Annual Report
2014
December 1, 2013 to November 30, 2014

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 27, 2015 in accordance with the Financial Instruments and Exchange Law, and has been translated into English for the convenience of readers outside Japan.

Document Title:	Annual Securities Report
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I. Outline of the Company

1. Principal Management Indexes

(1) Consolidated principal management indexes for the five years ended November 30, 2014

Period ended		Nov. 2010	Nov. 2011	Nov. 2012	Nov. 2013	Nov. 2014
Net sales	(millions of yen)	471,010	486,435	504,997	530,549	553,404
Ordinary income	(millions of yen)	22,762	21,912	24,467	23,749	25,368
Net income	(millions of yen)	10,613	9,449	12,291	12,567	13,366
Comprehensive income	(millions of yen)	—	9,656	15,935	19,256	18,968
Total net assets	(millions of yen)	180,901	185,293	195,928	210,285	220,397
Total assets	(millions of yen)	287,957	275,790	306,515	334,655	356,994
Net assets per share	(yen)	1,029.26	1,068.67	1,141.68	1,230.32	1,284.36
Net income per share	(yen)	69.97	62.63	82.09	83.94	88.69
Net income per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	54.2	58.0	55.8	55.0	54.6
Return on equity	(%)	7.0	6.0	7.4	7.1	7.0
Price earnings ratio	(times)	14.6	16.9	14.6	17.3	21.9
Cash flows from operating activities	(millions of yen)	25,731	23,405	33,246	27,369	34,392
Cash flows from investing activities	(millions of yen)	(15,120)	(12,166)	(24,434)	(21,897)	(30,847)
Cash flows from financing activities	(millions of yen)	(5,381)	(19,583)	7,022	(2,307)	(3,149)
Cash and cash equivalents at the end of the fiscal year	(millions of yen)	33,121	24,509	40,387	43,963	44,788
Number of regular full-time employees, and average number of temporary employees in brackets		11,732 [10,923]	12,028 [10,830]	12,425 [11,154]	12,598 [11,316]	12,933 [11,840]

(Notes) 1. Consumption taxes are not included in net sales.
2. Net income per share – diluted is not presented for the period ended November 30, 2013 and the period ended November 30, 2014 because of no issue of potential shares.
3. Net income per share – diluted is not presented since the period ended November 30, 2010 to the period ended November 30, 2012 because of no issue of potential shares with dilutive effects.

(2) Non-consolidated principal management indexes for the five years ended November 30, 2014

Period ended		Nov. 2010	Nov. 2011	Nov. 2012	Nov. 2013	Nov. 2014
Net sales	(millions of yen)	223,911	223,467	230,554	236,213	237,655
Ordinary income	(millions of yen)	13,752	12,226	12,163	11,023	10,992
Net income	(millions of yen)	7,758	5,954	8,290	6,978	6,905
Paid-in capital	(millions of yen)	24,104	24,104	24,104	24,104	24,104
Total number of issued shares		155,464,515	153,000,000	153,000,000	153,000,000	153,000,000
Total net assets	(millions of yen)	126,009	127,108	134,016	139,767	147,461
Total assets	(millions of yen)	195,668	182,206	207,351	222,219	238,781
Net assets per share	(yen)	830.40	848.85	894.99	933.42	970.75
Annual dividends per share, and interim dividends per share in brackets	(yen)	18.0 [8.0]	18.0 [9.0]	20.0 [9.5]	22.0 [11.0]	23.0 [11.5]
Net income per share	(yen)	51.13	39.46	55.37	46.61	45.78
Net income per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	64.4	69.8	64.6	62.9	61.8
Return on equity	(%)	6.3	4.7	6.3	5.1	4.8
Price earnings ratio	(times)	19.9	26.8	21.7	31.2	42.4
Dividend payout ratio	(%)	35.2	45.6	36.1	47.2	50.2
Number of regular full-time employees, and average number of temporary employees in brackets		2,600 [842]	2,585 [793]	2,599 [760]	2,580 [799]	2,549 [918]

(Notes) 1. Consumption taxes are not included in net sales.
2. Net income per share—diluted is not presented because of no issue of potential shares.

2. Nature of Business

The Kewpie Group (the "Group") consists of the Company, sixty-seven consolidated subsidiaries, ten affiliated companies, and one other associated company. The Group's principal businesses are manufacturing, wholesaling, transportation and warehousing of food products.

The business categories of the Group and the position of the Company and these associated companies in the relevant businesses are summarized below.

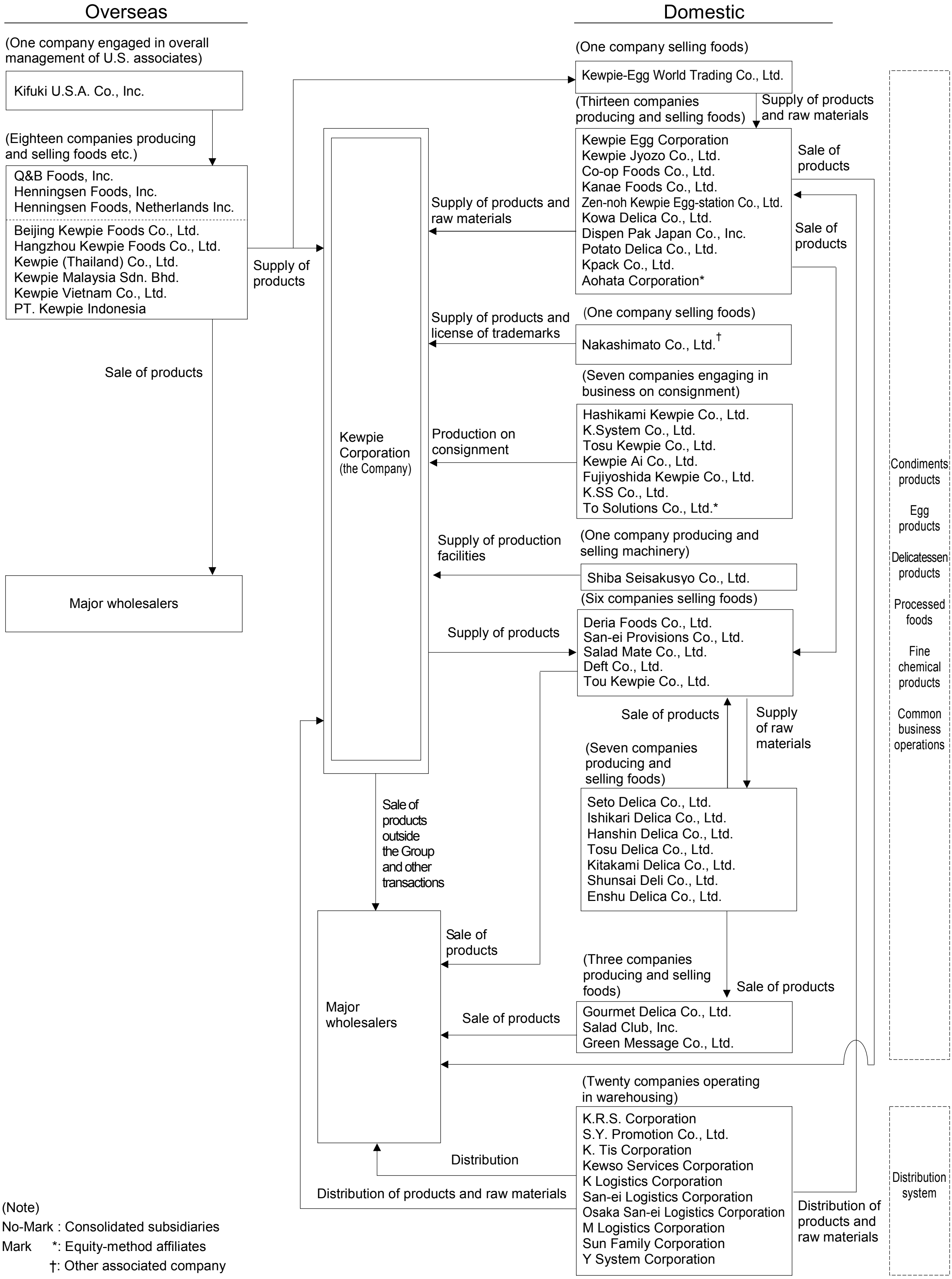
The business categories shown below are the same categories as the reported segments.

Business category	Principal companies	Major handling items / services
Condiments products	Kewpie Corporation Q&B Foods, Inc. Dispen Pak Japan Co., Inc. Hangzhou Kewpie Foods Co., Ltd. Kpack Co., Ltd. Beijing Kewpie Foods Co., Ltd.	Mayonnaise and dressings
	Kewpie Jyozo Co., Ltd.	Vinegar
Egg products	Kewpie Egg Corporation Zen-noh Kewpie Egg-station Co., Ltd.	Liquid egg, frozen egg, and dried egg
	Kewpie Corporation Kanae Foods Co., Ltd.	Egg spread, thick omelet, and shredded egg
	Henningsen Foods, Inc.	Dried egg
Delicatessen products	Kewpie Corporation Deria Foods Co., Ltd. Shunsai Deli Co., Ltd. Potato Delica Co., Ltd.	Salads and delicatessen foods
	Gourmet Delica Co., Ltd.	Boxed lunches and rice balls
	Salad Club, Inc.	Packaged salads
Processed foods	Kewpie Corporation Aohata Corporation Co-op Foods Co., Ltd.	Bottled and/or canned foods including jams, pasta sauces, and sweet corn, baby foods, and nursing care foods
Fine chemical products	Kewpie Corporation	Hyaluronic acid and EPA
Distribution system	K.R.S. Corporation	Transportation and warehousing of food products
	K. Tis Corporation S.Y. Promotion Co., Ltd.	Transportation of food products
Common business operations	San-ei Provisions Co., Ltd.	Sale of food products

The Group Business Network chart on Page 4 shows the relationships of the business activities of Group companies.

K.R.S. Corporation, a consolidated subsidiary, is listed on the first section of the Tokyo Stock Exchange (TSE), while Aohata Corporation, an equity-method affiliate, is listed on the second section of the TSE.

(Group Business Network)



3. Outline of Associated Companies

(1) Parent company

Not applicable.

(2) Consolidated subsidiaries

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights (Note 2)	Relationship with the Company			
					Interlocking directors (D) or audit & supervisory board members (A)	Finance from the Company	Operating transactions	Lease transactions
Kewpie Egg Corporation (Notes 1 & 4)	Chofu-shi, Tokyo	350 million yen	Production and sale of liquid and frozen egg	100.0	D or A 2 Employees 10	None	Purchase of products and raw materials, etc.	Leases of offices and factories
Deria Foods Co., Ltd.	Chofu-shi, Tokyo	50 million yen	Sale of salads and delicatessen foods	100.0	D or A 2 Employees 3	None	Sale of products	Leases of offices
Kewpie Jyozo Co., Ltd.	Chofu-shi, Tokyo	450 million yen	Production and sale of vinegar	100.0	D or A 2 Employees 3	None	Purchase of raw materials	Leases of offices
K.R.S. Corporation (Notes 1, 3, 4, 5 & 6)	Chofu-shi, Tokyo	4,063 million yen	Warehousing and transportation	44.8 (0.3) [5.8]	D or A 2 Employee 1	None	Consignment of storage and transportation of products and raw materials of Group companies	Leases of land and warehouses
San-ei Provisions Co., Ltd.	Chofu-shi, Tokyo	57 million yen	Sale of products for commercial use	54.4	Employees 5	None	Sale of products and purchase of raw materials	Leases of offices
Co-op Foods Co., Ltd.	Chofu-shi, Tokyo	250 million yen	Production and sale of bottled, canned and/or retort pouch foods	100.0	D or A 2 Employees 3	97 million yen	Purchase of products	Leases of offices
Kanae Foods Co., Ltd. (Note 1)	Chofu-shi, Tokyo	50 million yen	Production and sale of processed egg, including egg spread, thick omelet and shredded egg	100.0	D or A 2 Employees 4	None	Purchase of products	Leases of offices and factories
Zen-noh Kewpie Egg-station Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	105 million yen	Production and sale of dried egg and liquid egg	51.4	D or A 2 Employees 3	8 million yen	Purchase of products and raw materials	Leases of factories
Q&B Foods, Inc.	California, USA	4,800 thousand U.S. dollars	Production and sale of mayonnaise and dressings	100.0 (100.0)	D or A 1 Employees 2	None	Purchase of products	None
Kifuki U.S.A. Co., Inc.	Delaware, USA	7.17 U.S. dollars	Investment in and management of U.S. associates	100.0	D or A 3	None	Overall management of U.S. associates	None
Henningsen Foods, Inc.	Nebraska, USA	1.92 thousand U.S. dollars	Production and sale of egg products and dried meats	100.0 (100.0)	D or A 2 Employee 1	None	Purchase of products	None
Gourmet Delica Co., Ltd.	Tokorozawa-shi, Saitama	98 million yen	Production and sale of delicatessen foods	100.0	D or A 2 Employees 8	4,620 million yen	Sale of raw materials	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
Henningsen Foods, Netherlands Inc.	Delaware, USA	2 thousand U.S. dollars	Investment in associates in the Netherlands	100.0 (100.0)	None	None	None	None
Kowa Delica Co., Ltd.	Kamisu-shi, Ibaraki	10 million yen	Production of canned foods	100.0	D or A 1 Employees 3	340 million yen	Purchase of products	None
Dispen Pak Japan Co., Inc.	Minami-Ashigara-shi, Kanagawa	140 million yen	Production and sale of foods, and subdividing and packing work	51.0	D or A 2 Employees 3	None	Purchase of products	Leases of factories
Shiba Seisakusyo Co., Ltd.	Kawasaki-ku, Kawasaki-shi, Kanagawa	10 million yen	Production of machinery and equipment	100.0	Employees 5	108 million yen	Purchase of machinery and equipment	None
Salad Mate Co., Ltd.	Minato-ku, Tokyo	10 million yen	Sale of condiments and processed foods	100.0	Employees 2	None	Sale of products	None
Potato Delica Co., Ltd.	Azumino-shi, Nagano	50 million yen	Production of frozen and chilled foods	100.0 (0.9)	D or A 1 Employees 5	1,104 million yen	Purchase of products	Leases of factories
Deft Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Sale of condiments, frozen and processed foods	100.0	Employees 5	None	Sale of products	Leases of offices
K.System Co., Ltd.	Machida-shi, Tokyo	50 million yen	Consigned clerical work	80.0	D or A 1 Employees 5	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 6	None	Purchase of products	Leases of offices
Tosu Kewpie Co., Ltd.	Tosu-shi, Saga	10 million yen	Production and processing of foods; outsourced work	100.0	Employees 2	None	Consignment of production	Leases of factories
Hangzhou Kewpie Foods Co., Ltd.	Zhejiang Province, China	140 million yuan	Production and sale of foods	62.9 (3.6)	D or A 1 Employees 4	Liabilities for guarantee 177 million yen	None	None

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights (Note 2)	Relationship with the Company			
					Interlocking directors (D) or audit & supervisory board members (A)	Finance from the Company	Operating transactions	Lease transactions
S.Y. Promotion Co., Ltd.	Koto-ku, Tokyo	200 million yen	Transportation	88.4 (51.0)	Employee 1	None	Consignment of transportation services	None
Seto Delica Co., Ltd.	Seto-shi, Aichi	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 5	407 million yen	Sale of raw materials	None
Ishikari Delica Co., Ltd.	Teine-ku, Sapporo-shi, Hokkaido	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	4 million yen	Sale of raw materials	None
Hanshin Delica Co., Ltd.	Itami-shi, Hyogo	10 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	None	Sale of raw materials	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 raw materials	Leases of factories
K. Tis Corporation	Inagi-shi, Tokyo	82 million yen	Warehousing and transportation	100.0 (100.0)	None	None	None	None
Beijing Kewpie Foods Co., Ltd.	Beijing, China	42 million yuan	Production and sale of foods	65.0	D or A 1 Employees 5	141 million yen	None	None
Tosu Delica Co., Ltd.	Tosu-shi, Saga	10 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	None	Sale of raw materials	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 6	342 million yen	Sale of raw materials	None
Fujiyoshida Kewpie Co., Ltd.	Fujiyoshida-shi, Yamanashi	10 million yen	Production and processing of foods; outsourced work	100.0	Employees 2	None	Consignment of production	Leases of factories
K.SS Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Planning, production and services for sales promotion	100.0	Employees 4	None	Consignment of sales	Leases of offices
Kewso Services Corporation	Chofu-shi, Tokyo	30 million yen	Sale of equipment for cars	100.0 (100.0)	None	None	Rental of cars for factories	Rental of cars for factories
K Logistics Corporation	Toyokawa-shi, Aichi	30 million yen	Transportation	70.0 (70.0)	None	None	None	None
San-ei Logistics Corporation	Akishima-shi, Tokyo	38 million yen	Transportation	100.0 (100.0)	None	None	None	None
Kewpie (Thailand) Co., Ltd. (Note 5)	Bangkok, Thailand	260 million baht	Production and sale of condiment sauce, powdered condiments and bottled and/or canned foods	44.0	D or A 4 Employees 4	Liabilities for guarantee 52 million yen	Purchase of products	None
Shunsai Deli Co., Ltd.	Akishima-shi, Tokyo	20 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 9	984 million yen	Sale of raw materials	Leases of factories
Osaka San-ei Logistics Corporation	Hirakata-shi, Osaka	66 million yen	Transportation	90.0 (90.0)	None	None	None	None
M Logistics Corporation	Yoshikawa-shi, Saitama	33 million yen	Transportation	90.0 (90.0)	None	None	None	None
Sun Family Corporation	Yoshikawa-shi, Saitama	66 million yen	Transportation	90.0 (90.0)	None	None	None	None
Y System Corporation	Hirakata-shi, Osaka	20 million yen	Transportation	100.0 (100.0)	None	None	None	None
Kewpie Malaysia Sdn. Bhd.	Malacca, Malaysia	57 million ringgit	Production and sale of condiments	70.0	D or A 1 Employees 3	189 million yen	None	None
Kewpie Vietnam Co., Ltd.	Binh Duong, Vietnam	230.0 billion dong	Production and sale of condiments	90.0	Employees 3	248 million yen	None	None
Enshu Delica Co., Ltd.	Mori-machi, Shuchi-gun, Shizuoka	20 million yen	Processing and sale of fresh vegetables	100.0 (100.0)	Employees 5	719 million yen	Purchase of products	Leases of land
PT. Kewpie Indonesia	West Java, Indonesia	176.4 billion rupiah	Production and sale of condiments	60.0 (5.0)	D or A 1 Employees 3	591 million yen	None	None
Kewpie-Egg World Trading Co., Ltd.	Chofu-shi, Tokyo	100 million yen	Sale of egg and processed egg	100.0 (51.0)	D or A 3 Employees 2	144 million yen	Purchase of raw materials	Leases of offices
Green Message Co., Ltd.	Fuchu-shi, Tokyo	2,000 million yen	Processing and sale of fresh vegetables	51.0	D or A 2 Employees 3	None	None	Leases of offices
Tou Kewpie Co., Ltd.	Chofu-shi, Tokyo	10 million yen	Mail-order business	70.0	Employees 4	130 million yen	Sale of products, etc.	Leases of offices

(Notes)
1. Kewpie Egg Corporation, K.R.S. Corporation and Kanae Foods Co., Ltd. are classified under Japanese tax law as *tokutei kogaisha*, a special category of subsidiary.
2. The figures in parentheses under "Percentage of our voting rights" indicate the proportion of indirect ownership and are included in the respective figures above.
3. The company files its own annual securities report to the Commissioner of the Financial Services Agency.
4. Net sales registered by Kewpie Egg Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales. Its major profit/loss information is as follows:
    - (1) Net sales ¥77,012 million
    - (2) Ordinary income ¥3,964 million
    - (3) Net income ¥2,460 million
    - (4) Total net assets ¥17,400 million
    - (5) Total assets ¥32,325 million

Net sales registered by K.R.S. Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales. However, specific details regarding its major profit/loss information are not published here as K.R.S. Corporation files its own annual securities report to the Commissioner of the Financial Services Agency.
5. K.R.S. Corporation and Kewpie (Thailand) Co., Ltd. are treated as subsidiaries, even though the voting rights held by the Company as a percentage of total voting rights are 50% or less, in view of the substantial control exerted over their management.
6. In the "Percentage of our voting rights" column, the figures shown in square brackets indicate the percentage of voting rights of closely related persons or persons whose consents are obtained, which are excluded from the respective figures above.

(3) Equity-method affiliates

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights (Note 1)	Relationship with the Company			
					Interlocking directors (D) or audit & supervisory board members (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 Employee 1	None	Purchase of raw materials	None
Aohata Corporation (Note 2)	Takehara-shi, Hiroshima	644 million yen	Production and sale of canned foods	36.2	D or A 3	None	Purchase of products	Leases of offices
Kunimi Nosankako Co., Ltd.	Kunisaki-shi, Oita	80 million yen	Production and sale of frozen and chilled foods	20.1	Employees 2	275 million yen	Purchase of products	None
Henningsen Van Den Burg B.V.	Waalwijk, the Netherlands	4,512 thousand euro	Production and sale of dried egg	50.0 (50.0)	None	None	Purchase of products	None
To Solutions Co., Ltd.	Shinjuku-ku, Tokyo	90 million yen	Planning, development, sale, maintenance and operational support of computer systems	20.0	Employee 1	None	Consignment of calculation work, etc.	Rental of office equipment

(Notes) 1. The figures in parentheses under "Percentage of our voting rights" indicate the proportion of indirect ownership and are included in the respective figures above.
2. The company files its own annual securities report to the Commissioner of the Financial Services Agency.

(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 audit & supervisory board members (A)	Finance from the Company	Operating transactions	Lease transactions
Nakashimato Co., Ltd.	Shibuya-ku, Tokyo	50 million yen	Sale of processed foods	22.0 (7.8)	D or A 3	None	Purchase of products, etc.	Rental of offices

(Note) The figure in parentheses under "Percentage of their voting rights" indicates the proportion of indirect ownership by Nakashimato and is included in the respective figure above.

4. Employees

(1) The Company and its consolidated subsidiaries

(As of November 30, 2014)

Number of employees
12,933 (11,840)

(Note) The employee figure indicates registered regular employees and long-term special contract employees, excluding the Group employees dispatched outside the Group but including workers from outside employed within the Group on dispatch. The figure in parentheses indicates the annual average number of short-term contract non-regular employees and workers hired on a daily, weekly or seasonal basis, and is excluded from the figure above.

(2) The labor union

Formed on July 14, 1962, the Kewpie labor union is the main labor union of the Group.

The union has no affiliation with any larger entity, and it maintains friendly relations with the Company.

II. Business Operations

1. General

(1) Business performance (consolidated)

◊ General

In the Japanese economy in the fiscal year ended November 30, 2014, there was further improvement in the employment environment on the back of ongoing yen depreciation and high stock prices. Nevertheless, there was continued severity in personal consumption partly reflecting a pullback in demand from April following a rush ahead of a consumption tax hike.

The food industry was also affected by the slump in personal consumption, and amid this situation a diverse range of customer needs continued to rise reflecting women's social advancement and the aging of society. On the other hand, there was continued upward pressure from rising costs reflecting higher raw material prices, partly due to yen depreciation, and increasing energy costs.

Conditions were severe in the food distribution industry, mainly due to a rise in transportation costs reflecting shortages in manpower and vehicles and soaring light oil prices and electricity charges.

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

The Group is making a group-wide effort to further boost corporate value through four management policies, which stem from the aim of making the most of our unique capabilities and an ability to create new products, markets and demand, in the three-year Medium-term Business Plan starting from the fiscal year ended November 30, 2013. The policies consist of strengthening our management base, innovation in Japan, developing overseas business in earnest, and laying a foundation for the future. These policies are designed to cultivate motivation to take up challenges in the Group overall and pursue sustainable domestic growth and dramatic overseas growth.

- Net sales

  The Condiments products business and the Distribution system business had strong sales, and as a result consolidated net sales rose by ¥22,855 million (4.3%) year on year to ¥553,404 million.

- Profit

  Despite impacts from such factors as rises in the market price for hen's eggs and energy costs, operating income increased by ¥1,941 million (8.7%) year on year to ¥24,343 million, ordinary income increased by ¥1,619 million (6.8%) year on year to ¥25,368 million, and net income increased by ¥799 million (6.4%) year on year to ¥13,366 million.

◊ Business overview by segment

[Breakdown of net sales] (Millions of yen)

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)	Change (amount)	Change (ratio)
Condiments products	145,367	151,465	6,098	4.2%
Egg products	91,158	99,513	8,355	9.2%
Delicatessen products	97,983	102,225	4,242	4.3%
Processed foods	58,431	57,152	(1,279)	(2.2)%
Fine chemical products	9,676	10,726	1,050	10.9%
Distribution system	120,320	126,789	6,469	5.4%
Common business operations	7,612	5,531	(2,081)	(27.3)%
Total	530,549	553,404	22,855	4.3%

[Breakdown of operating income] (Millions of yen)

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)	Change (amount)	Change (ratio)
Condiments products	11,519	11,510	(9)	(0.1)%
Egg products	3,414	3,756	342	10.0%
Delicatessen products	3,460	3,279	(181)	(5.2)%
Processed foods	(896)	164	1,060	—
Fine chemical products	909	1,030	121	13.3%
Distribution system	3,208	3,613	405	12.6%
Common business operations	781	982	201	25.7%
Adjustments	5	7	2	40.0%
Total	22,402	24,343	1,941	8.7%

Condiments products
- Overseas sales expanded while in Japan sales of mayonnaise grew, leading to increased sales.
- Although costs of raw materials and others rose, operating income was about level with that of the previous fiscal year due to the increase in sales and the effect of price revisions implemented in July of the previous fiscal year.

Egg products
- In addition to the impact from a rise in the market price for hen's eggs in Japan and the effect of price revisions, sales of liquid egg for ready-made foods were strong, leading to increased sales.
- Despite the rise in the market price for hen's eggs in Japan, profits increased due to the effect of price revisions and strong sales of liquid egg for ready-made foods.

Delicatessen products
- Thanks to proposition-making sales efforts driving an increase in demand and strengthening of the production structure, growth in sales of cut vegetables and delicatessen foods led to increased sales.
- Although cost improvements continued, profits decreased due to an increase in depreciation and amortization, and a decline in sales of cooked rice for convenience stores.

Processed foods
- Despite growth in sales of jams and strengthened products in baby foods, sales decreased partly due to the sale of a subsidiary.
- Profits increased due to the rise in sales of jams and baby foods as well as further eliminations of unprofitable products.

Fine chemical products
- Sales and profits both increased on the back of strong sales of EPA for medical use and hyaluronic acid for makeup.

Distribution system
- Sales increased mainly reflecting progress in new customer acquisitions and expansion in areas of receipt of outsourced business from existing customers.
- Profits increased thanks to the effects of higher sales and improved joint distribution costs.

Common business operations

- Sales decreased due to a pullback from sales of production equipment to food manufacturers that occurred in the previous year.
- Profits income increased reflecting further cost improvements at all companies.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥44,788 million, which represents an increase of ¥825 million from the end of the previous fiscal year.

Status of cash flows

– Net cash provided by operating activities came to ¥34,392 million for the current fiscal year, up from ¥27,369 million for the previous fiscal year. This was the result of income before income taxes and minority interests of ¥24,575 million, depreciation and amortization of ¥16,132 million, an increase in notes and accounts payable — trade of ¥2,613 million and an increase in accrued consumption taxes of ¥2,473 million, offsetting an increase in notes and accounts receivable — trade of ¥3,419 million and income taxes paid of ¥6,034 million.

– Net cash used in investing activities amounted to ¥30,847 million, compared with ¥21,897 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥28,243 million and purchases of shares of subsidiaries and affiliates of ¥2,184 million.

– Net cash used in financing activities amounted to ¥3,149 million, compared with ¥2,307 million used in the previous fiscal year. This was the result of net increase in long-term loans payable of ¥3,600 million, offsetting net decrease in short-term loans payable of ¥1,530 million, repayment of lease obligations of ¥1,332 million and dividend payments of ¥3,369 million.

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

2. Tasks Ahead

(Basic policy on the Medium-term Business Plan and main strategies)

(1) Basic policy on the Medium-term Business Plan

The Group has set out four management policies, which stem from the aim of making the most of our unique capabilities and an ability to create new products, markets and demand, in the three-year Medium-term Business Plan starting from the fiscal year ended November 30, 2013. The policies consist of strengthening our management base, innovation in Japan, developing overseas business in earnest, and laying a foundation for the future. These policies are designed to cultivate motivation to take up challenges in the Group overall and pursue sustainable domestic growth and dramatic overseas growth.

To these ends, we will make a group-wide effort to boost our corporate value.

(2) Main strategies in Japan and overseas

In Japan	Overseas
[Increase competitiveness and expand market share] • Further cultivate core fields • Develop new sales channels • Acquire new technologies and create added value	[Harness quality assurance and proposal capabilities developed in Japan] • Expand the mayonnaise market in Asia • Further cultivate existing areas while developing new areas • Expand product domains that employ Group resources including know-how cultivated in Japan

(3) Main strategies by business category

Business category	Main strategies
Condiments products	• Create salad condiments demand by expanding the salad domain and applications • Expand the mayonnaise market in Asia through development activities that are fully tailored to each area’s distinctive attributes
Egg products	• Cultivate the food service market by developing and expanding the use of value-added products • Reduce business costs by pursuing optimal production
Delicatessen products	• Expand the three fields of salads and delicatessen foods, cut vegetables, and cooked rice for convenience stores by drawing on the Group’s technological and business expansion capabilities • Take up the challenge of entering new fields including online and delivery sales
Processed foods	• Rebuild the earnings platform through optimization of production structure and refinement of categories • Strengthen the ability to develop products and cultivate sales channels by adopting a selection and concentration approach toward each category
Fine chemical products	• Enhance the added value of hyaluronic acid by creating new functions and expand areas of use • Expand potential in the medical field and provide new value

Business category	Main strategies
Distribution system	• Optimize transportation and delivery operations by rebuilding the business structure • Improve distribution services through such efforts as developing distribution networks

(Fundamental policy on control of the Company)

(1) Fundamental policy on what the person(s) should be like to control the determination of the financial and business policies of the Company

The Company considers that in the event that its shares are to be purchased for the purpose of a large purchase, it should be left to final judgment of the shareholders whether or not the Company will agree thereto, and does not deny any import or effect of vitalization of its corporate activities through a change in the controlling interest.

However, for the management of the Company and the Group, it is essential to have a good understanding of a broad range of know-how and accumulated experience, as well as the relationships fostered with its stakeholders, including customers, trading partners and employees. Without such good understanding, it would be impossible to properly judge the share-holder value that may be raised in the future. We, who are responsible for management as entrusted by the shareholders, have focused our efforts on IR activities to get the fair value of the shares of the Company understood by the shareholders and investors. However, in the event of a sudden large purchase of the shares, for the shareholders who are required to properly judge whether the price for the acquisition offered by the purchaser is adequate or not in a short period, we consider it vital to be provided with adequate and sufficient information from both the purchaser and the Board of Directors of the Company. Additionally, for the shareholders in considering whether or not to continue holding the shares of the Company, we believe that such information as the impact of the acquisition on the Company, the details of the management policy and business plans and past investing activities of the purchaser when the purchaser proposes to participate in the management of the Company and the opinion of the Board of Directors as to the acquisition will be important for making a decision.

In consideration of these factors, we have judged that any prospective purchaser of the shares of the Company for the purpose of a large purchase should be required to provide with the Board of Directors in advance such necessary and sufficient information as to allow the shareholders to consider the acquisition in accordance with some reasonable rules prescribed by the Company and publicized in advance, and to commence the acquisition only after the lapse of a specified evaluation period for the Board of Directors.

In fact, some large purchase may cause permanent damage to the Company and materially injure its corporate value and the common interests of its shareholders. We, responsible for the management of the Company, recognize that we are naturally responsible for protecting against such large purchase the fundamental philosophy and brands of the Company and the interests of its shareholders and other stakeholders.

To fulfill such responsibility, the Board of Directors recognizes that with regard to any purchase of shares for the purpose of a large purchase (or any proposed purchase), it is necessary to carefully investigate and judge the effect of such purchase (or such proposed purchase) that may have on the corporate value of the Company and the common interests of its shareholders, in consideration of the nature of business, future business plans and past investing activities of the purchaser, etc.

Hence, we believe that to protect the corporate value of the Company and the common interests of its shareholders, it is necessary for the Board of Directors to take measures it considers adequate in accordance with some reasonable rules prescribed by the Company and disclosed in advance.

(The aforementioned fundamental policy on what the person(s) should be like to control the determination of the financial and business policies of the Company will be referred to as the "Fundamental Policy" hereinafter.)

(2) Special measures to facilitate the implementation of the Company's Fundamental Policy

A. Special measures to facilitate the implementation of the Company's Fundamental Policy

To encourage many investors to invest in the Company on a continued, long-term basis, it has implemented the following measures to facilitate the enhancement of its corporate value and the common interests of its shareholders:

a) Institution of the Group's Medium-term Business Plan
The Group has instituted the three-year Medium-term Business Plan starting from the fiscal year ended November 30, 2013 to further enhance its corporate value.

In the Medium-term Business Plan, the Group has set out four management policies, which stem from the aim of making the most of our unique capabilities and an ability to create new products, markets and demand: strengthening our management base, innovation in Japan, developing overseas business in earnest, and laying a foundation for the future. These policies are designed to cultivate motivation to take up challenges in the Group overall and pursue sustainable domestic growth and dramatic overseas growth.

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

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

To more clearly define the management responsibility for each fiscal year and establish a management structure that can respond to changes in the business environments with agility, the Company sets the term of office of directors to one year. Additionally, to further strengthen its audit system, the Company employs five audit & supervisory board members, including three outside audit & supervisory board members.

B. Assessment of the measures noted in above (2) A. by the Board of Directors of the Company and reasons for the assessment
The Board of Directors of the Company assesses the measures as follows. The measures noted in above (2) A. a) and b) increase the Group's corporate value and the common interests of its shareholders and consequently decrease the risk of appearance of any Large Purchaser who may materially injure the Company's corporate value and the common interests of its shareholders. So, the measures live up to the Fundamental Policy. In addition, it is clear that the measures do not injure the common interests of the shareholders and is not contemplated to maintain the positions of directors or audit & supervisory board members of the Company because such measures naturally increase the Group's corporate value.

(3) Measures to prevent the determination of the financial and business policies of the Company from being controlled by any inadequate person in consideration of the Fundamental Policy (a defense plan against large purchase actions of the shares of the Company (takeover defense plan))

A. Measures by the defense plan against large purchase actions of the shares of the Company (takeover defense plan)
The Company decided by the resolution at a meeting of the Board of Directors of the Company held on January 24, 2014 to continue to adopt the defense plan against large purchase actions (hereinafter referred to as the "Defense Plan") as measures to prevent the determination of the financial and business policies of the Company from being controlled by any person considered inadequate as described by the Fundamental Policy; subject to approval of the 101st Ordinary General Meeting of Shareholders on February 25, 2014. The continuous adoption of the Defense Plan was approved at the 101st Ordinary General Meeting of Shareholders.

The outline of the Defense Plan is as follows:

a) Coverage of purchase actions
The Defense Plan covers a purchase of shares and other securities of the Company to make the ratio of voting rights of any specified shareholder group 20% or more, or a purchase of

shares and other securities of the Company resulting in making the ratio of voting rights of any specified shareholder group 20% or more (whether by market trading, by takeover bid (TOB) or otherwise; however any purchase action agreed to by the Board of Directors in advance will not be covered by the Defense Plan).

b) Particulars of the Large Purchase Rules

The Company will institute Large Purchase Rules under which any Large Purchaser can commence a large purchase action only after (i) Large Purchaser provides the Board of Directors of the Company with necessary and sufficient information on the large purchase action in advance and (ii) in principle, 60 days (in case of purchase of all shares of the Company by TOB for cash (in yen) only) or 90 days (in other cases of large purchases), which is the period for the Board of Directors of the Company to evaluate, examine, negotiate, form opinions, make alternative plans, determine whether it is necessary to confirm shareholders' intention and determine whether to take counter measures (hereinafter referred to as "Directors' Evaluation Period"), pass.

With regard to the Large Purchase Rules, the Company will (iii) establish an Independent Committee to ensure the Defense Plan to be implemented properly and prevent arbitrary judgments by the Board of Directors as far as possible and (iv) follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intention. The Independent Committee shall consist of at least three members, who shall be appointed from among outside experts independent of the management responsible for execution of business of the Company, outside directors of the Company and outside audit & supervisory board members of the Company, to enable them to make fair and indifferent judgments. To confirm the intention of the shareholders, a resolution shall be adopted at a General Meeting of Shareholders under the Corporation Law of Japan. In the event that such General Meeting of Shareholders is held, the Board of Directors shall, pursuant to the resolution adopted thereat, trigger, or not trigger, the Defense Measure against the proposed large purchase action as the case may be. The date of the General Meeting of Shareholders shall be fixed within the initially fixed Directors' Evaluation Period, in principle. However, in any unavoidable circumstance where it takes time procedurally to convene a General Meeting of Shareholders or otherwise, the Board of Directors may extend the Directors' Evaluation Period for 30 days upon recommendation from the Independent Committee.

c) Defense Measure when a large purchase action is taken

(i) In case the Large Purchaser observes the Large Purchase Rules

In case the Large Purchaser observes the Large Purchase Rules, the Board of Directors will not trigger the Defense Measure against the large purchase action, in principle. Whether or not to agree to the purchase proposal by the Large Purchaser will be left to the judgment of the respective shareholders.

However, if the Large Purchaser is considered not to seriously aim for reasonable management but the large purchase actions by the Large Purchaser is considered to cause permanent damage to the Company, whereby materially injuring its corporate value and the common interests of its shareholders, the Board of Directors may exceptionally implement any appropriate measure to protect the interests of its shareholders.

(ii) In case the Large Purchaser does not observe the Large Purchase Rules

In case the Large Purchaser does not observe the Large Purchase Rules, in order to protect the corporate value of the Company and the common interests of its shareholders, the Board of Directors will trigger the Defense Measure, including the issuance of stock acquisition rights, as authorized by the Corporation Law and other laws or ordinances and the Articles of Incorporation of the Company, against the large purchase action by taking into consideration the necessity and adequacy thereof. The Board of Directors will determine whether or not the Large Purchaser observes the Large

Purchase Rules and whether or not it is appropriate to trigger the Defense Measure, by reference to the opinions of third-party experts and by respecting recommendations from the Independent Committee to the maximum extent possible.

(iii) Defense Measure

The Company will adopt a concrete measure that the Board of Directors assesses as the most appropriate at the time among measures, including an allocation of stock acquisition rights without compensation, which are authorized by the Corporation Law and the Articles of Incorporation of the Company by taking into consideration the necessity and adequacy thereof. In the case that the Company makes an allocation of stock acquisition rights without compensation, the Company will set conditions that, for example, the exercise of the stock acquisition rights by the Large Purchaser is rejected.

(iv) Cessation of the triggering of the Defense Measure

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

d) Impacts on the shareholders and investors

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

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

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

In case the Large Purchaser does not observe the Large Purchase Rules, the Board of Directors may trigger the Defense Measure, as authorized by the Corporation Law and other laws or ordinances and the Articles of Incorporation of the Company, to protect the corporate value of the Company and the common interests of its shareholders. However, under the scheme of the Defense Measure, it is not assumed that the shareholders (excluding the Large Purchaser against which the Defense Measure is triggered) of the Company will incur any specific loss on their legal rights or economic interests. In the event that the Board of Directors ceases to issue stock acquisition rights or acquire the issued stock acquisition rights without compensation, the stock value per share will not be diluted. Hence, any shareholder or investor who trades in the shares, assuming that the stock value of the Company will be diluted on or after the ex-date relating to the free allocation of stock acquisition rights may incur an unexpected loss due to stock price movements.

(iii) Procedures to be followed by the shareholders when the Defense Measure is triggered

In the event that the Board of Directors of the Company determines to make a free allocation of stock acquisition rights as a vehicle for the Defense Measure, stock acquisition rights shall be allocated without compensation to shareholders recorded in the shareholder register of the Company as of the record date for the allocation of the stock acquisition rights without compensation for which the Company gave public notice. Accordingly, for the shareholders to receive an allocation of stock acquisition rights, they must be recorded in the final shareholder register as of the record date. For further details of the methods of allocation, the exercise of stock acquisition rights and the acquisition thereof by the Company, information will be disclosed or notified to the shareholders after the determination of the Board of Directors with regard to the Defense Measure.

e) Effective period of the Defense Plan

The Defense Plan shall expire at the close of the 104th Ordinary General Meeting of Shareholders to be held no later than February 28, 2017.

B. Assessment of the Defense Plan noted in above (3) A. by the Board of Directors and reasons for the assessment

a) The Defense Plan's compliance with the Fundamental Policy

The Defense Plan stipulates the particulars of the Large Purchase Rules, the defense plan in case of a large purchase action, the establishment of an Independent Committee and the impacts on the shareholders and investors.

The Defense Plan requires any Large Purchaser to provide the Board of Directors with necessary and sufficient information on a large purchase action in advance and commence the large purchase action only after the lapse of the Directors' Evaluation Period and specifies that the Board of Directors may trigger any defense measure against the Large Purchaser not observing the Large Purchase Rules.

The Defense Plan also stipulates that even in the event that the Large Purchaser observes the Large Purchase Rules, if its large purchase action is considered by the Board of Directors to materially injure the corporate value of the Company and the common interests of its shareholders, the Board of Directors may trigger against the Large Purchaser any defense measure considered appropriate to protect the corporate value of the Company and the common interests of its shareholders.

Hence, we believe the Defense Plan complies with the Fundamental Policy.

b) The Defense Plan's non-injuring of the common interests of the shareholders of the Company

As described in above (1) "Fundamental policy on what the person(s) should be like to control the determination of the financial and business policies of the Company," the Fundamental Policy is based on respect for the common interests of its shareholders. The Defense Plan, which is designed according to the philosophy of the Fundamental Policy, is intended to afford the opportunities to the shareholders of the Company to receive information necessary for them to judge whether or not to agree to a large purchase action, have the Board of Directors put forward its opinion thereon and have any alternative proposal offered to them. The Defense Plan will allow the shareholders of the Company and investors to make appropriate investment judgments. Thus, we believe that the Defense Plan will not injure the common interests of the shareholders of the Company but rather benefit their interests.

In addition, the effectuation and extension of the Defense Plan is subject to the approval of the shareholders. The Defense Plan has no dead-hand clause (a clause that prevents canceling a takeover defense measure if any member of the Board of Directors that adopted the measure is replaced) or slow-hand clause (a clause that prevents canceling a takeover defense measure for a specified period even if a majority of the members of the Board of Directors that adopted the measure are replaced) and consequently, the shareholders of the Company can abolish the Defense Plan whenever they wish to do. Thus, we believe that the Defense Plan gives assurance that the common interests of the shareholders of the Company will not be injured.

c) The fact that the Defense Plan is not intended to maintain the position of the directors or audit & supervisory board members of the Company

Based on the principle of leaving the final judgment to the shareholders of the Company as to whether or not to agree to a large purchase action, the Defense Plan allows the Board of Directors to request compliance with the Large Purchase Rules and trigger a defense measure to the extent necessary to protect the corporate value of the Company and the common interests of its shareholders. The Defense Plan discloses the conditions on the triggering of defense measures by the Board of Directors in advance and in details and any defense measure by the Board of Directors shall be triggered in accordance with the provisions of the Defense Plan. The Board of Directors cannot effectuate or extend the Defense Plan by itself, but subject to the approval of the shareholders of the Company.

In addition, in triggering a defense measure, the Board of Directors shall seek advice from third-party experts whenever necessary against a large purchase action or otherwise and consult with the Independent Committee consisting of the members independent of the management responsible for execution of business and respect recommendations from the Independent Committee to the maximum extent possible. Furthermore, the Board of Directors can follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intention. The Defense Plan contains procedures to ensure the proper operation thereof by the Board of Directors.

Thus, we believe that the Defense Plan clearly is not contemplated to maintain the position of the directors or audit & supervisory board members of the Company.

3. Operational Risks

Among the various factors relating to the business operations and financial information of the Group described in the Annual Securities Report that may exert a significant effect on the decisions of investors are the following matters.

The Group, recognizing the risks inherent in the Group's business, takes all reasonable measures to inhibit or avoid the occurrence of risks. An overview of the risks involved is given below, but this is not intended to be an exhaustive list of all risks attendant on the Group's business operations.

Forward-looking statements included in this section are based on the Group's judgment of information available as of the balance sheet date.

(1) Market trends in the condiments for salads

Production and sale of condiments for salads is a core business of the Group and it has the highest degree of contribution to both sales and profits of the Group.

Consequently, in the event of a shrinkage in the domestic market for condiments for salads as a result of a decline in demand, or in the event that the market share of the Company's products falls sharply owing to competition with other manufacturers' products, the business performance and financial position of the Group would be severely impacted. In short-term, the volume of consumption of condiments for salads is affected by fluctuations in the prices of vegetables.

In view of these risks, the Group is working to decrease its reliance on condiments by developing and expanding the scale of its other business fields.

In the Condiments products business, while putting efforts into proposing new occasions for eating and menus, and developing and updating products to suit consumer preferences such as responding to health needs, we continued to cut costs through initiatives involving collaboration between business units. In these ways, we aim to stimulate the market and uncover new areas of latent demand, and at the same time strengthen our competitiveness. We are also planning to expand our business in China and Southeast Asia, which have good prospects for future growth.

(2) Fluctuations in the prices of principal ingredients

The principal ingredients from which the products of the Group are made consist of hen's eggs and edible oils.

Our procurement of eggs is conducted under the combination of annual fixed-volume contracts with major egg producers, fixed-price contracts and supplementary spot contract purchases on the open market. Since we have long-established relationships of trust with major producers of edible oils, we do not buy oil through spot purchases, but under long-term contracts such as forward trading. In the case of both eggs and oil, we take all reasonable measures to ensure that we have the necessary volume, at a reasonable cost.

In the Egg products business, we also make constant effort to improve our response to fluctuations in the eggs market prices by increasing the correlation between our product prices and market prices.

We cannot, however, rule out the possibility of sharp rises in market prices, and in such an event, there is a possibility that the business performance and financial position of the Group would be adversely affected.

Fluctuations in the market prices of eggs are attributable to changes in the number of eggs laid, which, in turn, depends on the number of egg-laying hens as well as changes in demand due to varying household buying patterns. In the case of edible oils, price changes are caused by fluctuations in the market prices of soybeans and/or rapeseed, movements on the foreign exchange market, and changes in the balance of supply and demand.

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

Insistence on the highest product quality has been the most fundamental concern of the Group since its establishment. In line with this, we rigorously and systematically pursue investment in product quality assurance systems through the use of HACCP (hazard analysis and critical control point) systems, acquisition of ISO 9001, trans-group quality monitoring, product quality assurance and traceability systems that make use of data processing systems used in factory automation, self-monitoring by group companies, and strict control of procured ingredients focused on insistence on meeting our safety and hygiene standards.

Simultaneously, we place great importance on ensuring a high level of awareness regarding product quality among our employees. To this end, the Group helps employees acquire necessary knowledge and technology and instills them a focus on policy by offering them training opportunities such as on-the-job training and training sessions. Accordingly, the Group takes appropriate measures to provide safe and high-quality products, which is the foundation of the persistent business development.

Notwithstanding the above, the management of the Group recognizes that there exists the risk of the occurrence — by reason either of accident or of intent — of incidents causing damage to the health of consumers, such as the insertion of foreign matter into the Group's products, and false or mistaken indications on product labels, among other possibilities. In addition, the Group's products may be affected by problems of a wider social scale and thus beyond the control of the Group. In such cases, the business performance and financial position of the Group would unavoidably be subject to an adverse impact of major proportions.

(4) Social turmoil from contingencies such as natural disasters or diseases in areas of operation

The Group has business operations in Japan and overseas areas including the US, China and Southeast Asia. The following contingencies, such as natural disasters or diseases, should they occur, could cause worse-than-expected social turmoil, resulting in such problems as damage to manufacturing or distribution facilities, etc. or difficulties in obtaining raw materials, energy or the human resources necessary for operations. This could result in a deterioration in the Group's production and sales capabilities, significantly affecting the Group's business performance and financial position.

- Large-scale natural disasters such as severe earthquakes or torrential rainfall
- Epidemics of highly virulent, infectious diseases
- Large-scale incidents not caused by natural disasters, such as sustained, wide-ranging electric power cuts
- Political problems such as terrorism or disputes

(5) Relationship with K.R.S. Corporation, a consolidated subsidiary

Net sales of the Group's Distribution system business for the current fiscal year amounted to ¥126,789 million (22.9% of total net sales), and operating income came to ¥3,613 million (14.8% of total operating income). This growth was mostly attributed to K.R.S. Corporation and its subsidiaries.

The Company currently holds 44.8% of the total voting rights of K.R.S. Corporation (this figure includes voting rights attendant on shares held indirectly; inclusive of voting rights held by persons with a close relationship to the Company or persons whose consents are obtained, the total percentage is 50.6%). In the event of a decline in the percentage of the Company's voting rights in the future, or changes in the personal and/or the trading relationship between the two companies, K.R.S. Corporation may lose the status of consolidated subsidiary of the Company. It is estimated that such a development would have a significant effect on the business performance and financial position of the Group.

In order that the Group continues to grow in the future, the management of the Company recognizes that it is necessary to secure an efficient and competitive foods distribution system service, as high-quality storage and delivery of food products is a key element in realizing the safety and reliability that forms the basis of the Group's business.

That being so, it is a firm part of the management policy of the Company to maintain the status of K.R.S. Corporation as a consolidated subsidiary, in which capability we are confident that it will contribute to raising the corporate value of the Group as a whole.

4. Material Contracts

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

5. Research and Development

The Group dedicates itself to producing and selling products setting a high value on good taste, kindness, and uniqueness at reasonable prices. In line with this corporate stance, we carry out extensive Research and Development (R&D) in all of our separate lines of business — "Condiments products," "Egg products," "Delicatessen products," "Processed foods" and "Fine chemical products."

R&D is carried out through cooperation among the Company's R&D Division and Production Technology Department, and the R&D units of consolidated subsidiaries at home and abroad, including Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., Co-op Foods Co., Ltd., and Salad Club, Inc., all of which are based in Japan, and overseas facilities including Henningsen Foods, Inc., Beijing Kewpie Foods Co., Ltd., Hangzhou Kewpie Foods Co., Ltd. and Kewpie (Thailand) Co., Ltd.

The Company's R&D Division, in particular, plays a central role in the Group's R&D activities with the aims of creating technologies, raw materials and ingredients full of originality, and using such technologies to impress customers through our products.

The base for operation of the Company's R&D Division was moved to the Sengawa Kewport facility, which combines R&D functions and Group office functions, in November of last year. The Group is working to make the most of Group-wide synergies in R&D and to strengthen its ability to create added value. In the area of external collaboration, the Group vigorously pursued open innovation and accelerated high-value R&D.

In October, the Group changed the name of the “Asia Development Department” to the “Overseas Development Department” and, by increasing the number of employees, expanded its overseas operations and strengthened its technology structure to compete globally.

Working in tandem with these R&D activities, the production technology units utilize the abundant and unique skills they have built up in production and development technology to develop facilities and equipment that will create products developed by research units with an emphasis on quality. They also make full use of their creative and unique on-site IT technologies to develop production lines and standardized computer software that will raise the level of production efficiency of the Group and enhance its quality assurance systems.

Total research and development expenses for the Group for the current fiscal year amounted to ¥3,882 million.

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

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

During the current fiscal year, thirty presentations were made and six essays were submitted and published regarding new technologies created in our R&D activities. The table below shows the main presentations made and essays published.

<Presentations>

Title	Annual Meeting	Collaborator
Effect of oral administration of hyaluronan on the skin condition in photoaged model mice	11th Japanese Society for Medical Use of Functional Foods	Tokyo University of Agriculture and Technology
Effect of oral administration of high-molecular weight hyaluronan (Hyabest (J)®) on carrageenan-induced inflammatory pain in rats.	11th Japanese Society for Medical Use of Functional Foods	Hyaluronan Research Institute, Inc.
The examination of softening root vegetables	Japan Canners Association (The 63rd Annual Meeting)	
Evaluation of bitter compounds of lettuce by human bitter taste receptor-expressing cells	The 2014 Annual Meeting of Japan Society for Bioscience, Biotechnology and Agrochemistry	The University of Tokyo
Improvement of functional properties of dried low-cholesterol egg yolk by the new atomizing system	Food Structure and Functionality Forum and Symposium	Kyoto University
Evaluation of in vitro drug release from lipid microspheres.	The 29th Annual Meeting of The Academy of Pharmaceutical Science and Technology, Japan	
Dietary egg white protein inhibited lymphatic lipid absorption by these physicochemical properties in gut	The 68th Annual meeting of The Japan Society of Nutrition and Food Science	Kyushu University
Anti-fatigue effects of egg white peptides as tested in mice	Banff Egg Forum 2014	
Absorption and effect on skin of orally administered hyaluronan	14th Scientific Meeting of the Japanese Society for Anti-Aging Medicine	
The effect of egg consumption on serum lipid parameters	The 46th Annual Scientific Meeting of the Japan Atherosclerosis Society (JAS2014)	Ochanomizu University

Title	Annual Meeting	Collaborator
Disulfide proteomics of egg white proteins during storage	IUFoST 2014	Miyagi University
Oral Sensation and Physical Properties for Rice Gruel Containing Different Rations of Amylose	The 61st Annual Meeting of the Japanese Society of Nutrition and Dietetics	Kanagawa Institute of Technology
Effect of egg yolk lecithin on the soft feeling of sponge cake.	The Japan Society of Cookery Science (2014 Annual Meeting)	
Instability mechanisms of highly concentrated O/W emulsions prepared with egg yolk and white in the long-term storage. *Oral Presentation Award	Japan Society for Food Engineering Annual meeting 2014	Kyoto University
The good function of lactic fermented egg white "Lacty Egg" *Best Award of Industrial Plaza	Japan Society for Food Engineering Annual meeting 2014	
Inactivation of murine norovirus using heat-denaturated lysozyme	Japanese Society of Food Microbiology (The 35th Annual Meeting)	Tokyo University of Marine Science and Technology
Development of alcohol based formulation containing denaturated lysozyme having anti-norovirus activity	Japanese Society of Food Microbiology (The 35th Annual Meeting)	Tokyo University of Marine Science and Technology
Removal of egg yolk contaminated in egg white using microbubble flotation	2nd International Symposium on Multiscale Multiphase Process Engineering	Keio University

<Essays>

Title	Journal of Publication	Collaborator
Ingested hyaluronan moisturizes dry skin	Nutrition Journal 2014; 13:70.	Department of Dermatology, Toho University Ohashi Medical Center
No influence of exogenous hyaluronan on the behavior of human cancer cells or endothelial cell capillary formation.	Journal of Food Science. 2014; 79: 1469-75.	National Cancer Center Research Institute
Dietary hyaluronic acid migrates into the skin of rats	The Scientific World Journal. Volume 2014; Article ID 378024	
Dietary egg white protein inhibits lymphatic lipid transport in thoracic lymph duct-cannulated rats.	J Agric Food Chem. 2014 Nov 5;62 (44): 10694-700.	Kyushu University
Genetic Networks Lead and Follow Tumor Development: MicroRNA Regulation of Cell Cycle and Apoptosis in the p53 Pathways	BioMed Research International Volume 2014 (2014), Article ID 749724	National Cancer Center Research Institute

The "Egg Science Research Group," which aims to stimulate academic development and industrial activity in the area of hen's eggs, reached its second year since establishment having deepened collaboration among industry, government and academia. In June 2014, the study group held its second symposium under the theme of "The Future Diet We Create with Eggs." The Company's R&D Division continued to take an active part in providing support for this initiative.

<Condiments products>
Aiming to increase the scope of mayonnaise use, we launched *[Kewpie Three Minutes Cooking] Mayonnaise Type Sauce for Sauté* (*Pepper & Garlic* and *Oyster & Ginger*) to promote the use of mayonnaise in stir fried dishes, and worked to promote awareness of mayonnaise-flavored stir fried dishes.

In dressings, we responded to changes in the composition of households by renewing the volumes of containers for our main dressings. We worked to stimulate the consumption of dressings by promoting the appeal of the three container volumes of 150 ml, 260 ml and 380 ml, and proposing them as container volumes that are easier to use at the dining table. In addition, we launched *Five Vegetables Dressing,* a dressing with a gentle flavor intended to convey the image of the healthiness of vegetables, as a new flavor proposal.

In non-oil dressings, we launched *Salt with Sesame* and *Chopped Onion* and continued our efforts to respond to a wide variety of taste preferences.

We launched the *Irodori Plus (Powdered Dressing Type Seasoning)* series as a new category of dressings that are made from dry, powdered ingredients and offer a different type of deliciousness from liquid dressings. In addition, we launched *Wasai Dore,* only in the Tokyo metropolitan area, as a product that offers new possibilities through the use of dressings with Japanese food. We have expectations for this product as a category for proposing new ways of eating vegetables in order to promote the introduction of salad dishes into Japanese dishes. In November, our *Dipping Sauce,* which we launched last year, won the Food Industry Technology Achievement Award at an event sponsored by Shokuhin Sangyo Shimbunsha Co., Ltd.

<Egg products>
We launched *French Toast Base (Egg-Royal),* which can be used to simply prepare French toast just by soaking bread and toasting it, as a new liquid egg product providing new value, and the product attracted popularity among catering establishments such as hotels. We also launched *Chawan-Mushi Base (Reduced Salt)* for the preparation of chawan-mushi egg custard with reduced saltiness as a product for which there is considerable demand among facilities such as hospitals and health services facilities for the elderly, and *Egg Sauce for Rice "Tamago Kake Gohan,"* which can be used to simply prepare rice topped with raw beaten egg with peace of mind.

For confectionary makers, we launched *Frozen Cooked Egg-Yolk Powder,* which is distinctive for the flavor of boiled egg yolk, and the product was used to enhance the richness of bean paste mixed with egg yolk and custard cream.

In the catering and delicatessen foods markets, which are facing labor shortage issues, we launched the single-serving, instant and simple products *Yolky Chicken and Egg Bowl (180 g), Egg Flower Sauce (160 g), Fluffy Tianjin bowl (soy sauce)* and *Fluffy Tianjin bowl (sweet and sour sauce)* and worked to enhance our range of items.

To develop our household-use products, we launched *To go egg salad,* which enables customers to taste the natural deliciousness of eggs by crushing the boiled eggs in the package.

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

We tried out new types of products in the area of delicatessen products by developing delicatessen foods with longer shelf lives and launching simple and convenient household-use side dish kits. In these ways we worked to respond to the cooperative home delivery market, which has become a growth market in recent years on the back of heightened home delivery needs reflecting increases in nuclear family households, dual-income households and elderly households. These efforts contributed to the development of new marketing channels.

In addition, we undertook a unified effort involving research, development, production and sales to advance our main product, *Potato Salad,* and contributed to an increase in sales by implementing "Potato World Proposals," through which we seek to offer enhancements in ease of buying (cost and long shelf life), deliciousness (establishment of new production method) and variation (diversity of menu).

In the area of cut vegetables (packaged salads), we developed our *Gudakusan Sauce to Dress Vegetables* series, in which we have incorporated the knowhow we have accumulated in condiments, as a peripheral product for salads. We produced four items at group factories and put them on sale, offering customers a simple way to enjoy their preferred salads with a single-use pouch containing a sauce mixed in with solid ingredients to dress vegetables. In addition, with these new products, we provided sales venues with a means of having a richer variety of products and enhancing customer shopping experiences by having the sauces displayed together with packaged salads.

<Processed foods>

In household-use products, we strengthened our lineup by such means as adding the new concept of the *Pasta Sauce with seasoning* as three new products in our *Pasta Sauce* lineup. Furthermore, we launched *Pasta Sauced for hot pot cooking* and *French toast Base,* which are new categories, *Smile cup*, for which a new container is used, and the chilled salad *Q's Deli* and worked to cultivate new markets. We also invigorated sales venues with the launches of new products in the *Yasashii Kondate* series in nursing care foods and the *Whip* series. In addition, we renewed *Marugotokajitsu* in the jams category, bringing a further sense of freshness to this category.

In commercial-use products, we launched *Stir-fried chicken with basil (Ka Pao Kai)* and *Thai style spicy glass noodles salad (Yam Woon Sen)* as a lineup of *Asian Table*. In oil sauces and long-life salads, we used new technology to extend the best-before period of the *Long Shelf Life Delicious Series*. We also added a butter and soy sauce flavor to our *Oil Sauce* lineup. Furthermore, in the area of *One-Step Meal,* which are liquid foods that become solid in healthcare products, we realized low volumes combined with high calories through unique technology. In *Sauce for Rice,* we expanded the varieties of container volumes and flavor types.

<Fine chemical products>

In the Fine chemical products business, having positioned hyaluronic acid, egg components and EPA (eicosapentaenoic acid) as the three pillars of this business, we are pushing ahead with research and product development to exploit the possibilities of these ingredients to the fullest extent.

In joint research with a university, we discovered that lysozyme, an antimicrobial constituent included in egg white, kills norovirus as one of its effects, and reported this at a conference. In addition, we developed a spray-type alcohol formulation incorporating lysozyme that can be used in environments where food is handled.

Furthermore, in addition to medical-use hyaluronic acid derived from cockscombs, which we already sell, we developed medical-use hyaluronic acid produced through fermentation.

Consolidated subsidiary Kewpie Jyozo Co., Ltd., proposed sushi using vegetables as something that has not been seen before and launched its *Series of seasoning vinegar for Sushi* as a commercial-use sushi vinegar using western-style vinegar. In addition, *Seasoning vinegar for Pickles* and *Sweet seasoning vinegar for chicken fritter* were launched as commercial-use condiments and *Vinegar drink (Grape flavor)* was launched as a commercial-use vinegar drink series.

In terms of overseas development, we launched a mayonnaise-type condiment for sandwiches in Thailand and China to enable easier enjoyment in households of bread-based meals, which are showing substantial growth in Asia. In addition, we launched a mayonnaise-type condiment and a dressing that incorporate the distinctive Japanese flavor of wasabi Japanese horseradish in Thailand, Vietnam and Malaysia. In China, we launched a fried egg-style processed food with a stable flavor and texture for the commercial-use market and worked to increase the attractiveness of bread, boxed lunches and others.

As a result of the above, research and development expenses for the Group in the current fiscal year amounted to ¥3,882 million.

(2) Common business operations and Distribution system

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

6. Financial Position, Operating Results and Cash Flows

Forward-looking statements included in this section are based on information available to the Group's management as of the balance sheet date.

(1) Summary of significant accounting policies and estimates

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting principles in Japan, and necessarily include amounts based on estimates and assumptions by management regarding term-end balances of assets and liabilities, as well as income and expenses for the reporting period.

The Group has continuously estimated, judged and assumed based on a number of factors that are considered to be reasonable under the past business results and surrounding conditions. Because of uncertainty unique to estimates, actual results could differ from these estimates.

The significant accounting policies adopted for the consolidated financial statements are described in V. Financial Information. We consider the following significant accounting policies to have a material effect on our estimates.

a) Allowances for doubtful accounts

To provide for a possible bad-debt loss, the Group provides the expected uncollectible amount as allowances for doubtful accounts. The said amount is calculated by using credit-loss prediction ratios based on historical data for general accounts receivable, and by reference to the individual collectability for special receivables, such as those in danger of being uncollectible. If our customers' ability to pay falls due to financial deterioration in the future, larger allowance or bad-debt loss will be recognized.

b) Impairment losses on investment securities

Investment securities with readily determinable fair value are stated at fair value, while those without readily determinable fair value are stated at cost. Based on reasonable criteria, the Company recognizes impairment losses on investment securities, taking into consideration declines in prices of equity shares and the deterioration of the business performance of companies in which the Group has invested.

The Group has appropriately posted impairment losses on investment securities. However, because of the above criteria, posting of additional impairment losses would be necessary if fall in market or deterioration of the Group's investment destination cause further losses or defaults to occur in the future.

c) Deferred tax assets

Deferred tax assets are reported in the amount deemed collectible based on reasonable assessment of future taxable income. Changes in estimated collectible amounts, however, could have an effect on earnings due to reversal of or additional provision to deferred tax assets.

(2) Analysis of operating results

a) Sales

Net sales increased by ¥22,855 million (4.3%) year on year to ¥553,404 million on a consolidated basis.

Breaking this down into business segments, sales of the Condiments products business increased ¥6,098 million (4.2%) year on year to ¥151,465 million. This was mainly because of steady growth in operations in China and Southeast Asia, as well as growth in sales of mayonnaise in the domestic market. In the Egg products business, sales increased ¥8,355 million (9.2%) year on year to ¥99,513 million, due to strong sales of liquid egg for ready-made foods in addition to the impact from a rise in the market price for hen's eggs in Japan and the effect of price revisions.

On the other hand, sales of the Processed foods business declined ¥1,279 million (2.2%) year on year to ¥57,152 million, mainly due to an elimination of unprofitable products to strengthen the earnings base.

b) Operating income

Operating income increased ¥1,941 million (8.7%) year on year to ¥24,343 million.

Breaking this down into business segments, operating income for the Condiments products business decreased ¥9 million (0.1%) year on year to ¥11,510 million, and operating income for the Egg products business increased ¥342 million (10.0%) year on year to ¥3,756 million. This reflected the price revisions and overseas sales growth despite rises in the market price for hen's eggs in Japan and energy costs.

Operating income for the Processed foods business increased ¥1,060 million year on year to ¥164 million, reflecting steady progress in the elimination of unprofitable products and boosts from jams and strengthened products in baby foods.

c) Ordinary income

Net non-operating income decreased ¥322 million year on year mainly due to the decrease in equity in earnings of affiliates and the increase in business commencement expenses. Ordinary income increased ¥1,619 million (6.8%) year on year to ¥25,368 million.

d) Net income

Extraordinary gains/losses came to a gain of ¥551 million, mainly due to the decrease in losses on disposal of fixed assets despite the decrease in gains on negative goodwill from additional acquisitions of consolidated subsidiaries' shares.

As a result of the above, income before income taxes and minority interests amounted to ¥24,575 million, an increase of ¥2,170 million (9.7%) year on year. Income taxes amounted to ¥9,212 million, income taxes — deferred to minus ¥82 million and minority interests to ¥2,078 million. Consequently, net income rose ¥799 million (6.4%) year on year to ¥13,366 million.

Net income per share for the current fiscal year came to ¥88.69 (compared with ¥83.94 for the previous fiscal year), and return on equity (ROE) came to 7.0% (compared with 7.1% for the previous fiscal year).

(3) Financial condition

a) Assets

Current assets increased by ¥8,158 million year on year to ¥154,593 million. This was mainly due to a ¥4,038 million increase in notes and accounts receivable — trade, a ¥2,333 million increase in purchased goods and products, and a ¥1,117 million increase in raw materials and supplies.

Fixed assets increased by ¥14,181 million year on year to ¥202,401 million mainly due to a ¥17,722 million increase in tangible fixed assets, a ¥3,032 million increase in investment securities, and a ¥7,529 million net decrease in assets for retirement benefits.

As a result of the above, total assets increased by ¥22,339 million year on year to ¥356,994 million.

b) Liabilities and net assets

Total liabilities increased by ¥12,227 million year on year to ¥136,596 million. This was mainly attributable to a ¥2,989 million increase in notes and accounts payable — trade, a ¥5,181 million increase in accounts payable — other, a ¥2,921 million increase in long-term loans payable, and a ¥2,553 million increase in accrued income taxes.

The ending balance of interest-bearing debt increased by ¥3,228 million year on year to ¥29,110 million.

Net assets rose ¥10,112 million year on year to ¥220,397 million mainly due to a ¥9,998 million increase in earned surplus, a ¥2,242 million decrease in treasury stock, and a ¥1,966 million increase in foreign currency translation adjustments.

As a result, the equity ratio fell 0.4 percentage points to 54.6%, and net assets per share rose ¥54.04 to ¥1,284.36.

c) Cash flow analysis

Further details regarding cash flow analysis during the current fiscal year is given in II. Business Operations, 1. General, (2) Cash flows.

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

		Fiscal year 2010	Fiscal year 2011	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014
Equity ratio	(%)	54.2	58.0	55.8	55.0	54.6
Equity ratio based on market value	(%)	53.7	57.3	58.6	65.1	82.6
Interest-bearing debt to cash flows ratio	(year)	0.9	0.5	0.7	0.9	0.8
Interest coverage ratio	(times)	75.2	108.0	165.0	105.1	116.0

(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 operating activities” and “Interest paid” reported in the Consolidated Statements of Cash Flows, respectively.

III. Facilities and Equipment

1. Investments in Facilities and Equipment

As a result of continuous investments to augment, upgrade and streamline facilities, the Group invested a total of ¥30,111 million in facilities and equipment during the current fiscal year. These investments were part of the Company’s efforts to preserve the environment and were made for the purpose of improving product safety, reducing production costs, and developing products that meet customers’ needs.

Investments in facilities and equipment by segments were as follows:

Segment	Amount of capital investment (millions of yen)	Main contents
Condiments products	8,528	Augmenting and streamlining facilities for production of mayonnaise, dressings
Egg products	3,551	Augmenting and streamlining facilities for production of liquid egg, frozen egg, dried egg
Delicatessen products	7,102	Augmenting and streamlining facilities for production of salads, delicatessen foods
Processed foods	2,195	Augmenting and streamlining facilities for production of bottled, canned and/or retort pouch foods
Fine chemical products	908	Augmenting and streamlining facilities for production of hyaluronic acid, EPA
Distribution system	6,446	Warehouse facilities, vehicles
Common business operations	1,379	Software

(Notes) 1. The amounts of capital investment include investment in intangible fixed assets and long-term prepaid expenses.
2. Consumption taxes are not included in the above amounts.

There were no sales or removals of facilities and equipment that have a significant impact on production capacity.

2. Principal Facilities and Equipment

Investments in facilities and equipment, and the number of employees working at each site as of November 30, 2014 are as follows:

(1) The Company

Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Hashikami Factory (Hashikami-cho, Sannohe-gun, Aomori)	Condiments products Egg products Delicatessen products Processed foods	For mayonnaise and dressings, frozen, chilled and retort foods	692	331	553 (46,365)	—	42	1,620	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments products Processed foods Fine chemical products	For mayonnaise and dressings, fine chemical products	6,509	4,044	3,661 (214,655)	60	163	14,438	312 (162)
Nakagawara Factory (Fuchu-shi, Tokyo)	Condiments products Processed foods	For mayonnaise and dressings, frozen and chilled foods, canned foods	4,321	1,543	405 (43,484)	1	49	6,322	160 (105)
Fujiyoshida Factory (Fujiyoshida-shi, Yamanashi)	Condiments products Processed foods	For mayonnaise and retort foods	1,540	340	272 (59,399)	—	5	2,159	1 (4)
Koromo Factory (Toyota-shi, Aichi)	Condiments products Egg products	For mayonnaise and dressings, egg products	1,266	1,665	16 (37,876)	—	24	2,972	167 (184)
Itami Factory (Itami-shi, Hyogo)	Condiments products Egg products Processed foods	For mayonnaise and dressings, egg products, frozen and chilled foods	1,822	1,453	2,337 (37,919)	0	48	5,662	148 (179)
Izumisano Factory (Izumisano-shi, Osaka)	Condiments products Processed foods	For mayonnaise and dressings, and baby foods	824	424	663 (18,576)	9	5	1,926	69 (83)
Tosu Factory (Tosu-shi, Saga)	Condiments products Processed foods	For mayonnaise and dressings, and baby foods	2,865	1,001	363 (53,958)	—	17	4,248	1 (—)
Complex of facilities (Chofu-shi, Tokyo)	—	For others	8,133	215	138 (16,510)	135	701	9,323	970 (123)
Tokyo Branch and other 8 branches and 17 sales offices	—	For others	97 [17,629]	0	— (—)	—	33	130	719 (57)
Kobe Distribution Center (Higashinada-ku, Kobe-shi, Hyogo)	Distribution system	For warehousing and distribution system	885	150	6,987 (64,029)	—	0	8,023	1 (21)

(2) Domestic subsidiaries

Trade name	Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Kewpie Egg Corporation	Aomori Factory (Hashikami-cho, Sannohe-gun, Aomori)	Egg products	For foods	174	131	101 (15,968)	—	16	423	39 (13)
	Niigata Factory (Chuo-ku, Niigata-shi, Niigata)	Egg products	For foods	96	74	580 (4,648)	—	6	758	31 (10)
	Kurimoto Center (Katori-shi, Chiba)	Egg products	For foods	254	121	623 (10,511)	—	4	1,003	47 (14)
	Narita Factory (Shibayama-machi, Sambu-gun, Chiba)	Egg products	For foods	286	151	— (—)	—	9	447	45 (8)
	Nishitama Factory (Mizuho-machi, Nishitama-gun, Tokyo)	Egg products	For foods	2	87	579 (19,207)	—	1	671	45 (9)
	Miyoshi Factory (Miyoshi-machi, Iruma-gun, Saitama)	Egg products	For foods	22	541	— (—)	—	4	568	40 (5)
	Nishinomiya Office (Nishinomiya-shi, Hyogo)	Egg products	For foods	153	114	346 (4,007)	—	5	620	55 (10)
Deria Foods Co., Ltd.	Kitakami Delica Co., Ltd. (Kitakami-shi, Iwate)	Delicatessen products	For foods	497	20	217 (13,178)	—	0	736	46 (229)
	Shunsai Deli Co., Ltd. (Akishima-shi, Tokyo)	Delicatessen products	For foods	2,087	78	— (—)	—	18	2,184	78 (274)
Kewpie Jyozo Co., Ltd.	Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments products	For foods	543	341	1,802 (29,788)	6	34	2,728	69 (81)
	Shiga Factory (Aisyo-cho, Echi-gun, Shiga)	Condiments products	For foods	951	280	361 (40,710)	7	14	1,614	39 (50)
K.R.S. Corporation	East Japan Branch Office (Goka-machi, Sashima-gun, Ibaraki)	Distribution system	For warehousing and distribution system	3,446	476	7,774 (149,010)	339	78	12,115	146 (86)
	Central Japan Branch Office (Fuchu-shi, Tokyo)	Distribution system	For warehousing and distribution system	487	70	— (—)	91	35	685	158 (95)
	West Japan Branch Office (Itami-shi, Hyogo)	Distribution system	For warehousing and distribution system	977	266	1,499 (38,622)	41	41	2,826	157 (73)
	Customized Logistics Business Head Office (Chofu-shi, Tokyo)	Distribution system	For warehousing and distribution system	3,008	786	1,801 (16,903)	88	72	5,757	35 (32)

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	
Co-op Foods Co., Ltd.	Tohoku Factory (Fukushima-shi, Fukushima)	Processed foods	For foods	1,009	417	108 (37,010)	—	28	1,564	71 (132)
	Kyushu Factory (Minami-ku, Kumamoto-shi, Kumamoto)	Processed foods	For foods	606	374	172 (35,418)	—	11	1,165	71 (167)
Kanae Foods Co., Ltd.	Owari Factory (Kasugai-shi, Aichi)	Egg products	For foods	814	314	42 (486)	—	2	1,173	32 (58)
	Kasugai Factory (Kasugai-shi, Aichi)	Egg products	For foods	180	164	796 (16,946)	—	2	1,144	22 (34)
	Tsukuba Factory (Joso-shi, Ibaraki)	Egg products	For foods	688	307	— (—)	—	7	1,004	56 (133)
	Itami Factory (Itami-shi, Hyogo)	Egg products	For foods	52	189	1,013 (22,084)	—	7	1,263	64 (131)
Zen-noh Kewpie Egg-station Co., Ltd.	Ibaraki Factory (Goka-machi, Sashima-gun, Ibaraki)	Egg products	For foods	639	495	— (—)	—	15	1,149	40 (56)
Gourmet Delica Co., Ltd.	Tokorozawa Factory (Tokorozawa-shi, Saitama)	Delicatessen products	For foods	358	139	— (—)	59	9	566	77 (275)
	Soka Factory (Soka-shi, Saitama)	Delicatessen products	For foods	616	68	1,264 (7,858)	108	4	2,061	40 (328)
	Gunma Factory (Isesaki-shi, Gunma)	Delicatessen products	For foods	3,261	330	489 (29,427)	342	68	4,492	48 (144)
	Matsumoto Factory (Matsumoto-shi, Nagano)	Delicatessen products	For foods	226	55	— (—)	220	2	506	49 (238)
	Kansai Factory (Miki-shi, Hyogo)	Delicatessen products	For foods	780	5	508 (19,291)	23	8	1,326	46 (232)
	Kyushu Factory (Miyaki-cho, Miyaki-gun, Saga)	Delicatessen products	For foods	17	0	— (—)	385	0	404	62 (400)
Kowa Delica Co., Ltd.	Head Office and Factory (Kamisu-shi, Ibaraki)	Processed foods	For foods	413	167	99 (14,307)	—	4	684	42 (127)
Dispen Pak Japan Co., Inc.	Minami-Ashigara Factory (Minami-Ashigara-shi, Kanagawa)	Condiments products	For foods	294	352	836 (7,697)	—	11	1,495	53 (46)
Potato Delica Co., Ltd.	Hotaka Factory (Azumino-shi, Nagano)	Delicatessen products	For foods	978	221	480 (28,484)	513	8	2,202	102 (189)
Kpack Co., Ltd.	Head Office and Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments products	For foods	155	650	— (—)	—	5	811	58 (135)

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	
S.Y. Promotion Co., Ltd.	Kashima Office (Kamisu-shi, Ibaraki)	Distribution system	For warehousing and distribution system	136	181	521 (24,719)	—	1	841	55 (5)
	Chiba Office (Ichihara-shi, Chiba)	Distribution system	For warehousing and distribution system	33	188	255 (8,964)	—	0	477	28 (6)
	Osaka Office (Kobe-shi, Hyogo)	Distribution system	For warehousing and distribution system	0	9	721 (20,084)	—	—	732	12 (1)
Salad Club, Inc.	Mihara Factory (Mihara-shi, Hiroshima)	Delicatessen products	For foods	766	359	235 (9,782)	—	9	1,371	13 (20)
K.Tis Corporation	Atsugi Office (Atsugi-shi, Kanagawa)	Distribution system	For warehousing and distribution system	50	141	478 (6,716)	64	0	734	140 (166)
	Itami Office (Itami-shi, Hyogo)	Distribution system	For warehousing and distribution system	1	97	400 (3,254)	5	0	506	159 (49)
Kewso Services Corporation	Head Office (Chofu-shi, Tokyo)	Distribution system	For leasing	9	295	— (—)	22	91	418	69 (8)
Shunsai Deli Co., Ltd.	Akishima Office and Ome Factory (Ome-shi, Tokyo)	Delicatessen products	For foods	512	5	200 (4,761)	—	1	720	11 (85)
Enshu Delica Co., Ltd.	Head Office and Factory (Mori-machi, Shuchi-gun, Shizuoka)	Delicatessen products	For foods	504	145	— (—)	—	8	658	43 (172)

(3) Foreign subsidiaries

Trade name	Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Henningsen Foods, Inc.	Nebraska, USA	Egg products	For foods	440	366	36 (45,164)	—	226	1,069	177 (7)
Hangzhou Kewpie Foods Co., Ltd.	Zhejiang Province, China	Condiments products	For foods	605	465	— (—)	—	42	1,113	345 (—)
Beijing Kewpie Foods Co., Ltd.	Beijing, China	Condiments products	For foods	1,141	407	— (—)	—	32	1,581	513 (—)
Kewpie (Thailand) Co., Ltd.	Bangkok, Thailand	Condiments products	For foods	559	558	133 (77,844)	—	517	1,768	1,066 (14)
Kewpie Malaysia Sdn. Bhd.	Malacca, Malaysia	Condiments products	For foods	413	451	— (—)	—	14	879	96 (—)
Kewpie Vietnam Co., Ltd.	Binh Duong, Vietnam	Condiments products	For foods	386	231	— (—)	—	—	617	43 (—)
PT. Kewpie Indonesia	West Java, Indonesia	Condiments products	For foods	655	342	351 (25,902)	11	17	1,377	53 (—)

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

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

Trade name	Segment	Facilities and equipment	Quantity	Rental or lease period (years)	Rental or lease fee (millions of yen)
K.R.S. Corporation	Distribution system	Peripheral equipment related to information system, assortment equipment and racking facilities	Lot	2 - 7	234

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, 2014)	Filing date (Feb. 27, 2015)		
Common stock	153,000,000	153,000,000	Tokyo Stock Exchange (First Section)	• Ordinary shares of the Company with no restrictions on shareholders' rights • Number of unit share: 100 shares
Total	153,000,000	153,000,000	—	—

(2) Stock acquisition rights

Not applicable.

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

Not applicable.

(4) Rights plan

Not applicable.

(5) Principal shareholders

(As of November 30, 2014)

Trade name	Address	Number of the Company's shares held (A) (thousand)	Ratio of (A) to the total number of issued shares (%)
Nakashimato Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	21,541	14.08
Tohka Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	11,872	7.76
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for Mizuho Bank, Ltd.)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,827	3.15
Japan Trustee Service Bank, Ltd. Account in Trust	8-11, Harumi 1-chome, Chuo-ku, Tokyo	4,459	2.91
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	2.78
The Master Trust Bank of Japan, Ltd. Account in Trust	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	3,769	2.46
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,208	2.10
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,039	1.99
The Dai-ichi Life Insurance Company, Limited (standing proxy: Trust & Custody Services Bank, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	3,012	1.97
Nakato Scholarship Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	2,494	1.63
Total	–	62,476	40.83

(Note) The 4,827 thousand shares held by Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for Mizuho Bank, Ltd.) are the trust assets entrusted by Mizuho Bank for its retirement benefit trust.

(6) Stock options

Not applicable.

2. Acquisition of the Company's Treasury Stock

[Types of shares repurchased]
Shares of common stock repurchased as defined by Article 155, Items 7 and Article 163 of the Corporation Law

(1) Repurchase of shares based on a resolution by the General Meeting of Shareholders

Not applicable.

(2) Repurchase of shares based on a resolution by the Board of Directors

Shares of common stock repurchased in accordance with the provisions of Article 163 of the Corporation Law

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

(Notes) 1. The 133,251 shares in "Shares repurchased during the specified period" consists of shares acquired from Aohata Corporation and AFC Co., Ltd. on January 30, 2015.
2. "Shares repurchased during the specified period" does not include shares resulting from the repurchase of shares less than one unit between February 1, 2015 and the document filing date of the Annual Securities Report.

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

Shares of common stock repurchased in accordance with the provisions of Article 155, Item 7 of the Corporation Law

Item	Number of shares	Total price (yen)
Shares repurchased during the current fiscal year	3,000	4,947,369
Shares repurchased during the specified period	644	1,464,617

(Note) "Shares repurchased during the specified period" does not include shares resulting from the repurchase of shares less than one unit between February 1, 2015 and the document filing date of the Annual Securities Report.

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

Item	Current fiscal year		Specified period	
	Number of shares	Total disposal value (yen)	Number of shares	Total disposal value (yen)
Number of shares repurchased via solicitation	—	—	—	—
Number of repurchased shares retired	—	—	—	—
Repurchased shares transferred via a merger, share exchange or division of the company	2,169,600	3,128,563,200	—	—
Other	—	—	—	—
Balance of treasury stock held	1,095,507	—	1,229,402	—

(Notes) 1. "Repurchased shares transferred via a merger, share exchange or division of the company" in "Current fiscal year" consists of 2,169,600 shares of treasury stock allocated in a simplified share exchange in which a consolidated subsidiary of the Company became a wholly owned subsidiary with the effective date of June 2, 2014.
2. "Balance of treasury stock held" in "Specified period" includes 133,251 shares of treasury stock acquired from Aohata Corporation and AFC Co., Ltd. on January 30, 2015.
3. "Balance of treasury stock held" in "Specified period" does not include shares resulting from the repurchase of shares less than one unit between February 1, 2015 and the document filing date of the Annual Securities Report.

3. Dividend Policy

Placing great importance on shareholder ROI (return on investment) and giving the top priority to dividend payment, the Company has consistently paid stable dividends, and has carried out its repurchase of shares as necessary.

The Articles of Incorporation of the Company stipulate that dividends from surplus can be paid based on the resolution by the Board of Directors in accordance with the provisions of Article 459, Paragraph 1 of the Corporation Law. Accordingly, the Company pays dividends twice a year, comprising of interim and year-end dividends.

Dividends are based primarily on a targeted consolidated dividends on equity (DOE) ratio, while the consolidated dividend payout ratio and the Company's future funding needs are also taken into consideration. The Company maintains a consolidated DOE of at least 1.8% in principle and targets a benchmark of at least 25% for the consolidated dividend payout ratio.

Based on these considerations, the Company decided to pay a ¥23 per share dividend for the current fiscal year (including an interim dividend of ¥11.5). As a result, the Company's consolidated DOE and consolidated dividend payout ratio came to 1.8% and 25.9% respectively for the current fiscal year.

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.

As for return to shareholders, while giving the top priority to dividend payment, the Company intends to continue consistently paying a dividend, and plans to steadily increase the dividend per share over a long period of time.

In addition, the Company considers one method of providing return to shareholders is to repurchase and retire shares of the Company, and it will flexibly implement such measures while considering the stock price movements and the financial conditions.

The Company is a company subject to consolidated dividend regulations, meaning that it calculates the distributable amount for dividends on a consolidated basis.

4. Corporate Governance

(1) Corporate governance

(a) Corporate governance structure

Basic policy

To maximize the Company's corporate value through efficient management, the Company has recognized the following as priority tasks: the reorganization of the management structure and system of the Company and the entire group; the appropriate execution of required measures; and sharing the benefits created by the successful conduct of its business with its shareholders, consumers, business partners, employees, and other stakeholders. These various measures, taken together, constitute good corporate governance, in the view of the management of the Group.

The Company fully recognizes that compliance is indispensable to its lasting development, and promotes the formulation of a compliance program and its implementation in order to enable all directors and employees of the Company to conduct business not only in full compliance with laws and regulations, but also with the highest ethical sense.

Overview of corporate governance structure

The Company utilizes the conventional management organization system, under which the decision making of the Board of Directors is monitored by audit & supervisory board members.

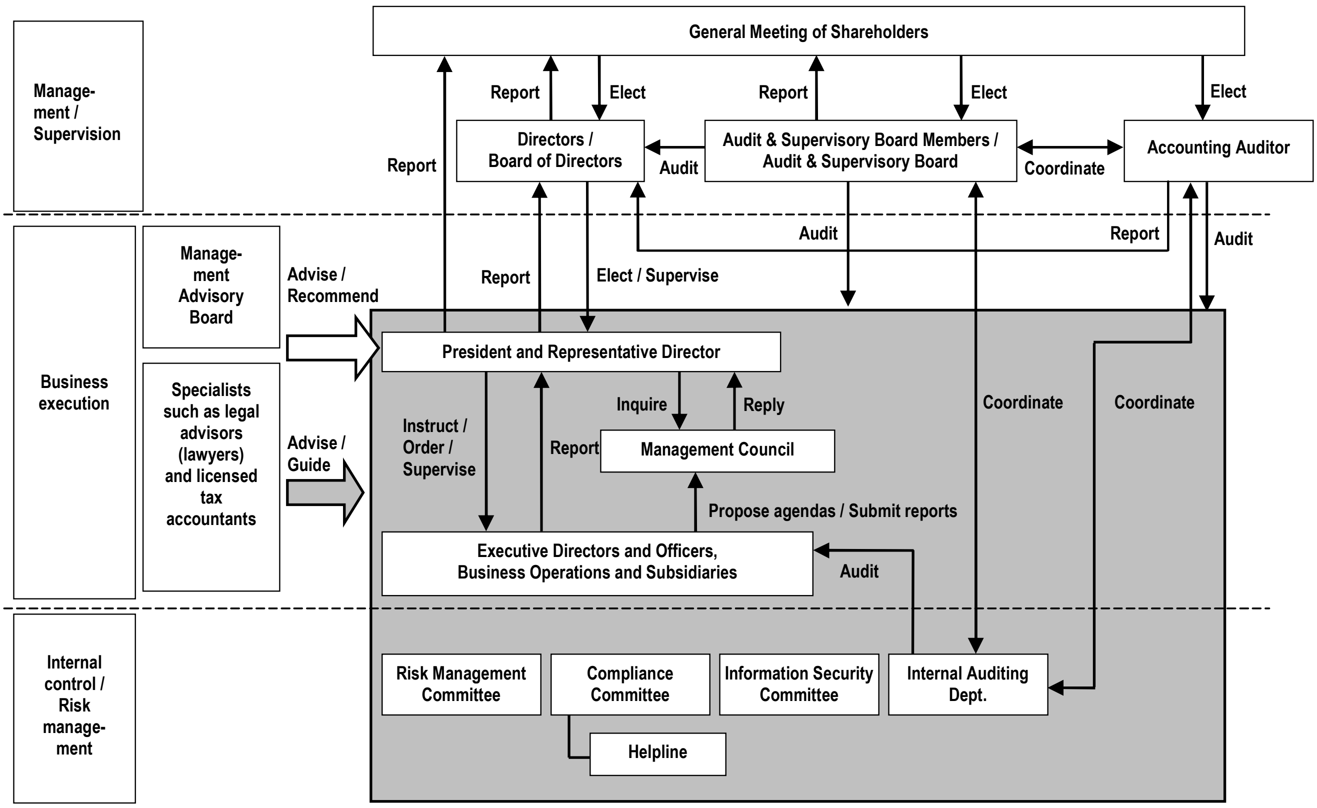
The Board of Directors of the Company, as its highest-level decision-making body, meets at least once every month. In addition, a Management Council, a body supporting the Board of Directors and President of the Company, has been set up for deliberation on important management issues in accordance with the Company’s basic management policies. To enable a speedy and effective response to changes in the business environment, the scope of matters requiring discussion by the Board of Directors, and the limits of decision-making authority delegated to Company officers depending on position are subject to constant review with the goal of ensuring swift decision making and execution of orders at the operational level.

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

There is also a Management Advisory Board composed of experts from outside the Company. This was set up with the goal of obtaining advice and recommendations so that the Group may boost the soundness, fairness and transparency of its management and thus better serve society and its customers.

At present, in the opinion of the management of the Company, no particular organizational problem exists with regard to management decision making, execution, or supervision, but the management will continue to examine and debate this matter at regular intervals so as to ensure that appropriate corporate governance is always conducted.

The Group’s Corporate Governance Structure



Reason for adopting the Group's corporate governance structure

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

The Company receives opinion and guidance from the two outside directors and the three outside audit & supervisory board members concerning the overall management of the Company. They also serve the important role of monitoring the President and Representative Director and the executive directors, and the Company believes in ensuring that the monitoring and advising function provided to the management is sufficiently working, and that it is objective and neutral.

In addition, the directors' term of office is one year in order to clarify management responsibilities each fiscal year and establish a management structure that can respond swiftly to changes in the business environment.

Progress made in establishing internal control system

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

A. Outline

The resolutions concerning the basic policy of the Company's internal control system were passed at the Board of Directors' meeting in accordance with Article 362, Paragraph 5 of the Corporation Law. The aforesaid resolutions provide the broad framework for articles and paragraphs required for the system establishment of an internal control system as provided by Article 100 of the Ordinance for Enforcement of the Corporation Law.

While the Company's objective for the internal control system based on the aforesaid resolutions is rapid implementation, the Company aims to review the system on a regular basis, or when otherwise required, for the purpose of improvement, and through such, aims to create an efficient and proper system for corporate operations.

B. System to ensure storage and management of information relating to the execution of duties of directors

a) The director in charge of the Operation Promote Department shall implement operations for the proper preservation and management (including disposal) of documents and other information relating to the execution of duties of directors by using documents or electronic information created in accordance with document management rules, the regulations on the use of Company information, basic principles on the protection of personal information and manuals related to the storage and management of such information, and when required, the aforesaid director shall inspect the state of such operation and review the respective rules.

b) At all times, the directors and the audit & supervisory board members shall be able to view these documents or electronic information.

C. System for rules relating to management of risks of loss and other rules

a) The Company shall follow its risk management basic policy with respect to each individual risk, and continuously monitor the organization etc. associated with the risk. It shall centralize information related to all company risks in the Risk Management Committee headed by the Company's Representative Director. The Risk Management Committee shall evaluate, and manage the overall order of priority of the risks.

b) The Internal Auditing Department shall audit the day-to-day risk management situation of the respective division or department of the Company or its subsidiaries in cooperation with the division or department's staff member charged with the auditing of matters relating to product quality and environmental protection, and, when reporting on a regular basis to the Risk Management Committee, Board of Directors and Audit & Supervisory Board, shall not only report on matters related to risk management, but also report on the progress of the establishment of the risk management system inside the Company.

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

D. System to ensure directors can efficiently execute their duties

a) While providing group-wide 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 President and Representative Director shall appoint person in charge of such duties for each business unit by resolution of the Board of Directors. By delegating authority to the aforesaid persons in charge of such duties, it shall be possible to efficiently and quickly execute duties.

b) With regard to execution of duties based on resolution of the Board of Directors, the respective scope of responsibility and decision-related procedures shall be provided in a form stating decision-reporting procedures.

c) Measures deciding the forward course of management activities shall, in accordance with the basic policy on execution of duties that was resolved by the Board of Directors, be entrusted to scheduled or unscheduled discussions held in the Management Council that serves as an advisory body directed by the President and Representative Director, which shall make decisions and realize flexible execution of duties.

E. System necessary to ensure the execution of duties by Company personnel complies with laws and regulations and the Articles of Incorporation of the Company

a) The Company shall establish provisions relating to the compliance system and provide conduct guidelines to ensure directors and employees act in a way that complies with laws and regulations, the Articles of Incorporation of the Company and the motto and precepts of the Company. Moreover, to ensure the thoroughness of such compliance, the Company shall appoint a director in charge of compliance to supervise the Compliance Committee. Through doing this, the Company led by the Compliance Committee, while striving to establish a compliance system that extends laterally across the Company and keep abreast of problematic issues, shall create compliance manuals and train employees. The director in charge of compliance shall regularly report these activities to the Board of Directors and Audit & Supervisory Board.

b) Under the Compliance Committee, and serving as an internal reporting system for the protection of people reporting information in the public interest, a "helpline" shall be established where outside lawyers or third-party bodies etc. are the information recipients. Upon receiving a report or notice from an information recipient, the Compliance Committee shall investigate the substance of the report or notice and if a violation is apparent, it shall hold discussion with the unit responsible for the violation and decide upon measures that will prevent the reoccurrence of such a violation. In addition to releasing an internal company report that includes the result of disciplinary action, it shall carry out measures that will prevent the reoccurrence of such a violation within the Company.

F. System necessary to ensure the properness of operations in the corporate group that is formed by the Company, its parent company and its subsidiaries

a) To ensure the properness of operations in group companies, the following group management philosophy has been selected as the corporate image to be aspired to: "We aim to be the most trusted and familiar group to all customers." Also, in addition to reaching common ethical behavior guidelines, consolidated management targets and business operation policy shall be shared as a corporate group at the Group Joint Management Council. With regard to execution of duties, management of subsidiary businesses shall be based on a "group-wide form stating decision-making and reporting procedures."

b) A Management Advisory Board has been set up as an advisory body to the President and Representative Director of the Company, who receives the board's advice and recommendations for maintaining and improving the Group's soundness, fairness and transparency, and reflects these in decision making.

c) Subsidiaries of the Company shall report to directors of the Company, on a monthly basis, on the risks involving results and business operations. Moreover, directors of the Company who have been dispatched as directors of a subsidiary shall report to the director or employee designated by the President and Representative Director of the Company regarding the status of discussions by the subsidiary's Board of Directors and management on operational issues.

d) The committee members of Risk Management Committee of the Company shall include representation from its subsidiaries and this committee shall also manage the risks of its subsidiaries. Moreover, group companies shall also be included in the scope of activities of the Compliance Committee and the internal auditing unit, and have access to the helpline as well.

e) The Company and its subsidiaries 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.

f) To construct a system necessary to ensure the properness of financial reporting, the Group shall establish various provisions related to financial reporting and aim to enhance internal controls related to financial reporting by conducting educational programs and promoting awareness of compliance of accounting standards and other related laws and regulations. Moreover, the Company's unit in charge of finance reporting, in cooperation with the audit & supervisory board members of each group company, shall construct a scheme for regularly evaluating and improving the state of the design and operation of this system.

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

G. Placement of employees to assist in audit & supervisory board member duties

The Internal Auditing Department executes internal auditing of matters requested by the audit & supervisory board members through deliberation with the Audit & Supervisory Board and reports the results of such audits to the Audit & Supervisory Board. Moreover, if the Audit & Supervisory Board requests to appoint an employee to assist in such duties, the Internal Auditing Department shall expeditiously comply with such a request.

H. Independence from the directors of employees who assist in audit & supervisory board member duties

Employees belonging to the Internal Auditing Department who receive a request from the audit & supervisory board members to carry out necessary internal auditing duties shall not receive instructions or orders that relate to such internal auditing from directors etc. except the director in charge of the Internal Auditing Department. Moreover, in order to ensure independence, when the Audit & Supervisory Board requests the placement of an employee to assist in auditing duties, that employee shall not receive instructions or orders from directors.

I. System for reporting to the audit & supervisory board members including system for directors and employees to report to the audit & supervisory board members

a) Directors and employees shall report the information necessary to respond to respective audit & supervisory board member requests in accordance with the stipulation of the Audit & Supervisory Board.

b) The subjects of the information matters mentioned in the previous paragraph are mainly:
- Content of agenda items for resolution at the General Meeting of Shareholders
- Status of activities at units concerning the construction of the Company's internal control system
- Status of activities of audit & supervisory board members, the Internal Auditing Department, and staff members in divisions or departments in charge of auditing matters of the Company's subsidiaries or affiliates
- Material accounting policies and accounting standards of the Company and changes thereof
- Details of announcements of operating results and operating forecasts, and details of material disclosure documents
- Operation and details of reports of the internal reporting system

J. Other system necessary to ensure auditing of audit & supervisory board members is effectively executed

a) The Audit & Supervisory Board shall not only make the opportunity for hearings from executive directors and important employees, but also make the opportunity for regular exchange of opinions from the President and Representative Director and the accounting auditors.

b) Committees contributing to the internal control system such as the Risk Management Committee and the Compliance Committee, the Internal Auditing Department, and staff members in each division or department in charge of auditing duties shall respect the opinions of each audit & supervisory board member concerning the assurance of effectiveness of the auditing of audit & supervisory board members.

<u>Risk management system</u>

The Company's risk management basic policy has set specific, systematic procedures for risk management, under which each responsible unit exercises continuous oversight of each individual risk factor. In addition, the Company established a Risk Management Committee, chaired by the President and Representative Director, to address risk factors that affect the Company as a whole by evaluating and prioritizing risks to comprehensively manage risk. A crisis management manual has been prepared on the basis of the Company's risk management basic policy, to prepare for any foreseeable sudden risks to operations. In addition, in the event of a sudden incident or emergency, an Emergency Headquarters will be established immediately in accordance with the crisis management manual, to take action in order to deal swiftly and appropriately with the incident. The members of the Risk Management Committee include representatives from each of the Company's major subsidiaries. Furthermore, in order to manage operating risks at subsidiaries, each subsidiary reports on its management risks to the directors responsible for risk management, as needed.

In order to provide a solid legal compliance structure, the Company has established a Compliance Committee (chaired by the member of the Board of Directors responsible for compliance issue, with administrative work performed by members of the Internal Auditing Department), which is at the center of various compliance activities. The Committee chairman reports back to the Board of Directors and the Audit & Supervisory Board on the status of compliance activities. In addition to establishing and publically releasing a document entitled "Group Guidelines on Ethical Behavior," which explains to people both within and outside the Group the core values and activities expected of group companies, the Company also set up "helplines," that employees of Group companies can use to report information or seek guidance (there are many ways to contact this helpline, from both within and outside the Company), and set up a Compliance Investigation Committee to investigate any suggestions of illegal activity. In order to ensure that all employees have been instructed in, and have a proper understanding of what compliance entails, the Company has been conducting a "Mind Up Program." In the event of non-compliance, such cases are fully reported (up to and including action taken against employees or directors found to be at fault) to employees of the whole Company and other Group companies, and companywide efforts are being implemented to prevent any recurrence.

With regard to information security, the Company has established and in accordance with the regulations on the use of Company information, as well as basic principles on the protection of personal information, as well as preparing operations manuals related to the storage and management of such information. In addition, the Information Security Committee (headed by the General Manager of the Operation Promote Department or a person who is appointed by the General Manager of the Operation Promote Department, with administrative work performed by the Corporate Planning Department in charge) conducts training sessions to teach employees proper information management procedures, confirms that the specified procedures are being carried out, and reviews or revises each information management regulation. The directors and the audit & supervisory board members have continuous access right to documents and electronic information related to the deliberations and activities of directors.

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

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

In addition, the Company's auditing firm — Ernst & Young ShinNihon LLC — as part of its normal duties as an accounting auditor, provides the Company with advice relating to problems in the sphere of the Company's accounts and general management. (The President of the Company regularly discusses such issues with accountants of Ernst & Young ShinNihon LLC). Neither Ernst & Young ShinNihon LLC as a corporate entity nor its accountants as individuals, have any particular interests in the Company that would cause conflict of interest in the performance of their contractual duties.

Auditing work for the Company during the reporting period was performed principally by the three certified public accountants listed below, assisted by thirty-three other qualified persons, including nineteen CPAs and fourteen other qualified persons.

Names & titles of CPAs	Auditing firm to which the CPA belongs
Hitoshi Sakurai Designated and Limited Engagement Partner	Ernst & Young ShinNihon LLC
Junya Abe Designated and Limited Engagement Partner	Ernst & Young ShinNihon LLC
Yoshiyuki Sakuma Designated and Limited Engagement Partner	Ernst & Young ShinNihon LLC

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

2. The auditing firm noted above takes measures so that its engagement partners do not participate in the accounting audits of the Company on a consecutive basis for over a certain number of years.

(b) Status of internal audits and audit & supervisory board member audits

The Audit & Supervisory Board determines the auditing policies as well as the division of responsibilities among audit & supervisory board members, and each audit & supervisory board member complies with the Board's policy directives and sits in on meetings of the Board of Directors and other important management meetings. Audit & supervisory board members hear business reports from individual directors and peruse the documents employed in the process of reaching decisions on important matters. The audit & supervisory board members conduct on-site investigations at the Company's Head Office and other important business places regarding business performance and financial position. The audit & supervisory board members also request reports from the managements of the Company's subsidiaries on their business performance. When deemed necessary, the audit & supervisory board members visit subsidiaries to investigate the performance of their business and their financial position at first hand. The three standing audit & supervisory board members simultaneously act as audit & supervisory board members for the Company's main subsidiaries. Regular meetings are held between the Audit & Supervisory Board and the President of the Company, and extraordinary meetings may be held when necessary: these meetings are utilized to exchange opinions regarding proposals covering the whole range of the Company's business activities.

The Company has set up an Internal Auditing Department to act as its internal auditing unit with nine staff members. The staff of the Internal Auditing Department perform auditing – in line with the directives laid down in the auditing plan for each year, as well as in accordance with requests received from the President, the director in charge of the Internal Auditing Department or the audit & supervisory board members – to confirm that organized activities throughout the Group are being carried out properly and efficiently in conformity with the law, or in line with the Company's own internal regulations and the management's policies. If required, the Internal Auditing Department cooperates with the audit & supervisory board members as well as accounting auditors by exchanging information and other actions. Auditing activities are also conducted in cooperation with staff members of the Company who are in charge of the auditing of matters relating to labor, safety, product quality and environmental protection.

(c) Outside directors and outside audit & supervisory board members

The Company has two outside directors and three outside audit & supervisory board members.

Outside director Mr. Ichiro Sakai has expertise as a lawyer and broad insight. Although Mr. Sakai is an outside director of Mazda Motor Corporation and the Company has a business relationship with that company involving leasing of commercial vehicles, it is a regular business relationship and there are no special interests between the two companies. Consequently, it has no impact on the independence of Mr. Sakai.

Outside director Mr. Kazunari Uchida has long-standing experience as a corporate management consultant and has a strong expertise on corporate management and broad insight. Mr. Uchida has no material interest in the Company.

Outside audit & supervisory board member Mr. Shunichiro Ishiguro has long-standing experience as a manager responsible for the accounting unit of Nakashimato Co., Ltd., an "other associated company" of the Company and holds a suitable degree of knowledge concerning finance and accounting. In addition, Mr. Ishiguro is a director of Nakashimato Co., Ltd. Nakashimato Co., Ltd. is the largest shareholder of the Company and currently possesses 22.0% of total voting rights of the Company (14.2% of the voting rights are held directly). Three of the directors or audit & supervisory board members of the Company (including Mr. Ishiguro) concurrently hold the posts of director or audit & supervisory board member at Nakashimato Co., Ltd.

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

Outside audit & supervisory board member Ms. Emiko Takeishi has experience in the sector of public administration and broad knowledge about personnel systems and labor policies. Ms. Takeishi has no material interest in the Company.

The Company has not determined criteria or policies on independence for the purpose of appointing outside directors and outside audit & supervisory board members. However, Mr. Ichiro Sakai and Mr. Kazunari Uchida, who are outside directors, and Mr. Haruo Kasama and Ms. Emiko Takeishi, who are outside audit & supervisory board members, have been registered at Tokyo Stock Exchange, Inc. as independent directors/auditors who do not carry the risk of having a conflict of interests with ordinary shareholders. This demonstrates the Company's efforts to secure outside directors and outside audit & supervisory board members that have a high degree of independence from an objective viewpoint. Furthermore, although outside audit & supervisory board member Mr. Shunichiro Ishiguro has not been registered as an independent auditor, he provides valuable suggestions and advice to the Company, largely based on his long-standing experience as a manager responsible for the accounting unit of a business company. As such, the Company judges that the current structure is one under which management supervision functions adequately in terms of objectivity and neutrality from an outside perspective, which are considered important for corporate governance.

(d) Compensation of directors and audit & supervisory board members

(i) The total compensation of directors and audit & supervisory board members by type, total compensation by classification, and number of people receiving compensation

Type of directors and audit & supervisory board members	Total compensation (millions of yen)	Total compensation by classification (millions of yen)		Number of people receiving compensation
		Basic compensation	Bonuses	
Directors (excluding outside directors)	380	323	57	14
Audit & supervisory board members (excluding outside audit & supervisory board members)	45	45	—	2
Outside directors and outside audit & supervisory board members	47	47	—	4

(ii) Details and decision-making method of policy concerning compensation amounts of directors and audit & supervisory board members and calculation method thereof

The compensation paid to directors is in the form of monthly compensation and bonuses. The monthly compensation is decided separately according to each director's status and is limited within the scope of the compensation limit resolved by the General Meeting of Shareholders.

Concerning bonuses paid to directors, the total compensation amounts are deliberated as an agenda item at the General Meeting of Shareholders and the individual amounts are decided by the Board of Directors based on a reference amount decided by the director's status and then adjusted to reflect company performance and the director's individual achievements.

The compensation paid to audit & supervisory board members is in the form of monthly compensation only. The individual compensation amounts are decided through negotiation with the audit & supervisory board members within the scope of the compensation limit resolved by the General Meeting of Shareholders.

(e) Status of shareholdings

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

Number of issues: 125 issues

Total book value on the balance sheet: ¥17,632 million

(ii) Holding classification, issue, number of shares, book value on the balance sheet, and purpose of shareholding for investment shares held for purposes other than pure investment

Previous fiscal year

Specified investment shares

Issue	Number of shares	Book value on the balance sheet (millions of yen)	Purpose of shareholding
Saha Pathanapibul Public Co., Ltd.	16,072,583	2,275	To strengthen business relationship
Nichirei Corporation	3,109,000	1,685	To strengthen trading relationship
Kato Sangyo Co., Ltd.	840,300	1,614	To strengthen trading relationship
Kirin Holdings Company, Limited	507,000	800	To strengthen trading relationship
Kikkoman Corporation	374,000	734	To strengthen trading relationship
Ono Pharmaceutical Co., Ltd.	77,000	597	To strengthen business relationship
Sumitomo Mitsui Financial Group, Inc.	112,483	570	To maintain stable trading relationship with financial institution
Seven & i Holdings Co., Ltd.	124,600	469	To strengthen trading relationship
Mizuho Financial Group, Inc.	1,807,200	388	To maintain stable trading relationship with financial institution
Yoshinoya Holdings Co., Ltd.	290,788	344	To strengthen trading relationship
Mitsubishi UFJ Financial Group, Inc.	495,500	326	To maintain stable trading relationship with financial institution
Inageya Co., Ltd.	302,791	299	To strengthen trading relationship
Taisho Pharmaceutical Holdings Co., Ltd.	39,600	278	To strengthen business relationship
Casio Computer Co., Ltd.	181,000	210	To strengthen business relationship
Toho Co., Ltd.	550,000	199	To strengthen trading relationship
KFC Holdings Japan, Ltd.	67,000	140	To strengthen trading relationship
Kadoya Sesame Mills Incorporated	50,000	135	To strengthen trading relationship
Yomeishu Seizo Co., Ltd.	163,000	132	To strengthen business relationship
Takara Holdings Inc.	125,000	125	To strengthen business relationship
The Dai-ichi Life Insurance Company, Limited	74,200	119	To strengthen business relationship
Tokan Co., Ltd.	57,792	111	To strengthen trading relationship
Sumitomo Mitsui Trust Holdings, Inc.	219,030	110	To maintain stable trading relationship with financial institution
Nakamuraya Co., Ltd.	271,127	107	To strengthen trading relationship

Stocks regarded as holding shares

Issue	Number of shares	Book value on the balance sheet (millions of yen)	Purpose of shareholding
Toyo Suisan Kaisha, Ltd.	728,000	2,172	Power to exercise voting rights
Seven & i Holdings Co., Ltd.	485,000	1,828	Power to exercise voting rights
Sumitomo Corporation	654,000	828	Power to exercise voting rights
Mitsubishi Shokuhin Co., Ltd.	299,000	799	Power to exercise voting rights
Kyowa Hakko Kirin Co., Ltd.	475,000	566	Power to exercise voting rights
Yamato Holdings Co., Ltd.	219,000	475	Power to exercise voting rights
Aeon Co., Ltd.	220,000	303	Power to exercise voting rights

Current fiscal year

Specified investment shares

Issue	Number of shares	Book value on the balance sheet (millions of yen)	Purpose of shareholding
Saha Pathanapibul Public Co., Ltd.	16,072,583	2,451	To strengthen business relationship
Kato Sangyo Co., Ltd.	840,300	1,910	To strengthen trading relationship
Nichirei Corporation	3,109,000	1,604	To strengthen trading relationship
Nisshin Seifun Group Inc.	1,003,981	1,179	To strengthen trading relationship
Kikkoman Corporation	374,000	1,056	To strengthen trading relationship
Ono Pharmaceutical Co., Ltd.	77,000	782	To strengthen business relationship
Kirin Holdings Company, Limited	507,000	772	To strengthen trading relationship
Seven & i Holdings Co., Ltd.	124,600	551	To strengthen trading relationship
Sumitomo Mitsui Financial Group, Inc.	112,483	503	To maintain stable trading relationship with financial institution
Yoshinoya Holdings Co., Ltd.	291,975	378	To strengthen trading relationship
Mizuho Financial Group, Inc.	1,807,200	370	To maintain stable trading relationship with financial institution
Inageya Co., Ltd.	304,301	355	To strengthen trading relationship
Mitsubishi UFJ Financial Group, Inc.	495,500	339	To maintain stable trading relationship with financial institution
Casio Computer Co., Ltd.	181,000	324	To strengthen business relationship
Taisho Pharmaceutical Holdings Co., Ltd.	39,600	291	To strengthen business relationship
Toho Co., Ltd.	550,000	234	To strengthen trading relationship
Axial Retailing Inc.	61,700	161	To strengthen trading relationship
KFC Holdings Japan, Ltd.	67,000	144	To strengthen trading relationship
Kadoya Sesame Mills Incorporated	50,000	130	To strengthen trading relationship
The Dai-ichi Life Insurance Company, Limited	74,200	127	To strengthen business relationship
Showa Sangyo Co., Ltd.	268,000	125	To strengthen trading relationship
Nakamuraya Co., Ltd.	275,611	122	To strengthen trading relationship
Tokan Co., Ltd.	58,175	116	To strengthen trading relationship

Stocks regarded as holding shares

Issue	Number of shares	Book value on the balance sheet (millions of yen)	Purpose of shareholding
Toyo Suisan Kaisha, Ltd.	728,000	2,926	Power to exercise voting rights
Seven & i Holdings Co., Ltd.	485,000	2,147	Power to exercise voting rights
Sumitomo Corporation	654,000	827	Power to exercise voting rights
Mitsubishi Shokuhin Co., Ltd.	299,000	791	Power to exercise voting rights
Kyowa Hakko Kirin Co., Ltd.	475,000	612	Power to exercise voting rights
Yamato Holdings Co., Ltd.	219,000	588	Power to exercise voting rights
Aeon Co., Ltd.	220,000	260	Power to exercise voting rights

(Notes)
1. Specified investment shares and stocks regarded as holding shares are not added together at the stage of selecting the top issues in terms of book value on the balance sheet.
2. Stocks regarded as holding shares are put into a trust to cover retirement benefit obligations. The amounts presented in the "Book value on the balance sheet" column are obtained by multiplying the market value as of the end of the current fiscal year by the number of shares that confer the power to exercise voting rights. The information presented in the "Purpose of shareholding" column describes the power the Company holds with respect to such shares.

(iii) Investment shares for pure investment purposes

Not applicable.

(f) Overview of content of limited liability contract

In accordance with the provisions of Article 427, Paragraph 1 of the Corporation Law 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 Corporation Law and Article 38 of the Articles of Incorporation, the Company and each of its outside audit & supervisory board members 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 Corporation Law.

(g) Number of directors

The Articles of Incorporation of the Company stipulate that the number of Company's directors is limited to not more than 20 members.

(h) Election and dismissal of directors

The Articles of Incorporation of the Company stipulate that election and dismissal of directors shall be made by the majority of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders entitled to exercise their votes at such shareholders meeting are present, and prohibits the resolution of election of directors based on cumulative voting.

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

a) Dividends from surplus

As for matters listed in items of Article 459, Paragraph 1 of the Corporation Law 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.

b) Repurchase of shares

For the purpose of executing the mobile capital policy, in accordance with the provisions of Article 165, Paragraph 2 of the Corporation Law, the Articles of Incorporation of the Company stipulate that the Company may repurchase shares on the open market upon resolution by the Board of Directors.

(j) Exceptional agenda for resolutions at the General Meeting of Shareholders

As for exceptional agenda at the General Meeting of Shareholders provided for in Article 309, Paragraph 2 of the Corporation Law, the Articles of Incorporation of the Company stipulate that the resolutions of those General Meetings of Shareholders shall be made by two thirds or more of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders entitled to exercise their votes at such shareholders meeting are present. This is intended to facilitate the operation of the General Meetings of Shareholders by relaxing the restrictions imposed by the required number of shareholders present.

(2) Compensation for auditing certificated public accountants

(a) Details of compensation for auditing certificated public accountants

Classification	Previous fiscal year		Current fiscal year	
	Compensation for audit or attestation services (millions of yen)	Compensation for non-audit services (millions of yen)	Compensation for audit or attestation services (millions of yen)	Compensation for non-audit services (millions of yen)
The Company	89	10	89	12
Consolidated subsidiaries	43	4	46	8
Total	132	14	135	20

(b) Other important details on compensation

Compensation for audit and non-audit services paid to Ernst & Young, part of the same network as the auditing certificated public accountants of the Company, Ernst & Young ShinNihon LLC, by overseas consolidated subsidiaries was ¥29 million and ¥9 million, respectively, in the previous fiscal year, and ¥33 million and ¥1 million, respectively, in the current fiscal year.

(c) Non-audit services performed by auditing certificated public accountants for the Company

For services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Law, the Company entrusted to the auditing certificated public accountants advisory services regarding the transition etc. to the International Financial Reporting Standards (IFRS) in both the previous and the current fiscal year, and paid compensation to the auditing certificated public accountants for those services.

(d) Policy for determining compensation for auditing

The compensation to auditing certificated public accountants of the Company is determined based on a verification of the scope, content and days, etc. of the audit plan of the auditing certificated public accountants and approved by the Audit & Supervisory Board in accordance with the provisions of the Corporation Law.

V. Financial Information

1. Preparation of the consolidated financial statements

The consolidated financial statements of the Company were prepared in accordance with the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Ordinance on Consolidated Financial Statements").
The comparative information included in the consolidated financial statements for the current fiscal year (from December 1, 2013 to November 30, 2014) was prepared based on the Ordinance on Consolidated Financial Statements before its revision, pursuant to Article 3, Paragraph 2 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Revision of the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc. (Cabinet Office Ordinance No. 61 of September 21, 2012).

2. Audit

The audits were performed by Ernst & Young ShinNihon LLC on the consolidated financial statements for the fiscal year (from December 1, 2013 to November 30, 2014) 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, 2013)	Current fiscal year (As of November 30, 2014)
Assets		
Current assets		
Cash and deposits	33,967	34,815
Notes and accounts receivable — trade	77,460	81,498
Securities	10,000	10,000
Purchased goods and products	12,478	14,811
Work in process	950	1,142
Raw materials and supplies	5,878	6,995
Deferred tax assets	2,142	2,453
Other	3,801	3,079
Allowances for doubtful accounts	(242)	(203)
Total current assets	146,435	154,593
Fixed assets		
Tangible fixed assets		
Buildings and structures	*4 138,035	*4 151,166
Accumulated depreciation	(82,213)	(86,759)
Net book value	*2 55,822	*2 64,406
Machinery, equipment and vehicles	*4 133,368	*4 142,058
Accumulated depreciation	(109,274)	(113,659)
Net book value	24,094	28,399
Land	*2 42,191	*2 46,109
Lease assets	6,158	7,573
Accumulated depreciation	(2,523)	(3,256)
Net book value	3,634	4,317
Construction in progress	7,401	7,144
Other	*4 10,544	*4 11,894
Accumulated depreciation	(7,860)	(8,720)
Net book value	2,684	3,173
Total tangible fixed assets	135,828	153,550
Intangible fixed assets		
Goodwill	—	183
Computer software	1,857	2,456
Other	810	748
Total intangible fixed assets	2,667	3,388
Investments and other assets		
Investment securities	*1 23,536	*1 26,568
Long-term loans receivable	593	501
Prepaid pension costs	15,736	—
Assets for retirement benefits	—	8,207
Deferred tax assets	1,355	1,853
Other	*1 9,078	*1 8,872
Allowances for doubtful accounts	(575)	(540)
Total investments and other assets	49,724	45,462
Total fixed assets	188,220	202,401
Total assets	334,655	356,994

(Millions of yen)

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable — trade	50,786	53,775
Short-term loans payable	*2 8,312	*2 7,859
Accounts payable — other	20,113	25,294
Accrued expenses	9,140	9,826
Accrued income taxes	2,725	5,278
Deferred tax liabilities	15	22
Reserves for sales rebates	912	934
Reserves for bonuses	1,117	1,054
Reserves for directors' bonuses	139	112
Other reserves	—	28
Other	2,637	1,910
Total current liabilities	95,901	106,097
Non-current liabilities		
Bonds	10,000	10,000
Long-term loans payable	*2 3,711	*2 6,632
Deferred tax liabilities	7,469	5,652
Reserves for retirement benefits	2,315	—
Liabilities for retirement benefits	—	2,581
Asset retirement obligations	332	653
Other	4,639	4,980
Total non-current liabilities	28,468	30,499
Total liabilities	124,369	136,596
Net Assets		
Shareholders' equity		
Paid-in capital	24,104	24,104
Capital surplus	29,434	30,309
Earned surplus	132,491	142,489
Treasury stock	(3,392)	(1,150)
Total shareholders' equity	182,638	195,752
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	4,771	5,902
Unrealized gains (losses) on hedges	(4)	4
Foreign currency translation adjustments	(3,200)	(1,234)
Accumulated adjustments for retirement benefits	—	(5,373)
Total accumulated other comprehensive income	1,566	(701)
Minority interests	26,080	25,346
Total net assets	210,285	220,397
Total liabilities and net assets	334,655	356,994

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

(Millions of yen)

		Previous fiscal year (From December 1, 2012 to November 30, 2013)		Current fiscal year (From December 1, 2013 to November 30, 2014)
Net sales		530,549		553,404
Cost of sales	*1	402,283	*1	419,042
Gross profit		128,266		134,362
Selling, general and administrative expenses	*2, *3	105,864	*2, *3	110,018
Operating income		22,402		24,343
Non-operating income				
Interest income		156		152
Dividends income		464		388
Equity in earnings of affiliates		111		—
Dividends income of insurance		177		190
Other		826		1,118
Total non-operating income		1,736		1,850
Non-operating expenses				
Interest expenses		259		296
Business commencement expenses		11		189
Equity in losses of affiliates		—		102
Other		119		237
Total non-operating expenses		389		825
Ordinary income		23,749		25,368
Extraordinary gains				
Gains on sales of fixed assets	*4	321	*4	104
Gains on sales of investment securities		212		45
Gains on sales of shares of subsidiaries and affiliates		—	*5	198
Compensation income	*6	161		—
Gains on negative goodwill	*7	1,200	*7	406
Other		—		4
Total extraordinary gains		1,896		759
Extraordinary losses				
Losses on disposal of fixed assets	*8	1,089	*8	883
Losses on impairment of fixed assets	*9	1,114	*9	586
Losses on withdrawal from employees' pension fund		386		—
Other		649		82
Total extraordinary losses		3,240		1,551
Income before income taxes and minority interests		22,405		24,575
Income taxes		7,424		9,212
Income taxes — deferred		236		(82)
Total income taxes		7,660		9,130
Income before minority interests		14,744		15,445
Minority interests		2,176		2,078
Net income		12,567		13,366

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Income before minority interests	14,744	15,445
Other comprehensive income		
Unrealized holding gains (losses) on securities	2,232	1,224
Unrealized gains (losses) on hedges	(20)	6
Foreign currency translation adjustments	2,294	2,289
Share of other comprehensive income of affiliates accounted for using equity method	5	2
Total other comprehensive income	* 4,511	* 3,522
Comprehensive income	19,256	18,968
(Breakdown)		
Comprehensive income attributable to owners of the parent	16,490	16,472
Comprehensive income attributable to minority interests	2,766	2,495

(c) Consolidated Statements of Changes in Net Assets
Previous fiscal year (From December 1, 2012 to November 30, 2013)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	24,104	29,434	123,143	(3,389)	173,292
Changes of items during the fiscal year					
Dividends from surplus			(3,219)		(3,219)
Net income			12,567		12,567
Repurchase of shares				(3)	(3)
Change in treasury stock arising from change in equity in affiliates accounted for using equity method					—
Allocation of treasury stock by share exchange					—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	9,348	(3)	9,345
Balance at the end of the current fiscal year	24,104	29,434	132,491	(3,392)	182,638

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehen-sive income		
Balance at the beginning of the current fiscal year	2,646	7	(5,009)	—	(2,355)	24,991	195,928
Changes of items during the fiscal year							
Dividends from surplus							(3,219)
Net income							12,567
Repurchase of shares							(3)
Change in treasury stock arising from change in equity in affiliates accounted for using equity method							—
Allocation of treasury stock by share exchange							—
Net changes of items other than shareholders' equity	2,124	(11)	1,809	—	3,922	1,089	5,012
Total changes of items during the fiscal year	2,124	(11)	1,809	—	3,922	1,089	14,357
Balance at the end of the current fiscal year	4,771	(4)	(3,200)	—	1,566	26,080	210,285

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

(Millions of yen)

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

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

(d) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	22,405	24,575
Depreciation and amortization	14,572	16,132
Losses on impairment of fixed assets	1,114	586
Amortization of goodwill	45	14
Equity in losses (earnings) of affiliates	(111)	102
Losses (gains) on valuation of investment securities	8	4
Gains on negative goodwill	(1,200)	(406)
Increase (decrease) in reserves for retirement benefits	(413)	(2,315)
Decrease (increase) in prepaid pension costs	189	15,736
Increase (decrease) in liabilities for retirement benefits	—	2,523
Decrease (increase) in assets for retirement benefits	—	(16,198)
Increase (decrease) in reserves for sales rebates	(83)	22
Increase (decrease) in reserves for directors’ bonuses	9	(26)
Increase (decrease) in reserves for bonuses	113	(72)
Increase (decrease) in allowances for doubtful accounts	84	(77)
Interest and dividends income	(620)	(540)
Interest expenses	259	296
Losses (gains) on sales of investment securities	(2)	(45)
Losses (gains) on sales and disposal of fixed assets	783	784
Decrease (increase) in notes and accounts receivable — trade	(10,162)	(3,419)
Decrease (increase) in inventories	(940)	(3,215)
Increase (decrease) in notes and accounts payable — trade	8,760	2,613
Increase (decrease) in accounts payable — other	4,265	414
Increase (decrease) in accrued consumption taxes	143	2,473
Increase (decrease) in long-term accounts payable	(57)	(201)
Other	(111)	368
Sub-total	39,051	40,128
Interest and dividends income received	647	594
Interest paid	(260)	(296)
Income taxes paid	(12,068)	(6,034)
Net cash provided by (used in) operating activities	27,369	34,392

(Millions of yen)

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Cash flows from investing activities		
Purchases of securities	—	(10,000)
Proceeds from redemption of securities	—	10,000
Purchases of tangible fixed assets	(25,450)	(28,243)
Purchases of intangible fixed assets	(1,021)	(1,252)
Purchases of investment securities	(714)	(1,092)
Proceeds from sales of investment securities	659	133
Proceeds from redemption of investment securities	—	1,946
Purchases of shares of subsidiaries and affiliates	—	(2,184)
Acquisition of subsidiaries' shares	(697)	(35)
Proceeds from sales of subsidiaries' shares	623	432
Proceeds from acquisition of subsidiaries' shares resulting in change in scope of consolidation	—	70
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	131	—
Payments of loans receivable	(138)	(146)
Collection of loans receivable	299	201
Payments into time deposits	(3)	(20)
Proceeds from withdrawal of time deposits	3,000	—
Other	1,415	(657)
Net cash provided by (used in) investing activities	(21,897)	(30,847)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	310	(1,530)
Repayment of lease obligations	(1,120)	(1,332)
Proceeds from long-term loans payable	3,830	4,610
Repayment of long-term loans payable	(1,177)	(1,010)
Redemption of bonds	(500)	—
Cash dividends paid	(3,219)	(3,369)
Cash dividends paid to minority shareholders	(426)	(513)
Repurchase of shares	(3)	(4)
Net cash provided by (used in) financing activities	(2,307)	(3,149)
Effects of exchange rate changes on cash and cash equivalents	411	429
Increase (decrease) in cash and cash equivalents	3,576	825
Cash and cash equivalents at the beginning of the fiscal year	40,387	43,963
Cash and cash equivalents at the end of the fiscal year	* 43,963	* 44,788

Notes

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

1. Consolidated subsidiaries

The Company has fifty-two consolidated subsidiaries and their names are omitted so as to be reported in "I. Outline of the Company 3. Outline of Associated Companies."

In the current fiscal year, the number of consolidated subsidiaries increased by two because Green Message Co., Ltd. was newly established and the Company acquired additional shares of Tou Kewpie Co., Ltd. On the other hand, the number of consolidated subsidiaries decreased by one because Hanshin Delica Co., Ltd. and Kayaka Co., Ltd., consolidated subsidiaries, were merged into one company.

There are fifteen unconsolidated subsidiaries, and the principal company is Asato Logistics Corporation. These companies are excluded from the consolidation, because their total assets, net sales, net income, and total amounts of earned surplus (based on the Company's ownership percentage) do not have a significant effect on the consolidated financial statements.

2. Application of the equity method

The equity method is applied to the investments in five companies of fifteen unconsolidated subsidiaries and ten affiliated companies (20% to 50% owned) since the Company has significant effect over them. In the current fiscal year, the number of affiliated companies accounted for by the equity method decreased by one because Tou Kewpie Co., Ltd. became the Company's consolidated subsidiary by acquisition of additional shares. The name of companies accounted for by the equity method is omitted so as to be reported in "I. Outline of the Company 3. Outline of Associated Companies."

The investments in fifteen unconsolidated subsidiaries including Asato Logistics Corporation and in five affiliated companies including Tohoku Aohata Co., Ltd. not to be accounted for by the equity method are excluded from the scope of application of the equity method, because the amounts calculated by the application of the equity method do not have a significant effect on the consolidated financial statements.

3. Closing date of consolidated subsidiaries

The closing date of Kewpie (Thailand) Co., Ltd., Beijing Kewpie Foods Co., Ltd. and Hangzhou Kewpie Foods Co., Ltd. is December 31, and that of Kifuki U.S.A. Co., Inc., Q&B Foods, Inc., Henningsen Foods, Inc., Henningsen Foods, Netherlands Inc., Kewpie Malaysia Sdn. Bhd., Kewpie Vietnam Co., Ltd. and PT. Kewpie Indonesia is September 30.

Kewpie (Thailand) Co., Ltd., Beijing Kewpie Foods Co., Ltd. and Hangzhou Kewpie Foods Co., Ltd. are consolidated based on their temporary financial statements at September 30. Kifuki U.S.A. Co., Inc., Q&B Foods, Inc., Henningsen Foods, Inc., Henningsen Foods, Netherlands Inc., Kewpie Malaysia Sdn. Bhd., Kewpie Vietnam Co., Ltd. and PT. Kewpie Indonesia are consolidated based on the financial statements at their balance sheet date.

However, significant transactions of those subsidiaries for the period from October 1 to November 30 are reflected in the consolidated financial statements.

4. Accounting standards

(1) Valuation basis and valuation methods for significant assets

(a) Securities

1. Held-to-maturity bonds are stated at amortized cost. Discounts and premiums are amortized by the straight-line method.
2. Shares in subsidiaries and affiliates which are not accounted for under the equity method are stated at moving average cost.

3. Other securities with readily determinable fair value are stated at fair value based on market price at the closing date. Valuation differences comprise net assets as unrealized holding gains on securities. When sold, cost of sales is determined by the moving average method. Other securities without readily determinable fair value are stated at moving average cost.

(b) Financial derivative instruments

Financial derivative instruments are stated at fair value.

Hedge accounting is adopted for financial derivative instruments which conform to requirements of hedge accounting.

(c) Inventories

Purchased goods and products, work in process, raw materials and supplies are principally stated at monthly moving average cost (a method whereby book values are written down based on a decline in the revenue expected to be generated from these inventories). Some joint products are stated at cost using the retail method (a method whereby book values are written down based on a decline in the revenue expected to be generated from these inventories).

(2) Depreciation methods for significant depreciable assets

(a) Tangible fixed assets (excluding lease assets)

Tangible fixed assets are mainly depreciated by the declining balance method except for the following assets.

Buildings (excluding equipment fixed inside buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method.

The same basis with the Corporation Tax Law is mainly adopted for useful life and residual value.

The main useful life is as follows.

Buildings:	2–50 years
Machinery and equipment:	2–22 years

(b) Intangible fixed assets (excluding lease assets)

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

The same basis with the Corporation Tax Law is mainly adopted for useful life.

Computer software purchased for internal use is amortized by the straight-line method for five years based on the estimated useful life for internal use.

(c) Lease assets

The straight-line method, which considers the lease period to be the useful life and the residual value to be zero, is applied to lease assets related to finance lease transactions that do not transfer ownership.

Finance lease transactions that do not transfer ownership whose start date falls on or before November 30, 2008 are accounted for by the same method as that applied to operating leases.

(d) Long-term prepaid expenses

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

(3) Accounting for significant deferred assets

All business commencement expenses are expensed when a payment is made.

(4) Accounting standards for significant reserves

(a) Allowances for doubtful accounts

To provide for a possible bad-debt loss, the Group provides the expected uncollectible amount as allowances for doubtful accounts. The said amount is calculated by using credit-loss prediction ratios based on historical data for general accounts receivable, and by reference to the individual collectability for special receivables, such as those in danger of being uncollectible.

(b) Reserves for sales rebates

To provide for the payment of rebates for the current fiscal year, reserves for sales rebates is provided on an accrual basis, multiplying the net sales and each company's standard (the percentage of the expected amount of rebates in net sales).

(c) Reserves for bonuses

To provide for the payment of bonuses to employees, reserves for bonuses is provided according to the expected amount of the payment which attributes to the current fiscal year.

(d) Reserves for directors' bonuses

To provide for the payment of bonuses to directors, reserves for directors' bonuses is provided according to the expected amount payable at the end of the current fiscal year.

(5) Accounting for retirement benefits

(a) Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year on the straight-line basis.

(b) Accounting for amortization of actuarial gains or losses and prior service costs

Prior service costs are amortized by the straight-line method over twelve years (except for from ten to thirteen years of K.R.S Corporation, a publicly traded enterprise which is listed on the first section of the Tokyo Stock Exchange) based on the average remaining employees' service years.

Actuarial gains or losses are amortized by the straight-line method over twelve years (except for from ten to thirteen years of K.R.S Corporation) based on the average remaining employees' service years at each fiscal year, and their amortizations start from the following fiscal year of the respective accrual years.

In addition, if the amount of pension fund assets exceed that of retirement benefit obligations for corporate pension plan, it is recognized as assets for retirement benefits on consolidated balance sheet.

(6) Treatment for significant hedge accounting

(a) Hedge accounting

Deferral hedge is applied as the method of hedge accounting.

Allocation method is applied for transactions that meet the requirements for that method.

Special treatment is applied for the interest rate swap transactions that meet the requirements for the special treatment.

(b) Hedging instruments

Hedging instruments are forward exchange contracts and interest rate swap transactions.

(c) Hedged items

Hedged items are purchase transactions in foreign currencies and interest of loans.

(d) Hedging policy

The Group executes forward exchange contracts to hedge risks from fluctuation in foreign exchange rate and interest rate swap transactions to hedge risks from projected fluctuation in interest rate.

In addition, the Group never makes use of them for the purpose of speculative transactions.

(e) Assessment of the effectiveness of hedge accounting

Control procedures of hedge transactions are executed according to each company's bylaw.

The effectiveness of the hedge except for the following contracts is analyzed by comparing movements in the fair values of the hedged items with those of the hedging instruments, assessed and strictly controlled.

However, the assessment of the effectiveness is omitted for interest rate swap transactions that meet the requirements for the special treatment.

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

(8) Scope of cash in the consolidated statements of cash flows
Cash in the consolidated statements of cash flows (cash and cash equivalents) consists of cash in hand, bank deposits which can be withdrawn freely, and short-term investments which can be easily converted into cash and matures within three months from the acquisition date on which they are at little risk of changes in value.

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

Changes in accounting policies

(Application of accounting standard for retirement benefits and related regulations)
The Company and its domestic consolidated subsidiaries have applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012; hereinafter, the “Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012; hereinafter, the “Guidance”) from the end of the current fiscal year (except for stipulations in the main clause of paragraph 35 of the Accounting Standard and the main clause of paragraph 67 of the Guidance). Under the new standard, pension fund assets are deducted from retirement benefit obligations and the net amount is recognized as assets for retirement benefits or liabilities for retirement benefits, and unrealized actuarial gains or losses and unrealized prior service costs are recorded as assets for retirement benefits or liabilities for retirement benefits.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard, the effect of the changes in accounting policies arising from the initial application is recognized in accumulated adjustments for retirement benefits as a component of accumulated other comprehensive income.

As a result of the above, assets for retirement benefits amounted to ¥8,207 million and liabilities for retirement benefits amounted to ¥2,581 million at the end of the current fiscal year. Accumulated other comprehensive income decreased by ¥5,373 million and minority interests decreased by ¥418 million.

In addition, net assets per share decreased by ¥35.38 in the current fiscal year.

Accounting Standards to Be Applied

The “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012)

(1) Outline
The Accounting Standard and the Guidance have been revised mainly focusing on the accounting treatment for unrealized actuarial gains and losses and unrealized prior service costs, the calculation method for retirement benefit obligations and current service costs and the enhancement of disclosure.

(2) Application schedule
The revision to the calculation method for retirement benefit obligations and current service costs will be applied from the beginning of the fiscal year beginning on December 1, 2014.

As the Accounting Standard and the Guidance contain stipulations regarding transitional accounting, the revision will not be applied retrospectively to past consolidated financial statements.

(3) Effect of application of accounting standards
The effect of the revision to the calculation method for retirement benefit obligations and current service costs on the consolidated financial statements is currently being estimated.

Changes in presentation method

(Consolidated statements of income)
"Business commencement expenses" was included in "Other" account of "Non-operating expenses" for the previous fiscal year, but because its amount exceeded 10% of total non-operating expenses for the current fiscal year, it was changed to be presented as a separate account. In order to reflect this change in presentation method, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, in the consolidated statements of income for the previous fiscal year, ¥130 million that was presented in "Other" account of "Non-operating expenses" has been reclassified as ¥11 million in "Business commencement expenses" and ¥119 million in "Other."

Consolidated Balance Sheets

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

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Investment securities (stocks)	¥ 3,513 million	¥ 5,605 million
Other (Investments in capital)	¥ 709 million	¥ 709 million

*2 Pledged assets and secured debts

Pledged assets are as follows:

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Buildings and structures	¥ 613 million	¥ 169 million
Land	¥ 1,497 million	¥ 1,064 million
Total	¥ 2,110 million	¥ 1,233 million

Secured debts are as follows:

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Short-term loans payable	¥ 307 million	¥ 581 million
Long-term loans payable	¥ 2,276 million	¥ 981 million
Total	¥ 2,584 million	¥ 1,562 million

3 Contingent liabilities

Liabilities, such as loans from financial institutions, that the Group guarantees under joint signature for companies and employees are as follows:

Liabilities for guarantee

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Employees (loan)	¥ 377 million	¥ 402 million
Asato Logistics Corporation (loan)	¥ 166 million	¥ 122 million
Shanghai KRS Logistics Corporation (Guarantee for debtor’s contract fulfillment)	¥ 145 million	¥ 139 million
AK Franchise System Co., Ltd. (loan)	¥ 85 million	¥ 77 million
Total	¥ 774 million	¥ 741 million

(Note) As the liabilities for AK Franchise System Co., Ltd. are serving as re-guarantees, the amount presented is the amount re-guaranteed by the Group.

*4 Amount of reduction entry

Accumulated reduction entry of tangible fixed assets deducted from acquisition cost of tangible fixed assets using funds from government subsidy, etc. is as follows:

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Buildings and structures	¥ 404 million	¥ 404 million
Machinery, equipment and vehicles	¥ 300 million	¥ 295 million
Other	¥ 381 million	¥ 381 million
Total	¥ 1,086 million	¥ 1,081 million

Consolidated Statements of Income

*1 The inventory balance at the end of the fiscal year is presented after book values were written down following a decline in the revenue expected to be generated from these inventories and the following losses on valuation of inventories are included in cost of sales.

Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
¥ 284 million	¥ 302 million

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

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Transportation and warehousing expenses	¥ 30,452 million	¥ 31,963 million
Sales promotion expenses	¥ 20,453 million	¥ 21,351 million
Research and development expenses	¥ 3,660 million	¥ 3,882 million
Advertising expenses	¥ 7,932 million	¥ 8,020 million
Payroll expenses	¥ 17,812 million	¥ 18,857 million
Depreciation expenses	¥ 1,787 million	¥ 2,115 million
Provision of reserves for bonuses	¥ 235 million	¥ 243 million
Retirement benefit expenses	¥ 2,141 million	¥ 1,739 million
Provision of allowances for doubtful accounts	¥ 94 million	¥ (126) million

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

Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
¥ 3,660 million	¥ 3,882 million

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

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Machinery, equipment and vehicles	¥ 85 million	¥ 103 million
Land	¥ 233 million	—
Other	¥ 1 million	¥ 0 million
Total	¥ 321 million	¥ 104 million

*5 Gains on sales of shares of subsidiaries and affiliates

Previous fiscal year (From December 1, 2012 to November 30, 2013)

Not applicable.

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

This is the result of the sale of the shares of consolidated subsidiary Kewpie Malaysia Sdn. Bhd.

*6 Compensation income

Previous fiscal year (From December 1, 2012 to November 30, 2013)

This income is from compensation payment from Tokyo Electric Power Company, Incorporated as a consequence of the Fukushima Daiichi Nuclear Power Station accident.

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

Not applicable.

*7 Gains on negative goodwill

Previous fiscal year (From December 1, 2012 to November 30, 2013)

This is the result of an additional acquisition of the shares of consolidated subsidiary Co-op Foods Co., Ltd. from minority shareholders.

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

This is the result of an additional acquisition of the shares of consolidated subsidiaries Kewpie Egg Corporation, Kanae Foods Co., Ltd. and Kewpie Jyozo Co., Ltd. through simplified share exchange.

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

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Buildings and structures	¥ 771 million	¥ 437 million
Machinery, equipment and vehicles	¥ 282 million	¥ 413 million
Other	¥ 35 million	¥ 32 million
Total	¥ 1,089 million	¥ 883 million

*9 Losses on impairment of fixed assets

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

Previous fiscal year (From December 1, 2012 to November 30, 2013)

Location	Use	Item	Losses on impairment of fixed assets (millions of yen)
Fujiyoshida-shi, Yamanashi	Factory	Land, etc.	912
Matsumoto-shi, Nagano	Factory	Land, etc.	120
Musashimurayama-shi, Tokyo and others	Stores	Buildings, etc.	57
Kamisu-shi, Ibaraki	Factory	Land	23
Total			1,114

In principle, the Group classified the fixed assets into groups depending on the type of respective operation and business place based on the management accounting units on which revenue and expenditure are continuously taken in.

During the current fiscal year, the Company took the decision to sell the factory in Fujiyoshida-shi, Yamanashi, the factory in Matsumoto-shi, Nagano, and stores in Musashimurayama-shi, Tokyo and others. It was also announced that the Group will no longer use the land surrounding the factory in Kamisu-shi, Ibaraki.

In accordance with this, the book values of the factory land, etc. in Fujiyoshida-shi, Yamanashi, the factory land, etc. in Matsumoto-shi, Nagano, and buildings for stores, etc. in Musashimurayama-shi, Tokyo, and the land surrounding the factory in Kamisu-shi, Ibaraki are written down to their recoverable amounts, and the relevant write-down amount is shown as ¥1,114 million in losses on impairment of fixed assets recorded under extraordinary losses.

The recoverable amounts are measured by net sales amounts based on real estate appraisal value (for real estate with low significance, assessed value of real property for property tax purposes) or the estimated sales amounts.

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

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

In principle, the Group classified the fixed assets into groups depending on the type of respective operation and business place based on the management accounting units on which revenue and expenditure are continuously taken in.

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

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

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

Consolidated Statements of Comprehensive Income

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

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Unrealized holding gains (losses) on securities:		
Amount arising during the fiscal year	¥ 3,430 million	¥ 1,907 million
Reclassification adjustments	¥ (202) million	¥ (8) million
Before income tax effects	¥ 3,228 million	¥ 1,899 million
Amount of income tax effects	¥ (995) million	¥ (675) million
Unrealized holding gains (losses) on securities	¥ 2,232 million	¥ 1,224 million
Unrealized gains (losses) on hedges:		
Amount arising during the fiscal year	¥ (31) million	¥ 10 million
Reclassification adjustments	—	—
Before income tax effects	¥ (31) million	¥ 10 million
Amount of income tax effects	¥ 11 million	¥ (4) million
Unrealized gains (losses) on hedges	¥ (20) million	¥ 6 million
Foreign currency translation adjustments:		
Amount arising during the fiscal year	¥ 2,294 million	¥ 2,304 million
Reclassification adjustments	—	¥ (15) million
Foreign currency translation adjustments	¥ 2,294 million	¥ 2,289 million
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount arising during the fiscal year	¥ 5 million	¥ 2 million
Total other comprehensive income	¥ 4,511 million	¥ 3,522 million

Consolidated Statements of Changes in Net Assets

Previous fiscal year (From December 1, 2012 to November 30, 2013)

1. Total numbers and periodic changes of issued shares and treasury stock by class

	Number of shares at the beginning of the current fiscal year	Increase in number of shares	Decrease in number of shares	Number of shares at the end of the current fiscal year
Issued shares				
Common stock	153,000,000	—	—	153,000,000
Total	153,000,000	—	—	153,000,000
Treasury stock				
Common stock (Note)	3,276,258	2,297	—	3,278,555
Total	3,276,258	2,297	—	3,278,555

(Note) The increase in the number of shares of common treasury stock is due to the acquisition of shares less than one unit.

2. Dividend

(1) Dividends paid in the current fiscal year

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 24, 2013	Common stock	1,572	10.50	November 30, 2012	February 27, 2013
The Board of Directors' meeting held on June 24, 2013	Common stock	1,647	11.00	May 31, 2013	August 5, 2013

(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 24, 2014	Common stock	1,647	Earned surplus	11.00	November 30, 2013	February 26, 2014

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

1. Total numbers and periodic changes of issued shares and treasury stock by class

	Number of shares at the beginning of the current fiscal year	Increase in number of shares	Decrease in number of shares	Number of shares at the end of the current fiscal year
Issued shares				
Common stock	153,000,000	—	—	153,000,000
Total	153,000,000	—	—	153,000,000
Treasury stock				
Common stock (Note)	3,278,555	23,894	2,169,600	1,132,849
Total	3,278,555	23,894	2,169,600	1,132,849

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

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

2. Dividend

(1) Dividends paid in the current fiscal year

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 24, 2014	Common stock	1,647	11.00	November 30, 2013	February 26, 2014
The Board of Directors' meeting held on June 24, 2014	Common stock	1,721	11.50	May 31, 2014	August 4, 2014

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

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 23, 2015	Common stock	1,746	Earned surplus	11.50	November 30, 2014	February 5, 2015

Consolidated Statements of Cash Flows

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

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Cash and deposits account	¥ 33,967 million	¥ 34,815 million
Time deposits with maturity over three months	¥ (3) million	¥ (26) million
Securities account	¥ 10,000 million	¥ 10,000 million
Cash and cash equivalents at the end of the fiscal year	¥ 43,963 million	¥ 44,788 million

Lease Transactions

1. Finance lease transactions (Lessee)

Finance lease transactions that do not transfer ownership

(a) Details of lease assets

Lease assets mainly consist of production lines in the Foods business and information equipment and cars in the Distribution system business.

(b) Depreciation method for lease assets

Depreciation method for lease assets was stated in "4. Accounting standards (2) Depreciation methods for significant depreciable assets" under Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements.

Finance lease transactions that do not transfer ownership whose start date falls on or before November 30, 2008 are accounted for by the same method as that applied to operating leases. The details of these lease assets are as follows.

(1) Equivalent amounts of acquisition cost, accumulated depreciation and book value of lease properties

(Millions of yen)

	Previous fiscal year (As of November 30, 2013)		
	Equivalent amount of acquisition cost	Equivalent amount of accumulated depreciation	Equivalent amount of book value
Machinery, equipment and vehicles	5,367	4,986	380
Tangible fixed assets-Other	635	295	339
Computer software	19	19	—
Total	6,022	5,302	720

(Millions of yen)

	Current fiscal year (As of November 30, 2014)		
	Equivalent amount of acquisition cost	Equivalent amount of accumulated depreciation	Equivalent amount of book value
Machinery, equipment and vehicles	1,860	1,807	52
Tangible fixed assets-Other	496	188	307
Computer software	—	—	—
Total	2,356	1,996	360

(2) Equivalent amount of future lease payments

(Millions of yen)

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Equivalent amount of future lease payments		
Due within one year	361	77
Due over one year	375	289
Total	737	366

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

(Millions of yen)

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Lease payments	834	379
Equivalent amount of depreciation expenses	734	332
Equivalent amount of interest expenses	33	18

(4) Calculation method of equivalent amount of depreciation expenses

Depreciation expense is calculated by the straight-line method by considering lease period to be useful life and residual value to be zero.

(5) Calculation method of equivalent amount of interest expenses

Interest, which is separated from the aggregate lease amounts, is calculated as the difference between the aggregate lease amounts on contracts and the presumed costs considered to be acquired by lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

(Losses on impairment of fixed assets)

No losses on impairment of fixed assets are allocated to lease assets.

2. Operating lease transactions

Future lease payments related to irrevocable operating lease transactions

(Millions of yen)

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Due within one year	910	978
Due over one year	2,256	2,182
Total	3,167	3,161

Financial Instruments

1. Status of financial instruments

(1) Policy on handling financial instruments

In accordance with its capital investment plan, the Group procures necessary funds through bank loans and issuance of corporate bonds. Temporary surplus funds are invested in highly secure financial assets, while short-term funds for working capital are raised through bank loans. The Group's policy is to use financial derivative transactions not for speculative purposes, but for hedging risks described hereafter.

(2) Description of financial instruments and related risks

Notes and accounts receivable — trade, which are operating receivables, are exposed to credit risks of customers. Securities and investment securities, which mainly consist of stocks of companies with which the Group has business or other relationships, are exposed to market fluctuation risk.

With respect to notes and accounts payable — trade, which are operating payables, the majority of them are due within a year. Some of them, associated with the import of raw materials etc., are exposed to foreign exchange fluctuation risk because they are denominated in foreign currencies, but the Group hedges this risk by using forward exchange contracts as necessary. Short-term loans payable are obtained mainly to meet operating needs, while long-term loans payable and bonds are used to provide funds necessary mainly for capital expenditures. Although some of them are with floating interest rates and are exposed to interest rate fluctuation risk, the Group hedges this risk by using interest rate swap transactions.

Financial derivative transactions include forward exchange contracts intended to hedge the foreign exchange fluctuation risk associated with foreign currency denominated payables, interest rate swap transactions intended to hedge the interest rate fluctuation risk associated with loans payable, and crude oil price swap transactions intended to hedge the market fluctuation risk of light and heavy oil prices. With respect to hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedge accounting, please refer to "4. Accounting standards (6) Treatment for significant hedge accounting" under Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements described previously.

(3) Risk management system relating to financial instruments

(i) Management of credit risk

At the Company, in order to properly manage operating receivables, the sales administration unit and the accounting and financial unit periodically review the conditions of main business partners, and manage the due dates and outstanding balances for individual business partners. In addition, the Company makes efforts for early identification and mitigation of default risk resulting from factors such as a deterioration in financial conditions. The same management practices are carried out at the consolidated subsidiaries.

As financial derivative transactions are executed only with highly rated financial institutions, the Company believes that there is very little credit risk.

(ii) Management of market risk

The Group utilizes transactions such as forward exchange contracts intended to hedge the foreign exchange fluctuation risk associated with foreign currency denominated payables, interest rate swap transactions intended to hedge the interest rate fluctuation risk associated with loans payable, and crude oil price swap transactions intended to hedge the market fluctuation risk of light and heavy oil prices. At the Company, the management of risks associated with such financial derivative transactions is carried out by the Production Division and Financial Department in accordance with the internal regulations, and all the results of financial derivative transactions are reported to the general manager of the Financial

Department. At the consolidated subsidiaries, general control units mainly control financial derivative transactions of respective subsidiaries and all the results of these transactions are reported to the directors in charge of the responsible department.

For securities and investment securities, the Group periodically monitors the market values and financial conditions of the issuing entities (corporate business partners), and for securities other than held-to-maturity bonds, it continuously reviews the shareholding status, in view of the market conditions and relationships with such corporate business partners.

(iii) Management of liquidity risks associated with fund procurements

The Group manages liquidity risk by preparing and updating financing plans on a timely basis, by arranging overdraft facilities with multiple financial institutions, and by maintaining certain levels of liquidity through utilizing its cash management system.

(4) Supplementary explanation of fair values of financial instruments

The fair values of financial instruments include values based on market prices and reasonably measured values when market prices are unavailable. As variable factors are incorporated into the measurement of such values, the values may vary depending on the assumptions used. In addition, the contract amount of financial derivative transactions in itself, mentioned in Notes on Financial Derivative Transactions, should not be considered indicative of the market risks associated with the financial derivative transactions.

2. Fair values of financial instruments

The book value on the consolidated balance sheet and the fair values as of the end of the fiscal year and variances thereof are shown below. However, items for which it is considered extremely difficult to determine the fair values are not included in the following table (See note 2).

Previous fiscal year (As of November 30, 2013)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	33,967	33,967	—
(2) Notes and accounts receivable — trade (*1)	77,460		
Allowances for doubtful accounts	(238)		
	77,221	77,221	—
(3) Securities and investment securities	28,764	29,115	350
Total assets	139,953	140,304	350
(4) Notes and accounts payable — trade	50,786	50,786	—
(5) Short-term loans payable	7,614	7,614	—
(6) Accounts payable — other	20,113	20,113	—
(7) Accrued income taxes	2,725	2,725	—
(8) Bonds	10,000	10,003	3
(9) Long-term loans payable	4,409	4,419	9
Total liabilities	95,649	95,662	13
Financial derivative transactions (*2)	55	55	—

(*1) The values of notes and accounts receivable — trade are presented after deducting allowances for doubtful accounts set up for corresponding notes and accounts receivable — trade.

(*2) The values of assets and liabilities arising from financial derivative transactions are shown at net value.

Current fiscal year (As of November 30, 2014)

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

(*1) The values of notes and accounts receivable — trade are presented after deducting allowances for doubtful accounts set up for corresponding notes and accounts receivable — trade.

(*2) The values of assets and liabilities arising from financial derivative transactions are shown at net value.

(Notes) 1. Method of measurement of fair values of financial instruments and matters concerning securities and financial derivative transactions

Assets

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

The fair values are based on the relevant book values since these assets are settled in a short period of time and their fair values are virtually equal to their book values.

(3) Securities and investment securities

The fair values of equity are based on their prices on the securities exchanges and the fair values of bonds are based on their prices on the securities exchanges or those indicated by counterparty financial institutions. The fair values of monies held in trust are based on the relevant book values since these assets are settled in a short period of time and their fair values are virtually equal to their book values. Please refer to Notes on Securities for matters concerning securities by purpose of holding.

Liabilities

(4) Notes and accounts payable — trade, (5) Short-term loans payable, (6) Accounts payable — other, (7) Accrued income taxes

The fair values are based on the relevant book values since these liabilities are settled in a short period of time and their fair values are virtually equal to their book values.

(8) Bonds

The fair values of bonds with fixed interest rates are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be applied for a new similar issuance.

(9) Long-term loans payable

The fair values of long-term loans payable with fixed interest rates are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing. The fair values of those with floating interest rates are based on the relevant book values because interest rates are reviewed in short-term intervals to reflect market interest rates and the fair values are virtually equal to the book values. Out of long-term loans payable with floating interest rates, fair values of those subject to special treatment for interest rate swap transactions are measured based on the present value of the total amount of principal and interest, which was accounted for as an integral part of the relevant interest rate swap transactions and discounted by the reasonably estimated interest rate that would be charged for a new similar borrowing.

Financial derivative transactions

Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable. For details of financial derivative transactions, please refer to Notes on Financial Derivative Transactions.

2. Financial instruments for which it is considered extremely difficult to determine fair values

(Millions of yen)

Classification	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Unlisted stocks	4,772	4,802

Unlisted stocks have no market prices and, at the same time, it is considered estimating their future cash flows will require excessive costs. Therefore, it is considered to be extremely difficult to determine the fair values of these stocks, and they are not included in "(3) Securities and investment securities" above.

3. Expected redemption amount of monetary receivables and securities with maturity dates reaching after the consolidated closing date

Previous fiscal year (As of November 30, 2013)

	Within one year (millions of yen)	Over one year to five years (millions of yen)	Over five years to ten years (millions of yen)	Over ten years (millions of yen)
Cash and deposits	33,930	—	—	—
Notes and accounts receivable — trade	77,460	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	10,946	—	—	—
Total	122,336	—	—	—

Current fiscal year (As of November 30, 2014)

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

4. Scheduled repayment amounts for bonds, long-term loans payable, lease obligations and other interest-bearing debt after the consolidated closing date

Previous fiscal year (As of November 30, 2013)

	Within one year (millions of yen)	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Short-term loans payable	7,614	—	—	—	—	—
Bonds	—	—	—	—	—	10,000
Long-term loans payable	698	681	520	397	267	1,843
Lease obligations	1,128	801	628	439	585	275
Total	9,441	1,482	1,149	837	852	12,118

Current fiscal year (As of November 30, 2014)

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

Securities

1. Other securities

Previous fiscal year (As of November 30, 2013)

	Description	Book value on the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Variance (millions of yen)
Securities whose book value on the consolidated balance sheet exceeds their acquisition cost	(1) Stocks	14,495	7,001	7,493
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	1,007	1,000	7
	(c) Other	962	946	16
	(3) Other	12	7	5
	Sub-total	16,477	8,954	7,523
Securities whose acquisition cost exceeds their book value on the consolidated balance sheet	(1) Stocks	963	1,087	(124)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	10,000	10,000	—
	Sub-total	10,963	11,087	(124)
Total		27,441	20,042	7,399

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,581 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, 2014)

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

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

2. Other securities sold during the fiscal year

Previous fiscal year (From December 1, 2012 to November 30, 2013)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	727	212	0
(2) Bonds			
(a) Government and local bonds	—	—	—
(b) Corporate bonds	—	—	—
(c) Other	—	—	—
(3) Other	—	—	—
Total	727	212	0

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

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

3. Securities for which impairment losses are recognized

Previous fiscal year (From December 1, 2012 to November 30, 2013)

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

In the recognition of impairment losses, total impairment is recognized when the fair value at the end of the fiscal year has fallen below 50% of the acquisition cost. When the fair value has fallen between 30% and 50%, an impairment of the amount deemed necessary by taking into account recoverability etc. is recognized.

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

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

In the recognition of impairment losses, total impairment is recognized when the fair value at the end of the fiscal year has fallen below 50% of the acquisition cost. When the fair value has fallen between 30% and 50%, an impairment of the amount deemed necessary by taking into account recoverability etc. is recognized.

Financial Derivative Transactions

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

Previous fiscal year (As of November 30, 2013)

Classification	Item	Transaction type	Contract amount Total (millions of yen)	Contract amount Over one year (millions of yen)	Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
Transactions other than market transactions	Crude oil	Swap transactions Floating receipt Fixed payment	395	335	75	75

(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, 2014)

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

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

2. Financial derivative transactions to which the hedge accounting is adopted

(1) Currency derivatives

Previous fiscal year (As of November 30, 2013)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Allocation method for forward exchange contracts, etc.	Purchased forward exchange contracts–U.S. dollar	Accounts payable-trade	83	—	3

(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, 2014)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Allocation method for forward exchange contracts, etc.	Purchased forward exchange contracts–U.S. dollar	Accounts payable-trade	386	—	21

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

(2) Interest rate derivatives

Previous fiscal year (As of November 30, 2013)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Deferral hedge method	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	1,412	1,325	(24)

(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, 2014)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount		Fair value (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)	
Special treatment for interest rate swap transactions	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	185	157	— (Note 2)
Deferral hedge method	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	1,325	1,225	(30)

(Notes) 1. Fair values are calculated using the prices offered by transacting financial institutions etc.
2. Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of hedged long-term loans payable. Thus, their fair values are included in the fair value of long-term loans payable.

Retirement Benefits

Previous fiscal year (From December 1, 2012 to November 30, 2013)

1. Summary of retirement benefit system

   The Company and eleven consolidated subsidiaries including San-ei Provisions Co., Ltd. and Co-op Foods Co., Ltd. have a defined benefit corporate pension plan covering the retirement benefits payable for their employees. And the Company has established trust to cover retirement benefit obligations.

   Thirty consolidated companies including Kewpie Egg Corporation, Kewpie Jyozo Co., Ltd., K.R.S. Corporation, Kanae Foods Co., Ltd., and Zen-noh Kewpie Egg-station Co., Ltd. have a defined benefit corporate pension plan and a lump-sum retirement grant system covering a part of the retirement benefits payable for their employees.

   As a result, out of the Company and all the consolidated subsidiaries, thirty companies have the lump-sum retirement grant system as of the balance sheet date. In addition, excluding duplicated systems in the intragroup fund and joint consignment contracts on pension, one system of Fund-Type and five systems of Contract-Type concerning the defined benefit system, and one system concerning the employees' welfare pension funds are adopted by the Company and its consolidated subsidiaries.

2. Retirement benefit obligations

(1)	Retirement benefit obligations	¥	(68,906) million
(2)	Pension fund assets	¥	69,718 million
(3)	Unfunded retirement benefit obligations (1)+(2)	¥	811 million
(4)	Unrealized actuarial gains or losses	¥	12,398 million
(5)	Unrealized prior service liabilities	¥	210 million
(6)	Net retirement benefit obligation recognized in the consolidated balance sheet (3)+(4)+(5)	¥	13,420 million
(7)	Prepaid pension costs	¥	15,736 million
(8)	Reserves for retirement benefits (6)-(7)	¥	(2,315) million

3. Retirement benefit expenses

Retirement benefit expenses		¥	3,830 million
(1)	Service costs	¥	2,362 million
(2)	Interest costs	¥	1,200 million
(3)	Expected return on pension fund assets	¥	(1,903) million
(4)	Accrued prior service liabilities	¥	(765) million
(5)	Amortization of actuarial gains or losses	¥	2,936 million

(Notes) 1. The costs employees themselves bear and the costs allocated to the companies in which employees on loan work are excluded from service costs.
2. In the current fiscal year, other than the retirement benefit expenses presented above, ¥386 million included in contribution for withdrawal from employees' pension fund has been recorded as extraordinary losses.

4. Calculation basis of retirement benefit obligations
   (1) Recognition method of the projected retirement benefit obligations
   Straight-line method

   (2) Discount rate
   1.5% to 2.0%

   (3) Expected return rate on pension fund assets
   3.5%

   (4) Period of prior service liabilities
   Twelve years except for K.R.S. Corporation (from ten to thirteen years)

   (5) Amortization period of actuarial gains or losses
   Twelve years except for K.R.S. Corporation (from ten to thirteen years)
   Actuarial gains or losses are amortized by the straight-line method over a certain period within an average remaining service period of employees from the following fiscal year of the respective accrual fiscal years.

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

1. Summary of retirement benefit system

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

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

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

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

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

2. Defined benefit plan

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

Balance of retirement benefit obligations at the beginning of the fiscal year	¥	68,906 million
Service costs	¥	2,685 million
Interest costs	¥	987 million
Actuarial gains or losses incurred	¥	361 million
Retirement benefits paid	¥	(3,648) million
Prior service costs incurred		—
Other	¥	115 million
Balance of retirement benefit obligations at the end of the fiscal year	¥	69,408 million

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

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

Balance of pension fund assets at the beginning of the fiscal year	¥	69,718 million
Expected return on pension fund assets	¥	1,794 million
Actuarial gains or losses incurred	¥	3,446 million
Contributions by the employer	¥	3,450 million
Retirement benefits paid	¥	(3,545) million
Other	¥	169 million
Balance of pension fund assets at the end of the fiscal year	¥	75,034 million

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

Retirement benefit obligations for funded plans	¥	67,422 million
Pension fund assets	¥	(75,034) million
	¥	(7,612) million
Retirement benefit obligations for non-funded plans	¥	1,986 million
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥	(5,626) million
Liabilities for retirement benefits	¥	2,581 million
Assets for retirement benefits	¥	(8,207) million
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥	(5,626) million

(4) Amounts of retirement benefit expenses and their components

Service costs	¥	2,685 million
Interest costs	¥	987 million
Expected return on pension fund assets	¥	(1,794) million
Amortization of actuarial gains or losses	¥	1,982 million
Accrued prior service costs	¥	(647) million
Retirement benefit expenses for defined benefit plans	¥	3,212 million

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

(5) Accumulated adjustments for retirement benefits

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

Unrealized prior service costs	¥	858 million
Unrealized actuarial gains or losses	¥	8,130 million
Total	¥	8,988 million

(6) Pension fund assets

a) Main components of pension fund assets

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

Bonds	37%
Stocks	35%
Insurance asset (general account)	7%
Cash and deposits	4%
Other	17%
Total	100%

(Note) Total pension fund assets include 12% of retirement benefit trusts established for corporate pension plans.

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

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

(7) Actuarial assumptions

Actuarial assumptions at the end of the current fiscal year

Discount rate	1.5%
Long-term expected rate of return on pension fund assets	3.0%

3. Defined contribution plans and retirement benefit advance payment systems

At the Company and its consolidated subsidiaries, the required contribution amount to the defined contribution plans is ¥375 million and the amount paid using the retirement benefit advance payment systems is ¥179 million.

Tax-effect Accounting

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

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Deferred tax assets		
Unrealized gains	¥ 1,700 million	¥ 1,786 million
Reserves for sales rebates	¥ 348 million	¥ 336 million
Reserves for bonuses	¥ 410 million	¥ 379 million
Accrued social security expenses	¥ 301 million	¥ 265 million
Accrued enterprise taxes	¥ 175 million	¥ 340 million
Reserves for retirement benefits	¥ 867 million	—
Liabilities for retirement benefits	—	¥ 1,248 million
Established amount for trust to cover retirement benefit obligations	¥ 1,262 million	¥ 1,262 million
Losses on valuation of golf course memberships	¥ 164 million	¥ 157 million
Deficit carried forward on tax	¥ 654 million	¥ 415 million
Losses on impairment of fixed assets	¥ 83 million	¥ 315 million
Other	¥ 2,582 million	¥ 2,825 million
Sub-total deferred tax assets	¥ 8,551 million	¥ 9,335 million
Valuation reserves	¥ (1,160) million	¥ (1,221) million
Total deferred tax assets	¥ 7,390 million	¥ 8,114 million
Deferred tax liabilities		
Prepaid pension costs	¥ (5,844) million	—
Assets for retirement benefits	—	¥ (3,106) million
Differences on valuation of fixed assets	¥ (846) million	¥ (846) million
Reserves for reduction entry of property by purchase	¥ (1,285) million	¥ (1,332) million
Unrealized holding gains on securities	¥ (2,273) million	¥ (2,871) million
Other	¥ (1,128) million	¥ (1,325) million
Total deferred tax liabilities	¥ (11,377) million	¥ (9,482) million
Net deferred tax assets (liabilities)	¥ (3,987) million	¥ (1,368) million

(Note) Net deferred tax assets included in the consolidated balance sheets during the previous fiscal year and the current fiscal year are as follows:

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
Current assets — Deferred tax assets	¥ 2,142 million	¥ 2,453 million
Fixed assets — Deferred tax assets	¥ 1,355 million	¥ 1,853 million
Current liabilities — Deferred tax liabilities	¥ (15) million	¥ (22) million
Non-current liabilities — Deferred tax liabilities	¥ (7,469) million	¥ (5,652) million

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

	Previous fiscal year (As of November 30, 2013)	Current fiscal year (As of November 30, 2014)
The statutory effective tax rate	38.0%	The details are omitted as the differences between the statutory tax rate and effective tax rate are 5% or less of the statutory tax rate.
(Adjustments)		
Changes in valuation reserves	(2.3%)	
Expenses not deductible permanently	1.3%	
Income not taxable permanently	(0.5%)	
Capita levy on inhabitant tax	0.9%	
Tax deduction	(2.5%)	
Other	(0.7%)	
Effective tax rate	34.2%	

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

Following the promulgation on March 31, 2014 of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014), the special corporation tax for reconstruction will no longer be levied from the fiscal year beginning on or after April 1, 2014. In line with this change, for temporary differences which are expected to be reversed in the fiscal year beginning on December 1, 2014, the statutory effective tax rate used to measure deferred tax assets and deferred tax liabilities was changed from 38.0% to 35.6%. The effect of this change on income is immaterial.

Business Combination

Common control transactions

Making companies wholly owned subsidiaries through share exchange

The Company and three of its consolidated subsidiaries, Kewpie Egg Corporation, Kanae Foods Co., Ltd. and Kewpie Jyozo Co., Ltd. (hereinafter, the three subject companies shall be collectively referred to as the "Three Subject Companies") resolved at meetings of their respective Boards of Directors held on April 23, 2014, to carry out a share exchange in which the Company became the wholly owning parent company in share exchange and the Three Subject Companies became wholly owned subsidiaries in share exchange on the effective date of June 2, 2014 (hereinafter the "Share Exchange"), and the Company and each of the Three Subject Companies entered into a share exchange agreement.

1. Summary of transaction

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

Name of company involved in business combination	Kewpie Egg Corporation
Description of businesses	Production and sale of liquid and frozen egg
Name of company involved in business combination	Kanae Foods Co., Ltd.
Description of businesses	Production and sale of processed egg, including egg spread, thick omelet and shredded egg
Name of company involved in business combination	Kewpie Jyozo Co., Ltd.
Description of businesses	Production and sale of vinegar

(2) Date of business combination

June 2, 2014 (the first day of the third quarter is the deemed acquisition date)

(3) Legal form of business combination

This was through a share exchange in which the Company became the wholly owning parent company and the Three Subject Companies became wholly owned subsidiaries.

(4) Names of companies after business combination

There was no change in the names of the companies after the share acquisitions.

(5) Outline of the transaction including its purpose

The Company decided to make the Three Subject Companies wholly owned subsidiaries in order to construct more effective management structure by increasing the mobility and flexibility of Group management and further strengthening Group management.

2. Outline of accounting treatment applied

The additional acquisitions of the subsidiaries' shares were accounted for as transaction with minority shareholders under the category of transactions under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

3. Acquisition cost and breakdown of amounts of subsidiaries' shares in additional acquisitions

Acquisition cost (Common stock of the Company)	¥3,128 million
Direct expenditure for acquisition	¥5 million
Acquisition cost	¥3,134 million

4. Additional acquisitions of subsidiaries' shares

(1) Details of share allocations in Share Exchange

	The Company (Wholly owning parent company in share exchange)	Kewpie Egg Corporation (Wholly owned subsidiary in share exchange)
Share exchange ratio in share exchange with Kewpie Egg Corporation	1	24.95

The Company delivered by allocation 24.95 shares of common stock of the Company for each share of common stock of Kewpie Egg Corporation. However, 352,000 shares of common stock of Kewpie Egg Corporation that were held by the Company were not allotted in the Share Exchange.

	The Company (Wholly owning parent company in share exchange)	Kanae Foods Co., Ltd. (Wholly owned subsidiary in share exchange)
Share exchange ratio in share exchange with Kanae Foods Co., Ltd.	1	48.15

The Company delivered by allocation 48.15 shares of common stock of the Company for each share of common stock of Kanae Foods Co., Ltd. However, 88,000 shares of common stock of Kanae Foods Co., Ltd. that were held by the Company were not allotted in the Share Exchange.

	The Company (Wholly owning parent company in share exchange)	Kewpie Jyozo Co., Ltd. (Wholly owned subsidiary in share exchange)
Share exchange ratio in share exchange with Kewpie Jyozo Co., Ltd.	1	3.65

The Company delivered by allocation 3.65 shares of common stock of the Company for each share of common stock of Kewpie Jyozo Co., Ltd. However, 792,000 shares of common stock of Kewpie Jyozo Co., Ltd. that were held by the Company were not allotted in the Share Exchange.

(2) Policy for calculation of details of share allocations in the Share Exchange

The Company requested Capital Strategy Consulting Co., Ltd., a third-party institution that is independent from the Company and each of the Three Subject Companies, to carry out the calculation of the share exchange ratios in the Share Exchange in order to ensure the fairness and validity of the calculation. Capital Strategy Consulting Co., Ltd. carried out the calculations of the share exchange ratios by using the market share price method (designating April 18, 2014, as the calculation base date, and using the closing share price on the calculation base date and the respective average closing share prices for the one-month period up to the calculation base date, the three-month period up to the calculation base date and the six-month period up to the calculation base date) for calculating the Company's equity value, taking into consideration the Company's status as a listed company, and using the discounted cash flow method and the adjusted net assets method for calculating the Three Subject Companies' equity values, taking into consideration their status as unlisted companies.

(3) Number of shares delivered
Common stock 2,169,600 shares
(of which the number of shares of treasury stock delivered by allocation: 2,169,600 shares)

5. Amount of gains on negative goodwill and reason for recognition thereof
(1) Amount of gains on negative goodwill ¥406 million
(2) Reason for recognition
Negative goodwill was recognized because the total acquisition cost in the additional acquisition of the subsidiaries' shares was less than the decrease in minority interests.

Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheets

1. Summary of relevant asset retirement obligations

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

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

   The amount of asset retirement obligations is calculated by estimating the period of use as eight to fifty-one years following acquisition and using a discount rate of 0.5% to 2.2%.

3. Changes in amounts of relevant asset retirement obligations

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Balance at the beginning of the fiscal year	¥ 342 million	¥ 332 million
Increase due to purchases of tangible fixed assets	—	¥ 314 million
Adjustments to interest	¥ 6 million	¥ 6 million
Decrease due to payments for asset retirement obligations	¥ (6) million	—
Other changes (decrease if in parenthesis)	¥ (9) million	—
Balance at the end of the fiscal year	¥ 332 million	¥ 653 million

Segment Information

Segment Information

1. Outline of reported segments

   The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Group and which are regularly examined by the Board of Directors for making decisions on the allocation of management resources and for assessing business performance. These segments are categorized by product and service, and consist of "Condiments products," "Egg products," "Delicatessen products," "Processed foods," "Fine chemical products," "Distribution system," and "Common business operations."

   The following is the overview of each segment:

Condiments products:	Mayonnaise, dressings and vinegar
Egg products:	Liquid egg, frozen egg, dried egg, egg spread, thick omelet and shredded egg
Delicatessen products:	Salads, delicatessen foods, boxed lunches, rice balls and packaged salads
Processed foods:	Bottled and/or canned foods including jams, pasta sauces and sweet corn, baby foods and nursing care foods
Fine chemical products:	Hyaluronic acid and EPA
Distribution system:	Transportation and warehousing of food products
Common business operations:	Sale of food products

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

   Accounting treatment applied to the reported segment is much the same with what is described in "Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements."

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

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

Previous fiscal year (From December 1, 2012 to November 30, 2013) (Millions of yen)

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Consoli-dated (Note)
Net sales										
Net sales to outside customers	145,367	91,158	97,983	58,431	9,676	120,320	7,612	530,549	—	530,549
Intersegment net sales or transfers	3,725	5,866	377	1,810	328	23,665	9,110	44,883	(44,883)	—
Total	149,093	97,024	98,360	60,241	10,004	143,985	16,723	575,433	(44,883)	530,549
Segment profit (loss)	11,519	3,414	3,460	(896)	909	3,208	781	22,396	5	22,402
Segment assets	88,235	49,113	32,419	30,420	9,623	71,531	8,252	289,595	45,059	334,655
Others										
Depreciation and amortization	4,219	2,536	1,674	1,225	621	3,704	590	14,572	—	14,572
Investment in affiliates accounted for by equity method	1,076	258	—	1,358	—	—	138	2,831	—	2,831
Increase in tangible and intangible fixed assets	6,973	5,573	4,026	2,057	1,408	6,054	1,028	27,122	—	27,122

(Notes) 1. “Adjustments” of ¥45,059 million in “Segment assets” mainly includes company-wide assets of ¥50,585 million and elimination of intersegment receivables and payables of ¥(4,134) million. Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).

2. Adjustments are made between “Segment profit (loss)” and “Operating income” reported in the consolidated statements of income.

3. “Depreciation and amortization” and “Increase in tangible and intangible fixed assets” include “Long-term prepaid expenses.”

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

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

(Notes) 1. "Adjustments" of ¥44,331 million in "Segment assets" mainly includes company-wide assets of ¥50,623 million and elimination of intersegment receivables and payables of ¥(5,192) million. Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).

2. Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statements of income.

3. "Depreciation and amortization" and "Increase in tangible and intangible fixed assets" include "Long-term prepaid expenses."

Related Information

Previous fiscal year (From December 1, 2012 to November 30, 2013)

1. Information by product and service

   It is omitted here since similar information is disclosed in “Segment Information.”

2. Information by region

   (1) Net sales

   It is omitted here since net sales to outside customers in Japan is more than 90% of net sales reported in the consolidated statements of income.

   (2) Tangible fixed assets

   It is omitted here since the amount of tangible fixed assets located in Japan is more than 90% of tangible fixed assets reported in the consolidated balance sheets.

3. Information by major customers

   It is omitted here since there is no customer occupying 10% or more of net sales reported in the consolidated statements of income.

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

1. Information by product and service

   It is omitted here since similar information is disclosed in “Segment Information.”

2. Information by region

   (1) Net sales

   It is omitted here since net sales to outside customers in Japan is more than 90% of net sales reported in the consolidated statements of income.

   (2) Tangible fixed assets

   It is omitted here since the amount of tangible fixed assets located in Japan is more than 90% of tangible fixed assets reported in the consolidated balance sheets.

3. Information by major customers

   It is omitted here since there is no customer occupying 10% or more of net sales reported in the consolidated statements of income.

Information on Losses on Impairment of Fixed Assets by Reported Segment

Previous fiscal year (From December 1, 2012 to November 30, 2013) (Millions of yen)

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Total
Losses on impairment of fixed assets	—	—	120	936	—	57	—	1,114	—	1,114

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

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Total
Losses on impairment of fixed assets	235	350	—	—	—	—	—	586	—	586

Information on Amortization of Goodwill and Unamortized Balance by Reported Segment

Previous fiscal year (From December 1, 2012 to November 30, 2013)

There was no significant amortization and unamortized balance of goodwill.

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

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

Information on Gains on Negative Goodwill by Reported Segment

Previous fiscal year (From December 1, 2012 to November 30, 2013) (Millions of yen)

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Total
Gains on negative goodwill	—	—	—	1,200	—	—	—	1,200	—	1,200

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

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Total
Gains on negative goodwill	104	301	—	—	—	—	—	406	—	406

Related Party Transactions

Related party transactions

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

Directors and audit & supervisory board members, and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2012 to November 30, 2013)

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Nakashimato Co., Ltd. (Note 3)	Shibuya-ku, Tokyo	50	Sale of processed foods	11.6% owning, directly 12.9% owned, directly 7.9% owned, indirectly	Purchase of products, sale of products and payment of brand usage fees Interlocking directors or audit & supervisory board members	Purchase of products Sale of products Payment of brand usage fee	444 259 840	Notes and accounts payable-trade Notes and accounts receivable-trade Accounts payable-other	98 76 0
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	2,945	Business of renting property / Leasing business	7.9% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or audit & supervisory board members	Rental of real estate Purchase of lease assets Sale of land	460 30 583	Investments and other assets (Other) Accounts payable-other Current liabilities (Other) Non-current liabilities (Other)	118 2 13 29
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tou Kewpie Co., Ltd. (Note 5)	Chofu-shi, Tokyo	10	Mail-order business	40.0% owning, directly	Sale of products, payment of sales promotion expenses and rental of real estate Interlocking directors or audit & supervisory board members	Sale of products Payment of sales promotion expenses Rental of real estate	645 42 16	Notes and accounts receivable-trade Accounts payable-other Current assets (Other) Non-current liabilities (Other)	76 4 4 10
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Ad Kewpie Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	4	Service business	None	Payment of advertising expenses and sales promotion expenses, and sale of products Interlocking directors or audit & supervisory board members	Payment of advertising expenses Payment of sales promotion expenses Sale of products	7,146 92 134	Accounts payable-other Current assets (Other) Notes and accounts receivable-trade	1,373 3 15

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Minato Shokai Co., Ltd. (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquor and food	None	Sale of products	Sale of products	112	Notes and accounts receivable-trade	19
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Solutions Co., Ltd. (Note 6)	Shinjuku-ku, Tokyo	90	Planning, development, sale, maintenance and operational support of computer systems	20.0% owning, directly	Consignment of calculation work Interlocking directors or audit & supervisory board members	Payment of IT-related expenses Purchase of software Purchase of tangible fixed assets	1,869 345 24	Accounts payable-other	241
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Yu Shokai Co., Ltd. (Note 7)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rental of offices	Rental of real estate	76	Investments and other assets (Other)	117
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	T&A Co., Ltd. (Note 8)	Shibuya-ku, Tokyo	100	Business of renting property	1.4% owned, directly	Rental of the company dormitories Interlocking directors or audit & supervisory board members	Rental of real estate	65		

(Notes) Transaction's term and policy

1. In principle, determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in Ending balance include consumption taxes and those of Trading amount exclude them.
3. Amane Nakashima, managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
4. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 60.0% of the voting rights directly.
6. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.
7. Amane Nakashima, managing director of the Company, and his close relatives own 100.0% of the voting rights directly.
8. Amane Nakashima, managing director of the Company, and his close relatives own 89.5% of the voting rights directly.

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

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Nakashimato Co., Ltd. (Note 3)	Shibuya-ku, Tokyo	50	Sale of processed foods	11.6% owning, directly 14.2% owned, directly 7.8% owned, indirectly	Purchase of products, sale of products and payment of brand usage fees Interlocking directors or audit & supervisory board members	Purchase of products	482	Notes and accounts payable–trade	64
							Sale of products	46	Notes and accounts receivable–trade	5
							Payment of brand usage fee	780	Accounts payable–other	0
							Rental of real estate	12		
							Share exchange	3,128		
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	7.8% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or audit & supervisory board members	Rental of real estate	220	Investments and other assets (Other)	184
									Accounts payable-other	0
							Purchase of lease assets	22	Current liabilities (Other)	15
									Non-current liabilities (Other)	33
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tou Kewpie Co., Ltd. (Note 5)	Chofu-shi, Tokyo	10	Mail-order business	40.0% owning, directly	Sale of products, payment of sales promotion expenses and rental of real estate Interlocking directors or audit & supervisory board members	Sale of products	427	Notes and accounts receivable–trade	18
							Payment of sales promotion expenses	36	Accounts payable–other	6
							Subscription to capital increase through third party allocation of shares	171		
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Ad Kewpie Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	4	Service business	None	Payment of advertising expenses and sales promotion expenses, and sale of products Interlocking directors or audit & supervisory board members	Payment of advertising expenses	6,969	Accounts payable–other	1,465
							Payment of sales promotion expenses	116		
							Sale of products	241	Notes and accounts receivable–trade	52
							Purchase of tangible fixed assets	17		

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Minato Shokai Co., Ltd. (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquor and food	None	Sale of products	Sale of products	137	Notes and accounts receivable–trade	28
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Solutions Co., Ltd. (Note 6)	Shinjuku-ku, Tokyo	90	Planning, development, sale, maintenance and operational support of computer systems	20.0% owning, directly	Consignment of calculation work Interlocking directors or audit & supervisory board members	Payment of IT-related expenses Purchase of software Purchase of tangible fixed assets	1,879 632 16	Accounts payable–other	359
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Yu Shokai Co., Ltd. (Note 7)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rental of offices	Rental of real estate	96	Investments and other assets (Other)	117
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	T&A Co., Ltd. (Note 8)	Shibuya-ku, Tokyo	100	Business of renting property	1.3% owned, directly	Rental of the company dormitories Interlocking directors or audit & supervisory board members	Rental of real estate	65		

(Notes) Transaction's term and policy

1. In principle, determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in the ending balance include consumption taxes and those of the trading amount exclude them.
3. Amane Nakashima, senior executive managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
   The purpose of the share exchange is to make the Company's consolidated subsidiaries Kewpie Egg Corporation, Kanae Foods Co., Ltd. and Kewpie Jyozo Co., Ltd. into wholly owned subsidiaries. The share exchange ratio was determined on the basis of discussions among the parties involved with reference to the results of calculations of stock values made by a third party. The above trading amount was calculated based on the market price of the Company's shares on the effective date.
4. The company of which Amane Nakashima, senior executive managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, senior executive managing director of the Company, and his close relatives own the majority of the voting rights previously owned 60.0% of the voting rights directly. However, Tou Kewpie Co., Ltd. became a consolidated subsidiary of the Company because the Company subscribed to a capital increase through third party allocation of shares carried out by Tou Kewpie Co., Ltd. The capital increase subscription price for the capital increase through third party allocation of shares was determined on the basis of discussions among the parties involved with reference to the results of calculations of stock values made by a third party. The above trading amount corresponds to the trading during the period applicable to the companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights. In addition, the percentage of voting rights and the ending balance are the voting rights and the balance at the end of the period applicable to the said companies.
6. The company of which Amane Nakashima, senior executive managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.
7. Amane Nakashima, senior executive managing director of the Company, and his close relatives own 100.0% of the voting rights directly.
8. Amane Nakashima, senior executive managing director of the Company, and his close relatives own 89.5% of the voting rights directly.

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

Directors and audit & supervisory board members, and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2012 to November 30, 2013)

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Nakashimato Co., Ltd. (Note 3)	Shibuya-ku, Tokyo	50	Sale of processed foods	11.6% owning, directly 12.9% owned, directly 7.9% owned, indirectly	Purchase of products and sale of products Interlocking directors or audit & supervisory board members	Purchase of products Sale of products	561 42	Notes and accounts payable-trade Notes and accounts receivable-trade	109 4
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	2,945	Business of renting property / Leasing business	7.9% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or audit & supervisory board members	Rental of real estate Purchase of lease assets	1,680 167	Current assets (Other) Investments and other assets (Other) Current liabilities (Other) Non-current liabilities (Other)	49 607 27 136
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tou Kewpie Co., Ltd. (Note 5)	Chofu-shi, Tokyo	10	Mail-order business	40.0% owning, directly	Sale of products Interlocking directors or audit & supervisory board members	Sale of products	14	Notes and accounts receivable-trade	0
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Ad Kewpie Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	4	Service business	None	Payment of advertising expenses Interlocking directors or audit & supervisory board members	Payment of advertising expenses	71	Accounts payable-other	10
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Minato Shokai Co., Ltd. (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquor and food	None	Sale of products Interlocking directors or audit & supervisory board members	Sale of products	193	Notes and accounts receivable-trade	17

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Solutions Co., Ltd. (Note 6)	Shinjuku-ku, Tokyo	90	Planning, development, sale, maintenance and operational support of computer systems	20.0% owning, directly	Consignment of calculation work Interlocking directors or audit & supervisory board members	Payment of IT-related expenses Purchase of software	813 152	Accounts payable-other	94

(Notes) Transaction's term and policy

1. In principle, determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in the ending balance include consumption taxes and those of the trading amount exclude them.
3. Amane Nakashima, managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
4. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 60.0% of the voting rights directly.
6. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.

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

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Nakashimato Co., Ltd. (Note 3)	Shibuya-ku, Tokyo	50	Sale of processed foods	11.6% owning, directly 14.2% owned, directly 7.8% owned, indirectly	Purchase of products and sale of products Interlocking directors or audit & supervisory board members	Purchase of products Sale of products	755 51	Notes and accounts payable-trade Notes and accounts receivable-trade	125 5
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	7.8% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or audit & supervisory board members	Rental of real estate Purchase of fixed assets Purchase of lease assets	1,403 1,339 719	Current assets (Other) Investments and other assets (Other) Current liabilities (Other) Non-current liabilities (Other)	36 406 123 611
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Ad Kewpie Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	4	Service business	None	Payment of advertising expenses Interlocking directors or audit & supervisory board members	Payment of advertising expenses	40	Accounts payable-other	12
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Minato Shokai Co., Ltd. (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquor and food	None	Sale of products and purchase of products	Sale of products Purchase of products	279 11	Notes and accounts receivable-trade Notes and accounts payable-trade	18 5
The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Solutions Co., Ltd. (Note 5)	Shinjuku-ku, Tokyo	90	Planning, development, sale, maintenance and operational support of computer systems	20.0% owning, directly	Consignment of calculation work Interlocking directors or audit & supervisory board members	Payment of IT-related expenses Purchase of software	865 159	Accounts payable-other	80

(Notes) Transaction's term and policy

1. In principle, determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in the ending balance include consumption taxes and those of the trading amount exclude them.
3. Amane Nakashima, senior executive managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
4. The company of which Amane Nakashima, senior executive managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, senior executive managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.

Per Share Information

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Net assets per share (yen)	1,230.32	1,284.36
Net income per share (yen)	83.94	88.69

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

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

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Total net assets (millions of yen)	210,285	220,397
Amount subtracted from total net assets (millions of yen)	26,080	25,346
(Minority interests)	(26,080)	(25,346)
Net assets attributable to common stock at the end of the fiscal year (millions of yen)	184,204	195,051
Number of shares of common stock at the end of the fiscal year (thousand shares)	149,721	151,867

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

	Previous fiscal year (From December 1, 2012 to November 30, 2013)	Current fiscal year (From December 1, 2013 to November 30, 2014)
Net income (millions of yen)	12,567	13,366
Amounts not attributable to common shareholders (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	12,567	13,366
Weighted average number of shares of common stock (thousand shares)	149,722	150,703

Significant Subsequent Events

Organization restructuring

(Making a company a consolidated subsidiary by company split)

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

1. Outline of the Company Split

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

A. Name	Aohata Corporation
B. Description of business	Production and sale of jams

(2) Primary reasons for carrying out the Company Split

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

(3) Effective date of the Company Split

December 1, 2014

(4) Legal form of the Company Split

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

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

A. Percentage of voting rights owned immediately before the date of the Company Split	36.24%
B. Percentage of voting rights additionally acquired on the date of the Company Split	9.40%
C. Percentage of voting rights owned after the acquisition	45.64%

(6) Primary basis for determining the acquiring company

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

2. Calculation of acquisition cost

Acquisition cost of the acquired company and breakdown of amounts

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

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

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

4. Outline of accounting treatment applied

In the Company Split, the Company became the transferring company and Aohata became the successor company. However, as Aohata has become the Company's subsidiary, this company split is a reverse acquisition that positions the Company as the acquiring company and Aohata as the acquired company based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008.)

(e) Consolidated Supplementary Statements

1. Description of bonds

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

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

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

2. Description of bank loans etc.

Item	Beginning balance (millions of yen)	Ending balance (millions of yen)	Average interest rate per annum (%)	Repayment date
Short-term loans payable	7,614	6,481	0.686	—
Current portion of long-term loans payable	698	1,377	0.664	—
Current portion of lease obligations	1,128	1,355	1.935	—
Long-term loans payable	3,711	6,632	0.878	From December 2015 to January 2028
Long-term lease obligations	2,729	3,262	2.043	From December 2015 to May 2027
Other interest-bearing debt	—	—	—	—
Total	15,882	19,110	—	—

(Notes) 1. Average interest rates are calculated by using interest rates and balance of loans payable at the balance sheet date.
2. The annual aggregate amount of long-term loans payable and lease obligations (excluding current portion) repaid after the consolidated closing date is as follows:

	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Long-term loans payable	1,417	1,231	777	543	2,663
Lease obligations	833	705	780	537	405

3. Description of asset retirement obligations

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are omitted pursuant to the provisions of Article 92-2 of the Ordinance on Consolidated Financial Statements, since they are at or below one percent of the total amounts of liabilities and net assets at the beginning and the end of the current fiscal year, respectively.

(2) Other

Quarterly information for the current fiscal year

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales (millions of yen)	131,479	272,981	412,813	553,404
Income before income taxes and minority interests (millions of yen)	3,803	11,436	19,351	24,575
Net income (millions of yen)	2,052	6,173	10,704	13,366
Net income per share (yen)	13.71	41.24	71.20	88.69

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (yen)	13.71	27.53	29.94	17.53

Independent Auditors' Audit Report and Internal Control Audit Report

February 26, 2015

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

Ernst & Young ShinNihon LLC

Designated and Limited Engagement Partner Hitoshi Sakurai
Certified Public Accountant
(signed and sealed)

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

Designated and Limited Engagement Partner Yoshiyuki Sakuma
Certified Public Accountant
(signed and sealed)

<Audit of financial statements>

Pursuant to Paragraph 1 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we have audited the consolidated financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Information" from December 1, 2013 to November 30, 2014, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets, the consolidated statement of cash flows, the significant matters forming the basis for the preparation of consolidated financial statements, other notes and the consolidated supplementary statements, all expressed in yen.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEWPIE KABUSHIKI-KAISHA and its consolidated subsidiaries as at November 30, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in the notes regarding significant subsequent events, an absorption-type company split agreement with respect to the business of selling bread-related products with Aohata Corporation as the succeeding company, which was concluded on December 24, 2013, came into effect on December 1, 2014, resulting in Aohata Corporation coming to be under the substantial control of KEWPIE KABUSHIKI-KAISHA, and as a result, the said company is now a consolidated subsidiary.
This matter does not have an impact on our opinion.

<*Audit of internal control*>

Pursuant to Paragraph 2 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as at November 30, 2014 of KEWPIE KABUSHIKI-KAISHA and its consolidated subsidiaries (the "Company") (the "Management's Report").

Management's Responsibility for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and the preparation and fair presentation of the Management's Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Internal control over financial reporting may not completely prevent or detect misstatements.

Auditor's Responsibility

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the internal control audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.
An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the significance of effects on the reliability of financial reporting. An internal control audit also includes evaluating disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting, as well as evaluating the overall presentation of the Management's Report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as at November 30, 2014 is effective, presents fairly, in all material respects, the result of the management's assessment on internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

* The above Independent Auditors' Audit Report and Internal Control Audit Report are translations of the original reports, which are based on Paragraph 1 and Paragraph 2, respectively, of Article 193-2 of the Financial Instruments and Exchange Law of Japan.

VI. Stock Information of Reporting Company

Fiscal year	From December 1 to November 30
The Ordinary General Meeting of Shareholders	Held in February
Record date	November 30
Dividend record dates	May 31, November 30
Shares per trading unit	100
Purchase of shares less than one unit:	
Handling office	(Special account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent	(Special account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Shareholders' contacts	—
Stock transfer fee	(Note 1)
Newspaper for announcements	The Company shall publish its public notices by electronic means. However, if it is impossible to post electronic public notices because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nikkei. URL for public notice: http://www.kewpie.co.jp/company/
Shareholder privileges	The Company provides an annual gift of its product(s) to shareholders recorded in the shareholder register as of November 30 and holding one trading unit (100 shares) or more of the Company's shares, in accordance with the gift criteria presented below. Starting with the gifts for the fiscal year ending November 30, 2015 (planned to be given in early March 2016), the Company will provide an annual gift of its product(s) to shareholders that have been recorded in the shareholder register for three or more consecutive years under the same shareholder number as of November 30 and hold one trading unit (100 shares) or more of the Company's shares, in accordance with the gift criteria presented below. Gift criteria Number of shares held / Contents of gift 100 shares or more (but less than 1,000) / Company product(s) valued at ¥1,000 1,000 shares or more / Company product(s) valued at ¥3,000 * A shareholder who has held the Company's shares for three years or more is defined as a shareholder who has been registered in the shareholder register as of May 31 and November 30 under the same shareholder number on seven or more consecutive occasions.

(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 Corporation Law
   (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 Corporation Law to request acquisition of shares with rights to acquire new shares

The information contained in this report is derived from Kewpie Corporation's (the "Company") Management's Report on Internal Control over Financial Reporting in Japanese filed with the Commissioner of the Financial Services Agency on February 27, 2015 in accordance with the Financial Instruments and Exchange Law, and has been translated into English for the convenience of readers outside Japan.

Document title:	Management's Report on Internal Control over Financial Reporting
Corporate Name:	KEWPIE KABUSHIKI-KAISHA
English Corporate Name:	Kewpie Corporation
Name and Title of Representative:	Minesaburo Miyake President and Representative Director
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 President and Representative Director Minesaburo Miyake is responsible for designing and operating the Company's internal control over financial reporting. He designs and operates internal control over financial reporting in accordance with the basic framework of internal control presented in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

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

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was carried out as of November 30, 2014, which is the final day of the Company' business year, in accordance with generally accepted assessment standards for internal control over financial reporting.

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

The scope of assessment of internal control over financial reporting is determined to be the scope that is necessary from the viewpoint of materiality of the impact on the reliability of financial reporting regarding the Company, its consolidated subsidiaries and its equity-method affiliates. The materiality of the impact on the reliability of financial reporting is determined in consideration of the materiality of quantitative and qualitative impacts. The scope of assessment of business process-level internal control is determined reasonably in light of the results of an assessment of company-level internal control carried out with respect to the Company and its 18 consolidated subsidiaries. Other consolidated subsidiaries and equity-method affiliates are not included in the scope of assessment of company-level internal control as they are deemed to be immaterial in terms of quantitative and qualitative materiality.

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

3. Assessment Result

As a result of the above assessment, we judge that the Company's internal control over its financial reporting is effective as of November 30, 2014.

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