and Office (Akishima-shi, Tokyo, etc.)	Retail Market	For foods	579	824	200 (4,761)	—	47	1,652	211 (557)
Aohata Corporation	Head Office, Factory, Office, etc. (Takehara-shi, Hiroshima, etc.)	Fruit Solutions	For foods	1,570	2,114	1,332 (67,378)	—	96	5,113	469 (221)
Tsukuba Egg Processing Corporation	Head Office and Factory (Tsukuba-shi, Ibaraki)	Food Service	For foods	1	11	— (—)	1,706	1	1,720	20 (—)

(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	
Hangzhou Kewpie Corporation	Zhejiang Province, China	Overseas	For foods	545	1,350	— (—)	102	71	2,070	604 (—)
BEIJING KEWPIE CO., LTD.	Beijing, China	Overseas	For foods	711	984	— (—)	167	47	1,911	648 (—)
KEWPIE (THAILAND) CO., LTD.	Bangkok, Thailand	Overseas	For foods	332	659	131 (104,396)	52	372	1,548	1,018 (7)
Nantong Kewpie Corporation	Jiangsu Province, China	Overseas	For foods	1,219	588	— (—)	—	27	1,835	123 (—)
Guangzhou Kewpie Corporation	Guangdong Province, China	Overseas	For foods	1,863	1,557	— (—)	—	38	3,460	47 (—)

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

1. "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
2. 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, 2021)	Filing date (Feb. 28, 2022)		
Common stock	141,500,000	141,500,000	Tokyo Stock Exchange (First Section)	• Ordinary shares of the Company with no restrictions on shareholders' rights • Number of shares per unit: 100
Total	141,500,000	141,500,000	—	—

(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, 2021

Trade name	Address	Number of the Company's shares held (A) (thousands)	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	10.84
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	14,006	10.08
TOHKA CO., LTD.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	8,122	5.84
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	6,750	4.86
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	3.06
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,208	2.31
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trusts, Mizuho Bank Ltd. Account, Re-trust Trustee, Custody Bank of Japan, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	3,157	2.27
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	2.19
The Dai-ichi Life Insurance Company, Limited (standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	3,012	2.17
Nakato Scholarship Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	2,494	1.79
Total	—	63,114	45.40

(Notes) 1. The 3,157 thousand shares held by Mizuho Trust & Banking Co., Ltd.–Retirement Benefit Trusts, Mizuho Bank Ltd. Account, Re-trust Trustee, Custody Bank of Japan, Ltd. are the trust assets entrusted by Mizuho Bank for its retirement benefit trust.

2. The Company holds 2,495,090 shares of treasury stock.
3. The ratio of number of the Company's shares held is calculated excluding the treasury stock.
4. The change report on large-volume holdings offered for public inspection on September 22, 2021 notes that Sumitomo Mitsui Trust Bank, Limited and other holders jointly held shares as of September 15, 2021 as follows. As the Company cannot confirm the beneficial ownership or number of shares held by Sumitomo Mitsui Trust Bank, Limited and other holders as of November 30, 2021, they are not included in the above table.

Trade name	Address	Number of the Company's shares held (A) (thousands)	Ratio of (A) to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,073	2.17
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shiba-koen 1-chome, Minato-ku, Tokyo	3,897	2.75
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	1,974	1.40
Total	—	8,944	6.32

5. The change report on large-volume holdings offered for public inspection on October 22, 2021 notes that SMBC Nikko Securities Inc. and other holders jointly held shares as of October 15, 2021 as follows. As the Company cannot confirm the beneficial ownership or number of shares held by SMBC Nikko Securities Inc. and other holders as of November 30, 2021, they are not included in the above table.

Trade name	Address	Number of the Company's shares held (A) (thousands)	Ratio of (A) to the total number of issued shares (%)
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,208	2.27
Sumitomo Mitsui DS Asset Management Company, Limited	17-1, Toranomon 1-chome, Minato-ku, Tokyo	1,599	1.13
Total	—	4,807	3.40

6. The change report on large-volume holdings offered for public inspection on November 1, 2021 notes that Mitsubishi UFJ Financial Group, Inc. and other holders jointly held shares as of October 25, 2021 as follows. As the Company cannot confirm the beneficial ownership or number of shares held by Mitsubishi UFJ Financial Group, Inc. and other holders as of November 30, 2021, they are not included in the above table.

Trade name	Address	Number of the Company's shares held (A) (thousands)	Ratio of (A) to the total number of issued shares (%)
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	998	0.71
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	4,728	3.34
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	817	0.58
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	348	0.25
Total	—	6,892	4.87

2. Acquisition of the Company's Treasury Stock

[Types of shares repurchased]

Shares of common stock repurchased as defined by Article 155, Items 3 and 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

Item	Number of shares	Total price (yen)
Repurchase approved at the Board of Directors' meeting held on January 7, 2021 (Repurchase period: From January 8, 2021 to November 30, 2021)	6,000,000	10,000,000,000
Treasury stock held prior to the current fiscal year	—	—
Shares repurchased during the current fiscal year	4,034,000	9,999,853,700
Total remaining number and value of shares resolved to be repurchased	1,966,000	146,300
Percentage of unexercised portion as of final day of the current fiscal year (%)	32.8	0.0
Shares repurchased during the specified period	—	—
Percentage of unexercised portion as of the document filing date (%)	32.8	0.0

(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	1,890	4,754,427
Shares repurchased during the specified period	192	450,865

(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, 2022 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	8,500,000	20,031,015,000	—	—
Repurchased shares transferred via a merger, share exchange, share issuance or division of the company	—	—	—	—
Other	—	—	—	—
Balance of treasury stock held	2,495,090	—	2,495,282	—

(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, 2022 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 provides returns to shareholders based on the policy set forth in each Medium-term Business Plan. While aiming to continue providing stable dividends, the Company also reviews 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. The Articles of Incorporation of the Company stipulate that the Company can pay dividends from surplus twice a year, comprised 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.

In determining dividends under the Medium-term Business Plan through FY2024, with the assumption that the annual dividend per share would be ¥45 or more, the Company aims to set a target for the consolidated dividend payout ratio of 35% or more and accumulated total return ratio over four fiscal years of 50% or more.

For the fiscal year ended November 30, 2021, the Company decided to distribute an annual dividend of ¥47 per share, consisting of an interim dividend of ¥20 and a year-end dividend of ¥27, with a consolidated dividend payout ratio of 36.7%.

The Company is one 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 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.

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.

To this end, the Company has established the Corporate Governance Guidelines which represents the way it sees its corporate governance, and has disclosed these on its corporate website.

https://www.kewpie.com/company/promise/governance/

<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 is a company with an Audit & Supervisory Board. The audit function of the Board of Directors of the Company is being strengthened under this governance scheme.

After the conclusion of the Ordinary General Meeting of Shareholders held in February 2021, the Board of Directors consisted of six standing directors, composed mainly of corporate officers who can take a broad view of the overall Group, and the number of outside directors increased to three. The Audit & Supervisory Board consists of two standing corporate auditors and three outside corporate auditors.

A corporate officer system is adopted for appropriate and flexible execution of business.

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.

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

The Company's policy regarding the necessary skills, diversity, and scale for the Board of Directors are described below.

<The Company's policy regarding the necessary skills, diversity, and scale for the Board of Directors>

i) The Company aims to strike a good balance of experience, expertise, and attributes among its overall officers (directors and corporate auditors).

   The Company aims to ensure that experience and expertise that are currently in shortage among officers are provided, including those held by non-officers.

ii) Inside directors are composed mainly of corporate officers who can take a broad view of the overall Group.

iii) The maximum term of service of an outside officer is 10 years in order to maintain their independency; however, the Company makes efforts to keep an average term of service of three years or more for all outside officers, given the importance of their understanding of the food business and the Company.

iv) The number of directors shall be up to twelve, and outside directors shall make up one-third or more of the total number of directors.

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. The committee is to consist of no fewer than five members, and at least half of its membership is to be comprised of outside directors and outside corporate auditors (the "outside officers") who meet the independence criteria. 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 such person shall undertake chairmanship of the committee. For information about the committee members, please refer to "◊ Status of the Nomination and Remuneration Committee".

The Company has also established its Management Advisory Board as an advisory body to the Company's Representative Director, 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. For information about the board members, please refer to "◊ Management Advisory Board".

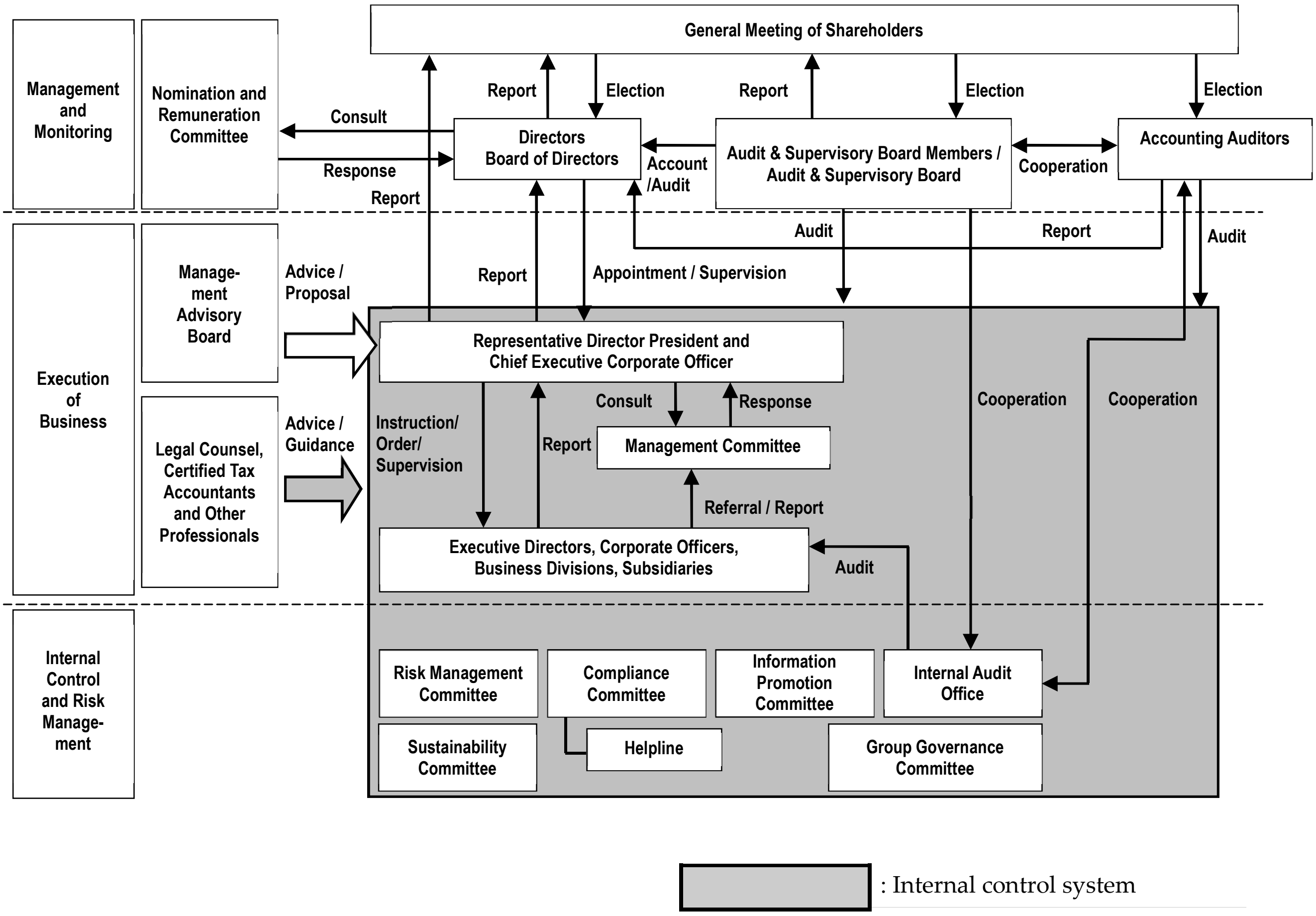
(c) Reason for adopting the Group's corporate governance structure

The Company receives opinions and guidance from the three outside directors and the three outside corporate auditors concerning the overall management of the Company. Outside officers also serve the important role of monitoring the executive directors including the Representative Director, President and Chief Executive Corporate Officer, 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. The Company believes at present that it is appropriate to improve its corporate governance under the current system.

The Company will continue examining the current system in pursuit of a better corporate governance system for the Group.

The diagram below describes the structure of the Corporate Governance System of the Group.

The Corporate Governance System of the Group



(d) Other matters concerning corporate governance

◊ Status of the Nomination and Remuneration Committee

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 met six times in the current fiscal year, deliberating on such matters as the future election of candidate outside officers and candidate president, and exchanging opinions about the skill matrix of the management executives and the way of thinking about officer compensations, among others.

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. As of the filing date of this Report, the committee's chairman and its members are as listed below.

<Chairman>
- Hitoshi Kashiwaki, Outside Director

<Members>
- Hitoshi Kashiwaki, Outside Director
- Shihoko Urushi, Outside Director
- Atsuko Fukushima, Outside Director
- Kazumine Terawaki, Outside Corporate Auditor
- Amane Nakashima, Chairman
- Mitsuru Takamiya, Representative Director, President and Chief Executive Corporate Officer
- Nobuo Inoue, Director and Executive Corporate Officer

◊ 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 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 the filing date of this Report, 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. and other companies
- Ms. Chieko Matsuda, Professor, Graduate School of Management at Tokyo Metropolitan University
- Mr. Harold George Meij, Outside Director of Earth Corporation and other companies
- Ms. Yumiko Kamada, CEO of ONE・GLOCAL Ltd.

◊ Policies and procedures for election and dismissal of executives and nomination of director and corporate auditor candidates

<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 corporate management, legal affairs, overseas, human resource development, and ESG 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 corporate management, accounting, legal affairs, overseas, human resource development, and ESG 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 and Corporate Auditors>

The proposal for nomination of candidates for directors and corporate auditors 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, 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 a 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.

Mr. Osamu Chonan, who retired from the office of Representative Director, President and Chief Executive Officer on February 25, 2022, assumed the office of part-time Executive Corporate Adviser on the same day.

◊ Evaluation of the effectiveness of the Board of Directors

The Company implemented an evaluation of the effectiveness of the Board of Directors (fifth evaluation) for FY2020 from December 2020 through January 2021, and worked to improve the operation of the Board of Directors based on those results in FY2021. A summary of this process is as follows:

Going forward, we at 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.

(1) Implementation methods and details

- We conducted a questionnaire survey on all the officers, in part through an external organization. The questionnaire was comprised of questions to think back on their activities in FY2020, along with the deliberation and supervision necessary for the Board of Directors to implement corporate reforms of the Company and meet social needs. This was in light of the appropriateness of the Board's involvement in the process for making the FY2021–FY2024 Medium-term Business Plan, the sufficiency of efforts to improve management capabilities of officers, and the appropriateness of the roles to develop management personnel, etc. played by the Nomination and Remuneration Committee. Other questions focused on activities in FY2021, the first year of the FY2021–FY2024 Medium-term Business Plan, and they sought answers regarding how the Board of

Directors and the Nomination and Remuneration Committee should be involved in such activities.

- 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

- Overall, no particular issue was found in the activities carried out by the Board of Directors and the Nomination and Remuneration Committee. The efforts to regularly share risk management activities and improve managerial capabilities of officers were particularly considered to have delivered some positive results. The involvement in the process for making the FY2021–FY2024 Medium-term Business Plan was also recognized as appropriate. Activities of the Nomination and Remuneration Committee were also highly regarded. On the other hand, the results pointed out that there is insufficient discussion in shifting operations overseas, sustainability, and digital transformation (DX), etc. and more efforts would need to be made.

(3) Initiatives carried out during the current fiscal year

- The Company developed the following five policies and its annual implementation plan at the Board of Directors' meeting held in February 2021, and they were mostly successfully carried out as planned by the end of FY2021.

  (Policy 1) Promote the discussion on future vision and corporate reforms ("Our Ideal" and DX, etc.)

  (Policy 2) Focus on securing time for exchanging opinions on some priority issues that need further discussion (shifting operations overseas, sustainability, and food technology, etc.)

  (Policy 3) Regularly report and exchange opinions on the progress of introducing a market-based focus (including the progress of the fresh stock™ business)

  (Policy 4) Offer occasions other than meetings of the Board of Directors where management and outside officers can exchange opinions

  (Policy 5) Hold training for members of the Board of Directors to deepen their awareness of DX and sustainability.

- The Board of Directors also conducted discussions repeatedly on how the Group should address in the short term and medium to long term the effect of rapid price hikes in major raw materials which have affected the Group's earnings heavily.

From December 2021 to January 2022, the Company conducted a questionnaire survey, as the effectiveness evaluation for the current fiscal year (sixth evaluation), on officers through an external organization (the questionnaire contained questions including evaluations of initiatives carried out during FY2021, 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 showing that the initiatives based on the previous effectiveness evaluation have delivered a certain level of achievement. However, the Company will share future issues and plans for concrete initiatives again at the Board of Directors and work toward further improvements.

◊ Progress made in establishing internal control system

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

(1) Outline

The resolutions concerning the basic policy of the Company's internal control system were passed at the Board of Directors' meeting in accordance with Article 362, Paragraph 5 of the Companies Act. The aforesaid resolutions provide the broad framework for articles and paragraphs required for the 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 that execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

a. As the Company has declared its corporate spirit under its Corporate Motto and Corporate Principles shown below and come to foster a corporate culture by making executive officers and employees alike aware of the ongoing and thorough training programs over many years, its directors must also respect that corporate culture in their management decisions.

(Corporate Motto)

RAKU-GYOU-KAI-ETSU

(Corporate Principles)

・Act on moral principles

・Strive for originality and ingenuity

・Look after parent's well being

(Words to remember) "The world is fairer than you imagine"

b. The Company has established the Group Policies (comprised of the Code of Ethics and Code of Conduct) and compliance regulations so that directors and employees act in compliance with laws and regulations, the Articles of Incorporation and the corporate philosophy of the Group, and directors and employees are obligated to comply with these.

c. A director responsible for compliance oversees the Compliance Committee. Thus, the Company strives to improve its company-wide compliance systems and identify any issues with those systems, while formulating plans, raising awareness, conducting training, etc. related to promoting compliance led by that committee. The director responsible for compliance regularly reports to the Board of Directors regarding the related activities.

d. The Company has set up a helpline as an internal reporting system in accordance with the whistleblower protection system, in which third-party bodies or outside lawyers engage in a role of the information recipient for the whistleblowing. Upon receiving a report or notice from an information recipient, the Compliance Investigation Committee shall investigate the facts and, if the committee finds a violation of a law or rule, it will discuss with the relevant department and decide upon measures to prevent reoccurrence. In addition to making an announcement within the Company that includes disciplinary action, the Compliance Investigation Committee shall carry out company-wide measures to prevent reoccurrence of such event.

(3) System to ensure storage and management of information relating to the execution of duties of directors

a. The director in charge of Corporate 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, directors and corporate auditors shall be able to view these documents or electronic records.

(4) 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 have the Risk Management Committee, chaired by the director in charge of risk management, gather information related to company-wide risks (and have the Sustainability Committee, chaired by the director in charge of sustainability, gather information related to some social and environmental risks). The Risk Management Committee shall evaluate the risks and manage the overall order of priority of the risks, and the committee chairman shall regularly report the evaluation and response status of company-wide 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 an Emergency Headquarters headed by a pre-designated director in charge of each category of crisis.

(5) 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 persons 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.

(6) 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 great taste, empathy, 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 of business plans to the 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 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 Company's subsidiaries shall also be included in the scope of activities of the Risk Management Committee, the Compliance Committee, and the internal auditing unit, and have access to the "helpline" internal reporting system.

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. The Group Governance Committee, chaired by the director in charge of group governance, shall be responsible for developing a policy of establishing appropriate group governance, deciding on material issues, and promoting initiatives.

f. Based on the Corporate Governance Guidelines, the Company has established the Nomination and Remuneration Committee (with at least half of its membership comprised of 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 with 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 executing an effectiveness assessment on the internal controls related to financial reporting in accordance with the nomination by the Representative Director, President and Chief Executive Corporate Officer.

j. Aohata Corporation, which is a subsidiary of the Company, will share with us consolidated management goals and closely exchange information on risk management and compliance. However, in view of the fact that it has formed its own corporate group in addition to being listed on the Tokyo Stock Exchange, it will build its own system to ensure the appropriateness of business.

(7) 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.

(8) 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.

(9) 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 corporate auditors as a "helpline" internal reporting system.

(10) 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.

(11) 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.

(12) 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. 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 to ensure storage and management of information

- In order to counter a potential attack of ransomware, which is causing increasing damage to information systems globally, the Company implemented a stricter system-protection measure and a damage-mitigation measure in the event of an attack, and formulated an action guideline in the event of crisis.

(2) System for managing risk of loss

- The Company worked to formulate the "Kewpie Group Basic Policy on Sustainability" (in December 2021) to step up its implementation of sustainability commitments. Moreover, as part of its climate change initiatives, the Company announced its endorsement of the recommendations of Task Force on Climate-related Financial Disclosures (TCFD) in October 2021, and participated in the TCFD Consortium where member companies and financial institutions exchange opinions.
- As a manufacturer that mainly uses chicken eggs in the production process and recognizes the materiality of animal welfare in the sustainable procurement of chicken eggs, the Company worked to procure eggs produced in line with the "the animal welfare guidelines for laying hens" which the Ministry of Agriculture, Forestry and Fisheries works to promote. Currently, issues with the future feeding management of chickens for eggs are being discussed with producers, industry stakeholders and the government. In addition, a product using cage-free eggs is under development.

(3) System to ensure effective execution of duties

- In response to a rapid price hike of cooking oil and chicken eggs on which our products mainly depend, in-house cost-reduction efforts, etc. have been made to improve profitability, while revising product prices and expanding sales of products that use less cooking oil and fewer chicken eggs.
- To streamline the domestic production system, as part of the effort to restructure domestic production sites, the Company decided to close the Koromo Factory and transfer the Kyushu Factory of Co-op Foods Co., Ltd.

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

- To respond appropriately to changes in the market environment, the Group's business operation system was changed from product-based business allocation to more market-oriented business initiatives, consisting of three management units—Retail Market Business, Food Service Business, and Overseas Business. And the Company worked to strengthen the correlation of the Group companies under the umbrella of each of these management units.

- For further product quality of the whole Group, the Company formulated quality control targets and strategies and managed the progress under a newly established the Group Quality Strategy Promotion Meeting, and it also promoted initiatives to address quality-related issues under the Group Quality Managers Meeting.

(5) System to ensure that corporate auditors perform audits effectively

- Corporate auditors of the Company strived to implement effective audits by for example, participating in the Risk Management Committee and the Compliance Committee to grasp the current status and outstanding issues to be solved concerning internal control, and making efforts to coordinate with the internal auditing unit in the election of business sites subject to corporate audit.

◊ 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.

◊ Overview of content of directors and officers liability insurance

The Company has entered into a directors and officers liability insurance policy with an insurance company as provided for in Article 430-3, Paragraph 1 of the Companies Act. The policy covers losses and such costs as related litigation expenses incurred from claims for damages borne by the insured where they receive a claim for damages from a shareholder or third party. The Company fully bears the insurance premiums for all insured parties.

Major officers who execute business, including directors, corporate auditors, and corporate officers, of the Company shall be named as an insured with respect to the insurance policy. The term of contract is one year.

◊ Number of directors

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

◊ Election and dismissal of directors

The Articles of Incorporation of the Company stipulate that election and dismissal of directors shall be made by a 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.

◊ Agenda at the General Meeting of Shareholders that can be decided by the Board of Directors

As for matters listed in the 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.

◊ 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.

◊ 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 the 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. Moreover, 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 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 the fundamental philosophy and brands of the Company and the interests of shareholders and other stakeholders from such large purchase.

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

The Group aims to contribute to better diet and health of people from around the world premised on the notions of great taste, empathy, and uniqueness as is declared in its long-term vision called "Kewpie Group 2030 Vision", acting as a corporate group in the food sector which forms an essential part of human existence.

We have been enlisting an approach that entails sustainable growth in Japan and accelerating growth overseas as the first stage of our "2030 Vision" under our FY2019–FY2021 Medium-term Business Plan.

In recent years, the family composition has been undergoing transformation amid new trends that include a declining birthrate in conjunction with an aging population, along with growing numbers of double-income households and single-person households. Such changes have given rise to needs to save time and have convenience when cooking at home. We are also seeing expanding options for food purchase channels, including e-commerce and drugstores. Meanwhile, the global proliferation of the COVID-19 pandemic has greatly affected the Group's business performance and has also given rise to a new normal lifestyle amid further acceleration of such new trends. Among such lifestyle changes, people are increasingly rethinking the notion of cooking at home as they are spending more time in their residences; people pay attention to volume buying and the product life of foods given a reduced frequency of and less time for food shopping; and people's needs also change reflecting concerns about hygiene and health particularly preventing disease and developing immunity. These transformative changes now underway are likely to persist even after COVID-19 subsides.

Given such major transformation in our business environment, we have concluded that it would be difficult to attain sustainable growth with our traditional business structure and terminated our FY2019–FY2021 Medium-term Business Plan at the end of two years after its commencement. We have newly drawn up our FY2021–FY2024

Medium-term Business Plan, which covers the four-year period commencing from the fiscal year ended November 30, 2021.

Under our FY2021–FY2024 Medium-term Business Plan, we will deal with customer and market diversity. With the conceptual theme of "transition to a structure that realizes sustainable growth", we have drawn up three management policies of "strengthening our profit structure and creating new dietary lifestyles", "redoubling efforts involving society and the global environment", and "developing a framework for empowering a diverse range of talent". Under these management policies, we are establishing a new business structure transforming from product-based business allocation to more market-oriented business initiatives, enabling our Group as a whole to take swift and flexible actions in response to diversifying market needs.

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. The committee is to consist of no fewer than five members, and at least half of its membership is to be comprised of 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))

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 countermeasures (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 recommendations 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 are considered to cause permanent damage to the Company, and in this way 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 recommendations from the Independent Committee to the maximum extent possible, having studied the specifics of the Large Purchaser and the large purchase action, and having reviewed the effects that the large purchase action would 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 referring to the opinions of third-party experts and by respecting recommendations 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 is authorized by the Companies Act and the Articles of Incorporation of the Company, by taking into consideration the necessity and adequacy thereof. In the case that the Company makes an allocation of stock acquisition rights without compensation, the Company will set conditions that, for example, the exercise of the stock acquisition rights by the Large Purchaser is rejected. It is not contemplated that any cash will be delivered as a consideration for the acquisition of the stock acquisition rights held by any person not having the right to exercise the stock acquisition rights.

(iv) Cessation of the triggering of the Defense Measure

Even after the determination to trigger the Defense Measure, in the event that the Large Purchaser revokes or alters the large purchase action or otherwise the Board of Directors judges it inappropriate to trigger the Defense Measure, it may alter or cease the triggering of the Defense Measure by respecting recommendations from the Independent Committee to the maximum extent possible.

d) Impacts on the shareholders and investors

(i) Impact of the Large Purchase Rules on the shareholders and investors

We believe that the institution of the Large Purchase Rules, which are intended to help the shareholders and investors make appropriate investment judgments, will benefit the shareholders of the Company and investors.

(ii) Impact on the shareholders and investors when the Defense Measure is triggered

In case the Large Purchaser does not observe the Large Purchase Rules, the Board of Directors may trigger the Defense Measure, as authorized by the Companies Act and other laws or ordinances and the Articles of Incorporation of the Company, to protect the corporate value of the Company and the common interests of its shareholders. However, under the scheme of the Defense Measure, it is not assumed that the shareholders (excluding the Large Purchaser against which the Defense Measure is triggered) of the Company will incur any specific loss to their legal rights or economic interests. In the event that the Board of Directors ceases to issue stock acquisition rights or acquires 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 the 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 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 limited conditions on the triggering of defense measures by the Board of Directors in advance and in detail 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; it is 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 members independent of the management responsible for execution of business. The Board of Directors shall respect recommendations 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 cannot be thought of as a way to maintain the position of the officers of the Company.

(2) Officers

Outside Officers

◊ Number of Officers

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

◊ Special interests with the Company and independence criteria

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 JAPAN POST BANK Co., Ltd., and Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire 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 director Mr. Hitoshi Kashiwaki has abundant experience and deep insight as a corporate executive of an operating company. In addition, Mr. Kashiwaki is an Outside Director of ASICS Corporation, Matsuya Co., Ltd. and TBS HOLDINGS, INC. 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 director Ms. Atsuko Fukushima has abundant experience and deep insight as a journalist. In addition, Ms. Fukushima is External Director of Hulic Co., Ltd. and Outside Director of Nagoya Railroad Co., Ltd. and Calbee, Inc. 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. In addition, Ms. Takeishi is an Outside Corporate Auditor of Tokio Marine & Nichido Fire Insurance Co., Ltd. There is no special interest between the Company and the said company. She satisfies the Company's "Independence Criteria for Outside Officers" as well. Consequently, there is no risk of this having an impact on her independence.

Outside corporate auditor Mr. Kazumine Terawaki has specialist knowledge and broad insight as a legal expert. In addition, Mr. Terawaki is an outside corporate auditor of The Shoko Chukin Bank, Ltd. and Kajima Corporation and outside Director of SHIBAURA 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. Hitoshi Kashiwaki and outside corporate auditors Mr. Kazumine Terawaki and Ms. Mika Kumahira 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 of outside officers.

<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 include his or her grandparents, grandchildren, siblings, spouse and his or her grandparents, siblings and grandchildren (*5)

(10) A person who has a special reason other than the preceding items that will prevent the person from performing their duties as an independent outside officer, such as the potential for a conflict of interest with the Company.

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

*2 A person/entity for which the Group is a major client means a person/entity that 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 2% of the Group's consolidated net sales.

*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 has registered six individuals with Tokyo Stock Exchange, Inc. as independent officers who pose no risk involving a conflict of interests with ordinary shareholders, including Ms. Shihoko Urushi, Mr. Hitoshi Kashiwaki and Ms. Atsuko Fukushima as outside directors, and Ms. Emiko Takeishi, Mr. Kazumine Terawaki and Ms. Mika Kumahira as outside corporate auditors.

◊ The Company's policy regarding the function and role played by outside officers for corporate governance

The Company elects outside directors and outside corporate auditors to ensure that the monitoring function provided to the management is objective and neutral, and receive opinions and guidance from them concerning the overall management of the Company from a standpoint independent from the Company.

The Company stipulates "Policies and procedures for election and dismissal of executives and nomination of director and corporate auditor candidates", based on which it nominates candidates. To fulfill the responsibilities as an outside officer of the Company, an outside officer may concurrently serve as an officer at other companies, and such concurrent officer positions at listed companies other than the Company shall be limited to three or fewer companies in principle.

The Company has received active opinions and guidance from outside directors and outside corporate auditors at the Board of Directors' meetings and the Nomination and Remuneration Committee meetings regarding overall management including management, legal affairs, overseas, human resource development, and ESG on the basis of objectivity and neutrality. The Company judges that the current system provides a sufficient monitoring function provided to the management of the Company from an outside perspective.

For "Policies and procedures for election and dismissal of executives and nomination of director and corporate auditor candidates", please refer to (d) Other matters concerning corporate governance of (1) Overview of corporate governance.

◊ Mutual coordination between supervision or audits by outside directors or outside corporate auditors, and internal audits, audits by corporate auditors and accounting audits; as well as relationships with the internal control division

Outside officers demonstrate supervisory functions mainly through participating in the Board of Directors' meetings and the Nomination and Remuneration Committee meetings (and the Audit & Supervisory Board meetings for outside corporate auditors). The Company works to enhance the provision of information and occasions to exchange opinions to outside officers in order to strengthen their supervisory functions.

Meetings are held between the Audit & Supervisory Board and the Representative Director, President and Chief Executive Corporate Officer of the Company on a regular basis. These meetings are utilized to exchange opinions regarding proposals covering the whole range of the Company's overall management. In addition, through participating in important meetings, reports from officers in charge and responsible personnel of each division, and on-site inspections, etc., outside officers understand the Company's situation and monitor how the Company's internal control system is maintained and operated. In addition, outside directors also participate in activities conducted by corporate auditors as part of performance audits and work to see the Company as it is. The Audit & Supervisory Board also receives an explanation of the audit plan from the accounting auditors at the start of the fiscal year, interviews them for the status of the audit as needed during the fiscal year, and receives a report of the audit result at the end of the fiscal year, in a collaborative manner. Furthermore, the Audit & Supervisory Board coordinates closely with the internal auditing unit through regular meetings and other events and through sharing broader information and opinions with each other to enhance the quality and efficiency of audits. Annual plans of audits by corporate auditors (as to basic policy and priority audit items, etc.) are shared at the Board of Directors.

Issues concerning and efforts made in connection with internal control, such as risk management, compliance and sustainability, are reported to the Board of Directors from time to time, where opinions are also exchanged with outside officers.

(3) Status of audits

(a) Status of corporate auditor audits

1) Organization, members

In the current fiscal year, the Audit & Supervisory Board consists of five members: two standing corporate auditors and three outside corporate auditors.

Each corporate auditor's attendance at the Audit & Supervisory Board meetings held during the current fiscal year is as follows:

Name	Background and experience	Attendance at Audit & Supervisory Board meetings for the current fiscal year
Standing Corporate Auditor Kiyotaka Yokokoji	He has mainly engaged in personnel and labor affairs and has been committed to boosting the soundness of the Group's management by promoting talent development and work-style reforms.	13/13 (100%)
Standing Corporate Auditor Norimitsu Yamagata	He has expanded his knowledge about sound corporate growth through creating new value with the Group's technologies and driving initiatives toward preserving its brand value.	13/13 (100%)
Outside Corporate Auditor Emiko Takeishi	She provides opinions and suggestions on overall business management based on her experience in the sector of public administration and her broad knowledge about personnel systems and labor policies.	13/13 (100%)
Outside Corporate Auditor Kazumine Terawaki	He provides opinions and suggestions on overall business management, including internal control systems such as compliance and risk management, based on his specialist knowledge and broad insight as a legal expert.	13/13 (100%)
Outside Corporate Auditor Mika Kumahira	She provides opinions and suggestions on overall business management based on her experience in company management inside and outside of Japan and her broad knowledge about corporate transformation and leadership development.	12/13 (92%)

2) Status of main activities by corporate auditors and the Audit & Supervisory Board

The Audit & Supervisory Board meeting was generally held once a month for the current fiscal year in accordance with the Rules on Audit & Supervisory Board. Main issues considered and shared through deliberations and reporting are as follows:

Deliberated matters	The development of auditing policies and audit plans; the allocation of duties; consent to the proposal for the election of corporate auditors; decisions about audit reports by the Audit & Supervisory Board; the election of specified corporate auditors; decisions about the proposals for the election, non-election and dismissal of accounting auditors; consent to audit fees for accounting auditors; and other matters
Reported matters	Prior check of the Board of Directors' meeting agenda; the details of important management meetings including those of the Management Council, the Compliance Committee, the Risk Management Committee, the Group Governance Committee, the Sustainability Committee and the Medium-term Business Plan Promotion Council; the results of site inspections on the business locations of the Company and Group companies; the details of meetings with the internal auditing unit and liaison meetings among corporate auditors of the Group; audit plans, reviews and results by accounting auditors; and other matters

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 physically or remotely 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 one listed subsidiary).

Meetings are held between the Audit & Supervisory Board and the Representative Director, President and Chief Executive Corporate Officer of the Company on a timely basis. These meetings are utilized to exchange opinions regarding proposals covering the whole range of the Company's business activities.

In light of the importance of the so-called three-pillar audit system (internal audits, corporate auditors' audits, and accounting audits), the Audit & Supervisory Board also receives an explanation of the audit plan from the accounting auditors at the start of the fiscal year, interviews them regarding the status of the audit as needed during the fiscal year, and receives a report of the audit results at the end of the fiscal year. The Audit & Supervisory Board discussed with Ernst & Young ShinNihon LLC regarding key audit matters arising from audits, received reports about how the audits were performed, and requested an explanation as needed. Furthermore, the Audit & Supervisory Board coordinates closely with the internal auditing unit through regular meetings and other events and through sharing broader information and opinions with each other to enhance the quality and efficiency of audits.

In addition, at the year-end Audit & Supervisory Board meeting, several evaluation items about the effectiveness of audit activities were submitted for exchanging opinions among corporate auditors, to reflect the outcome in the audit plan for the following fiscal year.

(b) Status of internal audits

The Company has set up an Internal Audit Office to act as its internal auditing unit with twelve staff members. The staff of the Internal Audit Office perform auditing – in line with the directives laid down in the audit 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 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 auditors as well as accounting auditors by exchanging information and other actions. Auditing activities are also conducted in cooperation with staff members of the Company who are in charge of the auditing of matters relating to product quality, environmental protection, safety and labor.

(c) Status of accounting audit

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Successive audit period

1971 onward

c. Names & titles of CPAs

Yoshimi Kimura
Designated and Engagement Partner
Junichiro Tsuruta
Designated and Engagement Partner
Miyuki Nakamura
Designated and Engagement Partner

d. Composition of persons who assisted in audit work

Audit work for the Company during the current fiscal year was assisted by 49 persons, comprising 22 CPAs and 27 other persons.

e. 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.

f. 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	94	2	99	2
Consolidated subsidiaries	98	6	29	—
Total	192	8	128	2

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 for the previous fiscal year at consolidated subsidiaries include entrustment of advisory services, and the consolidated subsidiaries pay fees to the auditing certificated public accountants for those services.

b. Fees for Ernst & Young, part of the same network as the auditing certificated public accountants (excluding the fees in a. above)

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	20	1	22	6
Consolidated subsidiaries	31	4	30	3
Total	52	5	52	10

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 tax affairs, 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 services related to tax affairs, and the consolidated subsidiaries pay fees to the auditing certificated public accountants for those services.

c. Other important details on fees for audit or attestation services

Not applicable.

d. Policy for determining fees for auditing

The fees to auditing certificated public accountants of the Company are 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.

e. 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

◊ Policy concerning compensation amounts of officers and calculation method thereof

The rationale and calculation methods with respect to compensation of the directors and corporate auditors have been deliberated at the Nomination and Compensation Committee, and determined by a Board of Directors resolution as follows:

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

1) Rationale and procedures for compensation of officers, and corporate officers

a) The Company institutes a compensation system for compensation of directors and corporate officers that consists of monthly remuneration and bonuses, and the system is linked with the Company's performance and reflects their responsibilities and achievements.

b) The Company discusses the rationale (system design) at the meeting of Nomination and Remuneration Committee (an advisory body to the Board of Directors in which at least half of the Committee members are outside officers who satisfy "Independence Criteria" separately defined by the Company, and whose chairman is an outside director), and improves its objectivity, appropriateness and transparency.

c) The total amount of bonuses paid to directors and the amount paid to individual directors must be approved by the Board of Directors.

d) The amounts of compensations paid to outside directors and corporate auditors (inside and outside) shall respectively be fixed and no bonuses will be paid.

2) Calculation method for monthly remuneration

a) A monthly remuneration for director duties of inside directors will be paid at a flat rate; provided, however, that a separate, additional remuneration will be paid to the persons with representative authority.

b) The monthly remuneration for corporate officers should be set at a suitable level that takes into consideration the Company's management environment, etc. and corresponds to the rank (President, Senior Executive Corporate Officer, Executive Corporate Officer, and Senior Corporate Officer).

3) Calculation method for bonuses

a) The bonus amount is calculated according to the rank of the director and corporate officer, using such indicators as consolidated operating income and the degree of achievement of the target income of the areas they are responsible for and target themes in the Medium-term Business Plan.

b) During the respective fiscal years covered under the FY2021–FY2024 Medium-term Business Plan, the Company has set the weight of bonuses of President and Chief Executive Corporate Officer to 35% and other directors to 30% of the basic amount of total annual remuneration with the aim of establishing a structure that realizes sustainable growth of the Group. In addition, criteria and allocations with respect to performance evaluation indicators set for each director are to align with the intent of the Medium-term Business Plan.

c) The Company may increase or decrease the bonus amount paid for the final fiscal year of the Medium-term Business Plan by up to 30%, depending on the individual progress made in achieving the performance evaluation indicators (from economic, social, and employee perspectives) previously set for each director for the final fiscal year.

During the respective fiscal years covered under the FY2021–FY2024 Medium-term Business Plan, the Company has set the performance evaluation indicators and the allocation ratio as follows based on which directors' bonuses are calculated, to be aligned to the management goals set forth in the Medium-term Business Plan:

(Chairman, President, and Directors other than those in charge of markets)

Consolidated operating income (50%)	Target themes in the Medium-term Business Plan for each director (50%)

(Directors in charge of markets)

Consolidated operating income (30%)	Operating income of the area of responsibility (30%)	Target themes in the Medium-term Business Plan for each director (40%)

The amount of bonuses paid to each director is obtained by multiplying a base bonus amount for each corporate rank (fixed amount) by the rate of achievement of individual performance evaluation indicators, and multiplying the same amount by the rate of allocation, and calculating the total of these amounts.

The actual consolidated operating income, a performance evaluation indicator common to individual directors, was ¥27,972 million (up from the initial plan of ¥26,400 million). The achievement of target themes in the Medium-term Business Plan is evaluated within a range from 50% to 150%.

An individual bonus amount paid is reviewed and approved at the Nomination and Remuneration Committee by comparing with the calculation criteria in a fair and transparent manner, and therefore, the Board of Directors understands that the amount is consistent with the "Policy for Determining Compensation of Directors, Corporate Auditors, and Corporate Officers" and its calculation method.

◊ 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 approach to directors' bonuses based on the earnings forecast for the current fiscal year was shared with the Nomination and Remuneration Committee members, and deliberated at the Committee held in December 2021 on the director evaluation and bonus amounts (total amount and individual amounts) for the current fiscal year.

(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)	259	178	81	10
Corporate auditors (excluding outside corporate auditors)	42	42	—	2
Outside officers	64	64	—	6

(Notes) 1. As for director compensation, the total of monthly compensation (a fixed amount for each corporate rank) and that of bonuses, and the amount paid to individual directors are determined at the Board of Directors. The limit amount for compensation of directors including bonuses was resolved to be within ¥500 million per year (within ¥80 million per year for outside directors) at the 108th Ordinary General Meeting of Shareholders held on February 25, 2021. The Company had nine directors including three outside directors at the conclusion of said General Meeting of Shareholders.

2. The monthly compensation amounts paid to individual corporate auditors are decided by consulting with corporate auditors. The limit amount for 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. The Company had four corporate auditors at the conclusion of said General Meeting of Shareholders.

3. The above fixed compensation (monthly compensation) includes the payment made to four directors who resigned at the conclusion of the 108th Ordinary General Meeting of Shareholders.

4. The performance-linked compensation (bonuses) in the table above is for six directors excluding outside directors as of the end of the current fiscal year, and has been determined at the Board of Directors in consideration of the corporate performance, etc. of the current fiscal year and based on deliberation at the Nomination and Remuneration Committee. The ratio of the total bonus amount paid to directors against the sum of the base bonus amount (fixed amount for each corporate rank) for individual directors is 107.5%.

5. Besides the compensation amounts listed above, the employee salary (including bonuses) of those serving concurrently as employee and director is ¥15 million.

6. The retirement bonus system for directors and corporate auditors was abolished at the 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 dividend 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 an inspection by the Board of Directors, all shares of 20 issues have been sold, and a portion of shares of four issues 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	31	862
Stocks other than unlisted stocks	59	19,358

(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	11	14	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	3
Stocks other than unlisted stocks	21	558

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

We perform a quantitative assessment on an individual issue basis to see the quantitative effects of holding it, but do not present the effects from the perspective of business confidentiality because the transaction volume of the issuer is used to calculate the effects.

In addition, the Board of Directors examines both qualitative and quantitative effects of holding individual issues every year based on the above section "(b) 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".

Specified investment shares

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase in 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	For the purpose of increasing future corporate value through mutual initiatives.	Yes
	4,043	4,405		
Kikkoman Corporation	374,000	374,000	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
	3,238	2,427		
Kato Sangyo Co., Ltd.	840,300	840,300	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
	2,663	2,903		
Nisshin Seifun Group Inc.	1,003,981	1,003,981	For the purpose of increasing future corporate value through mutual initiatives.	Yes
	1,642	1,703		
Saha Pathana Inter-Holding Public Company Limited	5,719,331	5,719,331	For the purpose of maintaining and strengthening joint business operations overseas, and increasing future corporate value through mutual initiatives.	No
	1,256	1,180		
Saha Pathanapibul Public Co., Ltd.	5,219,737	5,219,737	For the purpose of maintaining and strengthening joint business operations overseas, and increasing future corporate value through mutual initiatives.	No
	1,089	1,256		
Yoshinoya Holdings Co., Ltd.	297,833	297,449	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
	662	566		

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of the Company's shares
Seven & i Holdings Co., Ltd.	124,600 567	124,600 412	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Sumitomo Mitsui Financial Group, Inc.	112,483 416	112,483 341	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Inageya Co., Ltd.	311,873 405	310,657 633	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
Mitsubishi UFJ Financial Group, Inc.	495,500 297	495,500 222	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Mizuho Financial Group, Inc.	180,720 253	180,720 239	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Kadoya Sesame Mills Incorporated	50,000 202	50,000 194	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
Aeon Co., Ltd.	75,746 200	74,246 230	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
Dai-Ichi Life Holdings, Inc.	74,200 169	74,200 122	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Morozoff Limited	30,000 158	30,000 186	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of the Company's shares
TAKARA HOLDINGS INC.	125,000 152	125,000 149	For the purpose of increasing future corporate value through mutual initiatives.	Yes
Toho Co., Ltd.	110,000 151	110,000 223	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
Showa Sangyo Co., Ltd.	53,600 140	53,600 169	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
Central Forest Group, Inc.	61,078 116	60,653 119	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
internet infinity INC.	240,000 114	240,000 131	For the purpose of increasing future corporate value through mutual initiatives.	No
The Nisshin OilliO Group, Ltd.	40,000 111	40,000 116	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
Maruichi Co., Ltd.	101,068 103	100,312 104	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
Rengo Co., Ltd.	134,000 102	134,000 106	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
ITOCHU-SHOKUHIN Co., Ltd.	20,000 98	20,000 112	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of the Company's shares
Daito Pharmaceutical Co., Ltd.	32,000 90	33,000 119	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
WARABEYA NICHIYO HOLDINGS CO., LTD.	48,000 88	49,200 68	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Sumitomo Mitsui Trust Holdings, Inc.	21,903 77	21,903 66	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
ARCS COMPANY, LIMITED	37,020 76	37,020 80	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Valor Holdings Co., Ltd.	31,600 66	31,600 81	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
YUTAKA FOODS CORPORATION	31,200 58	31,200 56	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
LIFE CORPORATION	16,200 54	16,200 59	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Nakamuraya Co., Ltd.	14,700 52	14,700 59	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
Kansai Super Market Ltd.	26,299 48	25,842 32	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of the Company's shares
Kisoji Co., Ltd.	21,100 44	21,100 49	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Satoh & Co., Ltd.	28,800 42	28,800 42	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
YAMAEHISANO Co., Ltd.	33,103 42	31,425 37	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
FUJI CO.,LTD.	18,100 34	18,100 34	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
J-OIL MILLS, Inc. (Note)	16,400 27	8,200 29	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
RETAIL PARTNERS CO., LTD.	22,300 27	35,479 52	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
OIE SANGYO Co., Ltd.	25,200 26	25,200 37	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
HAGOROMO FOODS CORPORATION	6,689 20	6,483 20	For the purpose of increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
MARUDAI FOOD CO., LTD.	11,746 16	11,293 18	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of the Company's shares
Yamanaka Co., Ltd.	22,000 16	22,000 15	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Yamazawa Co., Ltd.	7,200 12	7,200 12	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Shokubun Co., Ltd.	48,789 11	47,547 13	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
Sagami Holdings Corporation	10,000 9	10,000 12	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
H2O RETAILING CORPORATION	12,285 9	12,285 7	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
FUJICCO Co., Ltd.	4,000 7	4,000 7	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
OOMITSU CO., LTD.	10,155 6	9,596 6	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
Toyo Suisan Kaisha, Ltd.	1,000 4	1,000 5	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
NittoBest Corporation	5,400 4	10,000 8	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase in 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)		
ALBIS CO., Ltd.	2,000	2,000	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	4	5		

(Note) The above number of shares of J-OIL MILLS, Inc. is after the share split of common stock on a 2-for-1 basis, effective on April 1, 2021.

Stocks regarded as holding shares

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase in 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	For the purpose of maintaining and strengthening a stable business relationship.	Yes
	3,348	3,734		
Seven & i Holdings Co., Ltd.	485,000	485,000	For the purpose of maintaining and strengthening a stable business relationship.	No
	2,208	1,606		
Kyowa Kirin Co., Ltd.	475,000	475,000	For the purpose of increasing future corporate value through mutual initiatives.	No
	1,505	1,346		
Sumitomo Corporation	654,000	654,000	For the purpose of increasing future corporate value through mutual initiatives.	No
	1,011	841		
Mitsubishi Shokuhin Co., Ltd.	299,000	299,000	For the purpose of maintaining and strengthening a stable business relationship.	No
	804	824		
Aeon Co., Ltd.	220,000	220,000	For the purpose of maintaining and strengthening a stable business relationship.	No
	581	683		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase in 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)		
Yamato Holdings Co., Ltd.	219,000	219,000	For the purpose of increasing future corporate value through mutual initiatives.	Yes
	552	580		

(Notes) 1. Specified investment shares and stocks regarded as holding shares are not added together at the stage of selecting the top issues in terms of book value on the balance sheet.

2. Stocks regarded as holding shares are put into a trust to cover retirement benefit obligations. The amounts presented in the "Book value on the balance sheet" column are obtained by multiplying the market value as of the end of the current fiscal year by the number of shares that confer the power to exercise voting rights. The information presented in the "Purpose of shareholding" column describes the power the Company holds with respect to such shares.

(iii) Investment shares for pure investment purposes

Not applicable.

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, 2020 to November 30, 2021) 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, 2020)		Current fiscal year (As of November 30, 2021)
Assets				
Current assets				
Cash and deposits		56,835		58,343
Notes and accounts receivable – trade		73,783		56,875
Securities		10,000		10,000
Purchased goods and products		16,214		18,277
Work in process		1,398		1,369
Raw materials and supplies		9,609		10,419
Other		6,696		2,303
Allowances for doubtful accounts		(523)		(137)
Total current assets		174,012		157,451
Fixed assets				
Tangible fixed assets				
Buildings and structures	*4	191,496	*4	157,939
Accumulated depreciation		(110,485)		(93,161)
Net book value	*2	81,011		64,777
Machinery, equipment and vehicles	*4	183,338	*4	149,308
Accumulated depreciation		(121,934)		(106,897)
Net book value		61,403		42,411
Land	*2, *4	53,504	*4	30,850
Lease assets		12,106		5,562
Accumulated depreciation		(4,638)		(1,713)
Net book value		7,467		3,848
Construction in progress		5,352		2,488
Other	*4	17,247	*4	12,497
Accumulated depreciation		(13,184)		(10,340)
Net book value		4,062		2,157
Total tangible fixed assets		212,802		146,532
Intangible fixed assets				
Goodwill		1,676		552
Software		9,383		10,979
Other		4,084		1,771
Total intangible fixed assets		15,144		13,303
Investments and other assets				
Investment securities	*1	27,110	*1	43,629
Long-term loans receivable		1,497		973
Assets for retirement benefits		9,601		11,128
Deferred tax assets		3,791		2,981
Other	*1	10,504	*1	5,123
Allowances for doubtful accounts		(188)		(120)
Total investments and other assets		52,316		63,715
Total fixed assets		280,263		223,552
Total assets		454,276		381,003

(Millions of yen)

		Previous fiscal year (As of November 30, 2020)	Current fiscal year (As of November 30, 2021)
Liabilities			
Current liabilities			
Notes and accounts payable – trade		41,828	28,015
Short-term loans payable	*2	12,153	11,591
Accounts payable – other		14,480	17,908
Accrued expenses		6,986	4,622
Accrued income taxes		3,901	4,182
Reserves for sales rebates		747	741
Reserves for bonuses		1,817	1,442
Reserves for directors' bonuses		163	86
Other reserves		52	58
Other		4,242	2,550
Total current liabilities		86,373	71,199
Non-current liabilities			
Bonds		10,000	10,000
Long-term loans payable	*2	51,861	16,356
Lease obligations		6,084	3,780
Deferred tax liabilities		6,223	5,856
Liabilities for retirement benefits		3,619	2,750
Asset retirement obligations		1,218	221
Other		1,539	1,537
Total non-current liabilities		80,546	40,502
Total liabilities		166,920	111,702
Net assets			
Shareholders' equity			
Paid-in capital		24,104	24,104
Capital surplus		28,647	28,632
Earned surplus		201,705	194,015
Treasury stock		(15,865)	(5,838)
Total shareholders' equity		238,592	240,913
Accumulated other comprehensive income			
Unrealized holding gains (losses) on securities		8,882	8,690
Unrealized gains (losses) on hedges		(4)	8
Foreign currency translation adjustments		(3,411)	(962)
Accumulated adjustments for retirement benefits		(4,315)	(3,008)
Total accumulated other comprehensive income		1,151	4,727
Non-controlling interests		47,612	23,660
Total net assets		287,356	269,301
Total liabilities and net assets		454,276	381,003

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

Consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From December 1, 2019 to November 30, 2020)		Current fiscal year (From December 1, 2020 to November 30, 2021)
Net sales		531,103		407,039
Cost of sales	*1	405,790	*1	282,807
Gross profit		125,313		124,232
Selling, general and administrative expenses	*2, *3	97,009	*2, *3	96,260
Operating income		28,303		27,972
Non-operating income				
Interest income		122		122
Dividends income		482		410
Equity in earnings of affiliates		116		998
Insurance income		428		195
Other		874		800
Total non-operating income		2,024		2,527
Non-operating expenses				
Interest expenses		337		241
Commission expenses		310		96
Business commencement expenses		159		72
Other		530		392
Total non-operating expenses		1,338		801
Ordinary income		28,989		29,698
Extraordinary gains				
Gains on sales of fixed assets	*4	102	*4	459
Gains on extinguishment of tie-in shares		42		364
Gains on sales of investment securities		37		327
Gain on sales of shares of subsidiaries and associates	*5	7	*5	291
Gains on negative goodwill		489		—
Other		2		43
Total extraordinary gains		682		1,486
Extraordinary losses				
Impairment losses	*6	1,950	*6	1,097
Losses on disposal of fixed assets	*7	1,880	*7	1,087
Losses on sales of shares of subsidiaries	*8	1,856	*8	13
Other		689		125
Total extraordinary losses		6,376		2,323
Profit before income taxes		23,296		28,860
Income taxes		8,664		8,329
Income taxes – deferred		159		260
Total income taxes		8,824		8,590
Profit		14,471		20,269
Profit attributable to non-controlling interests		2,880		2,255
Profit attributable to owners of parent		11,591		18,014

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Profit	14,471	20,269
Other comprehensive income		
Unrealized holding gains (losses) on securities	(198)	(147)
Unrealized gains (losses) on hedges	(15)	22
Foreign currency translation adjustments	(194)	2,772
Adjustments for retirement benefits	285	1,219
Share of other comprehensive income of entities accounted for using equity method	—	409
Total other comprehensive income	* (123)	* 4,277
Comprehensive income	14,347	24,546
(Breakdown)		
Comprehensive income attributable to owners of parent	11,467	21,591
Comprehensive income attributable to non-controlling interests	2,880	2,955

(c) Consolidated Statements of Changes in Net Assets

Previous fiscal year (From December 1, 2019 to November 30, 2020)

(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	29,483	196,551	(15,862)	234,276
Cumulative effects of changes in accounting policies			(0)		(0)
Balance after reflecting the above cumulative effects	24,104	29,483	196,550	(15,862)	234,276
Changes of items during the fiscal year					
Dividends from surplus			(6,436)		(6,436)
Profit attributable to owners of parent			11,591		11,591
Purchase of treasury stock				(2)	(2)
Cancellation of treasury stock					
Capital increase of consolidated subsidiaries		(267)			(267)
Payments for investments in capital of subsidiaries and affiliates		(1,844)			(1,844)
Sales of investments in capital of subsidiaries and affiliates		1,275			1,275
Change in ownership interest of parent due to transactions with non-controlling interests					
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(836)	5,154	(2)	4,315
Balance at the end of the current fiscal year	24,104	28,647	201,705	(15,865)	238,592

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	9,045	6	(3,241)	(4,534)	1,275	41,201	276,753
Cumulative effects of changes in accounting policies							(0)
Balance after reflecting the above cumulative effects	9,045	6	(3,241)	(4,534)	1,275	41,201	276,753
Changes of items during the fiscal year							
Dividends from surplus							(6,436)
Profit attributable to owners of parent							11,591
Purchase of treasury stock							(2)
Cancellation of treasury stock							—
Capital increase of consolidated subsidiaries							(267)
Payments for investments in capital of subsidiaries and affiliates							(1,844)
Sales of investments in capital of subsidiaries and affiliates							1,275
Change in ownership interest of parent due to transactions with non-controlling interests							—
Change of scope of consolidation							—
Net changes of items other than shareholders' equity	(162)	(11)	(169)	218	(124)	6,411	6,287
Total changes of items during the fiscal year	(162)	(11)	(169)	218	(124)	6,411	10,603
Balance at the end of the current fiscal year	8,882	(4)	(3,411)	(4,315)	1,151	47,612	287,356

Current fiscal year (From December 1, 2020 to November 30, 2021)

(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	28,647	201,705	(15,865)	238,592
Cumulative effects of changes in accounting policies					
Balance after reflecting the above cumulative effects	24,104	28,647	201,705	(15,865)	238,592
Changes of items during the fiscal year					
Dividends from surplus			(5,665)		(5,665)
Profit attributable to owners of parent			18,014		18,014
Purchase of treasury stock				(10,004)	(10,004)
Cancellation of treasury stock			(20,031)	20,031	—
Capital increase of consolidated subsidiaries					
Payments for investments in capital of subsidiaries and affiliates					
Sales of investments in capital of subsidiaries and affiliates					
Change in ownership interest of parent due to transactions with non-controlling interests		(15)			(15)
Change of scope of consolidation			(8)		(8)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(15)	(7,690)	10,026	2,320
Balance at the end of the current fiscal year	24,104	28,632	194,015	(5,838)	240,913

	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	8,882	(4)	(3,411)	(4,315)	1,151	47,612	287,356
Cumulative effects of changes in accounting policies							—
Balance after reflecting the above cumulative effects	8,882	(4)	(3,411)	(4,315)	1,151	47,612	287,356
Changes of items during the fiscal year							
Dividends from surplus							(5,665)
Profit attributable to owners of parent							18,014
Purchase of treasury stock							(10,004)
Cancellation of treasury stock							—
Capital increase of consolidated subsidiaries							—
Payments for investments in capital of subsidiaries and affiliates							—
Sales of investments in capital of subsidiaries and affiliates							—
Change in ownership interest of parent due to transactions with non-controlling interests							(15)
Change of scope of consolidation							(8)
Net changes of items other than shareholders' equity	(192)	12	2,448	1,306	3,576	(23,952)	(20,376)
Total changes of items during the fiscal year	(192)	12	2,448	1,306	3,576	(23,952)	(18,055)
Balance at the end of the current fiscal year	8,690	8	(962)	(3,008)	4,727	23,660	269,301

(d) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Cash flows from operating activities		
Profit before income taxes	23,296	28,860
Depreciation and amortization	20,073	15,336
Impairment losses	1,950	1,097
Amortization of goodwill	218	198
Retirement benefit expenses	2,134	883
Equity in losses (earnings) of affiliates	(116)	(998)
Gains on negative goodwill	(489)	—
Losses (gains) on extinguishment of tie-in shares	(42)	(364)
Losses (gains) on valuation of investment securities	13	7
Increase (decrease) in liabilities for retirement benefits	417	(146)
Decrease (increase) in assets for retirement benefits	(1,368)	(186)
Increase (decrease) in reserves for sales rebates	(113)	(5)
Increase (decrease) in reserves for directors' bonuses	0	(16)
Increase (decrease) in reserves for bonuses	(302)	221
Increase (decrease) in allowances for doubtful accounts	21	(179)
Interest and dividends income	(605)	(532)
Interest expenses	337	241
Losses (gains) on sales of investment securities	(37)	(326)
Losses (gains) on sales of shares of subsidiaries	1,856	(278)
Losses (gains) on sales and disposal of fixed assets	1,827	707
Decrease (increase) in notes and accounts receivable – trade	10,041	(408)
Decrease (increase) in inventories	(250)	(2,775)
Increase (decrease) in notes and accounts payable – trade	(11,409)	613
Increase (decrease) in accounts payable – other	(3,055)	663
Increase (decrease) in accrued consumption taxes	(1,627)	3,887
Increase (decrease) in long-term accounts payable	(92)	(160)
Other	1,044	(1,014)
Sub-total	43,721	45,323
Interest and dividends income received	650	835
Interest paid	(337)	(242)
Income taxes paid	(9,079)	(7,383)
Net cash provided by (used in) operating activities	34,955	38,533

(Millions of yen)

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Cash flows from investing activities		
Purchases of tangible fixed assets	(20,707)	(7,743)
Purchases of intangible fixed assets	(4,746)	(3,842)
Purchases of investment securities	(99)	(18)
Proceeds from sales of investment securities	232	591
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,033	5
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (8,801)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(492)	—
Net decrease (increase) in short-term loans receivable	(0)	78
Payments of long-term loans receivable	(353)	(3)
Collection of long-term loans receivable	58	81
Payments into time deposits	(2,157)	(2,058)
Proceeds from withdrawal of time deposits	1,078	1,482
Other	(885)	(50)
Net cash provided by (used in) investing activities	(26,039)	(20,277)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,269	(455)
Repayment of lease obligations	(1,513)	(642)
Proceeds from long-term loans payable	9,800	495
Repayment of long-term loans payable	(3,236)	(1,481)
Cash dividends paid	(6,436)	(5,665)
Cash dividends paid to non-controlling interests	(1,535)	(1,441)
Purchase of treasury stock	(2)	(10,004)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,913)	—
Proceeds from sales of investments in capital of subsidiaries that do not result in change in scope of consolidation	2,875	—
Proceeds from investments in capital of subsidiaries that do not result in change in scope of consolidation	1,238	—
Payments into deposits with withdrawal restrictions	(539)	—
Proceeds from withdrawal of deposits with withdrawal restrictions	—	492
Net cash provided by (used in) financing activities	5	(18,701)
Effects of exchange rate changes on cash and cash equivalents	78	1,322
Increase (decrease) in cash and cash equivalents	9,000	875
Cash and cash equivalents at the beginning of the fiscal year	56,777	65,777
Increase in cash and cash equivalents from newly consolidated subsidiary	—	47
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	2
Cash and cash equivalents at the end of the fiscal year	*1 65,777	*1 66,703

Notes

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

1. Consolidated subsidiaries

The Company has forty-six (46) consolidated subsidiaries. The significant consolidated subsidiaries are Kewpie Egg Corporation, Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., Salad Club, Inc. and Aohata Corporation.

In the current fiscal year, KRS and its fourteen (14) subsidiaries listed below have changed from being consolidated subsidiaries to being affiliated companies accounted for by the equity method, as the Company sold part of the shares of KRS.

1. K. Tis Corporation
2. S.Y. PROMOTION Co., Ltd.
3. Kewso Services Corporation
4. KLQ Corporation
5. San-ei Logistics Corporation
6. San Family Corporation
7. Osaka Sanei Logistics Corporation
8. KAT Corporation
9. Fresh Delica Network Corporation
10. Hisamatsu Transport Corporation
11. PT Kiat Ananda Cold Storage
12. PT Ananda Solusindo
13. PT Manggala Kiat Ananda
14. PT Trans Kontainer Solusindo

On the other hand, Kewpie Trading Europe B.V., which was a non-consolidated subsidiary not accounted for by the equity method, has been included in the scope of consolidated subsidiaries, since the said company has become material. Furthermore, one company has been included in the scope of consolidation as a result of its establishment, and one company has been excluded from the scope of consolidation due to the sale of its shares. As a consequence, two companies were added and sixteen (16) companies were excluded.

Among the ten (10) non-consolidated subsidiaries, the principal one is Kewpie-Egg World Trading U.S.A. Inc. 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 eighteen (18) affiliated companies. The significant affiliate under the equity method is KRS.

The investments in Kewpie-Egg World Trading U.S.A. Inc. and nine other non-consolidated subsidiaries, as well as EGG TRUST JAPAN K.K. and eight other affiliated companies are not accounted for by the equity method, since each of the amounts of 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.

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 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:	5–10 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.

Foreign consolidated subsidiaries that adopted IFRS have applied IFRS 16 "Leases". Under IFRS 16, lessees, in principle, record all leases as assets and liabilities on the balance sheets, and the straight-line method is adopted for depreciation of right-of-use assets recorded under assets.

(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.

(b) Hedging instruments

Hedging instruments are forward exchange contracts.

(c) Hedged items

Hedged items are purchase transactions in foreign currencies.

(d) Hedging policy

The Company enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rates.

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 the 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.

(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.

(Significant accounting estimates)

(Valuation of fixed assets of Kewpie Egg Corporation)

For fixed assets on certain asset groups of Kewpie Egg Corporation, an indicator of impairment was identified, as a result of the effects of a decrease in demand due to COVID-19 and a rise in the price of eggs used as an ingredient. However, no impairment losses were recognized, since undiscounted future cash flows of these asset groups exceeded the book value of the fixed assets in determining whether impairment losses are recognized.

1. Amount recorded in consolidated financial statements for the current fiscal year

Book value of fixed assets on relevant asset groups ¥10,896 million

2. Information on the content of significant accounting estimates for identified items

(1) Method for calculating estimated undiscounted future cash flows and major assumptions

In determining whether impairment losses are recognized, undiscounted future cash flows were calculated based on business plan, which was formulated incorporating sales volume and gross margin per unit as major assumptions, on the premise of a modest recovery of demand in the restaurant sector in conjunction with a subsiding trend of COVID-19 and stable balance between egg supply and demand as a result of a decrease in occurrence of avian influenza.

(2) Impact on consolidated financial statements for the next fiscal year

If business performance declines due to the re-spread of COVID-19 and the effects of avian influenza, and consequently actual results deviate from an estimated amount of undiscounted future cash flows, impairment losses could be recorded.

(Accounting Standards Not Yet Adopted)

1. The Company and its domestic consolidated subsidiaries

Accounting Standard for Revenue Recognition, etc.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(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 statements 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 related guidance on the consolidated financial statements is immaterial.

Accounting Standard for Fair Value Measurement, etc.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Summary

Given the situation where the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) provide substantially the same detailed guidance on fair value measurement (IASB's IFRS 13 "Fair Value Measurement" and FASB's Accounting Standards Codification Topic 820 "Fair Value Measurement"), the Accounting Standards Board of Japan (ASBJ) issued the "Accounting Standard for Fair Value Measurement", etc. following the efforts to ensure consistency between Japanese accounting standards ("Japanese GAAP") and internationally accepted accounting standards mainly on guidance and disclosure of the fair value of financial instruments.

ASBJ's basic policy in developing accounting standard for fair value measurement is to incorporate basically all the provisions of IFRS 13 from the perspective of enhancing comparability between financial statements of companies in Japan and overseas by using a unified measurement method; and then to provide other treatments for individual items to the extent that they will not materially impair comparability between financial statements, taking into account the practice that have been used in Japan.

(2) Timing of adoption

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

(3) Effect of adoption of accounting standards

There is no effect of adoption of the Accounting Standard for Fair Value Measurement and other accounting standards and guidance on the consolidated financial statements.

2. Foreign consolidated subsidiaries applying the U.S. Generally Accepted Accounting Principles (GAAP)

(ASU 2016-02 "Leases")

(1) Summary

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

(2) Timing of adoption

The Group will adopt ASU 2016-02 from the beginning of the fiscal year ending November 30, 2023.

(3) Effect of adoption of accounting standards

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

(Changes in presentation)

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements for the end of the current fiscal year, and notes on significant accounting estimates are included in the Notes to Consolidated Financial Statements.

However, in accordance with the transitional treatment prescribed in the proviso to paragraph 11 of the accounting standard, information related to the previous fiscal year has not been provided in these notes.

(Consolidated Statements of Income)

Subsidy income under "Non-operating income", which was presented as a separate item in the previous fiscal year, was included in "Other" from the current fiscal year, because it now accounts for 10% or less 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, ¥354 million, which was presented in "Subsidy income" under "Non-operating income" in the previous fiscal year, was reclassified as ¥874 million of "Other".

Foreign exchange losses under "Non-operating expenses", which was presented as a separate item in the previous fiscal year, was included in "Other" from the current fiscal year, because it now accounts for 10% or less of total non-operating expenses. 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, ¥75 million, which was presented in "Foreign exchange losses" under "Non-operating expenses" in the previous fiscal year, was reclassified as ¥530 million of "Other".

Gain on sales of shares of subsidiaries and associates, included in "Other" under "Extraordinary gains" in the previous fiscal year, was presented as a separate item from the current fiscal year, because it now accounts for more than 10% of total extraordinary gains. 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, ¥7 million, which was presented in "Other" under "Extraordinary gains" in the previous fiscal year, was reclassified as ¥7 million of "Gain on sales of shares of subsidiaries and associates".

Consolidated Balance Sheets

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

	Previous fiscal year (As of November 30, 2020)	Current fiscal year (As of November 30, 2021)
Investment securities (stocks)	¥ 2,979 million	¥ 21,802 million
Other (Investments in capital)	¥ 792 million	¥ 348 million

*2 *Pledged assets and secured obligations

Pledged assets are as follows:

	Previous fiscal year (As of November 30, 2020)	Current fiscal year (As of November 30, 2021)
Buildings and structures	¥ 60 million	¥ — million
Land	¥ 1,064 million	¥ — million
Total	¥ 1,124 million	¥ — million

Secured obligations are as follows:

	Previous fiscal year (As of November 30, 2020)	Current fiscal year (As of November 30, 2021)
Short-term loans payable	¥ 893 million	¥ — million
Long-term loans payable	¥ 862 million	¥ — million
Total	¥ 1,756 million	¥ — million

*3 Contingent liabilities

Loans from financial institutions, that the Group guarantees under joint signature for employees are as follows:

Guarantee obligations

	Previous fiscal year (As of November 30, 2020)	Current fiscal year (As of November 30, 2021)
Employees (loan)	¥ 215 million	¥ 189 million

*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, 2020)	Current fiscal year (As of November 30, 2021)
Buildings and structures	¥ 644 million	¥ 631 million
Machinery, equipment and vehicles	¥ 757 million	¥ 802 million
Land	¥ 117 million	¥ 117 million
Other	¥ 384 million	¥ 5 million
Total	¥ 1,903 million	¥ 1,556 million

Consolidated Statements of Income

*1 The inventory balance at the end of the fiscal year is presented after the book value was written down when its carrying amount becomes unrecoverable and the following losses on valuation of inventories are included in cost of sales.

Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
¥ 371 million	¥ 418 million

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

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Transportation and warehousing expenses	¥ 26,057 million	¥ 27,752 million
Sales promotion expenses	¥ 3,558 million	¥ 3,175 million
Research and development expenses	¥ 3,963 million	¥ 4,033 million
Advertising expenses	¥ 9,032 million	¥ 9,576 million
Payroll expenses	¥ 22,564 million	¥ 21,620 million
Depreciation expenses	¥ 2,892 million	¥ 2,271 million
Provision of reserves for bonuses	¥ 632 million	¥ 810 million
Retirement benefit expenses	¥ 2,191 million	¥ 1,356 million
Provision of allowances for doubtful accounts	¥ (12) million	¥ (57) million

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

Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
¥ 3,963 million	¥ 4,033 million

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

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Land	¥ 44 million	¥ 421 million
Buildings and structures	¥ — million	¥ 24 million
Machinery, equipment and vehicles	¥ 57 million	¥ 11 million
Other	¥ 0 million	¥ 1 million
Total	¥ 102 million	¥ 459 million

*5 Gain on sales of shares of subsidiaries and associates

Previous fiscal year (From December 1, 2019 to November 30, 2020)

This was due to the sale of all shares of A K Franchise System Co., Ltd. owned by the Company's consolidated subsidiary Kewso Services Corporation.

Current fiscal year (From December 1, 2020 to November 30, 2021)

This was due to the sale of part of shares of KRS, which was a consolidated subsidiary of the Company. The difference between the book value of the sold shares in the consolidated accounts of KRS and its fourteen (14) subsidiaries, and the sale price of the share sale was recorded as losses on sales of shares of subsidiaries and associates. Further, as a result of this share sale, certain unrealized gains on the land sales to KRS by the Company and its consolidated subsidiaries in the prior fiscal years were realized. Accordingly, the realized gain was accounted for as an adjustment to loss (gain) on sales of shares of subsidiaries and associates.

For further details, please refer to "Notes, Business Combination" of the Consolidated financial statements.

*6 Impairment losses

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

Previous fiscal year (From December 1, 2019 to November 30, 2020)

Location	Use	Item	Impairment losses (millions of yen)
Soka-shi, Saitama	Factory	Buildings, etc.	1,187
Poland	Factory	Buildings, etc.	331
Oishida-machi Kitamurayama-gun, Yamagata	Production lines, etc. of fruit processed foods	Buildings, machinery, equipment, etc.	286
Shibuya-ku, Tokyo	Idle asset	Software	94
Minato-ku, Tokyo	Restaurant	Buildings, etc.	49
Total			1,950

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

In the current fiscal year, the Company wrote down the book value of a factory in Soka-shi, Saitama to a recoverable amount, because it no longer expects to recover its investment due to diminished profitability. As such, the relevant write-down amount of ¥1,187 million is recorded as impairment losses. The recoverable amount is measured by the net sales value based on the estimated sales value.

The Company wrote down the book value of a factory in Poland to a recoverable amount, because it no longer expects to recover its investment due to diminished profitability. As such, the relevant write-down amount of ¥331 million is recorded as impairment losses. The recoverable amount is measured by the net sales value based on the estimated sales value.

The Company wrote down the book value of production lines, etc. of fruit processed foods in Oishida-machi, Kitamurayama-gun, Yamagata to recoverable amount, because it no longer expects to recover its investment due to diminished profitability. As such, the relevant write-down amount of ¥286 million is recorded as impairment losses. The recoverable amounts are measured according to value in use, etc., and are calculated by discounting the future cash flows using a rate of 2.51%.

The Company wrote down the book value of software in Shibuya-ku, Tokyo to a recoverable amount, because it no longer expects future use due to diminished profitability. As such, the relevant write-down amount of ¥94 million is recorded as impairment losses. The recoverable amount is measured by the net sales value. However, as the asset has difficulty finding an alternative use, the net sales value is assessed as zero.

The Company wrote down the book value of a restaurant in Minato-ku, Tokyo to a recoverable amount, because it no longer expects to recover its investment as a result of the decision to close the restaurant. As such, the relevant write-down amount of ¥49 million is recorded as impairment losses. The recoverable amount is measured by the net sales value. However, as the asset has difficulty finding an alternative use or being sold, the net sales value is assessed as zero.

Current fiscal year (From December 1, 2020 to November 30, 2021)

Location	Use	Item	Impairment losses (millions of yen)
Yamato-shi, Kanagawa	Factory	Buildings, etc.	751
Oishida-machi Kitamurayama-gun, Yamagata	Production lines, etc. of fruit processed foods	Buildings, machinery, equipment, etc.	167
Kumamoto-shi, Kumamoto	Factory	Buildings, etc.	165
Other			14
Total			1,097

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

In the current fiscal year, the Company wrote down the book value of a factory of Green Message Co., Ltd. in Yamato-shi, Kanagawa to a recoverable amount, because it no longer expects to recover its investment due to diminished profitability. As such, the relevant write-down amount of ¥751 million is recorded as impairment losses. The recoverable amount is measured by the net sales value based on the estimated sales value.

The Company wrote down the book value of production lines, etc. of fruit processed foods in Oishida-machi, Kitamurayama-gun, Yamagata to recoverable amount, because it no longer expects to recover its investment due to deteriorating profitability. As such, the relevant write-down amount of ¥167 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 2.46%.

The Company wrote down the book value of a factory in Kumamoto-shi, Kumamoto, to a recoverable amount as a result of the decision to sell the factory. As such, the relevant write-down amount of ¥165 million is recorded as impairment losses. The recoverable amount is measured by the net sales value based on the estimated sales value.

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

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Machinery, equipment and vehicles	¥ 682 million	¥ 522 million
Buildings and structures	¥ 1,077 million	¥ 437 million
Other	¥ 119 million	¥ 127 million
Total	¥ 1,880 million	¥ 1,087 million

*8 Losses on sales of shares of subsidiaries

Previous fiscal year (From December 1, 2019 to November 30, 2020)

This was due to the sale of all shares of HENNINGSEN FOODS, INC. owned by the Company's consolidated subsidiary KIFUKI U.S.A. CO., INC.

Current fiscal year (From December 1, 2020 to November 30, 2021)

This was due to the sale of all shares of Fujiyoshida Kewpie Co., Ltd., the Company's consolidated subsidiary.

Consolidated Statements of Comprehensive Income

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

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Unrealized holding gains (losses) on securities:		
Amount arising during the fiscal year	¥ (238) million	¥ 98 million
Reclassification adjustments	¥ (3) million	¥ (341) million
Before income tax effects	¥ (241) million	¥ (243) million
Amount of income tax effects	¥ 43 million	¥ 95 million
Unrealized holding gains (losses) on securities	¥ (198) million	¥ (147) million
Unrealized gains (losses) on hedges:		
Amount arising during the fiscal year	¥ (34) million	¥ 33 million
Reclassification adjustments	¥ 10 million	¥ 0 million
Before income tax effects	¥ (23) million	¥ 33 million
Amount of income tax effects	¥ 7 million	¥ (10) million
Unrealized gains (losses) on hedges	¥ (15) million	¥ 22 million
Foreign currency translation adjustments:		
Amount arising during the fiscal year	¥ (246) million	¥ 2,772 million
Reclassification adjustments	51 million	—
Foreign currency translation adjustments	¥ (194) million	¥ 2,772 million
Adjustments for retirement benefits:		
Amount arising during the fiscal year	¥ (1,720) million	¥ 888 million
Reclassification adjustments	¥ 2,134 million	¥ 868 million
Before income tax effects	¥ 413 million	¥ 1,757 million
Amount of income tax effects	¥ (128) million	¥ (537) million
Adjustments for retirement benefits	¥ 285 million	¥ 1,219 million
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the fiscal year	—	¥ 409 million
Total other comprehensive income	¥ (123) million	¥ 4,277 million

Consolidated Statements of Changes in Net Assets

Previous fiscal year (From December 1, 2019 to November 30, 2020)

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)	6,958,050	1,150	—	6,959,200
Total	6,958,050	1,150	—	6,959,200

(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 22, 2020	Common stock	3,576	25.00	November 30, 2019	February 7, 2020
The Board of Directors' meeting held on June 24, 2020	Common stock	2,860	20.00	May 31, 2020	August 11, 2020

(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 20, 2021	Common stock	2,860	Earned surplus	20.00	November 30, 2020	February 5, 2021

Current fiscal year (From December 1, 2020 to November 30, 2021)

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	—	8,500,000	141,500,000
Total	150,000,000	—	8,500,000	141,500,000
Treasury stock				
Common stock	6,959,200	4,035,890	8,500,000	2,495,090
Total	6,959,200	4,035,890	8,500,000	2,495,090

(Notes) 1. The increase of 4,035,890 shares in the number of shares of treasury stock includes an increase of 4,034,000 shares due to the purchase of treasury stock in accordance with the resolution of the Board of Directors, and an increase of 1,890 shares due to the acquisition of shares less than one unit.

2. The decrease of 8,500,000 shares in the number of shares of treasury stock is due to cancellation of treasury stock in accordance with the resolution of the Board of Directors.

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 20, 2021	Common stock	2,860	20.00	November 30, 2020	February 5, 2021
The Board of Directors' meeting held on June 28, 2021	Common stock	2,804	20.00	May 31, 2021	August 10, 2021

(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 21, 2022	Common stock	3,753	Earned surplus	27.00	November 30, 2021	February 7, 2022

Consolidated Statements of Cash Flows

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

	Previous fiscal year (From December 1, 2019 to November 30, 2020)		Current fiscal year (From December 1, 2020 to November 30, 2021)	
Cash and deposits	¥	56,835 million	¥	58,343 million
Time deposits with maturity over three months	¥	(572) million	¥	(1,584) million
Deposits with withdrawal restrictions	¥	(486) million	¥	(55) million
Securities	¥	10,000 million	¥	10,000 million
Cash and cash equivalents at the end of the fiscal year	¥	65,777 million	¥	66,703 million

*2 Primary components of assets and liabilities of companies that ceased to be consolidated subsidiaries as a result of selling shares during the current fiscal year

The following are the primary components of assets and liabilities of KRS and its fourteen (14) subsidiaries at the time when they ceased to be consolidated subsidiaries as a result of selling its shares, as well as the amount of, and payments for, sales of its shares.

Current assets	¥	32,347 million
Fixed assets	¥	72,916 million
Current liabilities	¥	(32,314) million
Non-current liabilities	¥	(29,926) million
Accumulated other comprehensive income	¥	352 million
Non-controlling interests	¥	(6,815) million
Investment account after the sales of shares	¥	(35,810) million
Gain on sales of shares of subsidiaries and associates	¥	291 million
Unrealized gain on fixed assets, etc.	¥	(659) million
Amount of sales of shares	¥	382 million
Cash and cash equivalents	¥	(9,180) million
Incidental expenses associated with the sales of shares	¥	(3) million
Net: Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	¥	(8,801) 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.

(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, 2020)	Current fiscal year (As of November 30, 2021)
Due within one year	2,340	161
Due over one year	14,274	166
Total	16,614	328

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 necessary equipment investment.

   Derivatives are forward exchange contracts to hedge foreign currency risk involving payables in foreign currencies. With regard to hedging instruments, hedged items, hedge policies, the method of assessment of the effectiveness of hedges etc., please refer to the above "4. Accounting policies: (6) Significant methods of hedge accounting" under Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements.

   (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. 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. 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 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, 2020)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	56,835	56,835	—
(2) Notes and accounts receivable – trade	73,783		
Allowances for doubtful accounts (*1)	(507)		
	73,275	73,275	—
(3) Securities and investment securities	31,742	31,742	—
Total assets	161,852	161,852	—
(4) Notes and accounts payable – trade	41,828	41,828	—
(5) Short-term loans payable	6,454	6,454	—
(6) Accounts payable – other	14,480	14,480	—
(7) Accrued income taxes	3,901	3,901	—
(8) Bonds	10,000	10,045	45
(9) Long-term loans payable (*2)	57,560	57,568	8
Total liabilities	134,225	134,279	53
Derivatives (*3)	(22)	(22)	—

(*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, 2021)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	58,343	58,343	—
(2) Notes and accounts receivable – trade	56,875		
Allowances for doubtful accounts (*1)	(135)		
	56,740	56,740	—
(3) Securities and investment securities	38,366	39,002	635
Total assets	153,450	154,085	635
(4) Notes and accounts payable – trade	28,015	28,015	—
(5) Short-term loans payable	1,305	1,305	—
(6) Accounts payable – other	17,908	17,908	—
(7) Accrued income taxes	4,182	4,182	—
(8) Bonds	10,000	10,020	20
(9) Long-term loans payable (*2)	26,642	26,697	54
Total liabilities	88,054	88,130	75
Derivatives (*3)	27	27	—

(*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, (6) Accounts payable – other, and (7) 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.

(8) 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.

(9) Long-term loans payable

The fair value of long-term loans payable is calculated based on the present value estimated by discounting the total principal and interest, using a discount rate which would be applicable for similar new borrowings.

Derivatives

Fair values with respect to derivative transactions are calculated based on prices indicated by counterparty financial institutions and other such entities. 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, 2020)	Current fiscal year (As of November 30, 2021)
Unlisted stocks	5,367	15,263

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, 2020)

	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	56,808	—	—	—
Notes and accounts receivable – trade	73,783	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	10,000	—	—	—
Total	140,591	—	—	—

Current fiscal year (As of November 30, 2021)

	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	58,325	—	—	—
Notes and accounts receivable – trade	56,875	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	10,000	—	—	—
Total	125,200	—	—	—

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, 2020)

	Within one year (millions of yen)	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Short-term loans payable	6,454	—	—	—	—	—
Bonds	—	—	—	—	—	10,000
Long-term loans payable	5,698	15,502	4,962	19,038	3,606	8,752
Total	12,153	15,502	4,962	19,038	3,606	18,752

Current fiscal year (As of November 30, 2021)

	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	1,305	—	—	—	—	—
Bonds	—	—	—	—	10,000	—
Long-term loans payable	10,285	285	15,285	284	500	—
Total	11,591	285	15,285	284	10,500	—

Securities

1. Other securities

Previous fiscal year (As of November 30, 2020)

	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	19,894	6,326	13,568
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	83	60	22
	Sub-total	19,978	6,387	13,590
Securities whose acquisition cost exceeds their balance sheet amount	(1) Stocks	1,763	2,121	(358)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	10,000	10,000	—
	Sub-total	11,763	12,121	(358)
Total		31,742	18,509	13,232

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,388 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, 2021)

	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	18,070	5,757	12,313
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	—	—	—
	Sub-total	18,070	5,757	12,313
Securities whose acquisition cost exceeds their balance sheet amount	(1) Stocks	1,440	1,680	(239)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	10,000	10,000	—
	Sub-total	11,440	11,680	(239)
Total		29,511	17,437	12,073

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,316 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, 2019 to November 30, 2020)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	105	37	0
(2) Bonds			
(a) Government and local bonds	–	–	–
(b) Corporate bonds	–	–	–
(c) Other	–	–	–
(3) Other	–	–	–
Total	105	37	0

Current fiscal year (From December 1, 2020 to November 30, 2021)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	581	327	1
(2) Bonds			
(a) Government and local bonds	–	–	–
(b) Corporate bonds	–	–	–
(c) Other	–	–	–
(3) Other	–	–	–
Total	581	327	1

3. Securities for which impairment losses are recognized

Previous fiscal year (From December 1, 2019 to November 30, 2020)

Impairment losses of ¥13 million were recognized for securities (¥4 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, 2020 to November 30, 2021)

Impairment losses of ¥7 million were recognized for securities (¥7 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, 2020)

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

(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, 2021)

Not applicable.

(2) Currency derivatives

Previous fiscal year (As of November 30, 2020)

Classification	Transaction type	Contract amount		Fair value	Gains or losses on valuation
		Total (millions of yen)	Over one year (millions of yen)	(millions of yen)	(millions of yen)
Transactions other than market transactions	Purchased forward exchange contracts– Euro	186	—	(0)	(0)

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

Current fiscal year (As of November 30, 2021)

Classification	Transaction type	Contract amount		Fair value	Gains or losses on valuation
		Total (millions of yen)	Over one year (millions of yen)	(millions of yen)	(millions of yen)
Transactions other than market transactions	Purchased forward exchange contracts– Euro	192	—	(0)	(0)

(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, 2020)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value
			Total (millions of yen)	Over one year (millions of yen)	(millions of yen)
Allocation method for forward exchange contracts, etc.	Purchased forward exchange contracts–	Accounts payable – trade			
	U.S. dollar		1,201	—	(12)
	RMB		113	—	4
	Euro		224	—	2
Total			1,539	—	(5)

(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, 2021)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value
			Total (millions of yen)	Over one year (millions of yen)	(millions of yen)
Allocation method for forward exchange contracts, etc.	Purchased forward exchange contracts–	Accounts payable – trade			
	U.S. dollar		1,006	—	33
	RMB		103	—	4
	Euro		577	—	(9)
Total			1,687	—	28

(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, 2020)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value
			Total (millions of yen)	Over one year (millions of yen)	(millions of yen)
Special treatment for interest rate swap transactions	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	15	—	— (Note 2)
Deferral hedge method	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	362	312	(7)

(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, 2021)

Not applicable.

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, 2019 to November 30, 2020)		Current fiscal year (From December 1, 2020 to November 30, 2021)	
Balance of retirement benefit obligations at the beginning of the fiscal year	¥	77,165 million	¥	77,593 million
Service costs	¥	3,665 million	¥	2,916 million
Interest costs	¥	258 million	¥	290 million
Actuarial gains or losses incurred	¥	3 million	¥	244 million
Retirement benefits paid	¥	(3,388) million	¥	(2,881) million
Decrease due to exclusion from consolidation	¥	— million	¥	(10,547) million
Other	¥	(110) million	¥	64 million
Balance of retirement benefit obligations at the end of the fiscal year	¥	77,593 million	¥	67,680 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, 2019 to November 30, 2020)		Current fiscal year (From December 1, 2020 to November 30, 2021)	
Balance of pension plan assets at the beginning of the fiscal year	¥	83,757 million	¥	83,575 million
Expected return on pension plan assets	¥	2,097 million	¥	1,799 million
Actuarial gains or losses incurred	¥	(1,681) million	¥	1,097 million
Contributions by the employer	¥	2,684 million	¥	2,268 million
Retirement benefits paid	¥	(3,185) million	¥	(2,709) million
Decrease due to exclusion from consolidation	¥	— million	¥	(9,975) million
Other	¥	(97) million	¥	1 million
Balance of pension plan assets at the end of the fiscal year	¥	83,575 million	¥	76,058 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, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Retirement benefit obligations for funded plans	¥ 75,396 million	¥ 65,373 million
Pension plan assets	¥ (83,575) million	¥ (76,058) million
	¥ (8,179) million	¥ (10,684) million
Retirement benefit obligations for non-funded plans	¥ 2,196 million	¥ 2,307 million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (5,982) million	¥ (8,377) million
Liabilities for retirement benefits	¥ 3,619 million	¥ 2,750 million
Assets for retirement benefits	¥ (9,601) million	¥ (11,128) million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (5,982) million	¥ (8,377) million

(4) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Service costs	¥ 3,665 million	¥ 2,916 million
Interest costs	¥ 258 million	¥ 290 million
Expected return on pension plan assets	¥ (2,097) million	¥ (1,799) million
Amortization of actuarial gains or losses	¥ 1,961 million	¥ 695 million
Amortization of prior service costs	¥ 173 million	¥ 173 million
Retirement benefit expenses for defined benefit plans	¥ 3,960 million	¥ 2,275 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, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Prior service costs	¥ (173) million	¥ (173) million
Actuarial gains or losses	¥ (240) million	¥ (1,584) million
Total	¥ (413) million	¥ (1,757) 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, 2020)	Current fiscal year (As of November 30, 2021)
Unrecognized prior service costs	¥ 429 million	¥ 256 million
Unrecognized actuarial gains or losses	¥ 6,485 million	¥ 4,900 million
Total	¥ 6,915 million	¥ 5,157 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, 2020)	Current fiscal year (As of November 30, 2021)
Bonds	33%	30%
Stocks	36%	38%
Insurance assets (general account)	5%	5%
Cash and deposits	11%	11%
Other	15%	16%
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 16% 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, 2020)	Current fiscal year (As of November 30, 2021)
Discount rate	0.3% to 0.6%	0.4% to 0.6%
Long-term expected rate of return on pension plan assets	1.5% to 3.0%	1.5% to 3.0%

Expected rates of salary increase are based on an index of salary increase by age, primarily calculated using the base date of May 31, 2017.

3. Defined contribution plans and retirement benefit advance payment systems

At the Company and its consolidated subsidiaries, the required contribution amount to the defined contribution plans is ¥1,002 million for the previous fiscal year and ¥807 million for the current fiscal year, and the amount paid under the retirement benefit advance payment systems is ¥101 million for the previous fiscal year and ¥88 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, 2020)		Current fiscal year (As of November 30, 2021)	
Deferred tax assets				
Unrealized gains	¥	2,141 million	¥	1,530 million
Reserves for sales rebates	¥	235 million	¥	234 million
Accrued expenses (sales promotion expenses)	¥	845 million	¥	827 million
Reserves for bonuses	¥	509 million	¥	380 million
Accrued social security expenses	¥	99 million	¥	4 million
Accrued enterprise taxes	¥	316 million	¥	300 million
Liabilities for retirement benefits	¥	1,554 million	¥	1,573 million
Established amount for trust to cover retirement benefit obligations	¥	1,084 million	¥	1,084 million
Losses on valuation of golf course memberships	¥	151 million	¥	117 million
Tax loss carryforwards	¥	1,728 million	¥	1,600 million
Depreciation	¥	1,156 million	¥	812 million
Impairment losses	¥	1,202 million	¥	1,364 million
Other	¥	2,606 million	¥	1,954 million
Sub-total deferred tax assets	¥	13,633 million	¥	11,786 million
Valuation allowance	¥	(4,148) million	¥	(3,736) million
Total deferred tax assets	¥	9,485 million	¥	8,049 million
Deferred tax liabilities				
Assets for retirement benefits	¥	(2,790) million	¥	(3,592) million
Differences on valuation of fixed assets	¥	(1,389) million	¥	(377) million
Reserves for reduction entry of property by purchase	¥	(1,137) million	¥	(1,137) million
Unrealized holding gains on securities	¥	(3,690) million	¥	(3,575) million
Other	¥	(2,909) million	¥	(2,241) million
Total deferred tax liabilities	¥	(11,918) million	¥	(10,924) million
Net deferred tax assets (liabilities)	¥	(2,432) million	¥	(2,875) million

(Note) In the current fiscal year, the Company finalized the provisional accounting treatment for business combinations. Accordingly, each figure pertaining to the fiscal year ended November 30, 2020 reflects the finalization of the provisional accounting treatment.

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

	Previous fiscal year (As of November 30, 2020)	Current fiscal year (As of November 30, 2021)
Statutory tax rate	30.6%	The note is omitted since the difference between the statutory tax rate and effective tax rate is 5% or less of the statutory tax rate.
(Adjustments)		
Changes in valuation allowance	7.4%	
Expenses not deductible permanently	1.5%	
Income not taxable permanently	(0.2)%	
Inhabitant tax levied per capita	0.9%	
Tax deduction	(2.0)%	
Other	(0.4)%	
Effective tax rate	37.9%	

Business Combination

Finalization of provisional accounting treatment for business combination

For the business combination of KRS, which was the Company's consolidated subsidiary, and KIAT ANANDA Group (PT Kiat Ananda Cold Storage, PT Ananda Solusindo, PT Manggala Kiat Ananda and PT Trans Kontainer Solusindo) on November 2, 2020, a provisional accounting treatment had been applied in the previous fiscal year and it was finalized in the current fiscal year.

Following the finalization of the provisional accounting treatment, comparative information included in the consolidated financial statements for the current fiscal year has reflected the significant revision of initial allocation of acquisition costs. The revised allocations were as follows:

(Millions of yen)

Account	PT Kiat Ananda Cold Storage	PT Ananda Solusindo	PT Manggala Kiat Ananda	PT Trans Kontainer Solusindo
Goodwill before revision (figures in parentheses indicate gains on negative goodwill)	755	445	41	(3)
Revisions:				
Land	(883)	(116)	—	—
Customer-related assets	—	(627)	(1,161)	(180)
Deferred tax liabilities	194	163	255	39
Foreign currency translation adjustments	—	—	—	(2)
Non-controlling interests	528	445	695	99
Profit attributable to non-controlling interests	—	—	(201)	(56)
Total revisions	(160)	(135)	(412)	(100)
Goodwill after revision (figures in parentheses indicate gains on negative goodwill)	595	310	(370)	(103)

This resulted in respective increases of ¥1,000 million for land, ¥1,969 million for customer-related assets, ¥653 million for deferred tax liabilities, ¥1,768 million for non-controlling interests, ¥471 million for gains on negative goodwill, and ¥257 million for profit attributable to non-controlling interests, and resulted in decreases of ¥337 million for goodwill and ¥2 million for foreign currency translation adjustments.

Divestiture of Business

The Company resolved, at the meeting of its Board of Directors held on January 7, 2021, to sell part of the shares of the Company's consolidated subsidiary, KRS, and a share sale was implemented by off-auction distribution on January 18, 2021. As a result of this share sale, KRS and its fourteen (14) subsidiaries listed below (collectively the "KRS Group") have changed from being consolidated subsidiaries of the Company to being affiliated companies accounted for by the equity method of the Company, effective from the beginning of the current fiscal year.

1. K. Tis Corporation
2. S.Y. PROMOTION Co., Ltd.
3. Kewso Services Corporation
4. KLQ Corporation
5. San-ei Logistics Corporation
6. San Family Corporation
7. Osaka Sanei Logistics Corporation
8. KAT Corporation
9. Fresh Delica Network Corporation

10. Hisamatsu Transport Corporation
11. PT Kiat Ananda Cold Storage
12. PT Ananda Solusindo
13. PT Manggala Kiat Ananda
14. PT Trans Kontainer Solusindo

1. Outline of the business divestiture

(1) Name of successor company

Because shares were sold by off-auction distribution, this information is omitted.

(2) Content of the divested business

Consolidated subsidiaries	KRS and its fourteen (14) subsidiaries
Description of business:	Warehousing and transportation

(3) Main reason for business divestiture

KRS was established in 1966 upon the reorganization making the Company's warehouse division to its newly incorporated subsidiary and thereafter it has contributed to the Group's progressive business development through its highly qualified and competitive food logistics services.

In these years, amidst dramatic changes in food products and logistics business environment, the Company and KRS have discussed and examined their future business developments from the perspective of sustained growth of both companies.

As a result, KRS concluded that its corporate value would be enhanced by dissolving the parent-subsidiary relationship with the Company, so that KRS may be able to speed up its decision-making and independent judgment on strategic investments, and reinforce its comprehensive food logistics operations in the domestic market and aggressively expand its businesses in overseas markets promoting more innovative growth strategies than ever.

On the other hand, the Company has determined that its corporate value would be enhanced for the future towards "Our Ideal"(Note) through further concentration of management resources in the domestic and overseas food businesses.

Taking the above into account, in spite of the sale of shares, the Company and KRS will keep sharing a common idea of highly qualified food distribution system that covers from manufacturing to delivery of products, and KRS will bear responsibility for the Kewpie Group's logistics duties.

The Company and KRS will continue a strong partnership in the food manufacturing and logistics operations and work together for sustained growth in corporate value for both companies.

(Note) We aim to be a group contributing to the food culture and health of the world through "great taste, empathy, and uniqueness".

(4) Date of business divestiture

January 18, 2021 (Date of share sale)

December 1, 2020 (Deemed date of divestiture)

(5) Outline of transaction including its legal form

Partial transfer of issued shares of KRS whereby the consideration is specific assets such as cash

(6) Number of shares sold and share ownership after the sale

Number of transferred shares: 253,600 shares

Share ownership after transfer: 5,420,402 shares (Percentage of voting rights: 43.6%)

2. Outline of the accounting treatment implemented

(1) Amount of gain or loss on the transfer

Gain on sales of shares of subsidiaries and associates	¥291 million

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

Current assets	¥	32,347 million
Fixed assets	¥	72,916 million
Total assets	¥	105,264 million
Current liabilities	¥	32,314 million
Non-current liabilities	¥	29,926 million
Total liabilities	¥	62,241 million

(3) Accounting treatments

The difference between the book value of the sold shares in the consolidated accounts of KRS Group and the sale price of the share sale was recorded as losses on sales of shares of subsidiaries and associates. Further, as a result of this share sale, certain unrealized gains on the land sales to KRS by the Company and its consolidated subsidiaries in the prior fiscal years were realized. This gain was accounted for as an adjustment to loss (gain) on sales of shares of subsidiaries and associates. As a consequence, a gain on sales of shares of subsidiaries and associates was recorded as extraordinary gains.

3. Reporting segment in which the divested business was included

Distribution Business

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

Since a divestiture of business came into force as of the beginning of the current fiscal year (as the deemed divestiture date), "net sales" and "operating income" associated with the divested business are not included in the consolidated statement of income for the current fiscal year.

Profit or loss associated with the divested business is recorded in "Equity in earnings of affiliates" in the consolidated statement of income for the current fiscal year.

Equity in earnings of affiliates ¥902 million

Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Summary of relevant asset retirement obligations

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

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

   The amount of asset retirement obligations is calculated by estimating the period of use as thirty-one 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, 2019 to November 30, 2020)		Current fiscal year (From December 1, 2020 to November 30, 2021)	
Balance at the beginning of the fiscal year	¥	1,187 million	¥	1,218 million
Increase due to purchases of tangible fixed assets	¥	26 million	¥	— million
Adjustments to interest	¥	7 million	¥	2 million
Decrease due to payments for asset retirement obligations	¥	(3) million	¥	— million
Decrease due to exclusion from consolidation	¥	— million	¥	(999) million
Balance at the end of the fiscal year	¥	1,218 million	¥	221 million

Segment Information

Segment Information

1. Outline of reporting segments

The Company has organized reporting segments according to markets into "Retail Market", "Food Service", "Overseas", "Fruit Solutions", "Fine Chemicals" and "Common Business Operations" out of constituent operational units of the Group, for each of which the separate financial information is available and which are regularly reviewed by the Board of Directors may make decisions on the allocation of management resources and evaluate business performance.

The following is the overview of each segment:

Retail Market:	Manufactures and sells products that include mayonnaise, dressings, pasta sauces, salads, delicatessen foods, packaged salads, baby foods and nursing care foods in the retail market.
Food Service:	Manufactures and sells products that include mayonnaise, dressings, vinegar, liquid egg, frozen egg, dried egg and egg processed foods in the food service market.
Overseas:	Manufactures and sells products that include mayonnaise and dressings in the overseas markets which include China, Southeast Asia and North America.
Fruit Solutions:	Manufactures and sells products that include jams for household-use and fruit processed foods for industrial use.
Fine Chemicals:	Manufactures and sells products that include hyaluronic acid and egg yolk lecithin used as an ingredient for pharmaceuticals, cosmetics and food products.
Common Business Operations:	Sale of 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)

In line with the Medium-term Business Plan, which covers four years starting from FY2021, from the current fiscal year, the Company has established a new business structure transforming from product-based business allocation to more market-focused business structure in order to respond to customer and market needs and the changing business environment. Accordingly, the Company has changed the reporting segments as follows:

Changes in business category

・The domestic operations in the "Condiments and Processed Foods", "Salad and Delicatessen" and "Egg" business segments have been reorganized into the "Retail Market Business" and "Food Service Business".

・The overseas operations in the "Condiments and Processed Foods" have been split into the new "Overseas".

・The "Distribution" has changed to affiliated companies accounted for by the equity method.

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

Previous fiscal year (From December 1, 2019 to November 30, 2020)

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Consoli-dated (Note)
Net sales										
Net sales to external customers	168,031	145,035	47,163	16,473	7,942	140,423	6,034	531,103	—	531,103
Intersegment net sales or transfers	744	4,651	1,236	782	415	30,858	9,909	48,597	(48,597)	—
Total	168,775	149,686	48,399	17,255	8,357	171,281	15,943	579,701	(48,597)	531,103
Segment profit	15,824	7,787	4,947	561	1,156	2,837	1,329	34,444	(6,141)	28,303
Segment assets	90,550	108,253	39,782	18,850	7,962	105,264	25,448	396,111	58,165	454,276
Others										
Depreciation and amortization	4,676	5,750	2,304	956	524	4,647	895	19,756	317	20,073
Investment in affiliates accounted for by equity method	1,845	—	—	—	—	—	177	2,023	—	2,023
Increase in tangible and intangible fixed assets	3,450	7,235	2,710	562	698	7,515	340	22,512	3,590	26,102

(Notes) 1. Adjustments are as follows:

(i) "Adjustments" of ¥(6,141) 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 ¥58,165 million in "Segment assets" mainly includes company-wide assets of ¥63,608 million and elimination of intersegment receivables and payables of ¥(4,312) 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 ¥317 million in "Depreciation and amortization" is mainly related to company-wide assets unallocated to the reporting segments.

(iv) "Adjustments" of ¥3,590 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".

4. Segment information for the previous fiscal year discloses amounts after reflecting the significant revision of initial allocation of acquisition costs upon finalization of provisional accounting treatment as presented under "Notes Regarding Consolidated Financial Statements - (Business combination)".

Current fiscal year (From December 1, 2020 to November 30, 2021)

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Common Business Operations	Total	Adjustments	Consoli-dated (Note)
Net sales									
Net sales to external customers	172,678	149,792	53,383	16,878	8,770	5,536	407,039	—	407,039
Intersegment net sales or transfers	738	5,132	1,003	223	426	10,663	18,187	(18,187)	—
Total	173,416	154,924	54,387	17,102	9,197	16,199	425,227	(18,187)	407,039
Segment profit	17,195	6,292	7,229	719	1,075	1,328	33,841	(5,868)	27,972
Segment assets	92,526	109,192	46,168	18,311	7,449	42,616	316,265	64,738	381,003
Others									
Depreciation and amortization	4,588	5,940	2,246	926	456	887	15,046	290	15,336
Investment in affiliates accounted for by equity method	1,905	—	—	—	—	19,361	21,266	—	21,266
Increase in tangible and intangible fixed assets	2,931	3,404	1,366	354	197	180	8,434	3,665	12,100

(Notes) 1. Adjustments are as follows:

(i) "Adjustments" of ¥(5,868) 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 ¥64,738 million in "Segment assets" mainly includes company-wide assets of ¥67,564 million and elimination of intersegment receivables and payables of ¥(2,409) 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 ¥290 million in "Depreciation and amortization" is mainly related to company-wide assets unallocated to the reporting segments.

(iv) "Adjustments" of ¥3,665 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, 2019 to November 30, 2020)

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

(Millions of yen)

Japan	China	Southeast Asia	North America	Other	Total
191,279	9,108	10,799	650	963	212,802

(Note) These tangible fixed assets disclose amounts after reflecting the significant revision of initial allocation of acquisition costs upon finalization of provisional accounting treatment as presented under "Notes Regarding Consolidated Financial Statements - (Business combination)".

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, 2020 to November 30, 2021)

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

(Millions of yen)

Japan	China	Southeast Asia	North America	Other	Total
353,656	24,736	13,280	10,329	5,036	407,039

   (2) Tangible fixed assets

(Millions of yen)

Japan	China	Southeast Asia	North America	Other	Total
131,522	9,407	3,860	860	881	146,532

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 on Fixed Assets by Reporting Segment

Previous fiscal year (From December 1, 2019 to November 30, 2020)

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Impairment losses	1,237	—	425	286	—	—	—	1,950	—	1,950

Current fiscal year (From December 1, 2020 to November 30, 2021)

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Common Business Operations	Total	Adjustments	Total
Impairment losses	751	165	—	181	—	—	1,097	—	1,097

Information on Amortization of Goodwill and Unamortized Balance by Reporting Segment

Previous fiscal year (From December 1, 2019 to November 30, 2020)

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Amortization in the current fiscal year	7	7	0	182	0	20	0	218	—	218
Unamortized balance at the end of the current fiscal year	9	9	0	729	0	926	0	1,676	—	1,676

(Note) These segment information discloses amounts after reflecting the significant revision of initial allocation of acquisition costs upon finalization of provisional accounting treatment as presented under "Notes Regarding Consolidated Financial Statements - (Business combination)".

Current fiscal year (From December 1, 2020 to November 30, 2021)

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Common Business Operations	Total	Adjustments	Total
Amortization in the current fiscal year	7	7	0	182	0	0	198	—	198
Unamortized balance at the end of the current fiscal year	2	2	0	546	0	0	552	—	552

Information on Gains on Negative Goodwill by Reporting Segment

Previous fiscal year (From December 1, 2019 to November 30, 2020)

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Gains on negative goodwill	—	—	15	—	—	474	—	489	—	489

(Note) These segment information discloses amounts after reflecting the significant revision of initial allocation of acquisition costs upon finalization of provisional accounting treatment as presented under "Notes Regarding Consolidated Financial Statements - (Business combination)".

Current fiscal year (From December 1, 2020 to November 30, 2021)

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, 2019 to November 30, 2020)

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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, sale of goods and products and payment of brand use fees Interlocking officers	Purchase of products	363	Notes and accounts payable – trade	39
							Sale of goods and products	121	Notes and accounts receivable – trade	18
							Payment of brand use fees	399		
							Purchase of promotional items	66	Accounts payable – other	48
							Lease of property	16		
							Receipt of dividends	10		
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	1,070	Investments and other assets (Other)	946
									Accounts payable – other	5
									Current liabilities (Other)	50
									Lease obligations (fixed)	63
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	138	Notes and accounts receivable – trade	30
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	2,228	Accounts payable – other	863
							Purchase of software	3,606		
							Purchase of tangible fixed assets	46		
							Lease of property	56		

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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)	Yu Shokai Co., Ltd. (Note 6)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rent of the office	Rent of property	22	—	—
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	15	—	—
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 8)	Singa-pore	1,000,000 Singapore dollars	Sale of imported liquors and foods in Singapore	None	Sale of goods and products Interlocking officers	Capital increase through third party allocation of shares	62	—	—

(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. The company in which Amane Nakashima, Chairman of the Company, and his close relatives owned a majority of voting rights directly owns 100.0% of the voting rights of MINATO SINGAPORE PTE. LTD. However, since the Company subscribed for a capital increase through the third party allocation conducted by MINATO SINGAPORE PTE. LTD., MINATO SINGAPORE PTE. LTD. became a consolidated subsidiary of the Company as of October 1, 2020, and changed its name to KEWPIE SINGAPORE PTE. LTD. The subscription price for the capital increase through the third party allocation was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of the stock price conducted by a third party. The transaction amount above represents the amount of transaction for the period in which the officer and his close relatives own a majority of voting rights of the company. The ratio of voting rights owned by the Company (owned in the Company) and the ending balance above represent the voting rights and balance at the end of such period.

Current fiscal year (From December 1, 2020 to November 30, 2021)

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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: 10.9% Indirect: 5.8%)	Purchase of products, sale of goods and products and payment of brand use fees Interlocking officers	Purchase of products	358	Notes and accounts payable – trade	65
							Sale of goods and products	170	Notes and accounts receivable – trade	7
							Payment of brand use fees	400	Current assets (Other)	28
							Purchase of promotional items	61	Accounts payable – other	40
							Purchase of supplies	10		
							Lease of property	14		
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: 5.8%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	1,021	Investments and other assets (Other)	946
							Purchase of lease assets	29	Accounts payable – other	6
							Sales of land	552	Current liabilities (Other)	54
									Lease obligations (fixed)	37
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	39	Notes and accounts receivable – trade	17
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	2,614	Accounts payable – other	793
							Purchase of software	3,466		
							Purchase of lease assets	42		
							Lease of property	61	Current assets (Other)	27
Incorporated foundation for which officer(s) and his/her close relative(s) serve as representative director	The Kewpie Mirai Tamago Foundation (Note 6)	Shibuya-ku, Tokyo	—	Support project for dietary education activity groups	None	Sale of goods and products Interlocking officers	Payment of donations	17	—	—

(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. Selling price of land is determined by referring to appraisal by a real estate appraiser.
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. This foundation aims to contribute to realization of a healthy society by making donations to organizations that engage in dietary education activities and create places to stay through food. The amount of donations made to the foundation is determined through joint discussion of the relevant parties.

(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, 2019 to November 30, 2020)

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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	569	Notes and accounts payable – trade	76
							Sale of goods and products	85	Notes and accounts receivable – trade	13
							Rent of property	21	Current assets (Other)	20
									Accounts payable – other	3
							Purchase of investments in capital (Note 7)	434		
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	787	Current assets (Other)	55
									Investments and other assets (Other)	389
									Accounts payable – other	0
							Purchase of lease assets	91	Current liabilities (Other)	6
									Lease obligations (fixed)	80
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	420	Notes and accounts receivable – trade	65
							Purchase of products	44	Notes and accounts payable – trade	5
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	985	Accounts payable – other	168
							Purchase of software	151		
Company whose officer(s) and his/her close relative(s) own a majority of the voting	MINATO SINGAPORE PTE. LTD. (Note 6)	Singapore	1,000,000 Singapore dollars	Sale of imported liquors and	None	Sale of goods and products	Sale of goods and products	161	Notes and accounts receivable – trade	12

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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)
rights (including the subsidiary of the company)				foods in Singapore		Interlocking officers	Payment of selling-related costs	23		

(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 owned a majority of voting rights directly owns 100.0% of the voting rights of MINATO SINGAPORE PTE. LTD. However, since the Company subscribed for a capital increase through the third party allocation conducted by MINATO SINGAPORE PTE. LTD., MINATO SINGAPORE PTE. LTD. became a consolidated subsidiary of the Company as of October 1, 2020, and changed its name to KEWPIE SINGAPORE PTE. LTD. The subscription price for the capital increase through the third party allocation was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of the stock price conducted by a third party. The transaction amount above represents the amount of transaction for the period in which the officer and his close relatives own a majority of voting rights of the company. The ratio of voting rights owned by the Company (owned in the Company) and the ending balance above represent the voting rights and balance at the end of such period.
7. The purchase amount of investments in capital was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of corporate value conducted by a third party.

Current fiscal year (From December 1, 2020 to November 30, 2021)

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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: 10.9% Indirect: 5.8%)	Purchase of products and sale of goods and products Interlocking officers	Purchase of products	785	Notes and accounts payable – trade	124
							Sale of goods and products	66	Notes and accounts receivable – trade	10
							Rent of property	21	Current assets (Other)	17
									Accounts payable – other	37
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: 5.8%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	231	Investments and other assets (Other)	91
									Accounts payable – other	0
							Interest paid	16	Current liabilities (Other)	138
									Lease obligations (fixed)	803
Company whose officer(s) and his/her close relative(s) own a majority of the voting	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products and	Sale of goods and products	253	Notes and accounts receivable – trade	42

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (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)
rights (including the subsidiary of the company)						purchase of products	Purchase of products	45	Notes and accounts payable – trade	3
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, develop-ment, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	1,080	Accounts payable – other	152
							Purchase of software	65	Current liabilities (Other)	15
									Lease obligations (fixed)	13

(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.

Per Share Information

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Net assets per share (yen)	1,676.05	1,767.14
Earnings per share (yen)	81.04	128.17

(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, 2020)	Current fiscal year (As of November 30, 2021)
Total net assets (millions of yen)	287,356	269,301
Amount subtracted from total net assets (millions of yen)	47,612	23,660
[Non-controlling interests] (millions of yen)	[47,612]	[23,660]
Net assets attributable to common stock at the end of the fiscal year (millions of yen)	239,743	245,640
Number of shares of common stock at the end of the fiscal year (thousand shares)	143,040	139,004

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

	Previous fiscal year (From December 1, 2019 to November 30, 2020)	Current fiscal year (From December 1, 2020 to November 30, 2021)
Profit attributable to owners of parent (millions of yen)	11,591	18,014
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent attributable to common stock (millions of yen)	11,591	18,014
Weighted average number of shares of common stock (thousand shares)	143,041	140,554

(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 3rd Unsecured Bonds	February 15, 2019	10,000	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	6,454	1,305	2.402	—
Current portion of long-term loans payable	5,698	10,285	0.155	—
Current portion of lease obligations	1,899	528	2.484	—
Long-term loans payable	51,861	16,356	0.273	From December 2022 to May 2026
Long-term lease obligations	6,084	3,780	1.983	From December 2022 to November 2050
Other interest-bearing debt	—	—	—	—
Total	71,999	32,257	—	—

(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	285	15,285	284	500	—
Lease obligations	562	352	304	258	2,301

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)	94,088	198,879	303,851	407,039
Profit before income taxes (millions of yen)	7,110	15,533	23,644	28,860
Profit attributable to owners of parent (millions of yen)	4,518	9,617	14,522	18,014
Earnings per share (yen)	31.68	67.83	102.98	128.17

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	31.68	36.16	35.17	25.13

"Translation"

Independent Auditors' Audit Report and Internal Control Audit Report

February 25, 2022

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

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Designated and Engagement Partner — Yoshimi Kimura, Certified Public Accountant

Designated and Engagement Partner — Junichiro Tsuruta, Certified Public Accountant

Designated and Engagement Partner — Miyuki Nakamura, Certified Public Accountant

<Audit of financial statements>

Opinion

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, 2020 to November 30, 2021, 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.

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, 2021, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Losses on impairment of fixed assets at a consolidated subsidiary	
Description of the Key Audit Matter	Auditor's Response

As described in the note "Consolidated Statements of Income *6 Impairment losses", the Company wrote down the book value of fixed assets of Green Message Co., Ltd, a consolidated subsidiary in the Retail Market segment, to a recoverable amount and recorded ¥751 million of impairment losses in the current fiscal year, because it no longer expects to recover its investment due to diminished profitability. The Company determines whether recognition of impairment losses is necessary whenever there are indications of impairment on any asset or asset group. If the Company determines that an impairment loss should be recognized, the Company writes down the book value to a recoverable amount and records an impairment loss. In calculating the recoverable amount of fixed assets of the subsidiary, the Company used the net sales value since the net sales value of the asset group exceeded the value in use. The net sales value used by the Company is based on appraisal value of real estate obtained from an external real estate appraiser. Given that expertise and knowledge in real estate appraisal are required to assess measurement of the impairment of fixed assets of the subsidiary, we determined this matter to be a key audit matter.	The audit procedures we performed to assess measurement of impairment of fixed assets of the subsidiary include the following, among others: - We evaluated competence, capabilities and objectivity of the external expert in real estate appraisal used by management. - We obtained the real estate appraisal report and evaluated that the real estate appraisal value was calculated in accordance with the real estate appraisal standards. - With the involvement of the valuation specialists of our network firm, we evaluated the appraisal value by the Company's external real estate appraiser. We inspected the real estate appraisal report, inquired of the real estate appraiser, obtained an understanding of the assumptions used for the appraisal value, the appraisal methodology used and the process to determine the appraisal value, and compared to the market information, etc.

Valuation of fixed assets of a consolidated subsidiary	
Description of the Key Audit Matter	Auditor's Response
As described in the note (Significant accounting estimates), there were indications of impairment on ¥10,896 million of fixed assets of certain asset groups of Kewpie Egg Corporation, a consolidated subsidiary in the Food Service segment, in the current fiscal year. However, the Company did not recognize impairment losses since undiscounted future cash flows of the asset groups exceeded the book value in determining whether impairment losses are recognized. The Company estimated the future cash flows from the continuous use of the asset groups based on the business plan on the premise of a modest recovery of demand in the restaurant sector and stable balance between egg supply and demand. As described in the note (Significant accounting estimates), the significant assumptions used to estimate the future cash flows are sales volume and gross margin per unit which serve as the basis of the business plan. Given that the significant assumptions used to estimate the future cash flows are subject to uncertainty and require management's judgement, we determined this matter to be a key audit matter.	The audit procedures we performed to assess the estimated amount of undiscounted future cash flows used in determining whether impairment losses on fixed assets of Kewpie Egg Corporation are recognized include the following, among others: - We compared the cash flows projection period with the remaining economic lives of major assets. - We compared the estimated future cash flows with the business plan approved by the Board of Directors to evaluate consistency. - We compared the business plan for the prior fiscal year with actual results to assess the effectiveness of the management's business plan estimation process. - We discussed with management on a modest recovery of demand in the restaurant sector and stable balance between egg supply and demand, which are premises for the business plan. - As for sales volume, a significant assumption, we compared to past results and performed trend analysis to assess consistency with the assumption of the modest recovery trend in the restaurant sector. - As for gross margin per unit, we compared to past results as well as to the market trend for major raw material prices using available external data.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board 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 of 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.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate auditors and the Audit & Supervisory Board are responsible for overseeing the directors' performance of duties within the designing and operating of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates and related notes by management.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

From the matters communicated with corporate auditors and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current fiscal year and therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulation preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of internal control>

Opinion

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, 2021 of KEWPIE KABUSHIKI-KAISHA and its consolidated subsidiaries (the "Company") (the "Management's Report").

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, 2021 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.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities for internal control over financial reporting under those standards are further described in the

"Auditor's Responsibilities for the Audit of the Internal Control" section. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board 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.

Corporate auditors and the Audit & Supervisory Board are responsible for monitoring and verifying the design and operation status of internal control over financial reporting.

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

Auditor's Responsibilities for the Audit of the Internal Control

Our responsibilities are to obtain reasonable assurance about whether the Management's Report is free from material misstatement and to issue an internal control audit report that includes our opinions on the Management's Report based on our internal control audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit 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.
- Evaluate disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting, as well as evaluate the overall presentation of the Management's Report.
- Obtain sufficient and appropriate audit evidence about the results of the assessment of internal control over financial reporting in the Management's Report. We are responsible for the direction, supervision and performance of the audit of the Management's Report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the Audit & Supervisory Board regarding the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies identified in internal control to be disclosed, the results of corrective actions against the deficiencies, and other matters required by auditing standards for internal control.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the internal control, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries 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

<table>
<tr><td>Fiscal year</td><td>From December 1 to November 30</td></tr>
<tr><td>The Ordinary General Meeting of Shareholders</td><td>Held in February</td></tr>
<tr><td>Record date</td><td>November 30</td></tr>
<tr><td>Dividend record dates</td><td>May 31, November 30</td></tr>
<tr><td>Shares per trading unit</td><td>100 shares</td></tr>
<tr><td colspan="2">Purchase of shares less than one unit:</td></tr>
<tr><td>Handling office</td><td>(Special account)
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo</td></tr>
<tr><td>Agent</td><td>(Special account)
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo</td></tr>
<tr><td>Shareholders' contacts</td><td>—</td></tr>
<tr><td>Stock transfer fee</td><td>(Note 1)</td></tr>
<tr><td>Newspaper for announcements</td><td>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/ir/announce/</td></tr>
<tr><td>Shareholder privileges</td><td>The Company provides a gift 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 in accordance with the gift criteria presented below.
<table>
<tr><th>Number of shares held</th><th>Continued holding period</th><th>Details of benefits</th></tr>
<tr><td rowspan="2">100 shares to 499 shares</td><td>Six months or more</td><td>Group products valued at ¥1,000</td></tr>
<tr><td>Three years or more</td><td>Group products valued at ¥1,500</td></tr>
<tr><td rowspan="2">500 shares or more</td><td>Six months or more</td><td>Group products valued at ¥3,000</td></tr>
<tr><td>Three years or more</td><td>Group products valued at ¥5,000</td></tr>
</table>
* A shareholder who has kept holding the Company's shares for six months 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 two or more consecutive occasions.
A shareholder who has kept holding 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.</td></tr>
</table>

(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, 2022 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:	Mitsuru Takamiya
	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 Mitsuru Takamiya 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, 2021, which is the final day of the Company's 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 ten 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 current fiscal year (after elimination of intra-group transactions) until their combined amount reaches approximately two thirds of consolidated net sales in the current 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, 2021.

American Depositary Receipts:

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