Annual Report
2020
December 1, 2019 to November 30, 2020

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 26, 2021 in accordance with the Financial Instruments and Exchange Law, and has been translated into English for the convenience of readers outside Japan.

Document Title:	Annual Securities Report
Corporate Name:	KEWPIE KABUSHIKI-KAISHA
English Corporate Name:	Kewpie Corporation
Name and Title of Representative:	Osamu Chonan
	Representative Director President and Chief Executive Corporate Officer
Location of Head Office:	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo 150-0002, Japan
Contact:	Nobuo Inoue
	Director, Executive Corporate Officer
Telephone:	+81-3-3486-3331

Table of Contents

I. Outline of the Company

1. Principal Management Indexes

(1) Consolidated principal management indexes for the five years ended November 30, 2020

Period ended	Nov. 2016	Nov. 2017	Nov. 2018	Nov. 2019	Nov. 2020
Net sales (millions of yen)	552,306	561,688	573,525	545,723	531,103
Ordinary income (millions of yen)	31,364	32,511	34,349	33,275	28,989
Profit attributable to owners of parent (millions of yen)	17,093	18,099	18,320	18,698	11,378
Comprehensive income (millions of yen)	10,955	33,897	17,786	17,646	13,879
Total net assets (millions of yen)	245,861	263,432	266,100	276,753	285,377
Total assets (millions of yen)	384,263	417,710	419,736	444,309	451,723
Net assets per share (yen)	1,420.63	1,539.94	1,582.27	1,646.73	1,674.58
Earnings per share (yen)	113.47	121.05	124.85	130.72	79.55
Earnings per share – diluted (yen)	—	—	—	—	—
Equity ratio (%)	55.3	54.2	53.9	53.0	53.0
Return on equity (%)	8.0	8.2	8.1	8.1	4.8
Price earnings ratio (times)	23.8	23.8	22.1	18.6	27.3
Cash flows from operating activities (millions of yen)	45,260	27,234	41,778	43,916	34,955
Cash flows from investing activities (millions of yen)	(32,046)	(31,421)	(20,199)	(29,720)	(26,039)
Cash flows from financing activities (millions of yen)	(5,805)	4,010	(15,293)	(4,602)	5
Cash and cash equivalents at the end of the fiscal year (millions of yen)	40,790	41,411	47,970	56,777	65,777
Number of regular full-time employees, and average number of temporary employees in brackets	14,095 [11,150]	14,924 [11,456]	14,808 [9,843]	15,452 [9,404]	16,003 [9,268]

(Notes) 1. Consumption taxes are not included in net sales.
2. Earnings per share – diluted is not presented because of no issue of potential shares.
3. The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant guidelines effective as of the beginning of the fiscal year ended November 30, 2019. Accordingly, the principal management indexes pertaining to the period extending from the fiscal year ended November 30, 2016 to the fiscal year ended November 30, 2018 have been retroactively adjusted to reflect the adoption of said accounting standard and relevant guidelines.

(2) Non-consolidated principal management indexes for the five years ended November 30, 2020

Period ended		Nov. 2016	Nov. 2017	Nov. 2018	Nov. 2019	Nov. 2020
Net sales	(millions of yen)	205,102	204,072	203,449	192,881	176,734
Ordinary income	(millions of yen)	12,973	16,060	16,400	17,245	16,214
Profit	(millions of yen)	9,161	12,691	11,586	12,453	9,794
Paid-in capital	(millions of yen)	24,104	24,104	24,104	24,104	24,104
Total number of issued shares		153,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Total net assets	(millions of yen)	152,232	153,669	147,756	153,101	156,326
Total assets	(millions of yen)	241,471	260,083	252,009	259,373	250,929
Net assets per share	(yen)	1,017.15	1,045.05	1,032.95	1,070.33	1,092.88
Annual dividends per share, and interim dividends per share in brackets	(yen)	34.5 [15.0]	36.5 [18.0]	38.0 [19.0]	45.0 [20.0]	40.0 [20.0]
Earnings per share	(yen)	60.82	84.88	78.96	87.06	68.47
Earnings per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	63.0	59.1	58.6	59.0	62.3
Return on equity	(%)	6.0	8.3	7.7	8.3	6.3
Price earnings ratio	(times)	44.4	34.0	34.9	27.9	31.8
Dividend payout ratio	(%)	52.6	43.0	48.1	51.7	58.4
Number of regular full-time employees, and average number of temporary employees in brackets		2,510 [926]	2,523 [853]	2,508 [774]	2,447 [738]	2,426 [569]
Total shareholder return (Comparative index: Dividend-included TOPIX)	(%)	92.7 [95.1]	100.1 [118.4]	97.0 [112.5]	87.6 [117.6]	80.2 [124.5]
Highest stock price	(yen)	3,590	3,290	3,145	2,782	2,496
Lowest stock price	(yen)	2,304	2,479	2,435	2,303	1,783

(Notes)
1. Consumption taxes are not included in net sales.
2. Earnings per share – diluted is not presented because of no issue of potential shares.
3. The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant guidelines effective as of the beginning of the fiscal year ended November 30, 2019. Accordingly, the principal management indexes pertaining to the period extending from the fiscal year ended November 30, 2016 to the fiscal year ended November 30, 2018 have been retroactively adjusted to reflect the adoption of said accounting standard and relevant guidelines.
4. The highest and lowest stock prices are those of the first section of the Tokyo Stock Exchange.

2. Nature of Business

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

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

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

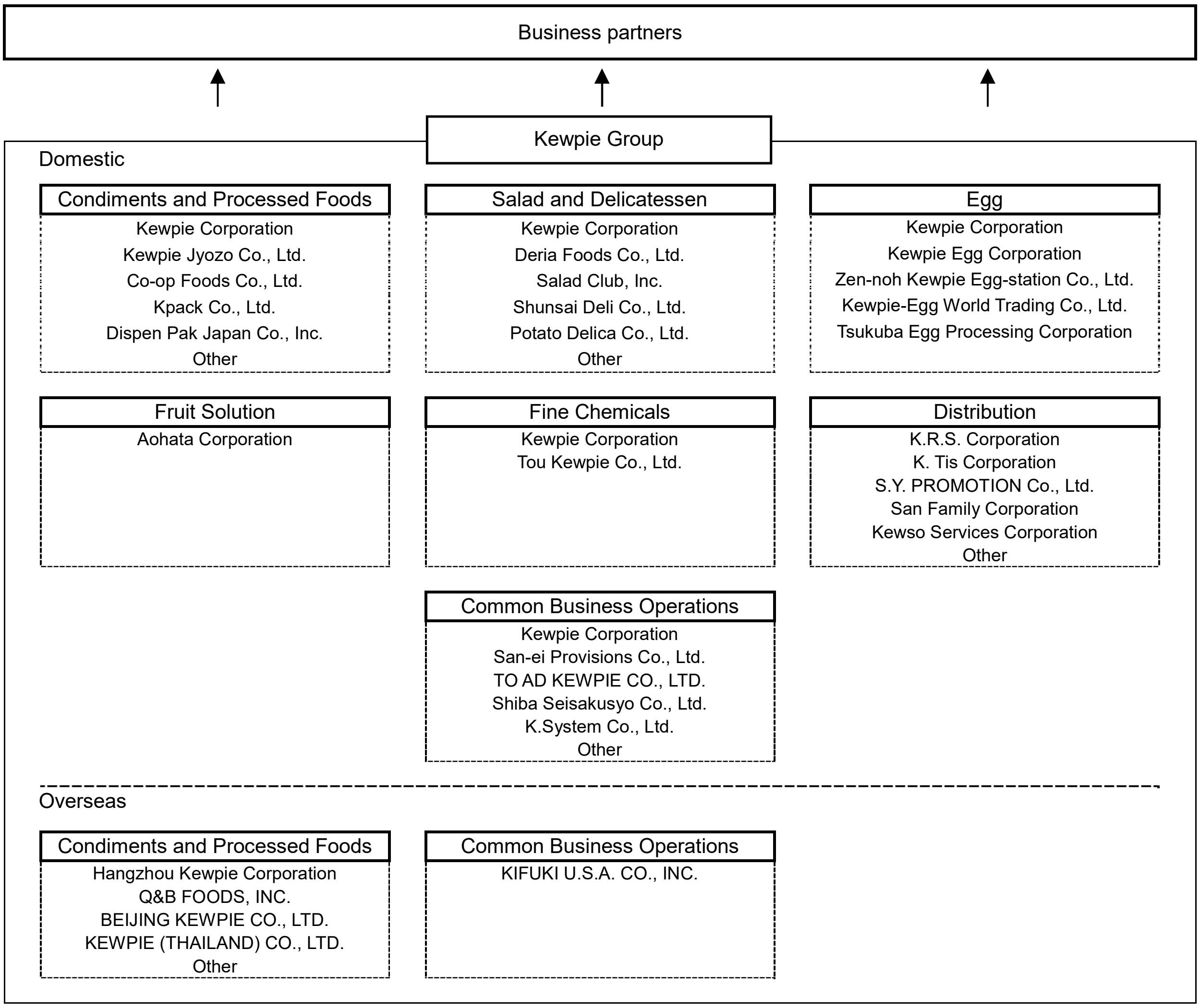
Business category	The Company and principal associated companies	Major handling items / services
Condiments and Processed Foods	Kewpie Corporation Q&B FOODS, INC. Dispen Pak Japan Co., Inc. Hangzhou Kewpie Corporation Kpack Co., Ltd. BEIJING KEWPIE CO., LTD. KEWPIE (THAILAND) CO., LTD.	Mayonnaise and dressings
	Co-op Foods Co., Ltd.	Prepared foods
	Kewpie Jyozo Co., Ltd.	Vinegar
Salad and Delicatessen	Kewpie Corporation Deria Foods Co., Ltd. Shunsai Deli Co., Ltd.	Salads and Delicatessen foods
	Salad Club, Inc.	Packaged salads
Egg	Kewpie Corporation Kewpie Egg Corporation	Liquid egg and egg products
Fruit Solution	Aohata Corporation	Jams and fruit processed foods
Fine Chemicals	Kewpie Corporation	Hyaluronic acid and others
Distribution	K.R.S. Corporation K. Tis Corporation	Transportation and warehousing of food products
	S.Y. PROMOTION Co., Ltd.	Transportation of food products
	Kewso Services Corporation	Sale of vehicles, distribution equipment, fuel and other products related to transportation and warehousing of food products
Common Business Operations	Shiba Seisakusyo Co., Ltd.	Sale of food production equipment

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

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

(Note) HENNINGSEN FOODS, INC. has been removed from subsidiaries as the Company transferred the shares of the said company to Michael Foods of Delaware, Inc. on July 1, 2020. For further details, please refer to "V. Financial Information, Consolidated Financial Statements, (1) Consolidated financial statements, Notes, Business Combination".

(Group Business Network)



3. Outline of Associated Companies

(1) Parent company

Not applicable.

(2) Consolidated subsidiaries

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
Kewpie Egg Corporation (Notes 1 & 4)	Chofu-shi, Tokyo	350 million yen	Production and sale of liquid, frozen and processed egg	100.0	D or A 2 Employees 8	None	Purchase of products and raw materials, etc.	Leases of offices and factories
Deria Foods Co., Ltd. (Notes 1 & 4)	Chofu-shi, Tokyo	50 million yen	Sale of salads and delicatessen foods	100.0	D or A 2 Employees 5	None	Sale of goods and products	Leases of offices
Kewpie Jyozo Co., Ltd.	Chofu-shi, Tokyo	450 million yen	Production and sale of vinegar	100.0	D or A 3 Employee 1	None	Purchase of products and raw materials	Leases of offices
K.R.S. Corporation (Notes 1, 3, 4, 5 & 6)	Chofu-shi, Tokyo	4,063 million yen	Warehousing and transportation	45.7 (0.3) [5.9]	D or A 1	None	Consignment of storage and transportation of products and raw materials of Group companies	Leases of offices, land and warehouses
San-ei Provisions Co., Ltd.	Chofu-shi, Tokyo	57 million yen	Sale of products for food service use	66.2	Employees 4	None	Sale of products and purchase of raw materials	Leases of offices
Co-op Foods Co., Ltd.	Chofu-shi, Tokyo	50 million yen	Production and sale of bottled, canned and retort pouch foods	100.0	Employees 3	1,203 million yen	Purchase of products	Leases of offices
Zen-noh Kewpie Egg-station Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	100 million yen	Production and sale of dried egg and liquid egg	51.4	D or A 2 Employees 3	426 million yen	Purchase of raw materials	Leases of factories
Q&B FOODS, INC.	California, USA	4,800 thousand U.S. dollars	Production and sale of condiments	100.0 (100.0)	Employees 3	None	None	None
KIFUKI U.S.A. CO., INC.	Delaware, USA	7.17 U.S. dollars	Investment in and management of U.S. associates	100.0	D or A 3	None	None	None
Soka Delica Co., Ltd.	Soka-shi, Saitama	98 million yen	Production and sale of delicatessen foods	100.0	D or A 1 Employees 4	123 million yen	Sale of goods and products	None
Hashikami Kewpie Co., Ltd.	Hashikami-cho, Sannohe-gun, Aomori	10 million yen	Production and processing of foods; outsourced work	100.0	Employee 1	None	Consignment of production	Leases of factories
Dispen Pak Japan Co., Inc.	Minami-Ashigara-shi, Kanagawa	140 million yen	Production and sale of foods, subdividing and packing work	51.0	D or A 2 Employees 3	None	Purchase of products	Leases of offices and factories
Shiba Seisakusyo Co., Ltd.	Kawasaki-ku, Kawasaki-shi, Kanagawa	10 million yen	Production of machinery and equipment	100.0	Employees 5	None	Purchase of machinery and equipment	None
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	375 million yen	Purchase of products	Leases of factories
Deft Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Sale of condiments, frozen and processed foods	100.0	Employees 4	None	Sale of products	Leases of offices
K.System Co., Ltd.	Machida-shi, Tokyo	50 million yen	Consigned clerical work	80.0	Employees 3	None	Consignment of clerical work	Leases of offices
Kpack Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	30 million yen	Production and sale of condiments	100.0	D or A 1 Employees 5	None	Purchase of products	Leases of offices
Tosu Kewpie Co., Ltd.	Tosu-shi, Saga	10 million yen	Production and processing of foods; outsourced work	100.0	Employee 1	None	Consignment of production	Leases of factories

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
Hangzhou Kewpie Corporation	Zhejiang Province, China	140 million yuan	Production and sale of condiments	72.0 (72.0)	D or A 1 Employees 5	None	None	None
S.Y. PROMOTION Co., Ltd.	Koto-ku, Tokyo	200 million yen	Transportation	88.4 (51.0)	Employee 1	None	Consignment of transportation services	None
Seto Delica Co., Ltd.	Seto-shi, Aichi	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	480 million yen	Sale of goods and products	None
Ishikari Delica Co., Ltd.	Teine-ku, Sapporo-shi, Hokkaido	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 5	None	Sale of goods and products	None
Hanshin Delica Co., Ltd.	Itami-shi, Hyogo	10 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 6	None	Sale of goods and products	Leases of factories
Salad Club, Inc.	Chofu-shi, Tokyo	300 million yen	Processing and sale of fresh vegetables	51.0	D or A 2 Employees 2	None	Sale of products	Leases of offices and factories
K. Tis Corporation	Chofu-shi, Tokyo	82 million yen	Warehousing and transportation	100.0 (100.0)	None	None	None	None
BEIJING KEWPIE CO., LTD.	Beijing, China	42 million yuan	Production and sale of condiments	72.0 (72.0)	D or A 1 Employees 5	None	None	None
Tosu Delica Co., Ltd.	Tosu-shi, Saga	10 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 5	None	Sale of goods and products	Leases of factories
Kewpie Ai Co., Ltd.	Machida-shi, Tokyo	30 million yen	Consigned clerical work	100.0	Employees 5	None	Consignment of clerical work	Leases of offices
Kitakami Delica Co., Ltd.	Kitakami-shi, Iwate	20 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	None	Sale of goods and products	None
Fujiyoshida Kewpie Co., Ltd.	Fujiyoshida-shi, Yamanashi	10 million yen	Production and processing of foods; outsourced work	51.0	Employees 3	338 million yen	Consignment of production	Leases of production facilities
K.SS Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Planning, production and services for sales promotion	100.0	Employees 4	None	Consignment of sales	Leases of offices
Kewso Services Corporation	Chofu-shi, Tokyo	30 million yen	Sale of equipment for cars	100.0 (100.0)	None	None	Rental of cars for factories	Rental of cars for factories
KLQ Corporation	Chofu-shi, Tokyo	30 million yen	Transportation	100.0 (100.0)	None	None	None	None
San-ei Logistics Corporation	Akishima-shi, Tokyo	38 million yen	Transportation	100.0 (100.0)	None	None	None	None
KEWPIE (THAILAND) CO., LTD. (Note 5)	Bangkok, Thailand	268 million baht	Production and sale of condiments, vinegar, salads and processed foods	45.3	D or A 3 Employees 3	None	None	None
Shunsai Deli Co., Ltd.	Akishima-shi, Tokyo	20 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 6	None	Sale of goods and products	Leases of factories
Osaka Sanei Logistics Corporation	Hirakata-shi, Osaka	66 million yen	Transportation	90.0 (90.0)	None	None	None	None
San Family Corporation	Yoshikawa-shi, Saitama	99 million yen	Transportation	90.0 (90.0)	None	None	None	None
KAT Corporation	Hirakata-shi, Osaka	20 million yen	Transportation	100.0 (100.0)	None	None	None	None
KEWPIE MALAYSIA SDN. BHD.	Malacca, Malaysia	57 million ringgit	Production and sale of condiments	70.0	Employees 4	None	None	None
KEWPIE VIETNAM CO., LTD.	Binh Duong, Vietnam	256.4 billion dong	Production and sale of condiments	80.0	Employees 3	None	Sale of goods and products	None
PT. KEWPIE INDONESIA	West Java, Indonesia	255.8 billion rupiah	Production and sale of condiments	60.0 (3.5)	Employees 3	None	None	None

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
Kewpie-Egg World Trading Co., Ltd.	Chofu-shi, Tokyo	100 million yen	Sale of egg and processed egg	100.0 (51.0)	D or A 2 Employees 4	None	Purchase of raw materials	Leases of offices
Green Message Co., Ltd.	Yamato-shi, Kanagawa	100 million yen	Processing and sale of fresh vegetables	51.0	D or A 2 Employees 3	198 million yen	Sale of products	None
Tou Kewpie Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Mail-order business	70.0	Employees 4	134 million yen	Sale of goods and products	Leases of offices
Aohata Corporation (Notes 3, 5 & 6)	Takehara-shi, Hiroshima	915 million yen	Production and sale of jams and fruit processed foods	44.6 [11.1]	None	None	Purchase of products	Leases of offices
Nantong Kewpie Corporation (Note 1)	Jiangsu Province, China	184 million yuan	Production and sale of vinegar, processed egg and salads	72.0 (72.0)	Employees 5	Liabilities for guarantee 38 million yen	None	None
Mosso Kewpie Poland Sp. z o.o. (Note 1)	Puchały, Poland	160,300 thousand Polish zloty	Production and sale of condiments	100.0	Employees 4	Liabilities for guarantee 1,062 million yen	None	None
Fresh Delica Network Corporation	Fuchu-shi, Tokyo	20 million yen	Transportation	100.0 (100.0)	Employees 2	None	None	Leases of parking lots
TO AD KEWPIE CO., LTD. (Note 5)	Shibuya-ku, Tokyo	4 million yen	Agency service for advertising, publicity, and exhibitions	50.0	Employees 3	None	Advertising agency services	Leases of offices
Hisamatsu Transport Corporation	Ayaka-gun, Utazu-cho, Kagawa	20 million yen	Transportation	100.0 (100.0)	None	None	None	None
Kewpie China Corporation (Note 1)	Beijing, China	723 million yuan	Financial management and business management of the Company's local subsidiaries in China	100.0	D or A 1 Employees 4	None	None	None
Guangzhou Kewpie Corporation (Note 1)	Guangdong Province, China	270 million yuan	Production and sale of condiments	72.0 (72.0)	Employees 6	None	None	None
Kewpie Philippines, Inc.	Manila, Philippines	50 million peso	Sale of condiments	100.0	Employees 3	Liabilities for guarantee 41 million yen	None	None
Tsukuba Egg Processing Corporation	Tsukuba-shi, Ibaraki	100 million yen	Production and sale of processed egg	51.0 (51.0)	Employees 3	None	None	None
KEWPIE SINGAPORE PTE. LTD.	Singapore, Singapore	1 million Singapore dollars	Sale of condiments	80.0	Employee 1	None	None	None
PT Kiat Ananda Cold Storage	West Java, Indonesia	10.5 billion rupiah	Warehousing	51.0 (51.0)	D or A 1 Employees 2	None	None	None
PT Ananda Solusindo	West Java, Indonesia	91.0 billion rupiah	Warehousing	51.0 (51.0)	D or A 1 Employees 2	None	None	None
PT Manggala Kiat Ananda	Jakarta Indonesia	50.4 billion rupiah	Transportation	51.0 (51.0)	D or A 1 Employees 2	None	None	None
PT Trans Kontainer Solusindo	West Java, Indonesia	2.0 billion rupiah	Ship transportation	67.3 (67.3)	D or A 1 Employees 2	None	None	None

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

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

3. The companies file their own annual securities report to the Commissioner of the Financial Services Agency.
4. Net sales of Kewpie Egg Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales.

   Major profit/loss information:
   (1) Net sales ¥87,032 million
   (2) Ordinary income ¥2,600 million
   (3) Profit ¥1,867 million
   (4) Total net assets ¥38,101 million
   (5) Total assets ¥46,685 million

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

   Major profit/loss information:
   (1) Net sales ¥58,902 million
   (2) Ordinary income ¥1,532 million
   (3) Profit ¥1,023 million
   (4) Total net assets ¥4,339 million
   (5) Total assets ¥11,276 million

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

(3) Equity-method affiliates

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
Summit Oil Mill Co., Ltd.	Mihama-ku, Chiba-shi, Chiba	97 million yen	Production of vegetable oil	49.0	D or A 1 Employees 2	None	Sale of products and purchase of raw materials	None
Kunimi Nosankako Co., Ltd.	Kunisaki-shi, Oita	80 million yen	Production and sale of frozen and chilled foods	20.6	Employees 2	155 million yen	Purchase of products	None
To Solutions Co., Ltd.	Chofu-shi, Tokyo	90 million yen	Plan, development, sale, maintenance and operations support of computer systems	20.0	Employee 1	None	Consignment of calculation work, etc.	Leases of offices and rental of office equipment

(4) Other associated company

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

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

4. Employees

(1) The Company and its consolidated subsidiaries

(As of November 30, 2020)

Number of employees
16,003 (9,268)

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

(2) The labor union

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

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

II. Business Operations

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

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

(1) Basic policy of Company management

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

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

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

The Group has established the "Kewpie Group 2030 Vision" as its long-term vision underpinned by its desire to become an indispensable company that makes people smile through food. We aim to serve as a group that contributes to the food culture and health of the world.

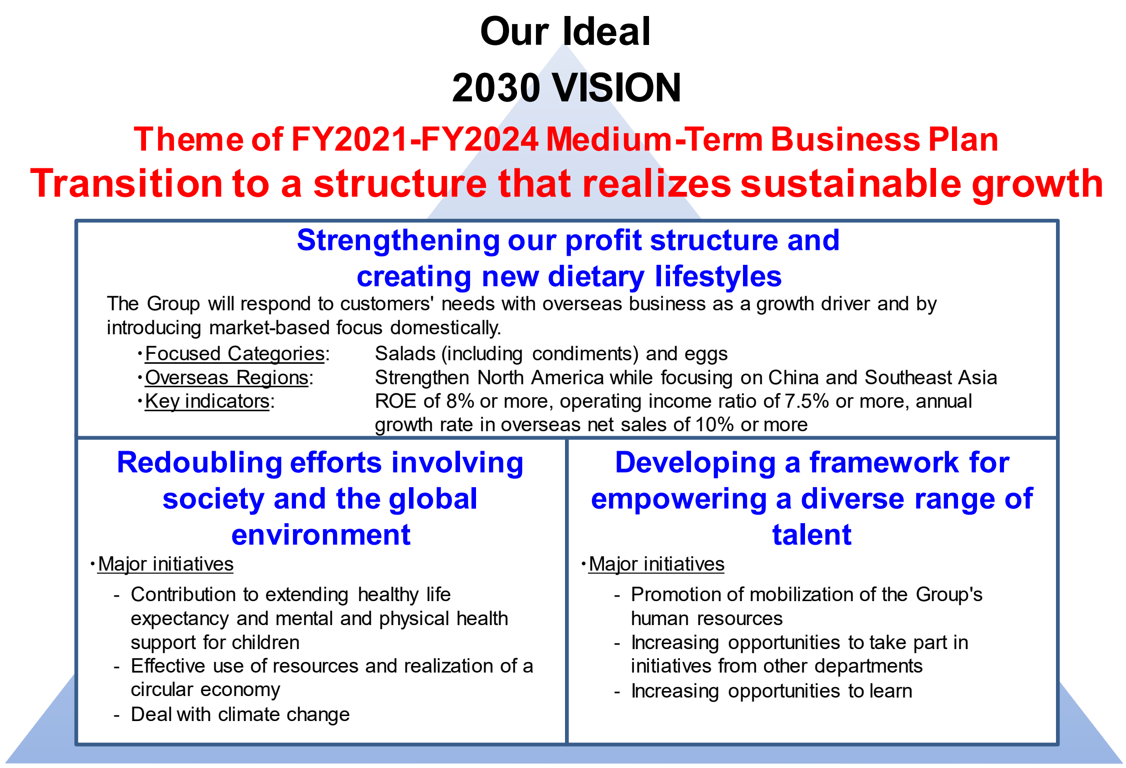
We have been enlisting an approach that entails sustainable growth in Japan and accelerating growth overseas as the first stage of our "2030 Vision" under our FY2019-FY2021 Medium-term Business Plan.

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

Given such major transformation in our business environment, we have concluded that it would be difficult to attain sustainable growth with our traditional business structure and terminated our FY2019-FY2021 Medium-term Business Plan at the end of two years after its commencement. We have newly drawn up our FY2021-FY2024 Medium-term Business Plan, which covers the four-year period commencing from the fiscal year ending November 30, 2021.

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

[Management policies and key initiatives]



◇ Strengthening our profit structure and creating new dietary lifestyles

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

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

In the Retail Market Business, we have been developing products that serve as daily necessities still in the changing lifestyles. We have been proposing uses of mayonnaise in serving as an all-purpose condiment that can be used in various cooking scenes beyond its traditional use with salads. In the realm of other core products, we will develop the notion of product versatility by strengthening our efforts to propose such items for use across a wide range of cooking scenes. Moreover, we will take steps to enhance our brand and product recognitions as we supply products that bring solutions for customers mainly through our fresh stock™ business launched in 2020.

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

◇ Redoubling efforts involving society and the global environment

Appreciating the blessings of nature, the Group has been engaged in environmental activities for many years with the idea of making the most of the world's precious resources. Amid the global-scale issues, including the risks from climate change, food loss, and marine plastic pollution, that are becoming obvious one after another, the Group aims to contribute to achieve a sustainable society and sustainable growth of the Group, and is working on material issues associated with Sustainable Development Goals (SDGs).

We have added a new initiative for the reduction and reuse of plastics to our existing targets, and are working to enhance our brand value by fulfilling our corporate responsibilities to society and the global environment, and striving through coordinated efforts across the entire value chain to deal with increasingly complex social issues.

Material Issues	Initiative Theme	Indicators	FY2021 Target	FY2024 Target	FY2030 Target	Related SDGs
Contributing to food culture and health	Contribution to extending healthy life expectancy	As a food partner for every person: ・ Contribute to achieving a vegetable intake target of 350 grams per day ・ Promote a boost in egg consumption in order to contribute to increasing protein intake				
	Mental and physical health support for children	Number of children's smiles via our activities (Cumulative since FY2019)	At least 200 thousand	At least 400 thousand	At least 1 million	
Effective use and recycling of resources	Unused portions of vegetables (cabbage, etc.)	Effective utilization rate	At least 30% effectively used	At least 50%	At least 90%	
	Curtailment of food loss (Reduction of product waste)	Reduction rate in volume of product waste (compared to FY2015)	At least 25%	At least 35%	At least 50%	
	Reduction and reuse of plastic waste	Reduction rate in volume of plastic waste (compared to FY2018)	—	At least 8 %	At least 30%	
Deal with climate change	Reduction of CO_2 emissions	Reduction rate in CO_2 emissions (compared to FY2013)	At least 7.5%	At least 20%	At least 35%	

To contribute to food culture and health, in addition to developing food products and menu suggestions in order to enjoy eating vegetables, we are actively working to extend healthy life expectancy by disseminating correct health information and providing solutions for food-related issues within local communities. In addition, through factory tours, lectures, and other food education activities, we are supporting the mental and physical health of children.

We will address effective use of resources and realization of recycling-oriented economy by pursuing utilization of unused portions of major materials such as of outer leaves or cores of cabbage and skins of potato, as well as by reducing food loss and food waste through elaboration of matching between demands and supplies and through strict selection of products. We will also work to cut back on our use of plastics by researching means of making packaging lighter, thinner and resorting to alternative materials.

To address the climate change, we will also proceed with overhauling manufacturing processes, drawing up plans regarding renewable energy, achieving modal shifts, and coordinating efforts for procuring farm products by way of contribution to mitigating the climate crisis and implementation of adaptation measures.

◇ Developing a framework for empowering a diverse range of talent

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

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

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

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

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

[Cash flow allocation and management indexes]

◇ Cash flow allocation

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

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

◇ Management indexes

	FY2020 (After retrospective adjustments)	FY2024 Targets
ROE	4.8%	At least 8%
Operating income ratio	6.5%	7.5%
Growth ratio in overseas net sales (Local currency basis)	(Year to Year) 3.8%	(Annualized rate) At least 10%

(Notes) 1. FY2020 (after retrospective adjustments) are the figures after retrospective adjustments, excluding the distribution business.
2. Growth ratio in overseas net sales does not include results of Egg Business in North America.

(3) Impact of COVID-19

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

Assuming that the impact of the COVID-19 will persist for a while, we are working on countermeasures and responses based on the following policies.

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

The Group is striving to respond to the situation with the highest priority on ensuring the safety of all of our stakeholders, including employees and their families, customers, and business partners. We have set up Emergency Headquarters for COVID-19 and are taking thorough measures to prevent the infection.

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

Policy 2: Fulfill our mission as a food manufacturer

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

To respond to new food needs arising from new lifestyles, we have launched the "fresh stock™" business through which we aim to create a new market by developing product lines that leverage the Group's strengths to adapt to changing food needs and the new normal with COVID-19.

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

We are moving forward with support activities with a desire to further contribute to society in the COVID-19 era. Specifically, we provide our products or meals to local communities, especially children; the elderly and their caregivers who are in need of food; and those engaged in medical services in a way unique to the Group.

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

2. Operational Risks

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

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

Nevertheless, the Group's credibility, business performance and financial position may be substantially affected should an event occur such that is beyond the control of the Group. An overview of the risks involved is given in the list below, but this is not intended to be an exhaustive list of all risks attendant on the Group's business operations.

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

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

Event	Risks	Measures to address risks
Procurement of principal ingredients	• Procurement of edible oils may be significantly affected by short-term and long-term risks of price volatility due to fluctuations in market prices of soybeans and rapeseed, foreign exchange rates, supply and demand, and other factors. • Procurement of shell eggs may also be significantly affected by risks of price volatility and procurement difficulties cause by factors including sudden outbreaks of avian influenza, changes in the number of laying hens, and long-term trends in shell egg consumption.	In order to stably procure better raw materials, we promote appropriate communication with suppliers, deepen relationships of trust and mutual understanding with them, and resolve diverse issues in the supply chain. In this way, we promote initiatives geared to sustainable procurement (such as stabilizing purchase prices and ensuring necessary volume) based on social considerations. As for procurement of edible oils, we are taking steps to curb effects of price volatility. For instance, since we have long-established relationships of trust with major producers of edible oils, we do not buy oil through spot purchases, but under long-term contracts such as forward trading. The Group joined the Roundtable on Sustainable Palm Oil (RSPO) to contribute to resolving issues surrounding deforestation of tropical forests and human rights for farm workers, and thereby to promote sustainable procurement of palm oil. As for procurement of shell eggs, we take steps that include arranging a combination of scheduled annual volume purchases with producers in respective regions with a focus on major egg producers, fixed-price contracts, and spot contract purchases on the open market. Moreover, we are also establishing a framework encompassing nationwide procurement and egg-breaking plants that provides coverage through plants in other regions should restrictions be placed on shipments amid an outbreak of avian influenza in some geographic areas. In addition, from the perspective of medium- to long-term sustainability, we are working on the issue of animal welfare for egg-laying hens in cooperation with related industries and governments.
Product liability	As for incidents causing damage to the health of consumers, such as the insertion of foreign matter into products and false or mistaken indications on product labels, we always regard them as risks that could have a significant impact on our business.	Insistence on the highest product quality has been our most fundamental concern since the Company was established. Accordingly, we rigorously and systematically enhance product quality assurance systems by acquiring Food Safety System Certification (FSSC 22000, JFS-C certification, etc.), engaging in trans-group quality monitoring, developing product quality assurance and traceability systems that make use of factory automation, self-monitoring, and constructing quality standard control systems for procured ingredients focused on insistence on meeting our safety and hygiene standards. In addition, we place great importance on ensuring a high level of awareness and understanding regarding product quality among our employees. To this end, the Group helps employees acquire necessary knowledge and technology and instills them an insistence on the highest product quality by offering them training opportunities such as on-the-job training and training sessions. Accordingly, the Group takes appropriate measures to provide safe and high-quality products, which is the foundation of the persistent business development.

Event	Risks	Measures to address risks
Natural disasters and other such contingencies	We expect the impact of natural disasters such as massive typhoons, floods caused by torrential and prolonged rains, and large-scale earthquakes to be even more significant. Specifically, we assume they could pose the following risks: • Damage to manufacturing and distribution facilities, equipment, etc. • Difficulties procuring raw materials and energy • Shortages of human resources necessary for operations	We are working on measures that entail establishing business continuity plans (BCP) to go into effect in the event of any crisis extending across the Group, leveraging our experience involving natural disasters. We have prepared manuals pertaining to respective disaster types in preparation for the potential occurrence of a crisis scenario. This has involved efforts that include developing frameworks for setting up operations in Kansai area that substitute for those of the Tokyo Head Office, establishing emergency communications networks and stockpiling supplies, reinforcing production and distribution facilities, developing systems for confirming available production capacity in the event of a contingency, and developing site redundancies in relation to our core products with respect to production, as well as the functions of raw material procurement and order acceptance. To ensure that such operations perform effectively, we also carry out large-scale disaster response training sessions (initial response training, product supply training, and safety verification training).
COVID-19	People's lives have been restricted by the spread of the infection, and the resultant requests to refrain from going out and to shorten business hours for restaurants coupled with the declaration of a state of emergency, which have had a significant impact on our business activities, especially those related to the commercial-use market. The infection of employees and the occurrence of clusters at our business sites may affect our business activities.	The Group will improve its business efficiency by streamlining priority areas and product line-ups through selection and concentration, and by consolidating dispersed functions and businesses with potential value. Specifically, having set delicatessen, bakery, and frozen process food as the channels to strengthen, we will focus management resources on condiments and eggs, and respond to declining demand by offering proposals that swiftly respond to customer needs, thereby improving profitability. In addition, we are developing site redundancies in relation to our core products with respect to production, as well as the functions of raw material procurement and order acceptance. We have been responding to COVID-19 since the early stages of its outbreak in accordance with the guidelines of the national and local governments. We have been implementing measures to lower the infection risk and prevent infection in the workplace in order to continue our business activities, while placing the highest priority on ensuring the safety of our employees and their families.

Event	Risks	Measures to address risks
Human resources and labor-related	Regarding human resources and labor, we always assume the following risks: • Insufficient human resources in terms of carrying out on-site work at manufacturing and distribution sites • Improper management of working hours, overwork • Harassment	We take steps to secure and retain human resources that involve engaging in ongoing recruitment, upgrading employee education, developing optimal working environments. At our manufacturing sites, we streamline operations and achieve labor savings. More specifically, we make use of IoT technologies, robotic process automation (RPA), various types of robots and artificial intelligence. In addition, we will extend our range of employment in part by developing working environments that enable foreign nationals to work more effectively, in line with revisions to Japan's Immigration Control Act. We are taking steps to reduce our exposure to labor-related risk. This has involved developing workplace environments where employees are able to balance their careers and family life, thereby enabling every employee at all of our locations to work with peace of mind, actively using remote work, developing optimal work schedules and appropriately implementing labor controls pursuant to laws and regulations, providing thorough employee education on harassment prevention, and establishing an internal reporting system (helpline). In addition to these efforts, to foster motivated human resources who will be able to play an active role for our sustainable growth, the Group has developed a framework for empowering a diverse range of talent, while at the same time actively recruiting and appointing external human resources with high expertise.
Overseas expansion	Regarding overseas expansion, we mainly assume the following risks: • Problems stemming from vulnerable business foundation • Information leakage due to inadequate information management • Damage to competitiveness and brand image caused by circulation of counterfeit goods	Our overseas subsidiaries also implement on-site education and various training programs with the aim of instilling the Group's philosophy. We are also developing internal control systems to strengthen our business foundation. More specifically, this has entailed efforts that involve clarifying decision-making authority; establishing and operating various regulations and systems such that include rules on contracts and regulations management, as well as accounting and financial regulations, anti-bribery regulations, and personnel evaluation systems; adopting an internal reporting system; establishing business continuity plans (BCP); and implementing crisis management training sessions. We have also adopted rules on our handling and security of corporate information and important technical information, and are building a solid ICT network. We are taking countermeasures against counterfeit goods that involve eliminating from the market products that infringe on our trademark rights and misleading products of other companies, while also seeing to it that we do not confer the right to file for malicious trademarks.

Event	Risks	Measures to address risks
Global environmental issues	If the Group's efforts and responses to sustainability issues are perceived as inadequate, its reputation may gradually diminish.	In the environment aspect, the Group has identified "Effective use and recycling of resources" and "Deal with climate change" as material issues regarding sustainability and the entire Group is working on them. Our efforts for the effective use and recycling of resources involve recycling of food such as converting egg shells and unused portions of vegetables (cabbage, etc.) such as cores and outer leaves of vegetables into fertilizer and animal feed. We are also working to reduce food loss (or reduce product waste) by extending best-before dates and expiration dates and elaborating the matching between demands and supplies. With regard to the reduction and reuse of plastics, we are making containers and packaging lighter and thinner, while cutting back on the amount of plastics used and wasted in our production activities. Furthermore, having embarked on research seeking alternative materials that have less of an impact on the environment, we are helping to reduce plastic consumption and contributing to the notion of a recycling-oriented society. To address the climate change, we are promoting the use of renewable energy by newly constructing solar power generation facilities in addition to improving efficiency in manufacturing processes and installing energy-saving equipment. In distribution, we are actively promoting the modal shift from long-haul trucks to railroad and ship transportation, joint collaboration on transportation with manufacturers from different industries, and improvement of loading efficiency. In our offices, we are working to optimize energy use. These initiatives help reduce CO_2 emissions.

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

(1) Overview of operating results, etc.

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

A. Financial position and operating results

During the fiscal year ended November 30, 2020, the Japanese economy suffered from a severe restriction on economic activities following the declaration of a state of emergency caused by the spread of COVID-19. While the economic activities are gradually recovering after the lifting of the state of emergency, the future remains uncertain with the widespread impact of COVID-19.

In the food industry, while demand for restaurants was sluggish due to requests to refrain from going out and to shorten business hours, major changes were seen in the food consumption behavior, including a shift to home-cooked meals and increased demand for delivery and takeout coupled with stay-at-home consumption.

The food distribution industry continued to experience the difficulty in coordinating product deliveries and securing manpower owing to a sudden increase in demand for home-cooked meals, combined with a sharp decline in demand in the restaurant sector following the declaration of a state of emergency.

The Group's business performance was also greatly impacted by the spread of COVID-19 since it has caused changes in dietary lifestyles of people. Under these circumstances, we have worked to curb costs and recover demand in the commercial-use market. In the consumer market, we have further strengthened the foundation of our mainstay products and developed markets by utilizing the Group's sales channels.

We also endeavored to control the spread of infection among our employees in accordance with the guidelines of the national and local governments, while continuously supplying safe and reliable products to customers. In addition, we provided food and other support activities through food in cooperation with various organizations, companies, and local governments.

- Net sales

  Consolidated net sales decreased by ¥14,620 million (2.7%) year on year to ¥531,103 million due to a decline in sales volume of commercial-use products despite an increase in sales of household-use products resulting from rising demand for home-cooked meals both at home and abroad.

- Profit

  Operating income in the second half of the fiscal year increased by ¥1,200 million year on year as a result of efforts to curb selling, general and administrative expenses and other costs, but this was not enough to offset the impact of COVID-19 on the operating results in the first half of the fiscal year. As a result, for the full year, operating income decreased by ¥3,745 million (11.7%) year on year to ¥28,303 million, ordinary income decreased by ¥4,286 million (12.9%) year on year to ¥28,989 million, and profit attributable to owners of parent decreased by ¥7,320 million (39.1%) year on year to ¥11,378 million.

◊ Business overview by segment

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)	Change (amount)	Change (ratio)
Condiments and Processed Foods	185,213	180,239	(4,974)	(2.7)%
Salad and Delicatessen	90,291	90,897	606	0.7%
Egg	99,991	89,091	(10,900)	(10.9)%
Fruit Solution	15,648	16,473	825	5.3%
Fine Chemicals	8,348	7,942	(406)	(4.9)%
Distribution	140,976	140,423	(553)	(0.4)%
Common Business Operations	5,253	6,034	781	14.9%
Total	545,723	531,103	(14,620)	(2.7)%

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)	Change (amount)	Change (ratio)
Condiments and Processed Foods	21,587	22,353	766	3.5%
Salad and Delicatessen	3,185	3,655	470	14.8%
Egg	7,438	3,291	(4,147)	(55.8)%
Fruit Solution	312	561	249	79.8%
Fine Chemicals	1,236	1,156	(80)	(6.5)%
Distribution	4,133	2,837	(1,296)	(31.4)%
Common Business Operations	1,349	1,329	(20)	(1.5)%
Company-wide expenses	(7,194)	(6,881)	313	—
Total	32,048	28,303	(3,745)	(11.7)%

Condiments and Processed Foods

- Domestic and overseas sales of household-use products increased year on year due to a shift to home-cooked meals caused by the spread of COVID-19, but sales of commercial-use products decreased due to sluggish demand from the restaurant sector.
- Operating income increased year on year mainly due to efforts to curb selling, general and administrative expenses and other costs.

Salad and Delicatessen

- Sales increased year on year due to growth for cut vegetables and salad with mayonnaise dressing with extended shelf life.
- Operating income increased year on year due to higher sales of mainstay products and improved productivity.

Egg

- Sales decreased year on year due to a decrease in sales volume of products for restaurants and confectionery manufacturers in Japan, affected by the spread of COVID-19.
- Operating income decreased year on year due to lower sales and a decrease in production capacity utilization.

Fruit Solution

- Both sales and operating income increased year on year due to growth in jams and spread for household use.

Fine Chemicals

- Both sales and operating income decreased year on year due to sluggish sales of hyaluronic acid.

Distribution

- Sales decreased year on year due to a decrease in the volume of shipments, primarily for commercial-use products, despite increases in the volume of new transactions and transactions with existing customers.
- Operating income decreased year on year due to the impact of COVID-19 and upfront investments in labor-saving equipment, etc.

Common Business Operations

- Sales increased due to higher sales of manufacturing machinery for food manufacturers.
- Operating income decreased due to an increase in costs associated with new leased facilities.

◊ Status of financial position

- Total assets increased by ¥7,414 million year on year to ¥451,723 million.

  This was mainly due to a ¥10,058 million increase in cash and deposits, a ¥9,868 million decrease in notes and accounts receivable – trade, a ¥6,045 million increase in buildings and structures, a ¥5,915 million increase in machinery, equipment and vehicles, a ¥9,916 million decrease in construction in progress, and a ¥2,984 million increase in software.
- Total liabilities decreased by ¥1,210 million year on year to ¥166,346 million.

  This was mainly due to a ¥11,471 million decrease in notes and accounts payable – trade, a ¥5,926 million decrease in accounts payable – other, and a ¥14,076 million increase in loans payable.
- Total net assets increased by ¥8,624 million year on year to ¥285,377 million.

  This was mainly due to a ¥4,941 million increase in earned surplus and a ¥4,643 million increase in non-controlling interests.

B. Status of cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥65,777 million, which represents an increase of ¥9,000 million from the end of the previous fiscal year.

Status of cash flows is as follows:

Net cash provided by operating activities came to ¥34,955 million for the current fiscal year, compared with ¥43,916 million provided in the previous fiscal year. This was the result of profit before income taxes of ¥22,825 million, depreciation and amortization of ¥20,073 million, a decrease in notes and accounts receivable – trade of ¥10,041 million, a decrease in notes and accounts payable – trade of ¥11,409 million, and income taxes paid of ¥9,079 million.

Net cash used in investing activities amounted to ¥26,039 million, compared with ¥29,720 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥20,707 million and purchases of intangible fixed assets of ¥4,746 million.

Net cash provided by financing activities amounted to ¥5 million for the current fiscal year, compared with ¥4,602 million used in the previous fiscal year. This was the result of a net increase in short-term loans payable of ¥2,269 million, proceeds from long-term loans payable of ¥9,800 million, repayment of long-term loans payable of ¥3,236 million, and cash dividends paid of ¥6,436 million.

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

	FY2016	FY2017	FY2018	FY2019	FY2020
Equity ratio (%)	55.3	54.2	53.9	53.0	53.0
Equity ratio based on market value (%)	105.3	101.6	93.9	78.3	68.8
Interest-bearing debt to cash flows ratio (year)	0.8	2.2	1.5	1.5	2.3
Interest coverage ratio (times)	146.4	75.8	122.5	144.7	103.7

(Definition)

Equity ratio = Shareholders' equity / Total assets

Equity ratio based on market value = Total market value of the stock / Total assets

Interest-bearing debt to cash flows ratio = Interest-bearing debt / Cash flows

Interest coverage ratio = Cash flows / Interest paid

(Notes)

1. Each index is calculated based on consolidated financial figures.
2. Total market value of the stock is calculated by multiplying the final market price by the number of issued shares at the end of fiscal year (excluding treasury stock).
3. Interest-bearing debt includes all consolidated balance sheet-reported liabilities on which interest is paid.
4. Cash flows and Interest paid are the same figures as found under "Net cash provided by (used in) operating activities" and "Interest paid" reported in the Consolidated Statements of Cash Flows, respectively.

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

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

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

A. Summary of significant accounting policies and estimates

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting principles in Japan, and necessarily include amounts based on estimates, judgements and assumptions by management regarding period-end balances of assets and liabilities, as well as income and expenses for the reporting period. The Group has continuously estimated, judged and assumed based on a number of factors that are considered to be reasonable under the past business results and surrounding conditions. Because of uncertainty unique to estimates, actual results could differ from these estimates.

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

a) Impairment losses on fixed assets

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

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

b) Allowances for doubtful accounts

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

c) Impairment losses on investment securities

Investment securities with readily determinable market value are stated at market value, while those without readily determinable market value are stated at cost. The Group recognizes impairment losses on the investment securities based on reasonable criteria as those securities with readily determinable market value are exposed to the risk of price fluctuation of the stock market and those securities without readily determinable market value are exposed to the possibility of deterioration of the business performance of companies in which the Group has invested.

Because of the above criteria, posting of additional impairment losses would be necessary if fall in market or deterioration of the Group's investment destination cause further losses or defaults to occur in the future.

d) Deferred tax assets

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

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

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

a) Analysis of financial position and operating results

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

b) Sources of cash and liquidity

(i) Cash flow analysis

Details regarding overview of the Group's cash flows during the current fiscal year is given in "3. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of operating results, etc., B. Status of cash flows".

(ii) Demand for funds

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

(iii) Procurement of funds

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

(iv) Liquidity of funds

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

c) Progress made in achieving target management indexes

The Group has been enlisting an approach that entails sustainable growth in Japan and accelerating growth overseas under its FY2019-FY2021 Medium-term Business Plan. Meanwhile, the recent years have seen a declining birthrate and an aging population, a change in the family composition, the global spread of COVID-19. Given such major changes in our business environment, we have concluded that it would be difficult to attain sustainable growth with our traditional business structure. Accordingly, we terminated the FY2019-FY2021 Medium-term Business Plan at the end of the second year of the plan, and have instead newly drawn up the FY2021-FY2024 Medium-term Business Plan, which covers the four-year period commencing from the fiscal year ending November 30, 2021.

Under the FY2021-FY2024 Medium-term Business Plan, the Group has set the following targets to be achieved in the plan's final fiscal year ending November 30, 2024: return on equity (ROE) of at least 8%, operating income ratio of 7.5%, and annualized growth ratio in overseas net sales (on a local currency basis) of at least 10%.

In the current fiscal year, return on equity (ROE) was 4.8%, operating income ratio was 6.5%, and growth ratio in overseas net sales (on a local currency basis) was 3.8% higher than the previous year.

◊ Management indexes

	FY2020 (After retrospective adjustments)	FY2024 Targets
ROE (Return on equity)	4.8%	At least 8%
Operating income ratio	6.5%	7.5%
Growth ratio in overseas net sales (Local currency basis)	(Year to Year) 3.8%	(Annualized rate) At least 10%

(Notes) 1. FY2020 (after retrospective adjustments) are the figures after retrospective adjustments, excluding the distribution business.
2. Growth ratio in overseas net sales does not include results of Egg Business in North America.

4. Material Contracts

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

5. Research and Development

The Group carries out extensive Research and Development (R&D) in the respective lines of business — "Condiments and Processed Foods", "Salad and Delicatessen", "Egg", "Fruit Solution", and "Fine Chemicals", setting a high value on good taste, kindness, and uniqueness to contribute to better and healthier dietary lifestyles of people from around the world.

As for the Group's R&D, we engage in research and development with the aim of providing enjoyable and healthy diets and lifestyles for the world of the future. Prioritizing research in the fields of salads, eggs, diet and lifestyle creation, and presymptomatic healthcare, we vigorously pursue open innovation with external research institutes. In this way, we will implement research and development that helps resolve social issues and provide food products to realize dietary lifestyles that contribute to the health of people.

During the current fiscal year, we launched the "fresh stock™" business by leveraging our food-flavoring and extended shelf-life technologies cultivated through our R&D over the years. With these technologies in place, we have developed the line of products that can be stocked in the refrigerator so that consumers can make easy arrangement recipes with fresh taste.

Moreover, we received the Food Industry Affairs Bureau Director-General Award of the Ministry of Agriculture, Forestry and Fisheries in the 7th Food Industry 'Mottainai' Awards (contributing to food loss reduction) on the "exploration in value of eggshells and eggshell membranes and contributions to food and health" as one of our initiatives geared to effective use of resources and environmental conservation towards resolving social issues.

The production technology units utilize and deploy the abundant core technologies they have built up in production technology and development technology to develop facilities and equipment that will create products developed by research units with an emphasis on quality. With respect to new technologies, they engage in initiatives leveraging AI and also participate in a government-led R&D project to realize robot-friendly environment to promote to realize production environments that enhance production efficiency and the quality assurance system across the Group.

Total research and development expenses for the Group for the current fiscal year amounted to ¥3,963 million.

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

(1) Condiments and Processed Foods, Salad and Delicatessen, Egg, Fruit Solution, and Fine Chemicals

During the current fiscal year, eight presentations were made and 18 essays were published regarding research results created through our R&D activities. Through these efforts, we are also contributing to the promotion of academic activities.

<Condiments and Processed Foods>

In addition to developing new products, we make proposals to enhance palatability and functionality and expand applications of existing products through improving them.

In the category of mayonnaise, we have improved our long-selling *Mustard Mayonnaise* to bring out the flavor of mustard and tailor it to go with Okonomiyaki (or Japanese savory pancake) and the likes.

In the category of dressings, we have improved our core product, *Grated Onion Dressing*. Besides developing new products and improving existing products, we also focused on product versatility to expand the range of their uses. For example, our research has found out that cooking chicken after marinating it in salad dressing makes it tender and tasty. We have named this recipe as *Doreteku*, which is a Japanese abbreviation for "dressing technique", and disseminated the information to make dining more enjoyable.

In the category of sauces, we have improved the *Pan Kobo* bread spread series, and in the category of pasta sauces, we launched new products, *Aeru Pasta Sauce with Aromatic Butter and Soy Sauce*, and *Italiante Four Cheese Sauce*.

In baby foods, we have launched *Niko-niko Box (smiling package)* series. We have devised packaging and design that make the set meal of main and side dishes more convenient and enjoyable for both parents and children.

For the *Salad Club Pouched Ingredient* series, we have adopted biomass packaging using vegetable-derived plastic to promote environmentally conscious development.

In the food services market, to suggest new salad menu items, we launched *Paysanne Salad Dressing*, as well as *Crunchy Rich Filling Dressing Leek and Salt* that can also be used as a sauce. We also launched *Snowman Western-style Chikuzenni with Vegetables* and *Snowman Vegetables in White Sauce with yuzukosho*, both of which make delicious additions to buffet menu, and *Snowman Stewed White Kidney Beans* and *Hoshienu vegetable broth*, both of which contain no animal ingredients.

Our consolidated subsidiary Kewpie Jyozo Co., Ltd. launched *Jelly Style Sauce (Herb & Vegetable Vinegar)* as commercial-use products.

<Salad and Delicatessen>

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

In delicatessen foods, we have launched in the greater Tokyo area the industry's first potato salad as food with function claims as one of the series of *Karada Omoi Menu* (Body friendly menu). The salad contains gamma aminobutyric acid, or GABA, and its label bears "For those with higher blood pressure". The salad has been well received by those who are health conscious, let alone those with higher blood pressure.

<Egg>

For the consumer market, we have launched on a trial basis *Sonomama Pakutto Taberareru Yude Tamago* (Ready-to-eat soft-boiled egg), which can be easily stored in the refrigerator and readily served for consumers such as those representing the increasing number of single-person households, double-income households and senior citizen households. We will develop the product as part of our fresh stock™ business.

In addition, we have launched *Shoulder Bacon Flavor*, a new item of the *Egg Spread* series under the KEWPIE-NO-TAMAGO brand.

For the food services market, we have launched *Japanese Omelet with Minced Chicken and Soybeans* and *Japanese Omelet with Colorful Vegetables* as products under the *Snowman* brand, which can be readily served simply by thawing them out. With labor shortages having become a conspicuous social situation, we have received positive feedback from various customers who say the products are easy to serve and delicious.

<Fruit Solution>

In the product development of the jam and spread category, we have renewed our jam line-up by taking the opportunity of the 50th anniversary of the *Aohata 55 Jam* series, pursuing more excellence in taste and revamping their packages. We have launched seasonal jams: *White Peach & Guava Jam* and *Berry Mix Jam* in spring 2020 and *Fig & Prune Jam* and *Apple & Cranberry Jam* in fall 2020.

In addition, as the series of *Aohata Fruit Sauces for Meat*, we have launched two items: *Mixed Berry Sauce* and *Apple Sauce with Raisins*, which can be used for meat recipes.

Under the *VERDE* brand, we have launched two items: *Custard Whipped Spread with Banana Taste* as the whipped cream series and *Blueberry & Honey Syrup* as the spread series for individual meals.

<Fine Chemicals>

In the Fine Chemicals Business, we have refined our original molecular weight control technology and developed fermented hyaluronic acid for medical use for overseas markets. We have verified the new effect of diminishing fine wrinkles caused by dryness in the *Hyalo One* skincare product that contains six unique hyaluronic acids, including low-molecular-weight cosmetic hyaluronic acid (HAbooster).

As for egg components, we have refined the hydrolysis technology of eggshell membrane and launched *EMlastic* (Hydrolyzed Eggshell Membrane) as a new ingredient for cosmetics.

We have found a new health function of the acetic acid bacteria, a raw material of mayonnaise, which produces vinegar; and verified that it reduces nasal discomfort caused by pollen, dirt, house dust, and other substances. Based on the research outcome, we have developed and launched *Diare* supplement, a food with function claims.

In overseas markets, we disseminate information on health and nutrition through academic publications and suggest a healthier dietary lifestyle centered on salads through our product development in order to contribute to the food culture and health of local communities.

In China, we have established the Research Institute of Food & Health (RIFH) under the Shanghai Society of Food Science and built a foundation to suggest a healthier dietary lifestyle targeted at Chinese consumers based on the evidence of food and health we have acquired. Followed by a change to the mesh design in the packages of all the mayonnaise products, we have revamped our sweet mayonnaise to cater to the taste of modern Chinese people. In addition, to further increase our dressing market share, we have launched *Prickly Ash Dressing* with mala (spicy) flavor in both the consumer and food services markets. The dressing has already been popular across the nation. Only in the food services market, we have launched *Salted Egg Yolk Mayonnaise* and *Chinese Fermented Bean Curd Flavor Seasoning Sauce* targeted especially at the Chinese food and beverage formats, both of which incorporate the Chinese traditional preferences.

In Southeast Asia, we have launched two dressings: *Kewpie Dressing Balsamic* and *Kewpie Japanese Dressing Yuzu Shoyu* in Thailand, aiming to help Thai consumers have a healthier diet with our dressings. Both of the dressings have a Healthier Choice logo, which is awarded to calorie-restricted food products and ones that meet nutrient criteria. In Malaysia, we have launched three items including *Tuna Mayo Spread* as a sauce for Malaysian consumers to readily serve deli breads and sandwiches. In Vietnam, we have launched *Kewpie Dressing Roasted Sesame Yuzu & Kumquat Taste*, which is a kumquat taste dressing added to the *Deep-roasted Sesame Dressing* series, and *Kewpie Dressing Grated Onion*. In Indonesia, we have developed crunchy rich filling for the food services market. We have launched three items including *Crunchy Rich Filling Japanese Curry*, making value-added propositions to restaurants and bakeries.

In the U.S., as our *Kewpie Mayonnaise* exported from Japan has become more popular, we have revamped mayonnaise produced in the U.S. to make its taste even closer to mayonnaise produced in Japan.

In Poland, in order to expand our dressing line, we have revamped three dressings: *Mosso Impression Sauce for Salad Sesame*, *Garlic Onion Dressing*, and *Wasabi Flavor Dressing*, and launched two dressings: *Basil Dressing* and *Honey Mustard Dressing*. We have reduced additives in those dressings to meet health-conscious customer needs.

(2) Common Business Operations and Distribution

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

III. Facilities and Equipment

1. Investments in Facilities and Equipment

As a result of continuous investments to augment, upgrade and streamline facilities, the Group invested a total of ¥26,102 million in facilities and equipment during the current fiscal year. These investments were part of the Company's efforts to preserve the environment and were made for the purpose of improving product safety, reducing production costs, and developing products that meet customers' needs.

Investments in facilities and equipment by segments were as follows:

Segment	Amount of capital investment (millions of yen)	Main contents
Condiments and Processed Foods	6,471	Investments to augment and streamline facilities for production of mayonnaise and dressings
Salad and Delicatessen	1,308	Investments to augment and streamline facilities for production of salads and delicatessen foods
Egg	5,615	Investments to augment and streamline facilities for production of liquid egg, egg spread, and thick omelet
Fruit Solution	562	Investments to augment and streamline facilities for production of jams
Fine Chemicals	698	Investments to augment and streamline facilities for production of hyaluronic acid
Distribution	7,515	Warehouse facilities, vehicles
Common Business Operations	340	Software
Other	3,590	Kewpie Group core systems

(Notes) 1. The amounts of capital investment include investment in intangible fixed assets and long-term prepaid expenses.
2. The amount stated for "Other" is that of investment in Kewpie Group core systems prior to being allocated to the reporting segments.
3. Consumption taxes are not included in the above amounts.

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

2. Principal Facilities and Equipment

Investments in facilities and equipment, and the number of employees working at each site as of November 30, 2020 are as follows:

(1) The Company

Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Hashikami Factory (Hashikami-cho, Sannohe-gun, Aomori)	Condiments and Processed Foods Salad and Delicatessen Egg	For foods	502	579	553 (46,365)	—	17	1,652	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments and Processed Foods Fine Chemicals	For foods	6,524	3,474	3,734 (221,051)	24	104	13,862	292 (119)
Nakagawara Factory (Fuchu-shi, Tokyo)	Condiments and Processed Foods	For foods	4,402	1,511	405 (43,484)	—	65	6,385	153 (93)
Fujiyoshida Factory (Fujiyoshida-shi, Yamanashi)	Condiments and Processed Foods	For foods	—	229	— (—)	—	1	231	1 (—)
Koromo Factory (Toyota-shi, Aichi)	Condiments and Processed Foods Egg	For foods	1,223	1,754	16 (37,876)	3	33	3,032	147 (102)
Kobe Factory (Higashinada-ku, Kobe-shi, Hyogo)	Condiments and Processed Foods	For foods	6,626	5,126	1,601 (16,776)	70	161	13,586	113 (21)
Izumisano Factory (Izumisano-shi, Osaka)	Condiments and Processed Foods	For foods	799	722	663 (18,576)	5	13	2,204	72 (62)
Tosu Factory (Tosu-shi, Saga)	Condiments and Processed Foods	For foods	2,349	629	363 (53,958)	—	19	3,361	1 (—)
Head Office (Shibuya-ku, Tokyo)	—	For others	656	0	— (—)	70	150	878	714 (110)
Complex of facilities (Chofu-shi, Tokyo)	—	For others	6,031	94	138 (16,510)	14	289	6,567	229 (12)
Complex of facilities (Itami-shi, Hyogo)	—	For others	8,194	516	2,337 (37,919)	6	140	11,195	— (—)
Tokyo Branch and other 8 branches and 14 sales offices	—	For others	77	—	— (—)	—	23	100	668 (50)
Kansai SLC (Higashinada-ku, Kobe-shi, Hyogo)	Common Business Operations	For warehousing and distribution system	3,714	461	6,075 (47,252)	—	5	10,257	— (—)

(2) Domestic subsidiaries

Trade name	Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Kewpie Egg Corporation	Head Office, Factory, Office, etc. (Chofu-shi, Tokyo, etc.)	Egg	For foods	6,205	12,254	5,664 (131,055)	485	193	24,803	2,019 (456)
Deria Foods Co., Ltd.	Head Office, Branch, etc. (Chofu-shi, Tokyo, etc.)	Salad and Delicatessen	For foods	2,311	39	217 (13,790)	41	11	2,620	192 (42)
Kewpie Jyozo Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Condiments and Processed Foods	For foods	1,194	1,121	2,163 (69,749)	14	87	4,581	209 (109)
K.R.S. Corporation	Head Office, Branch, etc. (Chofu-shi, Tokyo, etc.)	Distribution	For warehousing and distribution system	9,214	8,690	14,567 (348,206)	803	757	34,033	700 (279)
Co-op Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Condiments and Processed Foods	For foods	1,874	1,634	281 (72,409)	6	22	3,820	199 (191)
Zen-noh Kewpie Egg-station Co., Ltd.	Head Office and Factory (Goka-machi, Sashima-gun, Ibaraki, etc.)	Egg	For foods	832	740	405 (10,287)	—	13	1,992	155 (132)
Dispen Pak Japan Co., Inc.	Head Office and Factory (Minami-Ashigara-shi, Kanagawa, etc.)	Condiments and Processed Foods	For foods	263	715	836 (7,697)	—	11	1,827	112 (86)
Potato Delica Co., Ltd.	Head Office, Factory, etc. (Azumino-shi, Nagano, etc.)	Salad and Delicatessen	For foods	1,029	670	518 (32,635)	166	6	2,390	97 (184)
S.Y. PROMOTION Co., Ltd.	Head Office, Office, etc. (Koto-ku, Tokyo, etc.)	Distribution	For warehousing and distribution system	713	3,695	2,915 (125,171)	—	32	7,356	520 (107)
Seto Delica Co., Ltd.	Head Office and Factory (Seto-shi, Aichi)	Salad and Delicatessen	For foods	186	182	— (—)	781	11	1,161	60 (186)
Salad Club, Inc.	Head Office, Factory, Branch, etc. (Chofu-shi, Tokyo, etc.)	Salad and Delicatessen	For foods	1,852	1,453	117 (9,782)	5	25	3,454	324 (682)
K. Tis Corporation	Head Office and Office (Chofu-shi, Tokyo, etc.)	Distribution	For warehousing and distribution system	408	2,384	2,877 (57,117)	79	7	5,758	1,287 (215)
Fujiyoshida Kewpie Co., Ltd.	Head Office and Factory (Fujiyoshida-shi, Yamanashi)	Condiments and Processed Foods	For foods	793	248	283 (59,299)	7	5	1,338	38 (21)
Kewso Services Corporation	Head Office and Office (Chofu-shi, Tokyo, etc.)	Distribution	For warehousing and distribution system	12	1,070	— (—)	68	265	1,416	99 (11)
Shunsai Deli Co., Ltd.	Head Office and Office (Akishima-shi, Tokyo, etc.)	Salad and Delicatessen	For foods	605	847	200 (4,761)	0	33	1,686	214 (576)
San Family Corporation	Head Office, Office, etc. (Yoshikawa-shi, Saitama, etc.)	Distribution	For warehousing and distribution system	457	265	517 (10,889)	230	67	1,539	1,331 (1,627)

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	
Green Message Co., Ltd.	Head Office and Factory (Yamato-shi, Kanagawa)	Salad and Delicatessen	For foods	935	328	— (—)	—	8	1,272	33 (149)
Aohata Corporation	Head Office, Factory, Office, etc. (Takehara-shi, Hiroshima, etc.)	Fruit Solution	For foods	1,755	2,426	1,336 (67,378)	—	109	5,628	453 (266)
Tsukuba Egg Processing Corporation	Head Office and Factory (Tsukuba-shi, Ibaraki)	Egg	For foods	0	2	— (—)	1,827	0	1,830	23 (—)

(3) Foreign subsidiaries

Trade name	Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m²)	Lease assets	Other	Total	
Hangzhou Kewpie Corporation	Zhejiang Province, China	Condiments and Processed Foods	For foods	526	1,413	— (—)	130	69	2,139	637 (—)
BEIJING KEWPIE CO., LTD.	Beijing, China	Condiments and Processed Foods	For foods	711	973	— (—)	93	42	1,821	657 (—)
KEWPIE (THAILAND) CO., LTD.	Bangkok, Thailand	Condiments and Processed Foods	For foods	369	679	133 (104,396)	72	408	1,664	1,019 (12)
Nantong Kewpie Corporation	Jiangsu Province, China	Condiments and Processed Foods	For foods	1,201	611	— (—)	—	29	1,841	119 (—)
PT Kiat Ananda Cold Storage	Bekasi, Indonesia	Distribution	For warehousing and distribution system	2,068	688	306 (29,720)	18	334	3,415	86 (13)
PT Ananda Solusindo	Bogor, Indonesia	Distribution	For warehousing and distribution system	722	174	67 (4,274)	—	79	1,043	84 (15)
PT Manggala Kiat Ananda	Jakarta, Indonesia	Distribution	For vehicle maintenance system	13	118	— (—)	889	6	1,027	148 (37)

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

1. "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
2. Under Number of employees, the figures in parentheses indicate the number of temporary employees.

IV. The Company

1. Shares

(1) Number of authorized and issued shares

a) Authorized shares

Class	Number of authorized shares
Common stock	500,000,000
Total	500,000,000

b) Issued shares

Class	Number of issued shares		Stock exchange	Remarks
	End of period (Nov. 30, 2020)	Filing date (Feb. 26, 2021)		
Common stock	150,000,000	150,000,000	Tokyo Stock Exchange (First Section)	• Ordinary shares of the Company with no restrictions on shareholders' rights • Number of unit share: 100 shares
Total	150,000,000	150,000,000	—	—

(2) Stock acquisition rights

a) Stock options

Not applicable.

b) Rights plan

Not applicable.

c) Other information about stock acquisition rights

Not applicable.

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

Not applicable.

(4) Principal shareholders

(As of November 30, 2020)

Trade name	Address	Number of the Company's shares held (A) (thousand)	Ratio of (A) to the total number of issued shares (excluding treasury stock) (%)
NAKASHIMATO CO., LTD.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	15,071	10.54
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	9,206	6.44
TOHKA CO., LTD.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	8,122	5.68
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	7,181	5.02
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	2.97
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,208	2.24
Mizuho Trust & Banking Co., Ltd.–Retirement Benefit Trusts, Mizuho Bank Ltd. Account, Re-trust Trustee, Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	3,157	2.21
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	3,039	2.12
The Dai-ichi Life Insurance Company, Limited (standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	3,012	2.11
Nakato Scholarship Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	2,494	1.74
Total	—	58,745	41.07

(Notes)
1. The 3,157 thousand shares held by Mizuho Trust & Banking Co., Ltd.–Retirement Benefit Trusts, Mizuho Bank Ltd. Account, Re-trust Trustee, Custody Bank of Japan, Ltd. (Trust Account) are the trust assets entrusted by Mizuho Bank for its retirement benefit trust.
2. The Company holds 6,959,200 shares of treasury stock.
3. The ratio of number of the Company's shares held is calculated excluding the treasury stock.

2. Acquisition of the Company's Treasury Stock

[Types of shares repurchased]

Shares of common stock repurchased as defined by Article 155, Items 3 and 7 of the Companies Act

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

Not applicable.

(2) Purchase of treasury stock based on a resolution by the Board of Directors

Item	Number of shares	Total price (yen)
Repurchase approved at the Board of Directors' meeting held on January 7, 2021 (Repurchase period: From January 8, 2021 to November 30, 2021)	6,000,000	10,000,000,000
Treasury stock held prior to the current fiscal year	—	—
Shares repurchased during the current fiscal year	—	—
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	604,400	1,392,654,900
Percentage of unexercised portion as of the document filing date (%)	89.9	86.1

(Note) The number of "Shares repurchased during the specified period" does not include the number of shares of treasury stock purchased during the period between February 1, 2021 and the document filing date of the Annual Securities Report.

(3) Purchase of treasury stock not based on a resolution by the General Meeting of Shareholders or the Board of Directors

Shares of common stock repurchased in accordance with the provisions of Article 155, Item 7 of the Companies Act

Item	Number of shares	Total price (yen)
Shares repurchased during the current fiscal year	1,150	2,429,608
Shares repurchased during the specified period	275	611,443

(Note) "Shares repurchased during the specified period" does not include shares resulting from the purchase of treasury stock less than one unit between February 1, 2021 and the document filing date of the Annual Securities Report.

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

Item	Current fiscal year		Specified period	
	Number of shares	Total disposal value (yen)	Number of shares	Total disposal value (yen)
Number of shares repurchased via solicitation	—	—	—	—
Number of repurchased shares retired	—	—	—	—
Repurchased shares transferred via a merger, share exchange or division of the company	—	—	—	—
Other	—	—	—	—
Balance of treasury stock held	6,959,200	—	7,563,875	—

(Note) "Balance of treasury stock held" in "Specified period" does not include shares resulting from the purchase of treasury stock less than one unit between February 1, 2021 and the document filing date of the Annual Securities Report.

3. Dividend Policy

The Company maintains a basic policy of providing returns to its shareholders with top priority on dividend payments, and provides returns to shareholders based on the policy set forth in each Medium-term Business Plan. While aiming to continue providing stable dividends, the Company also reviews options for repurchasing and retiring treasury stock as necessary, giving consideration to factors such as stock price trends and financial conditions.

As for internal reserves, the Company endeavors to adequately secure them to strengthen its financial position and provide an adequate supply of funds for future expansion. The Company will take a medium to long-term view and continue to allocate funds to the improvement of its facilities and equipment, research and development, and the further streamlining of operations in order to enhance its competitiveness. The Articles of Incorporation of the Company stipulate that the Company can pay dividends from surplus twice a year, comprising of interim and year-end dividends based on the resolution by the Board of Directors in accordance with the provisions of Article 459, Paragraph 1 and Article 454, Paragraph 5 of the Companies Act.

For the fiscal year ended November 30, 2020, the Company distributed a year-end dividend of ¥20 per share, maintaining a consolidated dividend payout ratio of 30% or more in principle with target consolidated dividend on equity (DOE) ratio of 2.2%. The annual dividends are ¥40 per share, which includes the interim dividend of ¥20 per share distributed in August (representing consolidated dividend payout ratio of 50.3% and consolidated DOE ratio of 2.4%).

With respect to the shareholder returns from FY2021 to FY2024, on an assumption that the annual dividend per share would be ¥45 or more, the Company aims to set targets for dividend payout ratio of 35% or more and accumulated total return ratio over four fiscal years of 50% or more.

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

4. Corporate Governance

(1) Overview of corporate governance

(a) Basic policy regarding corporate governance

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

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

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

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

i) The Company shall respect the rights of its shareholders and ensure the equal treatment of shareholders.

ii) The Company shall respect the positions and rights of its various stakeholders, including its customers, employees, business partners, shareholders and investors, as well as local communities, and foster appropriate relationships with such parties.

iii) The Company shall disclose its corporate information in a proper manner and ensure the transparency of its operations.

iv) The Company shall build mechanisms to facilitate the cooperation of all management resources for its corporate governance systems.

v) The Company shall engage in constructive dialog with shareholders who expect medium- to long-term investment returns.

(b) Overview of corporate governance structure

The Company is a company with an Audit & Supervisory Board.

The Board of Directors of the Company, as its highest-level decision-making body, meets at least once every month. In addition, a Management Council, a body supporting the Board of Directors and Representative Director, President and Chief Executive Corporate Officer of the Company, has been set up for deliberation on important management issues in accordance with the Company's basic management policies. To enable a speedy and effective response to changes in the business environment, the scope of matters requiring discussion by the Board of Directors, and the limits of decision-making authority delegated to Company officers depending on position are subject to constant review with the goal of ensuring swift decision making and execution of orders at the operational level. For details of the members of the Board of Directors and the Audit & Supervisory Board, please refer to "(2) Officers".

In addition to directors and corporate officers, the management of the core subsidiaries of the Group regularly participate in meetings of the Management Council. Participants in these meetings work to further advance Group management by such means as holding debates on Group policies.

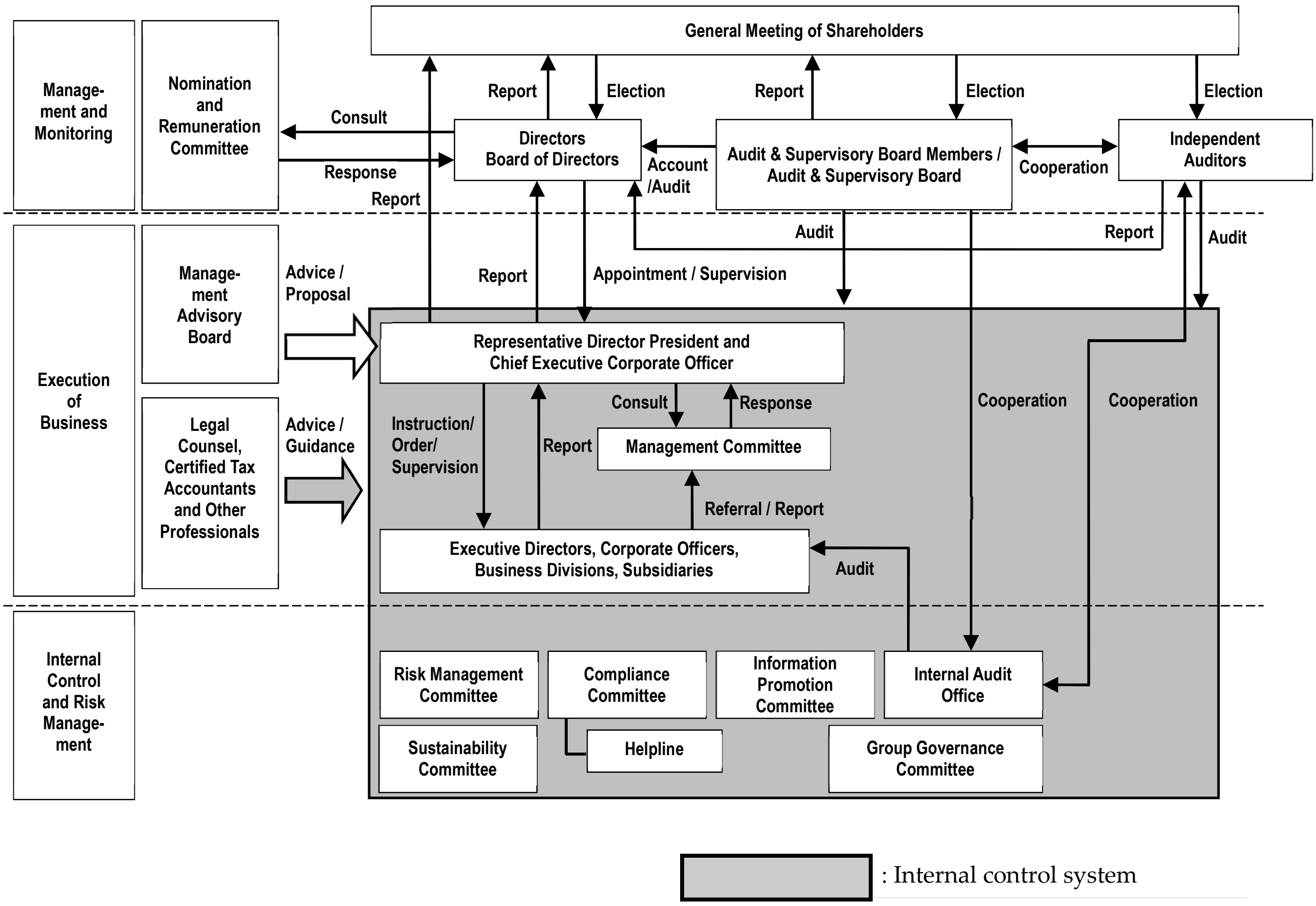
In August 2018, the Company established its Nomination and Remuneration Committee as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy and transparency regarding factors such as the composition of the Board of Directors and methods of nomination and compensation of directors and other officers. It is to consist of no fewer than five members, and at least half of its membership is to comprise outside directors and outside corporate auditors (the "outside officers") who meet the independence criteria. For information about the committee chairman and its members, please refer to "◊ Status of the Nomination and Remuneration Committee".

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

Furthermore, the Company has reviewed the corporate officer system and since the conclusion of the 103rd Ordinary General Meeting of Shareholders held on February 26, 2016, it has assigned to corporate officers positions that had previously been assigned to directors, with the aim of promoting delegation of authority to corporate officers, clarifying roles and responsibilities, and expediting management. For information about the current corporate officers, please refer to the notes to "(2) Officers".

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

The Corporate Governance System of the Group



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

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

The Company receives opinion and guidance from the three outside directors and the three outside corporate auditors concerning the overall management of the Company. They also serve the important role of monitoring the Representative Director, President and Chief Executive Corporate Officer and the executive directors, and the Company believes in ensuring that the monitoring and advising function provided to the management is sufficiently working, and that it is objective and neutral.

In addition, the Company sets the terms of directors and corporate officers at one year in order to clarify management responsibilities each fiscal year and establish a management structure that can respond swiftly to changes in the business environment.

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

(d) Other matters concerning corporate governance

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

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

(1) Outline

The resolutions concerning the basic policy of building the Company's internal control system were passed at the Board of Directors' meeting in accordance with Article 362, Paragraph 5 of the Companies Act. The aforesaid resolutions provide the broad framework for articles and paragraphs required for the system establishment of an internal control system as provided by Article 100 of the Regulation for Enforcement of the Companies Act. While the Company's objective for the internal control system based on the aforesaid resolutions is rapid implementation, the Company aims to review the system on a regular basis, or when otherwise required, for the purpose of improvement, and through such, aims to create an efficient and proper system for corporate operations.

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

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

b. At all times, the directors and corporate auditors shall be able to view these documents or electronic records.

(3) System for rules relating to management of risks of loss and other rules

a. The Company shall follow its risk management basic policy with respect to each individual risk, and continuously monitor the organization etc. associated with the risk. In addition, the Company shall have the Risk Management Committee, chaired by the director in charge of risk management, gather information related to company-wide risks (and have the Sustainability Committee, chaired by the director in charge of sustainability, gather information related to some social and environmental risks). The Risk Management Committee shall evaluate the risks and manage the overall order of priority of the risks, and the committee chairman shall regularly report the evaluation and response status of company-wide risks to the Board of Directors.

b. The Company shall create a crisis management manual, first identifying and categorizing specific crisis and then establishing information transmission and emergency response systems that provide a quick and proper response in times of emergency. In the event of a major crisis, the Company shall strive to respond rapidly and appropriately by quickly establishing an Emergency Headquarters headed by a pre-designated director in charge of each category of crisis.

(4) System to ensure directors can efficiently execute their duties

a. While providing group-wide management targets to be shared by directors and employees and working to ensure group-wide permeation of such, the Company, aiming to achieve these management targets, shall strive to achieve an optimized organization through restructuring and the Representative Director, President and Chief Executive Corporate Officer shall appoint person in charge of such duties for each unit by the resolution of the Board of Directors. By delegating authority to the aforesaid persons in charge of such duties, it shall be possible to quickly and appropriately execute duties.

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

c. In accordance with the basic policy on execution of duties that was resolved by the Board of Directors, specific measures for promoting management activities shall be entrusted to scheduled or unscheduled discussions held in the Management Council, which serves as an advisory body to the Representative Director, President and Chief

Executive Corporate Officer, in order to achieve flexible decision making and execution of duties.

(5) System necessary to ensure the properness of operations in the corporate group that is formed by the Company and its subsidiaries

a. To ensure proper operations of subsidiaries, the Company shall share its Corporate Motto and Principles, along with the Group's goal of "unceasingly contributing to better and healthier dietary lifestyles of people from around the world premised on the notions of good taste, kindness and uniqueness" which make up the Group's philosophy. Furthermore, all directors and employees shall adhere to the Group Policies.

b. Consolidated management targets and policy on business operations of the corporate group shall be shared at the Group Joint Management Council and in meetings of different business areas. Moreover, the entire Group shall work toward optimization with respect to the organization and human resources, and financing. Also, with regard to execution of duties, the Company shall define areas of authority for managing subsidiaries based on the "group-wide form stating decision-making and reporting procedures", and shall also streamline delegation of authority while achieving balance with Group management.

c. The Company's subsidiaries shall make monthly reports on the status of progress on business plans to director in charge designated by the Company's Representative Director, President and Chief Executive Corporate Officer. Moreover, directors of the Company who have been dispatched as directors of a subsidiary and are present at the subsidiary's Board of the Directors' meeting shall report to the above-mentioned directors in charge regarding the status of discussions by the subsidiary's Board of Directors and management issues.

d. The Company's subsidiaries shall also be included in the scope of activities of the Risk Management Committee, the Compliance Committee, and the internal auditing unit, and have access to the "helpline" internal reporting system.

e. To contribute to the Group's sustainable growth and increase in corporate value, the Company has established the Corporate Governance Guidelines, which reflect the basic framework and philosophy of its corporate governance, and revises them appropriately. The Group Governance Committee, chaired by the director in charge of group governance, shall be responsible for developing a policy of establishing appropriate group governance, deciding on material issues, and promoting initiatives.

f. Based on the Corporate Governance Guidelines, the Company has established the Nomination and Remuneration Committee (with at least half of its membership comprising independent outside officers) as an advisory body to the Board of Directors. The committee deliberates on the composition of the Board of Directors, as well as the methods of nomination and compensation of directors and other officers, among other matters. The Company has also established a Management Advisory Board (composed of experts from outside the Company), to serve as an advisory body to the Representative Director, President and Chief Executive Corporate Officer, who receives advice and proposals from the board to maintain and increase the soundness, fairness, and transparency of the Group, and reflects these in decision making.

g. The Group shall, as a member of society, never become involved with anti-social forces that are a menace to social order and security, and shall resolutely refuse improper solicitation.

h. To construct a system necessary to ensure the properness of financial reporting, the Group shall establish various provisions related to financial reporting and aim to enhance internal controls related to financial reporting by conducting educational programs and promoting awareness of compliance of accounting standards and other related laws and regulations. Moreover, each responsible unit in charge of finance reporting, in cooperation with corporate auditors, shall construct a scheme for regularly evaluating and improving the state of the design and operation of this system.

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

j. Aohata Corporation, which is a subsidiary of the Company, systems necessary to ensure properness of operations shall be independently constructed at the company as it is listed on the Tokyo Stock Exchange and form independent corporate groups. However, the said company will still share with the rest of the Group the consolidated management targets and there shall be a close exchange of information relating to risk management and compliance.

(6) Placement of employees to assist in corporate auditor duties

The Internal Audit Office executes internal auditing of matters requested by the corporate auditors through deliberation with the Audit & Supervisory Board and reports the results of such audits to the Audit & Supervisory Board. Moreover, if the corporate auditors request to appoint an employee to assist in such duties, the Company shall expeditiously comply with such a request.

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

Employees belonging to the Internal Audit Office who receive a request from the corporate auditors to carry out necessary internal auditing duties shall not receive instructions or orders that relate to such internal auditing from directors etc. except the director in charge of the Internal Audit Office. Moreover, when employees are assigned to assist in corporate auditor duties, the employees shall not receive instructions or orders from anyone other than the corporate auditors, in order to ensure their independence.

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

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

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

- Content of agenda items for resolution at the General Meeting of Shareholders
- Status of activities at each unit concerning the construction of the Company's internal control system
- Status of activities of the Internal Audit Office, staff members in each division or department in charge of auditing duties, and corporate auditors of subsidiaries
- Material accounting policies and accounting standards of the Company and changes thereof
- Details of announcements of operating results and operating forecasts, and details of material disclosure documents

- Operation and details of reports of the internal reporting system
- Behavior in violation of laws and regulations or the Articles of Incorporation, or fraudulent behavior
- Matters entailing risk of inflicting substantial damage on the Company or a subsidiary thereof

c. The Company shall establish a system that enables directors, employees, and officers and employees of subsidiaries to make anonymous reports to the Company's corporate auditors as a "helpline" internal reporting system.

(9) System to ensure that persons who have reported as aforementioned in section (8) above are not treated disadvantageously for making such reports

a. When a person has made a report to the Company's corporate auditors, the Company shall not subject that person to disadvantageous treatment for having made the report. This shall also be thoroughly enforced at subsidiaries.

b. Compliance regulations and helpline regulations applicable across the Group shall ensure protection of persons who seek consultation or report issues.

(10) Policy on procedures for prepaying or reimbursing expenses incurred by corporate auditors in the course of executing their duties, and other matters involving handling of expenses or debts incurred through execution of such duties

a. The Company shall undertake budgetary measures annually with respect to audit expenses necessary to ensure the smooth execution of corporate auditor duties.

b. The Company shall cover extraordinary expenses claimed by corporate auditors, such as those incurred in enlisting the cooperation of outside specialists (such as lawyers and accountants), unless the nature of the expense claimed is deemed unreasonable.

(11) Other system necessary to ensure auditing of corporate auditors is effectively executed

a. The Board of Directors shall require the Audit & Supervisory Board to report on the audit policies, important audit matters, and audit method, etc., of respective fiscal years, and this information shall be shared.

b. The directors, employees, and officers and employees of subsidiaries shall cooperate appropriately with requests for interviews from the Company's corporate auditors. Moreover, the Representative Director, President and Chief Executive Corporate Officer shall have regular opportunities to exchange opinions with the Audit & Supervisory Board.

c. Committees contributing to the internal control system such as the Risk Management Committee and the Compliance Committee, the Internal Audit Office, and staff members in each division or department in charge of auditing duties shall respect the opinions of each corporate auditor as they pertain to ensuring that the audit by the corporate auditors is effective.

◊ Progress made in operating the internal control system

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

(1) System to ensure compliance with laws and regulations and the Articles of Incorporation

- The Company has stepped up awareness-raising initiatives toward all employees of the Group by, for example, having each office in Japan hold a meeting by type of conduct as a part of the activities to eliminate improper conduct.

(2) System for managing risk of loss

- The Company has defined labor, quality, overseas operations, animal welfare, information system problems, and COVID-19 as primary company-wide risks, and promoted reducing such risks centered around the Risk Management Committee.

- The Company has newly established a Sustainability Committee (with administrative work performed by members of the newly established Sustainability Promotion Department), and the committee has led initiatives to reduce plastic waste and CO_2 emissions to deal with primary environmental risks.
- In order to respond to the spread of COVID-19, the Company has established an Emergency Headquarters that has three subcommittees for 1) infectious disease control and prevention, 2) product supply, and 3) contributions to society. The Company has also established a system that enables it to give appropriate instructions to its employees in a timely manner depending on how the situation develops while taking countermeasures.

(3) System to ensure effective execution of duties

- The Company has newly established a position responsible for market development in order to promptly respond to changes in the customer's thinking and living conditions. To promote the "fresh stock™" business that was planned around the position, the Company has also established an organization, staffed it, and clarified an action plan.
- The Company has developed its Tenth Medium-term Business Plan that covers FY2021 through FY2024 for the purpose of transitioning to a structure that enables the Group to respond to changes in the business environment and realize sustainable growth.
- A profit management policy in the Tenth Medium-term Business Plan has set policies of making investments, reforming operations, and drawing up a plan of numerical targets in order to make an optimal investment of resources, make more added value, and increase productivity.
- In a project to revamp the Group's core information technology systems, the Company has carried out basic design and development based on the defined requirements of the new system, examined system implementation cost and effects, and prepared for testing and employee education.

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

- The Company has clearly stated a basic idea behind the practices of Group management and each organization's roles and responsibilities. The Company has also newly established a Group Governance Committee and developed a decision-making policy so that it can make swift and appropriate decisions.
- The Company has worked at strengthening its quality assurance systems by taking such initiatives as having the Dialogue on Quality sessions in 54 business offices, standardizing quality criteria across overseas sites, and applying a more rigorous audit process to raw material suppliers and manufacturing subcontractors in Japan and abroad.

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

- Standing corporate auditors have striven to perform efficient audits by deciding on which business each of them is mainly responsible for and coordinating with the internal auditing unit when selecting offices subject to audits.

◊ Risk management system

The Company's risk management basic policy has set specific, systematic procedures for risk management, under which each responsible unit exercises continuous oversight of each individual risk factor. In addition, the Risk Management Committee, chaired by the director in charge of risk management, shall share information related to company-wide risks (and the Sustainability Committee, chaired by the director in charge of sustainability, shall share information related to some social and environmental risks) to comprehensively manage evaluation and prioritization of such risks, and countermeasures thereof. The committee chairman reports back to the Board of Directors and the Audit & Supervisory Board on the status of risk management. The members of the Risk Management Committee include representatives from each of the Company's major subsidiaries. Furthermore, in order to manage operating risks at subsidiaries, each subsidiary reports on its management risks to the directors in charge of risk management, as needed.

A crisis management manual has been prepared to prepare for any foreseeable sudden risks to operations. In addition, in the event of a sudden incident or emergency, an Emergency Headquarters will be established immediately in accordance with the crisis management manual, to take action in order to deal swiftly and appropriately with the incident.

In order to provide a solid legal compliance structure, the Company has established a Compliance Committee (chaired by the directors in charge of compliance issue, with administrative work performed by members of the Internal Audit Office), which is at the center of various compliance activities. The committee chairman reports back to the Board of Directors and the Audit & Supervisory Board on the status of compliance activities. In addition to establishing and publically releasing a document entitled "Group Policies", which explains to people both within and outside the Group the core values and activities expected of group companies, the Company also set up "helplines", that employees of Group companies can use to report information or seek guidance (there are many ways to contact this helpline, from both within and outside the Company), and set up a Compliance Investigation Committee to investigate any suggestions of illegal activity.

In order to ensure that all employees have been instructed in, and have a proper understanding of what compliance entails, the Company has been conducting a "Mind Up Program", and has also been implementing employee awareness surveys (questionnaire format) every other year in order to assess how well employees of Group companies understand compliance matters, and also to gauge their awareness and conduct in that regard. In the event of non-compliance, such cases are fully reported (up to and including action taken against employees or directors found to be at fault) to employees of the whole Company and other Group companies, and company-wide efforts are being implemented to prevent any recurrence.

With regard to information security, the Company has established and in accordance with the regulations on the use of Company information, as well as basic principles on the protection of personal information, as well as preparing operations manuals related to the storage and management of such information. In addition, the Information Promotion Committee (chaired by the corporate officer in charge of promoting IT and operation reform or a person designated thereby) conducts training sessions to teach employees proper information management procedures, confirms that the specified procedures are being carried out, and reviews or revises each information management regulation. The directors and corporate auditors have continuous access right to documents and electronic information related to the deliberations and activities of directors.

◊ Status of the Nomination and Remuneration Committee

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

(1) Structure of the management systems and member composition of the Board of Directors;

(2) Criteria for election and dismissal of directors, corporate auditors, and corporate officers;

(3) Nomination of respective candidates for positions as directors and corporate auditors;

(4) Criteria for evaluating directors and corporate officers;

(5) Design of compensation systems for directors and corporate officers; and

(6) Other matters regarding the Group's corporate governance as deemed necessary by the Nomination and Remuneration Committee.

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

The Nomination and Remuneration Committee met five times in the current fiscal year, deliberating on such matters as the election of outside corporate officers, the development of future management executives, the nomination of candidates for outside directors, director bonuses for the current fiscal year, and the future evaluation of directors. The committee also reported the status of considering a candidate for the next president.

As of February 26, 2021, the committee's chairman and its members are as listed below.

<Chairman>
- Kazunari Uchida, Outside Director

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

◊ Evaluation of the effectiveness of the Board of Directors

From December 2019 through January 2020, the Company implemented an evaluation of the effectiveness of the Board of Directors (fourth evaluation) and worked to improve the operation of the Board of Directors based on those results. A summary of this process is as follows:

(1) Implementation methods and details

- We conducted a questionnaire survey to all the officers through an external organization. The questionnaire was comprised of the questions to think back on their activities in FY2019, in light of thorough discussions about management issues at the Board of Directors, sharing of activities carried out by the Risk Management Committee and the Nomination and Remuneration Committee, training sessions for officers, the promotion of changes, securing business foundations, and the degree of contribution to enhancing management capabilities. Other questions focused on activities in FY2020 and sought the answers regarding themes and approaches about which the Board of Directors and the Nomination and Remuneration Committee should concern or discuss.
- The Board of Directors Office and external organization analyzed and evaluated the responses to the questionnaire, and after reporting and sharing those results with the Board of Directors, opinions were exchanged among the officers present at the meeting of the Board of Directors.

(2) Evaluation results

- Overall, no particular issue was found in the activities carried out by the Board of Directors and the Nomination and Remuneration Committee. The efforts to regularly share risk management activities, promote Group management, and achieve sustainability targets were particularly considered to have delivered some positive results. However, some issues need to be improved, such as the way of discussing key management issues and the approaches in learning and using management skills.

(3) Initiatives carried out during the current fiscal year

- The Board of Directors was regularly reported key management issues, risk management activities, and the progress toward achieving diversity and sustainability targets, deliberated on these matters, and exchanged opinions.
- Officers were provided with training with the theme of scenario planning to improve their ability to adapt to uncertain times. Officers and other people participated in study sessions on digital strategies and corporate transformation.
- Given rapid changes in the business environment due to the spread of COVID-19 and other factors, the Company has decided to renew its Medium-term Business Plan and change the Group management structure in order to gain solid footing for the future and transform itself. As such, the Board of Directors has spent a lot of time deliberating on such matters in the second half of the year.

From December 2020 to January 2021, the Company conducted a questionnaire survey, as the effectiveness evaluation for the current fiscal year (fifth evaluation), to officers through an external organization (the questionnaire contained questions including evaluations of initiatives carried out during the current fiscal year, future challenges, and necessary initiatives to be taken; it also included an evaluation of the effectiveness of the Nomination and Remuneration Committee).

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

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

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

◊ Policies and procedures for election and dismissal of directors and corporate auditors

<Policy for Nomination of Director Candidates>

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

(Inside director)

1. Must respect the corporate philosophy of the Company and embody these values.
2. Must possess abundant knowledge on domestic and international market trends concerning the Group business.
3. Must possess excellent competency in objective managerial judgment and business execution that contributes beneficially to the Group's management direction.

(Outside director)

1. Must provide a guiding role in particular fields, such as legal affairs, corporate management, overseas, human resource development, and CSR and possess abundant experience and expertise in such fields.
2. Must have high affinity with the corporate philosophy and business of the Company, and possess the ability to express opinions, provide guidance and advice, and carry out supervision with respect to the inside directors when deemed timely and appropriate to do so.
3. Must secure sufficient time to perform duties as an outside director of the Company.

<Policy for Nomination of Corporate Auditor Candidates>

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

(Inside Corporate Auditor)

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

(Outside Corporate Auditor)

1. Must provide a guiding role in particular fields, such as legal affairs, corporate management, accounting, overseas, human resource development, and CSR and possess abundant experience and expertise in such fields.
2. Must have high affinity with the corporate philosophy and business of the Company, and possess the ability to express opinions, provide guidance, and carry out supervision with respect to the directors from an objective and fair standpoint.
3. Must secure sufficient time to perform duties as an outside corporate auditor of the Company.

<Procedures for Nomination of Directors, Corporate Auditors, and Corporate Officers>

The proposal for nomination of candidates for directors, corporate auditors and corporate officers is submitted to the Nomination and Remuneration Committee. Subsequently, the candidates recommended by the committee are reviewed and decided upon at a Board of Directors meeting.

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

<Policies and Procedures for Dismissal of Corporate Officers>

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

1. The individual has engaged in an act of fraud, impropriety, perfidy or breach of trust as a corporate officer;
2. The individual has shown a lack of competence as a corporate officer;
3. The professional duties of a corporate officer performed by the individual have been insufficient in terms of implementation or results thereof, and the Board of Directors has

deemed that it would be inappropriate for him or her to continue performing his or her duties as a corporate officer; or

4. The individual has behaved or otherwise engaged in language and conduct unbecoming to a corporate officer.

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

The Company has not currently appointed an Executive Corporate Adviser.

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

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

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

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

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

◊ Management Advisory Board

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

As of February 26, 2021, outside members are as listed below.

<Outside Members>

- Ms. Yuri Okina, Chairperson of the Japan Research Institute, Limited
- Ms. Izumi Kobayashi, Outside Director of ANA HOLDINGS INC. and other companies
- Ms. Atsuko Fukushima, Journalist
- Ms. Chieko Matsuda, Professor, Graduate School of Management at Tokyo Metropolitan University
- Mr. Harold George Meij, Outside Director of Earth Corporation

(e) Overview of content of limited liability contract

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and Article 28 of the Articles of Incorporation, the Company and its outside directors have entered into a limited liability contract. Also, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and Article 38 of the Articles of Incorporation, the Company and each of its outside corporate auditors have entered into a limited liability contract. The amount of maximum liability stipulated in the contract is determined by each of the respective items under Article 425, Paragraph 1 of the Companies Act.

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

(f) Number of directors

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

(g) Election and dismissal of directors

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

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

As for matters listed in items of Article 459, Paragraph 1 of the Companies Act regarding dividends from surplus, the Articles of Incorporation of the Company stipulate that the Board of Directors reserves the right to make a resolution unless otherwise provided for in laws and regulations. This is intended to realize mobile implementation of measures regarding dividend and capital policy.

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

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

(j) Fundamental policy on control of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Streamlining of corporate governance

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

The Company sets the term of directors and corporate officers at one year in order to clarify management responsibilities each fiscal year and establish a management structure that can respond swiftly to changes in the business environment. Additionally, to further strengthen its audit system, the Company employs five corporate auditors (members of the Audit & Supervisory Board), including three outside corporate auditors.

In August 2018, the Company established its Nomination and Remuneration Committee as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy and transparency regarding factors such as the composition of the Board of Directors and methods of nomination and compensation of directors and other officers. It is to consist of no fewer than five members, and at least half of its membership is to comprise outside directors and outside corporate auditors (the "outside officers") who meet the independence criteria defined by the Company. Moreover, the committee's chairman is to be selected from among those committee members who are outside directors.

The Company has also established its Management Advisory Board as an advisory body to the Company's President and Chief Executive Corporate Officer, composed of experts from outside the Company. It was set up with the goal of obtaining advice and recommendations so that the Group may boost the soundness, fairness and transparency of its management and thus better serve society and its customers.

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

Measures by the defense plan against large purchase actions of the shares of the Company (takeover defense plan)

The Company decided by the resolution at the meeting of the Board of Directors of the Company held on December 26, 2019 to continue to adopt the defense plan against large purchase actions of the shares of the Company (hereinafter referred to as the "Defense Plan") as measures to prevent the determination of the financial and business policies of the Company from being controlled by any person considered inadequate as described by the Fundamental Policy, subject to approval of the 107th Ordinary General Meeting of Shareholders on February 27, 2020. The continuous adoption of the Defense Plan was approved at the above-mentioned Ordinary General Meeting of Shareholders.

The outline of the Defense Plan is as follows:

a) Coverage of purchase actions

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

b) Particulars of the Large Purchase Rules

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

With regard to the Large Purchase Rules, the Company will establish an Independent Committee as a monitoring body to ensure the Defense Plan is implemented properly and to prevent arbitrary judgments by the Board of Directors as far as possible, and, the Company will follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intentions. The Independent Committee shall consist of at least three members, who shall be appointed from among the Company's outside directors and its outside corporate auditors who are registered with the Tokyo Stock Exchange as independent officers, to enable them to make fair and indifferent judgments.

To confirm the intention of the shareholders, a resolution shall be adopted at a General Meeting of Shareholders under the Companies Act of Japan. In the event that such General Meeting of Shareholders is held, the Board of Directors shall, pursuant to the resolution adopted thereat, trigger, or not trigger, the Defense Measure against the proposed large purchase action as the case may be. The date of the General Meeting of Shareholders shall be fixed within the initially fixed Directors' Evaluation Period, in principle. However, in any unavoidable circumstance where it takes time procedurally to convene a General Meeting of Shareholders or otherwise, the Board of Directors may extend the Directors' Evaluation Period for 30 days based on recommendation from the Independent Committee.

c) Defense Measure when a large purchase action is taken

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

In case the Large Purchaser observes the Large Purchase Rules, the Board of Directors will not trigger the Defense Measure against the large purchase action, in principle.

Whether or not to agree to the purchase proposal by the Large Purchaser will be left to the judgment of the respective shareholders.

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

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

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

In case the Large Purchaser does not observe the Large Purchase Rules, in order to protect the corporate value of the Company and the common interests of its shareholders, the Board of Directors will trigger the Defense Measure, as authorized by the Companies Act and other laws or ordinances and the Articles of Incorporation of the Company, against the large purchase action. The Board of Directors will determine whether or not the Large Purchaser observes the Large Purchase Rules and whether or not it is appropriate to trigger the Defense Measure, by reference to the opinions of third-party experts and by respecting recommendation from the Independent Committee to the maximum extent possible. Furthermore, a decision by the Board of Directors to trigger the Defense Measure shall be allowed only if there is an Independent Committee recommendation deeming it desirable to trigger the Defense Measure.

(iii) Defense Measure

The Company will adopt a concrete measure that the Board of Directors assesses as the most appropriate at the time among measures, including an allocation of stock acquisition rights without compensation, which are authorized by the Companies Act and the Articles of Incorporation of the Company by taking into consideration the necessity and adequacy thereof. In the case that the Company makes an allocation of stock acquisition rights without compensation, the Company will set conditions that, for example, the exercise of the stock acquisition rights by the Large Purchaser is rejected. It is not contemplated that any cash will be delivered as a consideration for the acquisition of the stock acquisition rights held by any person not having the right to exercise the stock acquisition rights.

(iv) Cessation of the triggering of the Defense Measure

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

d) Impacts on the shareholders and investors

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

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

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

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

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

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

e) Effective period of the Defense Plan

The Defense Plan shall expire at the close of the 110th Ordinary General Meeting of Shareholders to be held no later than February 28, 2023.

(4) Assessment of the Defense Plan by the Board of Directors and reasons for the assessment

A. The Defense Plan's compliance with the Fundamental Policy

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

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

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

Purchaser any defense measure considered appropriate to protect the corporate value of the Company and the common interests of its shareholders.

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

B. The Defense Plan's non-injuring of the common interests of the shareholders of the Company

As described in above (1) "Fundamental policy on what the person(s) should be like to control the determination of the financial and business policies of the Company", the Fundamental Policy is based on respect for the common interests of its shareholders.

The Defense Plan, which is designed according to the philosophy of the Fundamental Policy, is intended to afford the opportunities to the shareholders of the Company to receive information necessary for them to judge whether or not to agree to a large purchase action, have the Board of Directors put forward its opinion thereon and have any alternative proposal offered to them. The Defense Plan will allow the shareholders of the Company and investors to make appropriate investment judgments. Thus, we believe that the Defense Plan will not injure the common interests of the shareholders of the Company but rather benefit their interests.

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

C. The fact that the Defense Plan is not intended to maintain the position of the officers of the Company

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

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

In this way, the Defense Plan contains procedures to ensure the proper operation thereof by the Board of Directors.

Thus, we believe that the Defense Plan clearly is not contemplated to maintain the position of the officers of the Company.

(2) Officers

Outside Officers

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

Outside director Mr. Kazunari Uchida has long-standing experience as a corporate management consultant and has a strong expertise on corporate management and broad insight. In addition, Mr. Uchida is an external Director of Lion Corporation and Outside Director of BROTHER INDUSTRIES, LTD. There is no special interest between the Company and the said companies. He satisfies the Company's "Independence Criteria for Outside Officers" as well. Consequently, there is no risk of this having an impact on his independence.

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

Outside director Mr. Hitoshi Kashiwaki has abundant experience and deep insight as a corporate executive of an operating company. In addition, Mr. Kashiwaki is an Outside Director of ASICS Corporation, Matsuya Co., Ltd. and TBS HOLDINGS, INC. There is no special interest between the Company and the said companies. He satisfies the Company's "Independence Criteria for Outside Officers" as well. Consequently, there is no risk of this having an impact on his independence.

Outside corporate auditor Ms. Emiko Takeishi has experience in the sector of public administration and broad knowledge about personnel systems and labor policies. Although Ms. Takeishi is Outside corporate auditor of Tokio Marine & Nichido Fire Insurance Co., Ltd. and the Company has a business relationship, it is a regular business relationship and there are no special interests between the two companies. Consequently, it has no impact on the independence of Ms. Takeishi.

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

Outside corporate auditor Ms. Mika Kumahira has experience in corporate management, including overseas, as well as an advanced insight into organizational reform and leadership development. In addition, Ms. Kumahira is Representative Director of Atech Kumahira Co., Ltd. and Outside Director of NITTAN VALVE CO., LTD. There is no special interest between the Company and the said companies. She satisfies the Company's "Independence Criteria for Outside Officers" as well. Consequently, there is no risk of this having an impact on her independence.

Outside director Mr. Kazunari Uchida and outside corporate auditor Mr. Kazumine Terawaki have shareholdings in the Company; however, as the percentage of the total number of issued shares of the Company is negligible and has no impact on management, there is no special interest between either of them and the Company.

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

<Independence Criteria for Outside Officers>

To judge the independence of outside directors and outside corporate auditors as stipulated in the Companies Act, we check the requirements for independent officers stipulated by Tokyo Stock Exchange, Inc. as well as checking whether the following apply.

(1) A major shareholder of the Company (holding 10% or more of voting rights either directly or indirectly), or a person who executes business for a major shareholder of the Company (*1)

(2) A person/entity for which the Group is a major client, or a person who executes business for such person/entity (*2)

(3) A major client of the Group or a person who executes business for such client (*3)

(4) A person who executes business for a major lender of the Group (*4)

(5) A senior partner or partner of the accounting auditor for the Company

(6) A provider of expert services, such as a consultant, attorney at law, or certified public accountant, who receives cash or other financial benefits exceeding ¥10 million in one business year other than officer compensations from the Company

(7) A person/entity receiving contributions from the Group exceeding ¥10 million in one business year, or a person who executes business for such person/entity

(8) A person to whom any one of (1) to (7) above has applied in the past three business years

(9) Where any of (1) to (8) above apply to a key person, and his or her immediate relatives, which includes his or her grandparents, grandchildren, siblings, spouse and his or her grandparents, siblings and grandchildren (*5)

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

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

*2 A person/entity for which the Group is a major client means a person/entity who receives payments from the Group amounting to at least the higher of either 2% of the consolidated net sales of the client or ¥100 million.

*3 A major client of the Group means a client that makes payments to the Group amounting to at least 2% of the Group's consolidated net sales.

*4 A major lender of the Group means a lender named as a major lender in the Group's business report.

*5 A key person means a director (excluding outside directors), corporate auditor (excluding outside corporate auditor), executive officer, corporate officer, or other person in the rank of senior general manager or above, or a corporate officer corresponding to these positions.

The Company works to secure outside directors and outside corporate auditors that have a high degree of independence from an objective viewpoint. In that regard, the Company has registered six such individuals with Tokyo Stock Exchange, Inc. as independent officers who pose no risk involving conflict of interests with ordinary shareholders, including Mr. Kazunari Uchida, Ms. Shihoko Urushi and Mr. Hitoshi Kashiwaki as outside directors, and Ms. Emiko Takeishi, Mr. Kazumine Terawaki and Ms. Mika Kumahira as outside corporate auditors.

As such, the Company judges that the current structure is one under which management supervision functions adequately in terms of objectivity and neutrality from an outside perspective, which are considered important for corporate governance.

(3) Status of audits

(a) Status of corporate auditor audits

1) Organization, members

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

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

Name	Background and experience	Attendance at Audit & Supervisory Board meetings for the current fiscal year
Standing Corporate Auditor Kiyotaka Yokokoji	He has mainly engaged in personnel and labor affairs and has been committed to boosting the soundness of the Group's management by promoting talent development and work-style reforms.	12/12 (100%)
Standing Corporate Auditor Norimitsu Yamagata	He has expanded his knowledge about sound corporate growth through creating new value with the Group's technologies and driving initiatives toward preserving its brand value.	12/12 (100%)
Outside Corporate Auditor Emiko Takeishi	She provides opinions and suggestions on the overall business management based on her experience in the sector of public administration and her broad knowledge about personnel systems and labor policies.	12/12 (100%)
Outside Corporate Auditor Kazumine Terawaki	He provides opinions and suggestions on the overall business management, including internal control systems such as compliance and risk management, based on his specialist knowledge and broad insight as a legal expert.	12/12 (100%)
Outside Corporate Auditor Mika Kumahira	She provides opinions and suggestions on the overall business management based on her experiences in company management in and out of Japan and her broad knowledge about corporate transformation and leadership development.	8/9 (89%)

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

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

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

The Audit & Supervisory Board determines the auditing policies as well as the division of responsibilities among corporate auditors, and each corporate auditor complies with the Board's policy directives and sits in on meetings of the Board of Directors, Management Council and other important management meetings. Corporate auditors hear business reports from individual directors and peruse the documents employed in the process of reaching decisions on important matters. They also physically or remotely visit the Head Office divisions, important business places, and subsidiaries, receive business reports, and investigate the status of operations and assets. Furthermore, the (two) standing corporate auditors also serve as corporate auditors for the main subsidiaries (except for two listed subsidiaries).

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

In light of the importance of the so-called three-pillar audit system (internal audits, corporate auditors' audits, and accounting audits), the Audit & Supervisory Board also receives an explanation of the audit plan from the accounting auditors at the start of the fiscal year, interviews them for the status of the audit as needed during the fiscal year, and receives a report of the audit result at the end of the fiscal year. Furthermore, the Audit & Supervisory Board coordinates closely with the internal auditing unit through regular meetings and other events and sharing broader information and opinions with each other to enhance the quality and efficiency of audits.

(b) Status of internal audits

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

(c) Status of accounting audit

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Successive audit period

1971 onward

c. Names & titles of CPAs

Yoshimi Kimura
Designated and Engagement Partner
Yoshiyuki Sakuma
Designated and Engagement Partner
Miyuki Nakamura
Designated and Engagement Partner

d. Composition of persons who assisted in audit work

Audit work for the Company during the current fiscal year was assisted by 50 persons, comprising 15 CPAs and 35 other persons.

e. Policy and reason for selection of audit firm

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

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

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

(d) Fees for auditing certificated public accountants

a. Fees for auditing certificated public accountants

Classification	Previous fiscal year		Current fiscal year	
	Fees for audit or attestation services (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit or attestation services (millions of yen)	Fees for non-audit services (millions of yen)
The Company	93	3	94	2
Consolidated subsidiaries	85	15	98	6
Total	178	18	192	8

For services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Law, the Company entrusts to the auditing certificated public accountants advisory services regarding preparation of the English-language financial statements, and pays fees to the auditing certificated public accountants for those services, in the previous fiscal year and current fiscal year. Furthermore, details of non-audit services at consolidated subsidiaries include entrustment of advisory services, and the consolidated subsidiaries pay fees to the auditing certificated public accountants for those services.

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

Classification	Previous fiscal year		Current fiscal year	
	Fees for audit or attestation services (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit or attestation services (millions of yen)	Fees for non-audit services (millions of yen)
The Company	21	3	20	1
Consolidated subsidiaries	41	5	31	4
Total	63	8	52	5

For services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Law, the Company entrusts to the auditing certificated public accountants advisory services regarding tax affairs, and pays fees to the auditing certificated public accountants for those services, in the previous fiscal year and current fiscal year. Furthermore, details of non-audit services at consolidated subsidiaries include entrustment of services related to tax affairs, and the consolidated subsidiaries pay fees to the auditing certificated public accountants for those services.

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

Not applicable.

d. Policy for determining fees for auditing

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

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

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

(4) Compensation of officers

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

A. Policy concerning compensation amounts of officers and calculation method thereof

The compensation paid to directors is in the form of monthly compensation and bonuses. The amount of the monthly compensation is decided separately by the Board of Directors according to each director's status and is limited within the scope of the compensation limit resolved by the General Meeting of Shareholders. Bonuses are not paid to the outside directors.

The compensation paid to corporate auditors is in the form of monthly compensation only. The individual compensation amounts are decided through negotiation with corporate auditors within the scope of the compensation limit resolved by the General Meeting of Shareholders.

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

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

a. Rationale and procedures for compensation of officers, and corporate officers
   (i) The Company institutes a compensation system for compensation of directors and corporate officers that consists of monthly remuneration and bonuses, which is linked with the Company's performance and reflects their responsibilities and achievements.
   (ii) The Company discusses the rationale (system design) at the meeting of Nomination and Remuneration Committee (an advisory body to the Board of Directors in which at least half of the Committee members are outside officers who satisfy "Independence Criteria" separately defined by the Company, and whose chairman is an outside director), and improves its objectivity, appropriateness and transparency.
   (iii) The total amount of bonuses paid to directors must be approved by the Board of Directors.
   (iv) The amounts of compensations paid to outside directors and corporate auditors (inside and outside) shall respectively be fixed and no bonuses will be paid.

b. Calculation method for monthly remuneration
   (i) A monthly remuneration for director duties of inside directors will be paid at a flat rate; provided, however, that a separate, additional remuneration be paid to the persons with representative authority.
   (ii) The monthly remuneration as corporate officers should be set at a suitable level that takes into consideration the Company's management environment, etc. and correspond to the rank (President, Senior Executive Corporate Officer, Executive Corporate Officer, and Senior Corporate Officer).

c. Calculation method for bonuses
   (i) The bonus amount is calculated according to the rank of the director and corporate officer, using such indicators as consolidated operating income and the degree of achievement of the target income of the division they are responsible for and target themes in the Medium-term Business Plan.
   (ii) During the respective fiscal years covered under the Tenth Medium-term Business Plan (FY2021-FY2024), the Company has set the weight of bonuses to no less than 30% of the basic amount of total annual remuneration with the aim of establishing a structure that realizes sustainable growth of the Group. In addition, criteria and allocations with respect to performance evaluation indicators set on an individual basis are to align with intent of the Tenth Medium-term Business Plan.
   (iii) The Company may increase or decrease the bonus amount paid for the final fiscal year of the Tenth Medium-term Business Plan, depending on an individual progress made in achieving the performance goals previously set for the final fiscal year on an individual basis.

B. Mission and activities of the Nomination and Remuneration Committee

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

In the current fiscal year, the Nomination and Remuneration Committee deliberated on the following matters at its September 2020 meeting: the approach to directors' bonuses based on the earnings forecast for the current fiscal year; and the evaluation of directors during the respective fiscal years covered under the Tenth Medium-term Business Plan.

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

Type of officers	Total compensation (millions of yen)	Total compensation by classification (millions of yen)		Number of people receiving compensation
		Fixed compensation	Performance-linked compensation	
Directors (excluding outside directors)	331	237	93	9
Corporate auditors (excluding outside corporate auditors)	42	42	—	2
Outside officers	53	53	—	5

(Notes)
1. The limit amount for compensation of directors including bonuses was resolved to be within ¥500 million per year (within ¥80 million per year for outside directors) at the 108th Ordinary General Meeting of Shareholders held on February 25, 2021.
2. The limit amount for fixed compensation of corporate auditors was resolved to be within ¥8 million per month at the 81st Ordinary General Meeting of Shareholders held on February 25, 1994.
3. Directors' bonuses are performance linked compensation. The amount reflects the consolidated operating income for the current fiscal year, as well as the division that the director was in charge of, degree of achievement on individual targets (consolidated operating income did not achieve the initial plan).
4. The compensation amounts listed above exclude employee salaries (including bonuses) of those serving concurrently as employee and director.
5. The retirement bonus system for directors and corporate auditors was abolished at conclusion of the 95th Ordinary General Meeting of Shareholders held on February 22, 2008.

(5) Status of shareholdings

(a) Standards and rationale for classification of investment shares

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

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

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

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

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

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

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

	Number of issues (issues)	Book value on the balance sheet (millions of yen)
Unlisted stocks	34	874
Stocks other than unlisted stocks	76	19,821

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

	Number of issues (issues)	Total acquisition price related to the increase in shares	Reasons for the increase in shares
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	12	15	Regular purchase at business partner shareholding association

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

	Number of issues (issues)	Total sale price related to the decrease in shares
Unlisted stocks	1	0
Stocks other than unlisted stocks	3	49

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

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

In addition, the Board of Directors examines both qualitative and quantitative effects of holding individual issues every year based on the above section "(b) a. Holding policy and method to inspect justification for holding, and details of inspection made at a meeting of the Board of Directors, etc. related to the propriety of holding individual issues".

Specified investment shares

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Nichirei Corporation	1,554,500	1,554,500	For the purpose of increasing future corporate value through mutual initiatives.	Yes
	4,405	3,953		
Kato Sangyo Co., Ltd.	840,300	840,300	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
	2,903	3,079		
Kikkoman Corporation	374,000	374,000	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
	2,427	2,057		
Nisshin Seifun Group Inc.	1,003,981	1,003,981	For the purpose of increasing future corporate value through mutual initiatives.	Yes
	1,703	2,064		
Saha Pathanapibul Public Co., Ltd.	5,219,737	5,219,737	For the purpose of maintaining and strengthening joint business operations overseas, and increasing future corporate value through mutual initiatives.	No
	1,256	1,117		
Saha Pathana Inter-Holding Public Company Limited	5,719,331	5,719,331	For the purpose of maintaining and strengthening joint business operations overseas, and increasing future corporate value through mutual initiatives.	No
	1,180	1,339		
Inageya Co., Ltd.	310,657	309,652	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	633	454		

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
Yoshinoya Holdings Co., Ltd.	297,449 566	296,746 818	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
Seven & i Holdings Co., Ltd.	124,600 412	124,600 508	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Sumitomo Mitsui Financial Group, Inc.	112,483 341	112,483 448	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Mizuho Financial Group, Inc. (Note)	180,720 239	1,807,200 305	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Aeon Co., Ltd.	74,246 230	72,472 161	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
Toho Co., Ltd.	110,000 223	110,000 203	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
Mitsubishi UFJ Financial Group, Inc.	495,500 222	495,500 286	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Kadoya Sesame Mills Incorporated	50,000 194	50,000 192	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
KFC Holdings Japan, Ltd.	67,000 193	67,000 193	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
Morozoff Limited	30,000 186	30,000 148	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
Showa Sangyo Co., Ltd.	53,600 169	53,600 171	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
TAKARA HOLDINGS INC.	125,000 149	125,000 132	For the purpose of increasing future corporate value through mutual initiatives.	Yes
internet infinity INC.	240,000 131	240,000 193	For the purpose of increasing future corporate value through mutual initiatives.	No
Dai-Ichi Life Holdings, Inc.	74,200 122	74,200 130	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
Daito Pharmaceutical Co., Ltd.	33,000 119	33,000 105	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Central Forest Group, Inc.	60,653 119	60,160 106	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
The Nisshin OilliO Group, Ltd.	40,000 116	40,000 155	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
ITOCHU-SHOKUHIN Co.,Ltd.	20,000 112	20,000 103	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
Rengo Co., Ltd.	134,000 106	134,000 108	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Book value on the balance sheet (millions of yen)	Book value on the balance sheet (millions of yen)		
Maruichi Co., Ltd.	100,312	99,572	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	104	106		
Valor Holdings Co., Ltd.	31,600	31,600	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	81	64		
ARCS COMPANY, LIMITED	37,020	37,020	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	80	84		
MOS FOOD SERVICES, INC.	28,900	28,900	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
	78	88		
WARABEYA NICHIYO HOLDINGS CO., LTD.	49,200	49,200	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	68	89		
Sumitomo Mitsui Trust Holdings, Inc.	21,903	21,903	For the purpose of maintaining and strengthening a stable financial relationship, and increasing future corporate value through mutual initiatives.	No
	66	91		
LIFE CORPORATION	16,200	16,200	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	59	40		
Nakamuraya Co., Ltd.	14,700	29,625	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
	59	130		
YUTAKA FOODS CORPORATION	31,200	31,200	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes
	56	51		

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
RETAIL PARTNERS CO., LTD.	35,479	34,812	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
	52	32		
Kisoji Co., Ltd.	21,100	21,100	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	49	59		
Heiwado Co, Ltd.	20,000	20,000	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	42	41		
United Super Markets Holdings Inc.	39,270	39,270	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	42	38		
Rock Field Co., Ltd.	29,000	29,000	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	42	42		
Satoh & Co., Ltd.	28,800	28,800	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	42	44		
YAMAEHISANO Co., Ltd.	31,425	29,992	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
	37	39		
OIE SANGYO Co., Ltd.	25,200	25,200	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	37	34		
FUJI CO.,LTD	18,100	18,100	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
	34	35		

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
Kansai Super Market Ltd.	25,842 32	25,367 27	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
J-OIL MILLS, Inc.	8,200 29	8,200 35	For the purpose of maintaining and strengthening a stable purchasing relationship, and increasing future corporate value through mutual initiatives.	Yes
Torikizoku Co., Ltd.	18,000 24	18,000 33	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
ROYAL HOLDINGS Co., Ltd.	13,600 24	13,600 34	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
FUJIYA CO., LTD.	10,000 23	10,000 21	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
HAGOROMO FOODS CORPORATION	6,483 20	6,205 16	For the purpose of increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	Yes
MARUDAI FOOD CO., LTD.	11,293 18	10,814 25	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives. Furthermore, the number of shares held increased due to admittance into this company's business partner shareholding association.	No
Yamanaka Co., Ltd.	22,000 15	22,000 16	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	No
Yuasa Funashoku Co., Ltd.	5,000 13	5,000 18	For the purpose of maintaining and strengthening a stable business relationship, and increasing future corporate value through mutual initiatives.	Yes

(Note) The above number of shares of Mizuho Financial Group, Inc. is after the share consolidation of common stock on a 1-for-10 basis, effective on October 1, 2020.

Stocks regarded as holding shares

Issue	Current fiscal year Number of shares Book value on the balance sheet (millions of yen)	Previous fiscal year Number of shares Book value on the balance sheet (millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase of number of shares	Holding of the Company's shares
Toyo Suisan Kaisha, Ltd.	728,000	728,000	For the purpose of maintaining and strengthening a stable business relationship.	Yes
	3,734	3,436		
Seven & i Holdings Co., Ltd.	485,000	485,000	For the purpose of maintaining and strengthening a stable business relationship.	No
	1,606	1,977		
Kyowa Kirin Co., Ltd.	475,000	475,000	For the purpose of increasing future corporate value through mutual initiatives.	No
	1,346	1,103		
Sumitomo Corporation	654,000	654,000	For the purpose of increasing future corporate value through mutual initiatives.	No
	841	1,078		
Mitsubishi Shokuhin Co., Ltd.	299,000	299,000	For the purpose of maintaining and strengthening a stable business relationship.	No
	824	868		
Aeon Co., Ltd.	220,000	220,000	For the purpose of maintaining and strengthening a stable business relationship.	No
	683	491		
Yamato Holdings Co., Ltd.	219,000	219,000	For the purpose of increasing future corporate value through mutual initiatives.	Yes
	580	412		

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

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

(iii) Investment shares for pure investment purposes

Not applicable.

V. Financial Information

1. Preparation of the consolidated financial statements

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

2. Audit

The audits were performed by Ernst & Young ShinNihon LLC on the consolidated financial statements for the fiscal year (from December 1, 2019 to November 30, 2020) 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, 2019)		Current fiscal year (As of November 30, 2020)
Assets				
Current assets				
Cash and deposits		46,777		56,835
Notes and accounts receivable – trade		83,651		73,783
Securities		10,000		10,000
Purchased goods and products		17,392		16,214
Work in process		2,354		1,398
Raw materials and supplies		9,089		9,609
Other		5,951		6,696
Allowances for doubtful accounts		(426)		(523)
Total current assets		174,790		174,012
Fixed assets				
Tangible fixed assets				
Buildings and structures	*4	183,036	*4	191,496
Accumulated depreciation		(108,069)		(110,485)
Net book value	*2	74,966	*2	81,011
Machinery, equipment and vehicles	*4	179,442	*4	183,338
Accumulated depreciation		(123,953)		(121,934)
Net book value		55,488		61,403
Land	*2, *4	52,178	*2, *4	52,503
Lease assets		9,768		12,106
Accumulated depreciation		(4,340)		(4,638)
Net book value		5,427		7,467
Construction in progress		15,268		5,352
Other	*4	16,415	*4	17,247
Accumulated depreciation		(12,286)		(13,184)
Net book value		4,129		4,062
Total tangible fixed assets		207,459		211,802
Intangible fixed assets				
Goodwill		989		2,014
Software		6,399		9,383
Other		2,531		2,114
Total intangible fixed assets		9,921		13,512
Investments and other assets				
Investment securities	*1	27,225	*1	27,110
Long-term loans receivable		901		1,497
Assets for retirement benefits		9,898		9,601
Deferred tax assets		3,625		3,870
Other	*1	10,664	*1	10,504
Allowances for doubtful accounts		(177)		(188)
Total investments and other assets		52,138		52,396
Total fixed assets		269,519		277,710
Total assets		444,309		451,723

(Millions of yen)

	Previous fiscal year (As of November 30, 2019)		Current fiscal year (As of November 30, 2020)	
Liabilities				
Current liabilities				
Notes and accounts payable – trade		53,299		41,828
Short-term loans payable	*2	7,322	*2	12,153
Accounts payable – other		20,406		14,480
Accrued expenses		6,769		6,986
Accrued income taxes		4,208		3,901
Reserves for sales rebates		861		747
Reserves for bonuses		2,083		1,817
Reserves for directors' bonuses		151		163
Other reserves		50		52
Other		3,852		4,242
Total current liabilities		99,006		86,373
Non-current liabilities				
Bonds		10,000		10,000
Long-term loans payable	*2	42,616	*2	51,861
Lease obligations		4,631		6,084
Deferred tax liabilities		5,344		5,650
Liabilities for retirement benefits		3,306		3,619
Asset retirement obligations		1,187		1,218
Other		1,463		1,539
Total non-current liabilities		68,550		79,973
Total liabilities		167,556		166,346
Net assets				
Shareholders' equity				
Paid-in capital		24,104		24,104
Capital surplus		29,483		28,647
Earned surplus		196,551		201,492
Treasury stock		(15,862)		(15,865)
Total shareholders' equity		234,276		238,379
Accumulated other comprehensive income				
Unrealized holding gains (losses) on securities		9,045		8,882
Unrealized gains (losses) on hedges		6		(4)
Foreign currency translation adjustments		(3,241)		(3,408)
Accumulated adjustments for retirement benefits		(4,534)		(4,315)
Total accumulated other comprehensive income		1,275		1,153
Non-controlling interests		41,201		45,844
Total net assets		276,753		285,377
Total liabilities and net assets		444,309		451,723

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

Consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)
Net sales		545,723		531,103
Cost of sales	*1	412,741	*1	405,790
Gross profit		132,981		125,313
Selling, general and administrative expenses	*2, *3	100,933	*2, *3	97,009
Operating income		32,048		28,303
Non-operating income				
Interest income		103		122
Dividends income		461		482
Equity in earnings of affiliates		168		116
Insurance income		470		428
Subsidy income		354		132
Other		892		741
Total non-operating income		2,451		2,024
Non-operating expenses				
Interest expenses		294		337
Commission expenses		92		310
Business commencement expenses		131		159
Foreign exchange losses		131		75
Other		574		455
Total non-operating expenses		1,224		1,338
Ordinary income		33,275		28,989
Extraordinary gains				
Gains on sales of fixed assets	*4	137	*4	102
Gains on extinguishment of tie-in shares		—		42
Gains on sales of investment securities		370		37
Gains on transfer of business	*5	643		—
Other		75		28
Total extraordinary gains		1,226		211
Extraordinary losses				
Impairment losses	*6	729	*6	1,950
Losses on disposal of fixed assets	*7	988	*7	1,880
Losses on sales of shares of subsidiaries		—	*8	1,856
Other		295		689
Total extraordinary losses		2,013		6,376
Profit before income taxes		32,487		22,825
Income taxes		10,203		8,664
Income taxes – deferred		368		159
Total income taxes		10,572		8,824
Profit		21,915		14,000
Profit attributable to non-controlling interests		3,216		2,622
Profit attributable to owners of parent		18,698		11,378

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Profit	21,915	14,000
Other comprehensive income		
Unrealized holding gains (losses) on securities	(1,611)	(198)
Unrealized gains (losses) on hedges	38	(15)
Foreign currency translation adjustments	(2,117)	(192)
Adjustments for retirement benefits	(578)	285
Total other comprehensive income	* (4,268)	* (121)
Comprehensive income	17,646	13,879
(Breakdown)		
Comprehensive income attributable to owners of parent	14,861	11,256
Comprehensive income attributable to non-controlling interests	2,784	2,622

(c) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	24,104	29,543	183,431	(15,859)	221,219
Cumulative effects of changes in accounting policies					
Balance after reflecting the above cumulative effects	24,104	29,543	183,431	(15,859)	221,219
Changes of items during the fiscal year					
Dividends from surplus			(5,578)		(5,578)
Profit attributable to owners of parent			18,698		18,698
Purchase of treasury stock				(2)	(2)
Capital increase of consolidated subsidiaries		(10)			(10)
Sales of shares of consolidated subsidiaries		(49)			(49)
Payments for investments in capital of subsidiaries and affiliates					
Sales of investments in capital of subsidiaries and affiliates					
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(59)	13,119	(2)	13,056
Balance at the end of the current fiscal year	24,104	29,483	196,551	(15,862)	234,276

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

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

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	24,104	29,483	196,551	(15,862)	234,276
Cumulative effects of changes in accounting policies			(0)		(0)
Balance after reflecting the above cumulative effects	24,104	29,483	196,550	(15,862)	234,276
Changes of items during the fiscal year					
Dividends from surplus			(6,436)		(6,436)
Profit attributable to owners of parent			11,378		11,378
Purchase of treasury stock				(2)	(2)
Capital increase of consolidated subsidiaries		(267)			(267)
Sales of shares of consolidated subsidiaries					
Payments for investments in capital of subsidiaries and affiliates		(1,844)			(1,844)
Sales of investments in capital of subsidiaries and affiliates		1,275			1,275
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(836)	4,941	(2)	4,102
Balance at the end of the current fiscal year	24,104	28,647	201,492	(15,865)	238,379

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	9,045	6	(3,241)	(4,534)	1,275	41,201	276,753
Cumulative effects of changes in accounting policies							(0)
Balance after reflecting the above cumulative effects	9,045	6	(3,241)	(4,534)	1,275	41,201	276,753
Changes of items during the fiscal year							
Dividends from surplus							(6,436)
Profit attributable to owners of parent							11,378
Purchase of treasury stock							(2)
Capital increase of consolidated subsidiaries							(267)
Sales of shares of consolidated subsidiaries							—
Payments for investments in capital of subsidiaries and affiliates							(1,844)
Sales of investments in capital of subsidiaries and affiliates							1,275
Net changes of items other than shareholders' equity	(162)	(11)	(166)	218	(121)	4,643	4,521
Total changes of items during the fiscal year	(162)	(11)	(166)	218	(121)	4,643	8,624
Balance at the end of the current fiscal year	8,882	(4)	(3,408)	(4,315)	1,153	45,844	285,377

(d) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Cash flows from operating activities		
Profit before income taxes	32,487	22,825
Depreciation and amortization	18,649	20,073
Impairment losses	729	1,950
Amortization of goodwill	244	218
Retirement benefit expenses	1,997	2,134
Equity in losses (earnings) of affiliates	(168)	(116)
Losses (gains) on extinguishment of tie-in shares	—	(42)
Losses (gains) on valuation of investment securities	16	13
Increase (decrease) in liabilities for retirement benefits	(200)	417
Decrease (increase) in assets for retirement benefits	(1,058)	(1,368)
Increase (decrease) in reserves for sales rebates	30	(113)
Increase (decrease) in reserves for directors' bonuses	35	0
Increase (decrease) in reserves for bonuses	185	(302)
Increase (decrease) in allowances for doubtful accounts	(17)	21
Interest and dividends income	(565)	(605)
Interest expenses	294	337
Losses (gains) on sales of investment securities	(369)	(37)
Losses on sales of shares of subsidiaries	—	1,856
Losses (gains) on sales and disposal of fixed assets	933	1,827
Losses (gains) on transfer of business	(643)	—
Decrease (increase) in notes and accounts receivable – trade	(6,983)	10,041
Decrease (increase) in inventories	(925)	(250)
Increase (decrease) in notes and accounts payable – trade	9,078	(11,409)
Increase (decrease) in accounts payable – other	3,166	(3,055)
Increase (decrease) in accrued consumption taxes	(825)	(1,627)
Increase (decrease) in long-term accounts payable	(71)	(92)
Other	(272)	1,025
Sub-total	55,748	43,721
Interest and dividends income received	643	650
Interest paid	(303)	(337)
Income taxes paid	(12,171)	(9,079)
Net cash provided by (used in) operating activities	43,916	34,955

(Millions of yen)

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Cash flows from investing activities		
Purchases of tangible fixed assets	(24,952)	(20,707)
Purchases of intangible fixed assets	(5,074)	(4,746)
Purchases of investment securities	(42)	(99)
Proceeds from sales of investment securities	637	232
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	*2 2,033
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*3 (492)
Net decrease (increase) in short-term loans receivable	(357)	(0)
Payments of long-term loans receivable	(593)	(353)
Collection of long-term loans receivable	75	58
Payments into time deposits	(0)	(2,157)
Proceeds from withdrawal of time deposits	—	1,078
Proceeds from transfer of business	643	—
Other	(55)	(885)
Net cash provided by (used in) investing activities	(29,720)	(26,039)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,135)	2,269
Repayment of lease obligations	(1,499)	(1,513)
Proceeds from long-term loans payable	10,039	9,800
Repayment of long-term loans payable	(3,014)	(3,236)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Cash dividends paid	(5,578)	(6,436)
Cash dividends paid to non-controlling interests	(1,470)	(1,535)
Purchase of treasury stock	(2)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,913)
Proceeds from sales of investments in capital of subsidiaries that do not result in change in scope of consolidation	—	2,875
Proceeds from investments in capital of subsidiaries that do not result in change in scope of consolidation	—	1,238
Payments into deposits with withdrawal restrictions	—	(539)
Other	59	—
Net cash provided by (used in) financing activities	(4,602)	5
Effects of exchange rate changes on cash and cash equivalents	(785)	78
Increase (decrease) in cash and cash equivalents	8,806	9,000
Cash and cash equivalents at the beginning of the fiscal year	47,970	56,777
Cash and cash equivalents at the end of the fiscal year	*1 56,777	*1 65,777

Notes

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

1. Consolidated subsidiaries

The Company has sixty (60) consolidated subsidiaries. The significant consolidated subsidiaries are Kewpie Egg Corporation, Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., K.R.S. Corporation, Salad Club, Inc. and Aohata Corporation.

In the current fiscal year, KEWPIE SINGAPORE PTE. LTD., PT Kiat Ananda Cold Storage, PT Ananda Solusindo, PT Manggala Kiat Ananda and PT Trans Kontainer Solusindo have been included in the scope of consolidation as a result of acquisition of shares. On the other hand, HENNINGSEN FOODS, INC. has been excluded from the scope of consolidation as a result of a transfer of shares, and Salad Mate Co., Ltd. and Henningsen Foods – Netherlands, Inc. have been excluded from the scope of consolidation as a result of corporate liquidation.

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

Among the seventeen (17) non-consolidated subsidiaries, the principal one is K. LP Corporation. These companies are excluded from consolidation, because each of the amount of their total assets, net sales, profit and loss and earned surplus (based on the Company's ownership percentage) does not have a significant effect on the consolidated financial statements of the Company.

2. Application of the equity method

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

The investments in K. LP Corporation and sixteen (16) other non-consolidated subsidiaries, as well as EGG TRUST JAPAN K.K. and two other affiliated companies are not accounted for on an equity method, since each of the amounts of profit and loss and earned surplus (based on the Company's ownership percentage) did not have a significant effect on the consolidated financial statements of the Company.

3. Fiscal years of consolidated subsidiaries

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

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

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

4. Accounting policies

(1) Basis and method of valuation of significant assets

(a) Securities

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

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

(b) Derivatives

Stated at fair value.

Hedge accounting is applied to hedge transactions that meet the requirements thereof.

(c) Inventories

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

(2) Depreciation and amortization of significant depreciable and amortizable assets

(a) Tangible fixed assets (excluding lease assets)

Tangible fixed assets are depreciated by the straight-line method.

The main useful lives are as follows.

Buildings and structures:	2–50years
Machinery, equipment and vehicles:	2–10years

(b) Intangible fixed assets (excluding lease assets)

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

The main useful life is as follows.

Software:	5years

(c) Lease assets

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

Concerning foreign consolidated subsidiaries of the Company that apply IFRS, as noted in (Changes in accounting policies), IFRS 16 "Leases" has been adopted from the current fiscal year. Due to this adoption, lessees, in principle, record all leases as assets and liabilities on the balance sheets, and the straight-line method is adopted for depreciation of right-of-use assets recorded under assets.

(3) Method of treatment of significant deferred assets

Business commencement expenses are recorded as expenses in full at the time of payment.

(4) Accounting standards for significant allowances

(a) Allowances for doubtful accounts

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

(b) Reserves for sales rebates

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

(c) Reserves for bonuses

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

(d) Reserves for directors' bonuses

To provide for the payment of bonuses to directors, reserves for directors' bonuses are provided according to the estimated amounts payable at the end of the current fiscal year.

(5) Accounting for retirement benefits

(a) Periodic allocation method for projected retirement benefits

In calculating retirement benefit obligations, the method of allocating the projected retirement benefits to the period up to the end of the current fiscal year is the benefit formula basis.

(b) Method of accounting for actuarial gains or losses and prior service costs

Prior service costs are amortized by the straight-line method principally over twelve (12) years based on the average remaining employees' service years at the time of accrual.

Actuarial gains or losses are amortized by the straight-line method principally over twelve (12) years based on the average remaining employees' service years at each fiscal year, and their amortizations start from the next fiscal year of the respective accrual years.

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

(6) Significant methods of hedge accounting

(a) Hedge accounting method

Deferral hedge is adopted in hedge accounting.

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

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

(b) Hedging instruments

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

(c) Hedged items

Hedged items are purchase transactions in foreign currencies, purchase transactions, equity investments in overseas subsidiaries and interest of loans.

(d) Hedging policy

The Group enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rates, and interest rate swap transactions to hedge risks from fluctuations in interest rates in the future.

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

(e) Assessment of the effectiveness of hedge accounting

Control procedures of hedge transactions are executed according to each company's internal rules. The effectiveness of the hedge is analyzed by comparing movements in the fair value of hedged items with those of hedging instruments, assessed and strictly controlled.

However, the assessment of the effectiveness of interest rate swap transactions that conform to the special treatment is omitted.

(7) Method and period for amortization of goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life during which its effect will be realized. However, goodwill is expensed as incurred if immaterial.

(8) Scope of cash in the consolidated statements of cash flows

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

(9) Other important matters forming the basis of preparation of consolidated financial statements
Consumption taxes are recorded on a net-of-tax basis.

(Accounting Standards Not Yet Adopted)

1. The Company and its domestic consolidated subsidiaries

Accounting Standard for Revenue Recognition, etc.

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

(1) Summary

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

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

(2) Timing of adoption

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

(3) Effect of adoption of accounting standards

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

Accounting Standard for Fair Value Measurement, etc.

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

(1) Summary

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

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

(2) Timing of adoption

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

(3) Effect of adoption of accounting standards

The effect of adoption of the Accounting Standard for Fair Value Measurement and other accounting standards and guidances on the consolidated financial statements is currently undetermined.

Accounting Standard for Disclosure of Accounting Estimates

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1) Summary

IASB's International Accounting Standard (IAS) 1 "Presentation of Financial Statements" ("IAS 1") issued in 2003 requires disclosure of the "key sources of estimation uncertainty" in its paragraph 125. In response to requests that ASBJ should consider requiring that those sources of estimation uncertainty be treated as information that is highly useful to users of financial statements and disclosed in the notes under Japanese GAAP, it developed and issued the "Accounting Standard for Disclosure of Accounting Estimates" (the "Accounting Standard").

ASBJ's basic policy in developing the Accounting Standard is not to expand the description of individual notes, but rather to provide entities with the principles (disclosure objectives) so that they can determine the specific disclosure details in light of the disclosure objectives. To this end, the provision of paragraph 125 of IAS 1 was used as a reference in the development.

(2) Timing of adoption

The Group will adopt the ASBJ statement from the end of the fiscal year ending November 30, 2021.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

(1) Summary

In response to a recommendation that ASBJ should consider enriching the notes for "accounting principles and procedures adopted when provisions of relevant accounting standards are not clearly defined", it issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections".

In enriching the notes for "accounting principles and procedures adopted when provisions of relevant accounting standards are not clearly defined", the revised standard requires preparers to follow the provisions of Note 1-2 of the Explanatory Notes for Business Accounting Principles in order for the revised standard not to affect the practices up to the present when provisions of relevant accounting standards are clearly defined.

(2) Timing of adoption

The Group will adopt the ASBJ statement from the end of the fiscal year ending November 30, 2021.

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

(ASU 2016-02 "Leases")

(1) Summary

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

(2) Timing of adoption

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

(3) Effect of adoption of accounting standards

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

(Changes in accounting policies)

(Adoption of IFRS 16 "Leases")

Foreign consolidated subsidiaries that apply IFRS have adopted IFRS 16 "Leases" from the current fiscal year. Due to this adoption, lessees, in principle, record all leases as assets and liabilities on the balance sheets. The Company reflects the cumulative effect of adopting this accounting standard as an adjustment in earned surplus as of the beginning of the current fiscal year in accordance with the transitional treatment under IFRS 16.

The effect of adopting this accounting standard on consolidated financial statements is immaterial.

(Changes in presentation)

(Consolidated Statements of Income)

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

As a result, in the consolidated statements of income, ¥92 million, which was presented in "Other" under "Non-operating expenses" in the previous fiscal year was reclassified as "Commission expenses".

(Consolidated Statements of Cash Flows)

“Payments into time deposits” and “Proceeds from withdrawal of time deposits”, included in “Other” under “Cash flows from investing activities” in the previous fiscal year, were presented as separate items under “Cash flows from investing activities” from the current fiscal year due to the increased materiality. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in the consolidated statements of cash flows, ¥(55) million, which was presented in "Other" under "Cash flows from investing activities" in the previous fiscal year, has been reclassified into ¥(0) million in "Payments into time deposits", none in "Proceeds from withdrawal of time deposits", and ¥(55) million in "Other".

(Additional information)

(Accounting estimates associated with the impact of the spread of COVID-19)

The Group has made accounting estimates for impairment of fixed assets, etc. based on information available when preparing the consolidated financial statements.

Faced with uncertainty regarding when the spread of COVID-19 will come to an end, the Group assumes that the global and Japanese economy will require considerable time to return to a recovery trend. Accordingly, the Group has made accounting estimates based on the assumption that demands in the restaurants and inbound sectors will recover slowly.

Due to many uncertain factors in the future impact of the spread of COVID-19 on economic activities, changes to the assumption may cause a significant effect on the Group's consolidated financial statements in the future.

Consolidated Balance Sheets

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

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Investment securities (stocks)	¥ 2,813 million	¥ 2,979 million
Other (Investments in capital)	¥ 792 million	¥ 792 million

*2 *Pledged assets and secured obligations

Pledged assets are as follows:

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Buildings and structures	¥ 68 million	¥ 60 million
Land	¥ 1,064 million	¥ 1,064 million
Total	¥ 1,133 million	¥ 1,124 million

Secured obligations are as follows:

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Short-term loans payable	¥ 713 million	¥ 893 million
Long-term loans payable	¥ 356 million	¥ 862 million
Total	¥ 1,070 million	¥ 1,756 million

*3 Contingent liabilities

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

Guarantee obligations

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Employees (loan)	¥ 241 million	¥ 215 million

*4 Amount of reduction entry

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

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Buildings and structures	¥ 572 million	¥ 644 million
Machinery, equipment and vehicles	¥ 670 million	¥ 757 million
Land	¥ 117 million	¥ 117 million
Other	¥ 383 million	¥ 384 million
Total	¥ 1,744 million	¥ 1,903 million

Consolidated Statements of Income

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

Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
¥ 192 million	¥ 371 million

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Transportation and warehousing expenses	¥ 26,038 million	¥ 26,057 million
Sales promotion expenses	¥ 4,029 million	¥ 3,558 million
Research and development expenses	¥ 4,156 million	¥ 3,963 million
Advertising expenses	¥ 9,487 million	¥ 9,032 million
Payroll expenses	¥ 23,091 million	¥ 22,564 million
Depreciation expenses	¥ 2,897 million	¥ 2,892 million
Provision of reserves for bonuses	¥ 625 million	¥ 632 million
Retirement benefit expenses	¥ 2,133 million	¥ 2,191 million
Provision of allowances for doubtful accounts	¥ 21 million	¥ (12) million

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

Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
¥ 4,156 million	¥ 3,963 million

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Machinery, equipment and vehicles	¥ 73 million	¥ 57 million
Land	¥ 62 million	¥ 44 million
Other	¥ 1 million	¥ 0 million
Total	¥ 137 million	¥ 102 million

*5 Gains on transfer of business

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

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

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

Not applicable.

*6 Impairment losses

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

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

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

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

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

The Company wrote down the book value of a factory in Kumiyama-cho, Kuse-gun, Kyoto, to a recoverable amount as a result of the decision to close the factory. As such, the relevant write-down amount of ¥92 million is recorded as impairment losses. The recoverable amount is measured by the net sales value based on the estimated sales value.

The Company wrote down the book value of production lines in Oishida-machi, Kitamurayama-gun, Yamagata to recoverable amount, because it no longer expects to recover its investment due to diminished profitability. As such, the relevant write-down amount of ¥50 million is recorded as impairment losses. The recoverable amounts are measured according to value in use, but as no future cash flow is expected to be generated in the future, the recoverable value is assessed as zero.

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

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

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

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

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

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

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

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

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

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Buildings and structures	¥ 479 million	¥ 1,077 million
Machinery, equipment and vehicles	¥ 471 million	¥ 682 million
Other	¥ 37 million	¥ 119 million
Total	¥ 988 million	¥ 1,880 million

*8 Losses on sales of shares of subsidiaries

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

Not applicable.

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

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

Consolidated Statements of Comprehensive Income

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Unrealized holding gains (losses) on securities:		
Amount arising during the fiscal year	¥ (1,934) Million	¥ (238) million
Reclassification adjustments	¥ (370) Million	¥ (3) million
Before income tax effects	¥ (2,304) Million	¥ (241) million
Amount of income tax effects	¥ 692 Million	¥ 43 million
Unrealized holding gains (losses) on securities	¥ (1,611) Million	¥ (198) million
Unrealized gains (losses) on hedges:		
Amount arising during the fiscal year	¥ 35 Million	¥ (34) million
Reclassification adjustments	¥ 14 Million	¥ 10 million
Before income tax effects	¥ 49 Million	¥ (23) million
Amount of income tax effects	¥ (11) Million	¥ 7 million
Unrealized gains (losses) on hedges	¥ 38 Million	¥ (15) million
Foreign currency translation adjustments:		
Amount arising during the fiscal year	¥ (2,117) Million	¥ (244) million
Reclassification adjustments	—	¥ 51 million
Foreign currency translation adjustments	¥ (2,117) Million	¥ (192) million
Adjustments for retirement benefits:		
Amount arising during the fiscal year	¥ (2,825) Million	¥ (1,720) million
Reclassification adjustments	¥ 1,997 Million	¥ 2,134 million
Before income tax effects	¥ (827) Million	¥ 413 million
Amount of income tax effects	¥ 249 Million	¥ (128) million
Adjustments for retirement benefits	¥ (578) Million	¥ 285 million
Total other comprehensive income	¥ (4,268) Million	¥ (121) million

Consolidated Statements of Changes in Net Assets

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

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

	Number of shares at the beginning of the current fiscal year	Increase in number of shares	Decrease in number of shares	Number of shares at the end of the current fiscal year
Issued shares				
Common stock	150,000,000	—	—	150,000,000
Total	150,000,000	—	—	150,000,000
Treasury stock				
Common stock (Note)	6,956,925	1,125	—	6,958,050
Total	6,956,925	1,125	—	6,958,050

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

2. Dividend

(1) Dividends paid in the current fiscal year

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 23, 2019	Common stock	2,717	19.00	November 30, 2018	February 7, 2019
The Board of Directors' meeting held on June 26, 2019	Common stock	2,860	20.00	May 31, 2019	August 5, 2019

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

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 22, 2020	Common stock	3,576	Earned surplus	25.00	November 30, 2019	February 7, 2020

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

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

	Number of shares at the beginning of the current fiscal year	Increase in number of shares	Decrease in number of shares	Number of shares at the end of the current fiscal year
Issued shares				
Common stock	150,000,000	—	—	150,000,000
Total	150,000,000	—	—	150,000,000
Treasury stock				
Common stock (Note)	6,958,050	1,150	—	6,959,200
Total	6,958,050	1,150	—	6,959,200

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

2. Dividend

(1) Dividends paid in the current fiscal year

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 22, 2020	Common stock	3,576	25.00	November 30, 2019	February 7, 2020
The Board of Directors' meeting held on June 24, 2020	Common stock	2,860	20.00	May 31, 2020	August 11, 2020

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

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 20, 2021	Common stock	2,860	Earned surplus	20.00	November 30, 2020	February 5, 2021

Consolidated Statements of Cash Flows

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)	
Cash and deposits	¥	46,777 million	¥	56,835 million
Time deposits with maturity over three months	¥	—	¥	(572) million
Deposits with withdrawal restrictions	¥	—	¥	(486) million
Securities	¥	10,000 million	¥	10,000 million
Cash and cash equivalents at the end of the fiscal year	¥	56,777 million	¥	65,777 million

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

The following are the primary components of assets and liabilities of HENNINGSEN FOODS, INC. at the time when it ceased to be a consolidated subsidiary as a result of selling its shares, as well as the amount of, and proceeds from, sales of its shares.

Current assets	¥	3,080 million
Fixed assets	¥	1,901 million
Current liabilities	¥	(644) million
Non-current liabilities	¥	(225) million
Foreign currency translation adjustments	¥	139 million
Losses on sales of shares of subsidiaries	¥	(1,856) million
Amount of sales of shares	¥	2,395 million
Cash and cash equivalents	¥	(361) million
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥	2,033 million

*3 Primary components of assets and liabilities of companies that became consolidated subsidiaries as a result of purchasing shares during the current fiscal year

The following are the primary components of assets and liabilities of the four companies, namely PT Kiat Ananda Cold Storage, PT Ananda Solusindo, PT Manggala Kiat Ananda, and PT Trans Kontainer Solusindo, at the time when they were newly included in the scope of consolidation as a result of purchasing their shares, as well as the amount of, and expenditure on, purchase of their shares.

Current assets	¥	8,313 million
Fixed assets	¥	5,972 million
Goodwill	¥	1,241 million
Gains on Negative Goodwill	¥	(3) million
Current liabilities	¥	(2,302) million
Non-current liabilities	¥	(4,686) million
Foreign currency translation adjustments	¥	587 million
Non-controlling interests	¥	(2,116) million
Amount of purchase of shares	¥	7,006 million
Cash and cash equivalents	¥	(6,500) million
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥	(505) million

Lease Transactions

1. Finance lease transactions (Lessee)

   Finance lease transactions that do not transfer ownership

   (a) Details of lease assets

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

   (b) Depreciation method for lease assets

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

2. Operating lease transactions

   Future lease payments related to non-cancellable operating lease transactions

(Millions of yen)

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Due within one year	2,474	2,340
Due over one year	15,586	14,274
Total	18,061	16,614

Financial Instruments

1. Matters relating to the status of financial instruments
   (1) Policy in relation to financial instruments

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

   (2) Details of financial instruments and related risks

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

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

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

   (3) Risk management system relating to financial instruments

   (i) Management of credit risk

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

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

   (ii) Management of market risk

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

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

(iii) Management of liquidity risk relating to financing

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

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

The fair values of financial instruments include market prices and reasonably estimated values if there are no market prices. As the estimation of fair values incorporates variable factors, adopting different assumptions may change the values. In addition, the contract amount of financial derivative transactions in itself, described in Notes on Financial Derivative Transactions, should not be considered indicative of the market risks associated with the financial derivative transactions.

2. Matters concerning fair values, etc. of financial instruments

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

Previous fiscal year (As of November 30, 2019)

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

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

Current fiscal year (As of November 30, 2020)

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

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

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

Assets

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

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

(3) Securities and investment securities

The fair value of stocks is determined by the price thereof traded on an exchange. For bonds, the value is determined by the price on an exchange or the price announced by the counterparty financial institutions. For money in trust or otherwise, the book value is used, as the fair value is nearly equal to the book value as a result of its short settlement periods. Please refer to Notes on Securities for matters concerning securities by purpose of holding.

Liabilities

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

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

(8) Bonds

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

(9) Long-term loans payable

The fair value of long-term loans payable with fixed interest rates is measured as the present value of the total principal and interest discounted at a rate that would be applied for a new similar borrowing. For long-term loans payable with floating interest rates, the book value is used, as the fair value is nearly equal to the book value as a result of the revision of interest rates based on the market interest rates in short periods. Out of long-term loans payable with variable interest rates, fair values of those subject to special treatment for interest rate swap transactions are measured based on the present value of the total amount of principal and interest, which was accounted for as an integral part of the relevant interest rate swap transactions and discounted by the reasonably estimated interest rate that would be applied for new similar borrowing.

Derivatives

Fair values with respect to derivative transactions are calculated based on prices indicated by counterparty financial institutions and other such entities. Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable. For details of financial derivative transactions, please refer to Notes on Financial Derivative Transactions.

2. Financial instruments for which determining the market values is recognized as being extremely difficult

(Millions of yen)

Category	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Unlisted stocks	5,207	5,367

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

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

Previous fiscal year (As of November 30, 2019)

	Within one year (millions of yen)	Over one year to five years (millions of yen)	Over five years to 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	46,742	—	—	—
Notes and accounts receivable – trade	83,651	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	10,000	—	—	—
Total	140,394	—	—	—

Current fiscal year (As of November 30, 2020)

	Within one year (millions of yen)	Over one year to five years (millions of yen)	Over five years to 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	56,808	—	—	—
Notes and accounts receivable – trade	73,783	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	10,000	—	—	—
Total	140,591	—	—	—

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

Previous fiscal year (As of November 30, 2019)

	Within one year (millions of yen)	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Short-term loans payable	3,862	—	—	—	—	—
Bonds	—	—	—	—	—	10,000
Long-term loans payable	3,460	3,349	13,105	2,440	16,765	6,955
Total	7,322	3,349	13,105	2,440	16,765	16,955

Current fiscal year (As of November 30, 2020)

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

Securities

1. Other securities

Previous fiscal year (As of November 30, 2019)

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

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,393 million reported on the consolidated balance sheet), as these stocks do not have market prices and it is considered extremely difficult to determine their fair values, these stocks are not included in "Other securities" in the above table.

Current fiscal year (As of November 30, 2020)

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

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,388 million reported on the consolidated balance sheet), as these stocks do not have market prices and it is considered extremely difficult to determine their fair values, these stocks are not included in "Other securities" in the above table.

2. Other securities sold during the fiscal year

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

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

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

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

3. Securities for which impairment losses are recognized

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

Impairment losses of ¥16 million were recognized for securities (¥16 million on shares without readily determinable market value).

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

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

Impairment losses of ¥13 million were recognized for securities (¥4 million on shares without readily determinable market value).

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

Financial Derivative Transactions

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

(1) Commodity derivatives

Previous fiscal year (As of November 30, 2019)

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

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

Current fiscal year (As of November 30, 2020)

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

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

(2) Currency derivatives

Previous fiscal year (As of November 30, 2019)

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

(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, 2020)

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

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

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

(1) Currency derivatives

Previous fiscal year (As of November 30, 2019)

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

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

Current fiscal year (As of November 30, 2020)

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

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

(2) Interest rate derivatives

Previous fiscal year (As of November 30, 2019)

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

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

Current fiscal year (As of November 30, 2020)

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

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

(3) Commodity derivatives

Previous fiscal year (As of November 30, 2019)

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

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

Current fiscal year (As of November 30, 2020)

Not applicable.

Retirement Benefits

1. Summary of retirement benefit plans

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

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

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

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

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

2. Defined benefit plan

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)	
Balance of retirement benefit obligations at the beginning of the fiscal year	¥	75,414 million	¥	77,165 million
Service costs	¥	3,148 million	¥	3,665 million
Interest costs	¥	388 million	¥	258 million
Actuarial gains or losses incurred	¥	1,651 million	¥	3 million
Retirement benefits paid	¥	(3,652) million	¥	(3,388) million
Other	¥	215 million	¥	(110) million
Balance of retirement benefit obligations at the end of the fiscal year	¥	77,165 million	¥	77,593 million

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

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)	
Balance of pension plan assets at the beginning of the fiscal year	¥	83,419 million	¥	83,757 million
Expected return on pension plan assets	¥	2,085 million	¥	2,097 million
Actuarial gains or losses incurred	¥	(953) million	¥	(1,681) million
Contributions by the employer	¥	2,695 million	¥	2,684 million
Retirement benefits paid	¥	(3,328) million	¥	(3,185) million
Other	¥	(161) million	¥	(97) million
Balance of pension plan assets at the end of the fiscal year	¥	83,757 million	¥	83,575 million

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)	
Retirement benefit obligations for funded plans	¥	75,160 million	¥	75,396 million
Pension plan assets	¥	(83,757) million	¥	(83,575) million
	¥	(8,597) million	¥	(8,179) million
Retirement benefit obligations for non-funded plans	¥	2,004 million	¥	2,196 million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥	(6,592) million	¥	(5,982) million
Liabilities for retirement benefits	¥	3,306 million	¥	3,619 million
Assets for retirement benefits	¥	(9,898) million	¥	(9,601) million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥	(6,592) million	¥	(5,982) million

(4) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)	
Service costs	¥	3,148 million	¥	3,665 million
Interest costs	¥	388 million	¥	258 million
Expected return on pension plan assets	¥	(2,085) million	¥	(2,097) million
Amortization of actuarial gains or losses	¥	1,832 million	¥	1,961 million
Amortization of prior service costs	¥	165 million	¥	173 million
Retirement benefit expenses for defined benefit plans	¥	3,449 million	¥	3,960 million

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

(5) Adjustments for retirement benefits

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)	
Prior service costs	¥	55 million	¥	(173) million
Actuarial gains or losses	¥	772 million	¥	(240) million
Total	¥	827 million	¥	(413) million

(6) Accumulated adjustments for retirement benefits

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

	Previous fiscal year (As of November 30, 2019)		Current fiscal year (As of November 30, 2020)	
Unrecognized prior service costs	¥	603 million	¥	429 million
Unrecognized actuarial gains or losses	¥	6,725 million	¥	6,485 million
Total	¥	7,328 million	¥	6,915 million

(7) Pension plan assets

a) Main components of pension plan assets

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

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Bonds	35%	33%
Stocks	36%	36%
Insurance assets (general account)	6%	5%
Cash and deposits	8%	11%
Other	15%	15%
Total	100%	100%

(Note) Total pension plan assets include retirement benefit trusts established for corporate pension plans of 14% for the previous fiscal year and 14% for the current fiscal year.

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

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

(8) Actuarial assumptions

Major actuarial assumptions

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Discount rate	0.3% to 0.5%	0.3% to 0.6%
Long-term expected rate of return on pension plan assets	1.5% to 3.0%	1.5% to 3.0%

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

3. Defined contribution plans and retirement benefit advance payment systems

At the Company and its consolidated subsidiaries, the required contribution amount to the defined contribution plans is ¥623 million for the previous fiscal year and ¥1,002 million for the current fiscal year, and the amount paid under the retirement benefit advance payment systems is ¥115 million for the previous fiscal year and ¥101 million for the current fiscal year.

Tax Effect Accounting

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

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Deferred tax assets		
Unrealized gains	¥ 2,070 million	¥ 2,141 million
Reserves for sales rebates	¥ 270 million	¥ 235 million
Accrued expenses (sales promotion expenses)	¥ 826 million	¥ 845 million
Reserves for bonuses	¥ 642 million	¥ 509 million
Accrued social security expenses	¥ 60 million	¥ 99 million
Accrued enterprise taxes	¥ 331 million	¥ 316 million
Liabilities for retirement benefits	¥ 803 million	¥ 1,554 million
Established amount for trust to cover retirement benefit obligations	¥ 1,084 million	¥ 1,084 million
Losses on valuation of golf course memberships	¥ 162 million	¥ 151 million
Tax loss carryforwards	¥ 966 million	¥ 1,728 million
Depreciation	¥ 1,209 million	¥ 1,156 million
Impairment losses	¥ 846 million	¥ 1,202 million
Other	¥ 2,668 million	¥ 2,606 million
Sub-total deferred tax assets	¥ 11,944 million	¥ 13,633 million
Valuation allowance (Note)	¥ (2,396) million	¥ (4,148) million
Total deferred tax assets	¥ 9,547 million	¥ 9,485 million
Deferred tax liabilities		
Assets for retirement benefits	¥ (2,907) million	¥ (2,790) million
Differences on valuation of fixed assets	¥ (735) million	¥ (735) million
Reserves for reduction entry of property by purchase	¥ (1,164) million	¥ (1,137) million
Unrealized holding gains on securities	¥ (3,982) million	¥ (3,690) million
Other	¥ (2,475) million	¥ (2,909) million
Total deferred tax liabilities	¥ (11,266) million	¥ (11,264) million
Net deferred tax assets (liabilities)	¥ (1,719) million	¥ (1,779) million

(Note) As a result of examining the recoverability of deferred tax assets because the deductible temporary differences of the Company and its consolidated subsidiaries increased due to impairment and other losses recorded, the valuation allowance increased due to an increase in the amount for which the timing of reversal of temporary differences cannot be scheduled.

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

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Changes in valuation allowance	0.9%	7.6%
Expenses not deductible permanently	1.3%	1.5%
Income not taxable permanently	(0.1%)	(0.2%)
Inhabitant tax levied per capita	0.7%	1.0%
Tax deduction	(1.5%)	(2.1%)
Other	0.6%	0.2%
Effective tax rate	32.5%	38.7%

Business Combination

Divestiture of Business

Pursuant to the resolution of its Board of Directors' meeting held on March 26, 2020, as of April 27, 2020, (i) the Company agreed with POST HOLDINGS, INC. ("POST") to transfer all shares of HENNINGSEN FOODS, INC. ("HENNINGSEN FOODS") owned by the Company's consolidated subsidiary KIFUKI U.S.A. CO., INC. ("KIFUKI") to Michael Foods of Delaware, Inc. ("MFI") which was a subsidiary of POST, and (ii) KIFUKI and MFI have entered into a share transfer agreement. Accordingly, the share transfer transaction was implemented on July 1, 2020. As a result of this transaction, HENNINGSEN FOODS was removed from the scope of consolidation of the Group.

1. Outline of the business divestiture
   (1) Name of successor company
       Michael Foods of Delaware, Inc.
   (2) Content of the divested business
       Production and sale of egg products and dried meats
   (3) Main reason for business divestiture
       Pursuant to the "2019-2021 Kewpie Group's Medium-term Business Plan" announced on January 11, 2019, the Company aims to accelerate overseas development particularly in the markets of China and Southeast Asia, and promotes to reorganize and streamline production facilities in order to build an optimized business system for its Egg Businesses. After considering various options under such circumstances for the future of our U.S. subsidiary, HENNINGSEN FOODS, the Company determined that the best option for the Company and HENNINGSEN FOODS would be to transfer it to a third party which can support its sustainable growth, and explored discussions for the possibility of the share transfer.

       After careful consideration, the Company thought MFI's* robust business network and operating bases in and outside the United States would contribute to the sustainable growth and improvement of corporate value of HENNINGSEN FOODS, and decided to transfer all shares of HENNINGSEN FOODS in order to strengthen its business under MFI. Accordingly, the Company implemented the share transfer transaction on July 1, 2020.

       *MFI is a food manufacturing and distributing company based in Minnesota, U.S.A.
   (4) Date of business divestiture
       July 1, 2020
   (5) Outline of business divestiture including its legal form
       Share transfer whereby the consideration is specific assets such as cash

2. Outline of the accounting treatment implemented
   (1) Amount of gain or loss on the transfer
       Losses on sales of shares of subsidiaries ¥1,856 million
   (2) Book value and major breakdown of the assets and liabilities of the business transferred

Current assets	¥	3,080 million
Fixed assets	¥	1,901 million
Total assets	¥	4,982 million

Current liabilities	¥	644 million
Non-current liabilities	¥	225 million
Total liabilities	¥	869 million

(3) Accounting treatments

The Company accounted for this divesture in accordance with the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

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

Egg Business

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

Net sales	¥	3,527 million
Operating loss	¥	122 million

Business combination through acquisition

K.R.S. Corporation, the Company's consolidated subsidiary, resolved at its Board of Directors' meeting held on August 27, 2020 to acquire shares of KIAT ANANDA Group companies listed below through third party allotments in order to make them its subsidiaries. These four Indonesian companies, PT Kiat Ananda Cold Storage, PT Ananda Solusindo, PT Manggala Kiat Ananda and PT Trans Kontainer Solusindo, engage in low temperature logistics (cold supply chain management) services. Accordingly, K.R.S. Corporation has entered into a share subscription agreement as of August 28, 2020.

Thereafter, the share subscription was completed on November 2, 2020 and the four companies became consolidated subsidiaries of K.R.S. Corporation.

1. Outline of the business combination

(1) Names and businesses of acquired companies

Names	Description of business
PT Kiat Ananda Cold Storage	Warehouse business, etc. in Indonesia
PT Ananda Solusindo	Warehouse business, etc. in Indonesia
PT Manggala Kiat Ananda	Domestic transportation business, etc. in Indonesia
PT Trans Kontainer Solusindo	Forwarding, ship transportation business, etc.

(2) Primary reason for the business combination

KIAT ANANDA Group is a logistics company group that owns five refrigerated and cold storage warehouses as well as 590 vehicles in Indonesia, and has particular strengths in low temperature logistics (cold supply chain management) services. Their major customers consist of not only local companies but also foreign companies which are engaging in food manufacturing, restaurant business, and the like, and they operate a wide range of logistics businesses including warehousing, transportation, delivery, and forwarding. Acquiring the four companies of KIAT ANANDA Group, the Group aims to establish a logistics base and transportation network in Indonesia, and intends to provide high quality low temperature logistics services in the Indonesian market, expecting its further growth and expansion.

(3) Date of the business combination

November 2, 2020 (Share acquisition date)

September 30, 2020 (Deemed acquisition date)

(4) Legal form of the business combination

Acquisition of shares through a third party allotment

(5) Name of the company after the business combination

No change.

(6) Percentage of voting rights after the acquisition

PT Kiat Ananda Cold Storage	51.0%
PT Ananda Solusindo	51.0%
PT Manggala Kiat Ananda	51.0%
PT Trans Kontainer Solusindo	67.3%

(7) Primary basis for determining the acquiring company

The Group acquires the shares in exchange for cash.

2. Period of operating results of acquired company included in consolidated financial statements

Since the deemed acquisition date was September 30, 2020 and only the balance sheet has been consolidated, the operating results of the acquired company have not been included.

3. Cost of acquisition and kinds of considerations

Consideration (Cash)	¥ 7,006 million
Cost of acquisition	¥ 7,006 million

4. Details and amount of principal acquisition-related costs

Remuneration and commissions to advisors ¥81 million

5. Amount of goodwill recognized, reason for recognition, and method and period for amortization

(1) Amount of goodwill recognized

PT Kiat Ananda Cold Storage	Goodwill	¥ 755 million
PT Ananda Solusindo	Goodwill	¥ 445 million
PT Manggala Kiat Ananda	Goodwill	¥ 41 million
PT Trans Kontainer Solusindo	Negative goodwill	¥ 3 million

The above amounts were calculated on a provisional basis because the allocation of cost of acquisition was not completed as of the end of current fiscal year (November 30, 2020).

(2) Reason for recognition

Goodwill	The goodwill arose from future excess earnings power that is expected from future business development.
Negative goodwill	When the fair value of the net assets of acquired company exceeded the cost of acquisition at the time of business combination, that difference is recognized as a gain on negative goodwill.

(3) Method and period for amortization

Goodwill	The goodwill is amortized by the straight-line method over 10 years.

6. Amount and breakdown of acquired assets and assumed liabilities as of the date of the business combination

(1) PT Kiat Ananda Cold Storage

Current assets	¥	3,953 million
Fixed assets	¥	3,539 million
Total assets	¥	7,493 million

Current liabilities	¥	746 million
Non-current liabilities	¥	3,197 million
Total liabilities	¥	3,943 million

(2) PT Ananda Solusindo

Current assets	¥	2,425 million
Fixed assets	¥	1,046 million
Total assets	¥	3,472 million

Current liabilities	¥	369 million
Non-current liabilities	¥	690 million
Total liabilities	¥	1,060 million

(3) PT Manggala Kiat Ananda

Current assets	¥	1,636 million
Fixed assets	¥	1,041 million
Total assets	¥	2,677 million

Current liabilities	¥	844 million
Non-current liabilities	¥	617 million
Total liabilities	¥	1,462 million

(4) PT Trans Kontainer Solusindo

Current assets	¥	297 million
Fixed assets	¥	344 million
Total assets	¥	642 million

Current liabilities	¥	342 million
Non-current liabilities	¥	181 million
Total liabilities	¥	523 million

7. Allocation of cost of acquisition

The process of specifying the identifiable assets and liabilities and calculating their fair values as of the date of the business combination, and the allocation of cost of acquisition were not completed as of the end of the current fiscal year (November 30, 2020). Therefore, a provisional accounting treatment was performed based on reasonable information available at the fiscal year end.

8. Approximate amount of impact of the business combination on the consolidated statements of income for the current fiscal year (ended November 30, 2020) on the assumption that the business combination was completed at the beginning of the fiscal year, and the method of calculation thereof

   The approximate amount of impact is not presented because it is difficult to make a rational calculation.

Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Summary of relevant asset retirement obligations

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

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

   The amount of asset retirement obligations is calculated by estimating the period of use as eight to fifty-one years following acquisition, and then using the yield on government bonds corresponding to that time period as the discount rate.

3. Changes in amounts of relevant asset retirement obligations

	Previous fiscal year (From December 1, 2018 to November 30, 2019)		Current fiscal year (From December 1, 2019 to November 30, 2020)	
Balance at the beginning of the fiscal year	¥	1,123 million	¥	1,187 million
Increase due to purchases of tangible fixed assets	¥	59 million	¥	26 million
Adjustments to interest	¥	7 million	¥	7 million
Decrease due to payments for asset retirement obligations	¥	(3) million	¥	(3) million
Balance at the end of the fiscal year	¥	1,187 million	¥	1,218 million

Segment Information

Segment Information

1. Outline of reporting segments

   The reporting segments of the Company are components of the group for which discrete financial information is available and which are regularly reviewed by the Board of Directors to make decisions about the allocation of resources and to assess their performance. These segments are determined by product and service, and consist of "Condiments and Processed Foods", "Salad and Delicatessen", "Egg", "Fruit Solution", "Fine Chemicals", "Distribution" and "Common Business Operations".

   The following is the overview of each segment:

Condiments and Processed Foods:	Mayonnaise, dressings, vinegar, pasta sauces, baby foods and nursing care foods
Salad and Delicatessen:	Salads, delicatessen foods and packaged salads
Egg:	Liquid egg, frozen egg, dried egg and egg processed foods
Fruit Solution:	Jams and fruit processed foods
Fine Chemicals:	Hyaluronic acid and others
Distribution:	Transportation and warehousing of food products
Common Business Operations:	Sale of food products and food production equipment

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

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

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

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

Previous fiscal year (From December 1, 2018 to November 30, 2019) (Millions of yen)

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

(Notes) 1. Adjustments are as follows:

(i) "Adjustments" of ¥(7,194) million in "Segment profit" includes company-wide expenses unallocated to the respective reporting segments. The company-wide expenses mainly consist of expenditures pertaining to general and administrative expenses not attributable to the reporting segments.

(ii) "Adjustments" of ¥53,655 million in "Segment assets" mainly includes company-wide assets of ¥60,300 million and elimination of intersegment receivables and payables of ¥(5,554) million. Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).

(iii) "Adjustments" of ¥300 million in "Depreciation and amortization" is mainly related to company–wide assets unallocated to the reporting segments.

(iv) "Adjustments" of ¥2,049 million in "Increase in tangible and intangible fixed assets" mainly represents the investments in the Kewpie Group core systems before allocation to the reporting segments.

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

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

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

(Millions of yen)

	Condiments and Processed Foods	Salad and Delicatessen	Egg	Fruit Solution	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Consoli-dated (Note)
Net sales										
Net sales to external customers	180,239	90,897	89,091	16,473	7,942	140,423	6,034	531,103	—	531,103
Intersegment net sales or transfers	6,766	118	2,785	782	415	30,858	9,993	51,720	(51,720)	—
Total	187,006	91,016	91,877	17,255	8,357	171,281	16,028	582,823	(51,720)	531,103
Segment profit	22,353	3,655	3,291	561	1,156	2,837	1,329	35,185	(6,881)	28,303
Segment assets	142,143	33,173	60,827	18,850	7,962	102,711	25,448	391,115	60,607	451,723
Others										
Depreciation and amortization	7,199	1,780	3,751	956	524	4,647	895	19,756	317	20,073
Investment in affiliates accounted for by equity method	1,845	—	—	—	—	—	177	2,023	—	2,023
Increase in tangible and intangible fixed assets	6,471	1,308	5,615	562	698	7,515	340	22,512	3,590	26,102

(Notes) 1. Adjustments are as follows:

(i) "Adjustments" of ¥(6,881) million in "Segment profit" includes company-wide expenses unallocated to the respective reporting segments. The company-wide expenses mainly consist of expenditures pertaining to general and administrative expenses not attributable to the reporting segments.

(ii) "Adjustments" of ¥60,607 million in "Segment assets" mainly includes company-wide assets of ¥66,317 million and elimination of intersegment receivables and payables of ¥(4,490) million. Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).

(iii) "Adjustments" of ¥317 million in "Depreciation and amortization" is mainly related to company-wide assets unallocated to the reporting segments.

(iv) "Adjustments" of ¥3,590 million in "Increase in tangible and intangible fixed assets" mainly represents the investments in the Kewpie Group core systems before allocation to the reporting segments.

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

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

Related Information

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

1. Information by product and service

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

2. Information by region

   (1) Net sales

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

   (2) Tangible fixed assets

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

3. Information by major customers

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

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

1. Information by product and service

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

2. Information by region

   (1) Net sales

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

   (2) Tangible fixed assets

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

3. Information by major customers

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

Information on Impairment Losses by Reporting Segment

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

(Millions of yen)

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

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

(Millions of yen)

	Condiments and Processed Foods	Salad and Delicatessen	Egg	Fruit Solution	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Impairment losses	331	1,237	94	286	—	—	—	1,950	—	1,950

Information on Amortization of Goodwill and Unamortized Balance by Reporting Segment

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

(Millions of yen)

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

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

(Millions of yen)

	Condiments and Processed Foods	Salad and Delicatessen	Egg	Fruit Solution	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Amortization in the current fiscal year	16	—	—	182	—	20	—	218	—	218
Unamortized balance at the end of the current fiscal year	21	—	—	729	—	1,263	—	2,014	—	2,014

Information on Gains on Negative Goodwill by Reporting Segment

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

Not applicable.

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

(Millions of yen)

	Condiments and Processed Foods	Salad and Delicatessen	Egg	Fruit Solution	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Total
Gains on negative goodwill	15	—	—	—	—	3	—	18	—	18

Related Party Transactions

Related party transactions

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

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

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

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (millions of yen)	Principal business	Percentage of our voting rights (proportion of indirect ownership)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sale of various processed foods	Direct: 10.3% (Direct: 10.5% Indirect: 5.7%)	Purchase of products, sale of goods and products and payment of brand use fees Interlocking officers	Purchase of products	424	Notes and accounts payable – trade	75
							Sale of goods and products	93	Notes and accounts receivable – trade	14
							Payment of brand use fees	400		
							Purchase of promotional items	75	Accounts payable – other	37
							Lease of property	16		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.7%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	1,081	Investments and other assets (Other)	946
							Purchase of lease assets	11	Accounts payable – other	6
									Current liabilities (Other)	51
									Lease obligations (fixed)	108
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products	Sale of goods and products	134	Notes and accounts receivable – trade	43
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	2,040	Accounts payable – other	858
							Purchase of software	269		
							Purchase of tangible fixed assets	28		
							Lease of property	56		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Yu Shokai Co., Ltd. (Note 6)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rent of the office	Rent of property	95	Investments and other assets (Other)	117

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

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

2. With regard to the above-listed transaction amount and ending balance, the amount of ending balance includes consumption taxes but the transaction amount does not include consumption taxes.
3. Amane Nakashima, Chairman of the Company, and his close relatives and a company in which they own a majority of voting rights directly own 82.9% of the voting rights of the company.
4. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 100.0% of the voting rights of the company.
5. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 80.0% of the voting rights of the company.
6. Amane Nakashima, Chairman of the Company, and his close relatives directly own 100.0% of the voting rights of the company.
7. Amane Nakashima, Chairman of the Company, and his close relatives directly own 89.5% of the voting rights of the company.

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

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (millions of yen)	Principal business	Percentage of our voting rights (proportion of indirect ownership)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sale of various processed foods	Direct: 10.3% (Direct: 10.5% Indirect: 5.7%)	Purchase of products, sale of goods and products and payment of brand use fees Interlocking officers	Purchase of products	363	Notes and accounts payable – trade	39
							Sale of goods and products	121	Notes and accounts receivable – trade	18
							Payment of brand use fees	399		
							Purchase of promotional items	66	Accounts payable – other	48
							Lease of property	16		
							Receipt of dividends	10		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.7%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	1,070	Investments and other assets (Other)	946
									Accounts payable – other	5
									Current liabilities (Other)	50
									Lease obligations (fixed)	63
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products	Sale of goods and products	138	Notes and accounts receivable – trade	30
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	2,228	Accounts payable – other	863
							Purchase of software	3,606		
							Purchase of tangible fixed assets	46		
							Lease of property	56		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Yu Shokai Co., Ltd. (Note 6)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rent of the office	Rent of property	22		

Category	Corporate / individual name	Address	Paid-in capital/ equity investment (millions of yen)	Principal business	Percentage of our voting rights (proportion of indirect ownership)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	T&A Co., Ltd. (Note 7)	Shibuya-ku, Tokyo	100	Business of renting property	(Direct: 1.4%)	Rent of the company dormitories Interlocking officers	Rent of property	15		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	MINATO SINGAPORE PTE. LTD. (Note 8)	Singa-pore	1,000,000 Singapore dollars	Sale of imported liquors and foods in Singapore	None	Sale of goods and products Interlocking officers	Capital increase through third party allocation of shares	62		

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

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

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

4. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 100.0% of the voting rights of the company.

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

6. Amane Nakashima, Chairman of the Company, and his close relatives directly own 100.0% of the voting rights of the company.

7. Amane Nakashima, Chairman of the Company, and his close relatives directly own 89.5% of the voting rights of the company.

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

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

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

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

Category	Corporate / individual name	Address	Capital stock (millions of yen)	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sale of various processed foods	Direct: 10.3% (Direct: 10.5% Indirect: 5.7%)	Purchase of products and sale of goods and products Interlocking officers	Purchase of products	496	Notes and accounts payable – trade	72
							Sale of goods and products	80	Notes and accounts receivable – trade	10
							Rent of property	21	Accounts payable – other	22
							Purchase of trademark rights (Note 6)	2,100		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.7%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	432	Current assets (Other)	55
							Purchase of lease assets	28	Investments and other assets (Other)	389
									Accounts payable – other	0
									Current liabilities (Other)	5
									Lease obligations (fixed)	20
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products and purchase of products	Sale of goods and products	418	Notes and accounts receivable – trade	47
							Purchase of products	51	Notes and accounts payable – trade	0
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	922	Accounts payable – other	112
							Purchase of tangible fixed assets	22		
							Purchase of software	318		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	MINATO SINGAPORE PTE. LTD. (Note 4)	Singapore	1,000,000 Singapore dollars	Sale of imported liquors and foods in Singapore	None	Sale of goods and products Interlocking officers	Sale of goods and products	97	Notes and accounts receivable – trade	27
							Payment of selling-related costs	18		

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

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

Category	Corporate / individual name	Address	Capital stock (millions of yen)	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sale of various processed foods	Direct: 10.3% (Direct: 10.5% Indirect: 5.7%)	Purchase of products and sale of goods and products Interlocking officers	Purchase of products	569	Notes and accounts payable – trade	76
							Sale of goods and products	85	Notes and accounts receivable – trade	13
							Rent of property	21	Current assets (Other)	20
							Purchase of investments in capital (Note 7)	434	Accounts payable – other	3
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.7%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	787	Current assets (Other)	55
									Investments and other assets (Other)	389
									Accounts payable – other	0
							Purchase of lease assets	91	Current liabilities (Other)	6
									Lease obligations (fixed)	80
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products and purchase of products	Sale of goods and products	420	Notes and accounts receivable – trade	65
							Purchase of products	44	Notes and accounts payable – trade	5
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	985	Accounts payable – other	168
							Purchase of software	151		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	MINATO SINGAPORE PTE. LTD. (Note 6)	Singapore	1,000,000 Singapore dollars	Sale of imported liquors and foods in Singapore	None	Sale of goods and products Interlocking officers	Sale of goods and products	161	Notes and accounts receivable – trade	12
							Payment of selling-related costs	23		

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

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

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

4. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 100.0% of the voting rights of the company.
5. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 80.0% of the voting rights of the company.
6. The company in which Amane Nakashima, Chairman of the Company, and his close relatives owned a majority of voting rights directly owns 100.0% of the voting rights of MINATO SINGAPORE PTE. LTD. However, since the Company subscribed for a capital increase through the third party allocation conducted by MINATO SINGAPORE PTE. LTD., MINATO SINGAPORE PTE. LTD. became a consolidated subsidiary of the Company as of October 1, 2020, and changed its name to KEWPIE SINGAPORE PTE. LTD. The subscription price for the capital increase through the third party allocation was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of the stock price conducted by a third party. The transaction amount above represents the amount of transaction for the period in which the officer and his close relatives own a majority of voting rights of the company. The ratio of voting rights owned by the Company (owned in the Company) and the ending balance above represent the voting rights and balance at the end of such period.
7. The purchase amount of investments in capital was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of corporate value conducted by a third party.

Per Share Information

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Net assets per share (yen)	1,646.73	1,674.58
Earnings per share (yen)	130.72	79.55

(Notes) 1. "Earnings per share – diluted" is not presented because of no issue of potential shares.
2. Calculation basis of net assets per share is as follows.

	Previous fiscal year (As of November 30, 2019)	Current fiscal year (As of November 30, 2020)
Total net assets (millions of yen)	276,753	285,377
Amount subtracted from total net assets (millions of yen)	41,201	45,844
[Non-controlling interests] (millions of yen)	[41,201]	[45,844]
Net assets attributable to common stock at the end of the fiscal year (millions of yen)	235,552	239,532
Number of shares of common stock at the end of the fiscal year (thousand shares)	143,041	143,040

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

	Previous fiscal year (From December 1, 2018 to November 30, 2019)	Current fiscal year (From December 1, 2019 to November 30, 2020)
Profit attributable to owners of parent (millions of yen)	18,698	11,378
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent attributable to common stock (millions of yen)	18,698	11,378
Weighted average number of shares of common stock (thousand shares)	143,042	143,041

(Significant subsequent events)

1. Acquisition of own shares

The Company, at the meeting of its Board of Directors held on January 7, 2021, adopted a resolution for the acquisition of its own shares pursuant to Article 156, Paragraph 1 of the Companies Act applied with certain replacement of terms pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reasons for the acquisition of its own shares

The Company maintains a basic policy of providing returns to its shareholders with top priority on dividend distributions, and aims to provide returns to shareholders according to the policy set forth in each Medium-term Business Plan.

Under the shareholder return policy for the period of fiscal years from 2021 to 2024, on an assumption that the annual dividend per share would be ¥45 or more, the Company sets targets for dividend payout ratio of 35% or more and accumulated total return ratio over four fiscal years of 50% or more.

This acquisition of the Company's own shares will be carried out in line with its shareholder return policy of the Medium-term Business Plan with the aim to implement its capital policy in a flexible manner and increase its corporate value in response to the changing business environment.

(2) Details of the acquisition of its own shares

(i)	Type of shares to be acquired:	Shares of common stock of the Company
(ii)	Total number of shares to be acquired:	(Not exceeding) 6,000,000 shares (Ratio to the total number of issued shares (excluding treasury stock): 4.19%)
(iii)	Aggregate amount of acquisition prices:	(Not exceeding) ¥10,000 million
(iv)	Acquisition period:	From January 8, 2021 to November 30, 2021
(v)	Method of acquisition:	Market purchase on the Tokyo Stock Exchange
(vi)	Other:	With the aim for providing returns to shareholders, the Company is scheduled to cancel a certain portion of shares of treasury stock to the extent where the total number of shares of treasury stock (including the existing treasury stocks before the acquisition) exceeds approximately 5% of the total number of outstanding shares.

(Reference) Shares of treasury stock as of November 30, 2020

Total number of outstanding shares (excluding treasury stock):	143,040,800 shares
Number of shares of treasury stock:	6,959,200 shares

2. Partial transfer of shares of consolidated subsidiaries

The Company resolved, at the meeting of its Board of Directors held on January 7, 2021, to sell part of the shares of consolidated subsidiary K.R.S. Corporation ("KRS") held by the Company, and a share transfer was carried out by off-auction distribution on January 18, 2021.

(1) Summary

(i) Name of buyer

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

(ii) Name of the subsidiary, description of its business and details of its transactions with the Company

Name:	K.R.S. Corporation
Description of business:	Warehousing and transportation
Transactions with the Company:	Consignment of storage and transportation of products and raw materials, leases of offices, land and warehouses

(iii) Primary reason for the transfer

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

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

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

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

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

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

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

(iv) Date of transfer

January 18, 2021

(v) Outline of transaction including its legal form

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

(vi) Number of transferred shares, transfer price, loss or gain on transfer and share ownership after transfer

Number of transferred shares:	253,600 shares

Transfer price and loss or gain on transfer:	A description is omitted because of immateriality.
Share ownership after transfer:	5,420,402 shares (Percentage of voting rights: 43.6%)

In line with this transfer, KRS and its fourteen (14) subsidiaries listed below have changed from being consolidated subsidiaries of the Company to being affiliated companies accounted for by the equity method of the Company since the beginning of the fiscal year ending November 30, 2021.

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

(2) Name of reporting segment in which the transferred business was included

Distribution

3. Changes in reporting segment

The Group developed a new Medium-term Business Plan that covers the four years starting from fiscal year 2021. From the fiscal year ending November 30, 2021, the Group reclassified the business segments to shift to more market-focused business structure away from product-based business allocation and to respond to the customer and market needs as well as the faster changing environment, as follows.

◊ Changes in business category

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

In line with these changes, we have changed the reporting segments of the Group to "Retail Market", "Food Service", "Overseas", "Fruit Solutions", "Fine Chemicals", and "Common Business Operations", from the previous reporting segments of "Condiments and Processed Foods", "Salad and Delicatessen", "Egg", "Fruit Solution", "Fine Chemicals", "Distribution" and "Common Business Operations".

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

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

(Millions of yen)

	Retail Market	Food Service	Overseas	Fruit Solutions	Fine Chemicals	Distribution	Common Business Operations	Total	Adjustments	Consoli-dated (Note)
Net sales										
Net sales to external customers	168,031	145,035	47,163	16,473	7,942	140,423	6,034	531,103	—	531,103
Intersegment net sales or transfers	744	4,651	1,236	782	415	30,858	9,909	48,597	(48,597)	—
Total	168,775	149,686	48,399	17,255	8,357	171,281	15,943	579,701	(48,597)	531,103
Segment profit	15,824	7,787	4,947	561	1,156	2,837	1,329	34,444	(6,141)	28,303
Segment assets	90,550	108,253	39,782	18,850	7,962	102,711	25,448	393,558	58,165	451,723
Others										
Depreciation and amortization	4,676	5,750	2,304	956	524	4,647	895	19,756	317	20,073
Investment in affiliates accounted for by equity method	1,845	—	—	—	—	—	177	2,023	—	2,023
Increase in tangible and intangible fixed assets	3,450	7,235	2,710	562	698	7,515	340	22,512	3,590	26,102

(Notes) 1. Adjustments are as follows:

(i) "Adjustments" of ¥(6,141) million in "Segment profit" includes company-wide expenses unallocated to the respective reporting segments. The company-wide expenses mainly consist of expenditures pertaining to general and administrative expenses not attributable to the reporting segments.

(ii) "Adjustments" of ¥58,165 million in "Segment assets" mainly includes company-wide assets of ¥63,608 million and elimination of intersegment receivables and payables of ¥(4,312) million. Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).

(iii) "Adjustments" of ¥317 million in "Depreciation and amortization" is mainly related to company-wide assets unallocated to the reporting segments.

(iv) "Adjustments" of ¥3,590 million in "Increase in tangible and intangible fixed assets" mainly represents the investments in the Kewpie Group core systems before allocation to the reporting segments.

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

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

4. As stated in “(Significant subsequent events), 2. Partial transfer of shares of consolidated subsidiaries”, the “Distribution” business was handled by affiliates accounted for by the equity method starting from December 1, 2020. However, the figures above as of November 30, 2020 include information on the “Distribution” business.

(e) Consolidated Supplementary Statements

1. Description of bonds

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

(Note) The aggregate amount that will be redeemed in annual maturities after the fiscal year end of the Company's consolidated financial statements is as follows:

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

2. Description of bank loans etc.

Item	Beginning balance (millions of yen)	Ending balance (millions of yen)	Average interest rate per annum (%)	Repayment date
Short-term loans payable	3,862	6,454	0.932	—
Current portion of long-term loans payable	3,460	5,698	1.553	—
Current portion of lease obligations	1,390	1,899	3.480	—
Long-term loans payable	42,616	51,861	1.028	From December 2021 to September 2030
Long-term lease obligations	4,631	6,084	2.337	From December 2021 to November 2050
Other interest-bearing debt	—	—	—	—
Total	55,962	71,999	—	—

(Notes) 1. Average interest rates are calculated by using interest rates and balance of loans payable at the end of the current fiscal year.
2. The annual aggregate amount of long-term loans payable and lease obligations repaid after the fiscal year end of the Company's consolidated financial statements is as follows:

	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Long-term loans payable	15,502	4,962	19,038	3,606	8,752
Lease obligations	1,479	979	635	446	2,543

3. Description of asset retirement obligations

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

(2) Other

Quarterly information for the current fiscal year

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales (millions of yen)	133,141	263,057	397,791	531,103
Profit before income taxes (millions of yen)	4,670	10,421	19,572	22,825
Profit attributable to owners of parent (millions of yen)	2,556	5,643	10,961	11,378
Earnings per share (yen)	17.87	39.45	76.63	79.55

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	17.87	21.58	37.18	2.91

"Translation"

Independent Auditors' Audit Report and Internal Control Audit Report

February 25, 2021

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

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Designated and Engagement Partner	Yoshimi Kimura Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	Yoshiyuki Sakuma Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	Miyuki Nakamura Certified Public Accountant (signed and sealed)

<Audit of financial statements>

Opinion

Pursuant to Paragraph 1 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we have audited the consolidated financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Information" from December 1, 2019 to November 30, 2020, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets, the consolidated statement of cash flows, the significant matters forming the basis for the preparation of consolidated financial statements, other notes and the consolidated supplementary statements, all expressed in yen.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEWPIE KABUSHIKI-KAISHA and its consolidated subsidiaries as at November 30, 2020, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

<*Audit of internal control*>

Opinion

Pursuant to Paragraph 2 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as at November 30, 2020 of KEWPIE KABUSHIKI-KAISHA and its consolidated subsidiaries (the "Company") (the "Management's Report").

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as at November 30, 2020 is effective, presents fairly, in all material respects, the result of the management's assessment on internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

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

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and the preparation and fair presentation of the Management's Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

Auditor's Responsibilities for the Audit of the Internal Control

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

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

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

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

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

Conflicts of Interest

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

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

VI. Stock Information of Reporting Company

<table>
<tr><td>Fiscal year</td><td>From December 1 to November 30</td></tr>
<tr><td>The Ordinary General Meeting of Shareholders</td><td>Held in February</td></tr>
<tr><td>Record date</td><td>November 30</td></tr>
<tr><td>Dividend record dates</td><td>May 31, November 30</td></tr>
<tr><td>Shares per trading unit</td><td>100 shares</td></tr>
<tr><td colspan="2">Purchase of shares less than one unit:</td></tr>
<tr><td>Handling office</td><td>(Special account)
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo</td></tr>
<tr><td>Agent</td><td>(Special account)
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo</td></tr>
<tr><td>Shareholders' contacts</td><td>—</td></tr>
<tr><td>Stock transfer fee</td><td>(Note 1)</td></tr>
<tr><td>Newspaper for announcements</td><td>The Company shall publish its public notices by electronic means.
However, if it is impossible to post electronic public notices because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nikkei.
URL for public notice: https://www.kewpie.com/company/</td></tr>
<tr><td>Shareholder privileges</td><td>The Company provides a gift around early March to those shareholders who are recorded in the shareholder registry as of November 30, and who have held at least one trading unit (100 shares) of the Company's shares in accordance with the gift criteria presented below.
<table>
<tr><th>Number of shares held</th><th>Continued holding period</th><th>Details of benefits</th></tr>
<tr><td rowspan="2">100 shares to 499 shares</td><td>Six months or more</td><td>Group products valued at ¥1,000</td></tr>
<tr><td>Three years or more</td><td>Group products valued at ¥1,500</td></tr>
<tr><td rowspan="2">500 shares or more</td><td>Six months or more</td><td>Group products valued at ¥3,000</td></tr>
<tr><td>Three years or more</td><td>Group products valued at ¥5,000</td></tr>
</table>
* A shareholder who has kept holding the Company's shares for six months or more is defined as a shareholder who has been registered in the shareholder registry as of May 31 and November 30 under the same shareholder number on two or more consecutive occasions.
A shareholder who has kept holding the Company's shares for three years or more is defined as a shareholder who has been registered in the shareholder registry as of May 31 and November 30 under the same shareholder number on seven or more consecutive occasions.</td></tr>
</table>

(Notes) 1. The calculating method below shall be used to determine fees for purchase of shares less than one unit on the basis of the method below, in which total purchase fees per trading unit are divided by the total number of shares purchased and multiplied by the number of shares held by the shareholder.

(Calculation Method) Purchase prices per share, determined by the final TSE market price, are multiplied by the number of shares per trading unit, and the sum total amount derived therefrom is applied, as in the following table, to find the percentage fee charged.

Total amount	Percentage fee
¥1 million or less	1.150%
Over ¥1 million – ¥5 million	0.900%
Over ¥5 million – ¥10 million	0.700%
Over ¥10 million – ¥30 million	0.575%
Over ¥30 million – ¥50 million	0.375%

(Amounts of less than ¥1 are rounded down.)

However, if the purchase fee per trading unit calculated above is less than ¥2,500, the fee shall be ¥2,500.

2. In accordance with the Articles of Incorporation, the Company's shareholders cannot exercise rights other than those listed below for shares less than one unit.
   (1) Rights listed in items of Article 189, Paragraph 2 of the Companies Act
   (2) Right to receive allocation of shares for subscription or stock acquisition rights for subscription in accordance with the number of shares owned
   (3) Right stipulated by Article 166, Paragraph 1 of the Companies Act to request acquisition of shares with rights to acquire new shares

The information contained in this report is derived from Kewpie Corporation's (the "Company") Management's Report on Internal Control over Financial Reporting in Japanese filed with the Commissioner of the Financial Services Agency on February 26, 2021 in accordance with the Financial Instruments and Exchange Law, and has been translated into English for the convenience of readers outside Japan.

Document Title:	Management's Report on Internal Control over Financial Reporting
Corporate Name:	KEWPIE KABUSHIKI-KAISHA
English Corporate Name:	Kewpie Corporation
Name and Title of Representative:	Osamu Chonan
	Representative Director President and Chief Executive Corporate Officer
Location of Head Office:	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo 150-0002, Japan

1. Basic Framework of Internal Control over Financial Reporting

The Representative Director, President and Chief Executive Corporate Officer Osamu Chonan is responsible for designing and operating the Company's internal control over financial reporting. He designs and operates internal control over financial reporting in accordance with the basic framework of internal control presented in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

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

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was carried out as of November 30, 2020, 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 22 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, 2020.

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