(Translation)

Matters to be disclosed on the Internet
pursuant to laws and ordinances and the Articles of Incorporation

Systems to Secure the Properness of Business Activities

(Fundamental Policy to Establish its Internal Control Systems)

Summary of Fundamental Policy on Control of Joint-Stock Corporation

Consolidated Statements of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-Consolidated Statements of Changes in Net Assets

Notes to Non-Consolidated Financial Statements

For the Fiscal Year 2016
(December 1, 2015 to November 30, 2016)

Kewpie Corporation

These matters are made available by publication on the Internet website of the Company pursuant to laws and ordinances and its Articles of Incorporation.
(http://www.kewpie.co.jp/english/ir/news.html)

* The contents of the consolidated statements of changes in net assets, the notes to consolidated financial statements, the non-consolidated statements of changes in net assets, and the notes to non-consolidated financial statements are those audited by the account auditors by January 19, 2017.

Kewpie Corporation

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Systems to Secure the Properness of Business Activities (as of November 30, 2016):

The Company has adopted a resolution with regard to its "Fundamental Policy to Establish its Internal Control Systems," as described below:

(1) General introduction

The resolution provides for the fundamental policy of the Company on its internal control systems as adopted by its Board of Directors pursuant to Article 362, paragraph 5 of the Companies Act of Japan, as well as an outline for the provisions required for establishing such systems as stipulated in Article 100 of the Regulations for the Enforcement of the Companies Act of Japan.

The internal control systems pursuant to the resolution are contemplated to be implemented swiftly and improved by periodic and timely reviews, whereby establishing efficient and lawful corporate systems.

(2) Systems to secure the execution by the directors of their duties to comply with laws and ordinances and the Articles of Incorporation

(i) The Company has advocated the following motto and precepts as its spirit of foundation and cultivated its corporate culture through its continued efforts to educate its directors and employees about the spirit and develop awareness thereof among them for years. The directors must pay serious attention to the corporate culture in making management decisions.

The Company's motto: Share the joy of endeavors

The Company's precepts:
- Value moral;
- Endeavor to innovate; and
- Respect your parents

(ii) The Company has stipulated compliance regulations so that its directors and employees can act in compliance with laws and ordinances, the Articles of Incorporation, the spirit of foundation of the Company and the Group's philosophy. The Company also has stipulated and publicized the Group Policies, with which its directors shall be obligated to comply.

(3) Systems concerning storage and management of information on the execution by the directors of their duties

(i) Pursuant to the document management rules, corporate information handling rules, basic personal information protection rules and respective management manuals relating thereto, the director in charge of the Operation Promote Department shall properly store and manage (and destroy) documents concerning the execution by the directors of their duties and other information, in written or electronic form. The situations of management shall be verified and such rules and manuals shall be revised, whenever necessary.

(ii) The directors and corporate auditors shall have access to such information, written or electronic, at all times.

(4) Regulations concerning management of exposure to the risk of loss and other systems

(i) In accordance with the master risk management regulations of the Company, individual risks shall be continuously monitored by its relevant divisions and with regard to risks to the Company as a whole, information shall be collected unilaterally by the Risk Management Committee chaired by the Representative Director, President and Chief Executive Corporate Officer, which shall generally manage such risks, including the evaluation and prioritization thereof.

(ii) The Internal Auditing Department shall, in cooperation with self-audit staff in charge of qualities, environments, safety, etc., audit the situations of daily risk management by each division and department and periodically report to the Risk Management Committee, the Board of Directors and the Board of Corporate Auditors matters concerning risk management and the current status of development of the risk management systems of the Company.

(iii) In accordance with the master risk management regulations, the Company shall prepare risk management manuals and establish systems to convey information quickly and properly and take swift action in case of an emergency, by assuming and categorizing specific risks in advance.

(5) Systems to secure efficient execution by the directors of their duties

(i) The Company will set up a company-wide management target to be shared by the directors and employees and get it across among them and also formulate an optimal system to achieve the management target and the Representative Director, President and Chief Executive Corporate Officer shall appoint personnel responsible for each business sector in accordance with resolutions of the Board of Directors. By delegating authorities to such personnel, the Company will pursue efficient and swift execution of business.

(ii) With regard to execution of business in accordance with the resolutions of the Board of Directors, the scope of responsibilities of directors and personnel and procedures for making final decisions shall be established in a schedule of procedures for making final decisions and filing reports.

(iii) Specific measures to promote management activities shall, in accordance with the fundamental policy on execution of business determined by the Board of Directors, be left to discussions on ordinary and extraordinary bases by the Management Council, an advisory organ to the Representative Director, President and Chief Executive

Corporate Officer, to ensure decision-making and expedient execution of business.

(6) Systems to secure the execution by the employees of their duties to comply with laws and ordinances and the Articles of Incorporation

(i) The Company will establish provisions for compliance systems and set up the Group Policies so that all directors and employees can act in compliance with laws and ordinances and the Articles of Incorporation, as well as the Company's motto and precepts. In addition, to ensure their strict compliance, the Company will appoint a director responsible for compliance to preside over the Compliance Committee. Thus, the Company will exert its efforts to improve its company-wide compliance systems and grasp any problems involved therein and make the committee, among others, set up compliance manuals and train employees. These activities shall be reported periodically by the director responsible for compliance to the Board of Directors and the Board of Corporate Auditors.

(ii) As a whistle blower system under the control of the Compliance Committee to protect whistle blowers, the Company will set up a "helpline" with independent attorneys, third-party institutions and corporate auditors as information recipients. Whenever the Compliance Committee receives a report or notice from the information recipients, it shall investigate the same. If any violation is found, it shall, upon consultation with the relevant division, decide on a preventive measure and disclose the same, as well as the result of punishment, within the Company and implement such preventive measure company-wide.

(7) Systems to secure the properness of business activities of the corporate group comprising the Company and its parent company and subsidiaries

(i) Each subsidiary of the Company shall file with the directors of the Company a report on operating results and managerial risks on a monthly basis. In addition, any director of the Company who has been dispatched as a director of a subsidiary appointed by the Company and who has attended a meeting of the board of directors of such subsidiary shall file a report on the situations of discussions thereat and managerial problems with the directors designated by the Representative Director, President and Chief Executive Corporate Officer of the Company.

(ii) The Risk Management Committee of the Company shall include person in charge of subsidiary oversight as its members and manage risks of the subsidiaries. The Company's Compliance Committee, internal-audit divisions and helpline shall also cover the subsidiaries.

(iii) 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 fund procurement. 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.

(iv) To secure the properness of business activities of the subsidiaries, the Company shall share its motto and precepts, along with the Group's goal of "unceasingly contributing to better and healthier dietary lifestyles of people from around the world premised on the notions of good taste, kindness and uniqueness" which make up the Group's philosophy. Furthermore, all Directors and employees shall adhere to the Group Policies which encompass the Code of Ethics and Code of Conduct.

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

(vi) The Group, as members of society, shall enter into no connection with any antisocial force that poses any threat to the social order and safety, and definitely reject any undue demand.

(vii) To establish systems to secure the properness of financial reporting, the Group shall stipulate relevant rules and regulations and give education and awareness for the compliance with accounting standards and other relevant laws and ordinances to enhance internal control over financial reporting. In addition, the relevant departments and divisions and the corporate auditors of subsidiaries shall cooperate with each other to establish a scheme to periodically evaluate the developments of the improvement and operation of the systems thereof and improve them.

(viii) With K.R.S. Corporation and Aohata Corporation, subsidiaries of the Company, the Company shall share consolidated management targets and closely exchange information on risk management and compliance. Simultaneously, as each of the subsidiaries is a company listed on the Tokyo Stock Exchange and forms its own corporate group, it shall institute a system of its own to secure the properness of business activities.

(8) Matters concerning the assignment of employees to assist the corporate auditors to execute their duties

The Internal Auditing Department shall conduct internal audits of such matters as requested by the corporate auditors upon consultation with the Board of Corporate Auditors and file a report on the results thereof with the Board of Corporate Auditors. In addition, in the event that the Board of Corporate Auditors requests the Company to assign its employees to assist the corporate auditors to execute their duties, the Company shall accommodate such request promptly.

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(9) Matters concerning the independence from the directors of employees who assist in corporate auditor duties and ensuring effectiveness of corporate auditor instructions conveyed to such employees

(i) Any employee in the Internal Auditing Department who is requested by the corporate auditors to conduct required internal audits shall not be instructed or ordered with regard to such internal audits by any director other than the director in charge of the Internal Auditing Department. In the event that the Board of Corporate Auditors requests the Company to appoint an employee to assist them to execute their duties, such any employee shall not be instructed or ordered by any director to remain independent.

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

(10) System for reporting to the corporate auditors including system for directors and employees of the Company, and officers, employees, etc. of subsidiaries to report to the corporate auditors

(i) The directors and employees, and officers and employees, etc. of subsidiaries shall, in accordance as provided for by the Board of Corporate Auditors, give necessary reports upon request from each corporate auditor.

(ii) The matters to be reported under item (i) above principally include:

- Details of propositions to be submitted to the General Meeting of Shareholders for resolution;
- State of activities of the divisions responsible for establishing internal control systems of the Company;
- State of activities of the corporate auditors, the internal auditing departments and self-audit staff of the subsidiaries and affiliated companies of the Company;
- Important accounting policies and accounting standards of the Company and amendment thereto;
- Details of publications of operating results and forecasts thereof and the details of important disclosure documents;
- Management of the whistle blower system and the details of notices;

- Behavior in violation of laws and ordinances and the Articles of Incorporation, or fraudulent behavior; and

- Matters entailing risk of inflicting substantial damage on the Company or a subsidiary thereof.

(iii) The Company shall establish a system, as part of the "helpline" internal reporting system in order to enable direct contact with the Company's corporate auditors.

(11) System to ensure that persons who have reported as aforementioned in section (10) above are not treated disadvantageously for making such reports

(i) Compliance regulations applicable across the Group shall ensure protection of persons who seek consultation or report issues.

(ii) The Company shall, within the "helpline" internal reporting system, set up an internal reporting contact point operated by an outside third-party entity, and shall establish a system that enables directors and employees, as well as officers and employees of subsidiaries, to anonymously report to corporate auditors through that contact point.

(12) 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

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

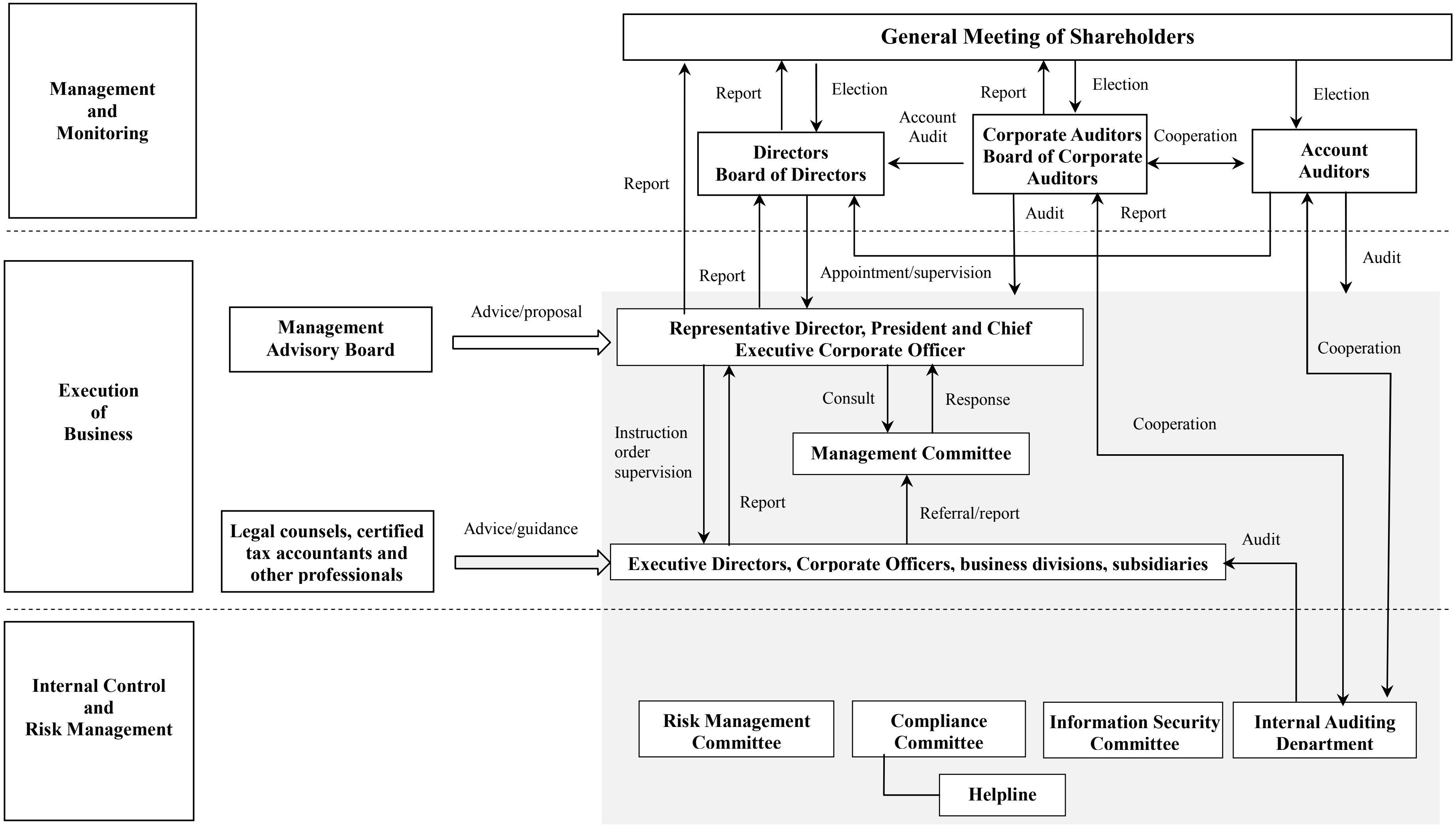
(ii) The Company shall cover extraordinary expenses claimed by corporate auditors, such as those incurred in enlisting the cooperation of outside specialists (such as lawyers and accountants), unless the nature of the expense claimed is deemed unreasonable.

(13) Other systems to assure effective audits by the corporate auditors

(i) The Board of Corporate Auditors shall have opportunities to have talks with the executive directors and important employees and also have opportunities to exchange opinions with the Representative Director, President and Chief Executive Corporate Officer and the account auditors, respectively, on a regular basis.

(ii) Audit policies and important audit matters of respective fiscal years are to be reported to the Board of Directors and shared with the directors.

The corporate governance system of the Group is summarized as follows:



Summary of Fundamental Policy on Control of Joint-Stock Corporation

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

The Company has determined the "Fundamental policy on what kind of person(s) should control the determination of the financial and business policies of the Company" (hereinafter referred to as the "Fundamental Policy") at the meeting of its Board of Directors held on January 11, 2008 and has maintained the Fundamental Policy since then.

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

To encourage many investors to invest in the Company on a continued, long-term basis, it has implemented institution of the Group's Medium-term Business Plan and upgrading of corporate governance to facilitate the enhancement of its corporate value and the common interests of its shareholders.

In addition, the Company, at the meeting of its Board of Directors held on January 25, 2017, set the Large Purchase Rules, that covers 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, excepting any purchase agreed to by the Board of Directors in advance), as measures to prevent the determination of the financial and business policy 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)), and determined to continue and maintain the Defense Plan in case the Large Purchaser observes the Large Purchase Rules and in case it doesn't, subject to approval of the shareholders at the 104th Ordinary General Meeting of Shareholders to be held on February 24, 2017.

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

The Board of Directors of the Company assesses that, since the measures noted in above (2) respectively increase the Group's corporate value and the common interests of its shareholders, and also protect the Company's corporate value and the common interests of its shareholders, the measures live up to the Fundamental Policy, and in addition, the measures do not injure the common interests of the shareholders and to maintain the positions of directors or corporate auditors of the Company is not contemplated.

The details of (1) to (3) above were published in "Notice of continuation of the Defense Plan Against Large Purchase Actions of the Shares of the Company (Takeover Defense Plan)" on the Company's website (http://www.kewpie.co.jp/english/ir/news.html) on

January 25, 2017.

For reference, the aforementioned details have also been provided under Proposition No. 5 (page 23 to 46) of the Notice of the 104th Ordinary General Meeting of Shareholders.

Kewpie Corporation

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Consolidated Statements of Changes in Net Assets (From December 1, 2015 to November 30, 2016)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	24,104	30,302	155,557	(1,416)	208,548
Cumulative effects of changes in accounting policies			(1,136)		(1,136)
Restated balance	24,104	30,302	154,421	(1,416)	207,412
Changes of items during the fiscal year					
Dividends from surplus			(4,749)		(4,749)
Profit attributable to owners of parent			17,093		17,093
Repurchase of shares				(4,706)	(4,706)
Changes in equity in controlled subsidiaries		(2)			(2)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	(2)	12,343	(4,706)	7,635
Balance at the end of the current fiscal year	24,104	30,300	166,765	(6,123)	215,047

	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	9,330	(8)	(552)	(3,243)	5,525	31,856	245,929
Cumulative effects of changes in accounting policies						(75)	(1,211)
Restated balance	9,330	(8)	(552)	(3,243)	5,525	31,780	244,717
Changes of items during the fiscal year							
Dividends from surplus							(4,749)
Profit attributable to owners of parent							17,093
Repurchase of shares							(4,706)
Changes in equity in controlled subsidiaries							(2)
Net changes of items other than shareholders' equity	(414)	88	(3,395)	(4,230)	(7,951)	1,460	(6,491)
Total changes of items during the fiscal year	(414)	88	(3,395)	(4,230)	(7,951)	1,460	1,143
Balance at the end of the current fiscal year	8,916	79	(3,947)	(7,474)	(2,426)	33,240	245,861

(Note) Figures are stated by discarding fractions of one million yen.

Notes to Consolidated Financial Statements

I. Notes on the matters forming the basis of preparation of consolidated financial statements

1. Consolidated subsidiaries

The Company has fifty-six consolidated subsidiaries in the current fiscal year. The significant consolidated subsidiaries are Kewpie Egg Corporation, Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., K.R.S. Corporation, Kanae Foods Co., Ltd., Gourmet Delica Co., Ltd., Salad Club, Inc. and Aohata Corporation. In the current fiscal year, the number of consolidated subsidiaries increased by two because Fresh Delica Network Co., Ltd. and Kewpie Poland Sp. z o.o. were newly established.

Among the twenty non-consolidated subsidiaries, the principal one is K. LP Corporation. These companies are excluded from the consolidation, because each of the total amounts 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.

2. Application of the equity method

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

The investments in K. LP Corporation and nineteen other non-consolidated subsidiaries, as well as AK Franchise System Co., Ltd. and two other affiliated companies, which are not accounted for by the equity method, are excluded from the application of the equity method, because each of the total amounts of profit and loss and earned surplus (based on the Company's ownership percentage) does not have a significant effect on the consolidated financial statements.

3. Fiscal years of consolidated subsidiaries

The closing date of eight foreign consolidated subsidiaries is September 30 and that of four foreign consolidated subsidiaries is December 31.

Four foreign subsidiaries whose closing date is December 31 are consolidated based on their temporary financial statements at September 30. Other eight foreign subsidiaries are consolidated based on the financial statements at their balance sheet date. However, significant transactions of those subsidiaries for the period from the date of their respective financial statements to the consolidated closing date are reflected in the consolidated financial statements.

From the current fiscal year the closing date of Aohata Corporation is changed to November 30, which is the same as the consolidated financial closing date. Accordingly, for consolidation purposes, the accounting period of Aohata Corporation for the year under review was for 13 months (from November 1, 2015 to November 30, 2016), and the difference was adjusted through the consolidated statements of income.

4. Accounting policies

(1) Basis and method of valuation of significant assets

(a) Securities

i) Held-to-maturity bonds are stated at amortized cost (by the straight-line method).

ii) Capital stocks of subsidiaries and affiliated companies not subject to the equity method are stated at cost, determined by the moving average method.

iii) Other securities with market value are stated at market value, determined by market prices, etc. as of the closing of the fiscal year (Revaluation differences are all transferred directly to capital. Selling costs 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 market value.

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

(c) Inventories

Products and purchased goods, work in process, raw materials and supplies are principally stated at monthly moving average cost (the value method to devaluate a book value for decreasing profitability). Some joint products are stated at cost using the retail method (the value method to devaluate a book value for decreasing profitability).

(2) Depreciation of significant depreciable assets

(a) Tangible fixed assets (excluding lease assets)

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

(b) Intangible fixed assets (excluding lease assets)

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

Software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).

(c) Lease assets

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

(d) Long-term prepaid expenses

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

(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) Allowance for doubtful accounts

To provide for losses on bad debts, the Company 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 individual possibilities of collection in respect of possible non-performing credits and other specific claims.

(b) Reserve for sales rebates

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

(c) Reserve for bonuses

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

(d) Reserve for officers' bonuses

To provide for the payment of bonuses to officers, a reserve for officers' bonuses is provided according to the estimated amounts payable at the end of the fiscal year under review.

(5) Accounting for retirement benefits

(a) Periodic allocation method for projected retirement benefits

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

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

Prior service costs are amortized by the straight-line method principally over twelve years based on the average remaining employees' service years.

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

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

(6) Significant methods of hedge accounting

(a) Deferral hedge is adopted in hedge accounting. Appropriation processing is adopted for transactions that meet the requirements for that method. Special processing is adopted for interest-rate swap transactions that meet the requirements for special processing.

(b) Hedging instruments are forward exchange contracts and interest-rate swap transactions.

(c) Hedged items are purchase transactions in foreign currencies and others.

(d) The Company enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rates, and interest swap agreements to hedge risks from fluctuations in interest rates in the future.

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

(e) Assessment of the effectiveness of hedge accounting

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

However, the measurement of the effectiveness of interest swap agreements that conform to the special regulated terms is omitted.

(7) Amortization of goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life. However, trivial goodwill is fully amortized in the fiscal year in which it is incurred.

(8) Other important matters forming the basis of preparation of consolidated financial statements

Consumption taxes are treated on a net-of-tax basis.

II. Notes to changes in accounting policies

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the current fiscal year, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the Company changed the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs to one in which they are recorded as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the Company changed the accounting method to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the Company changed the presentation method for "net income" and other related items, and changed the presentation of "minority interests" to "non-controlling interests."

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the current fiscal year.

The effect of this change on profit and loss is immaterial.

(Changes to standards for recording net sales)

The Group used to record part of expenses payable to business partners for sales promotion (hereinafter referred to as "sales promotion expenses, etc.") under selling, general and administrative expenses by mostly including them in sales promotion expenses when the amount payable is fixed. From the current fiscal year, the Group has changed the method to deduct the sales promotion expenses, etc. from net sales when recording sales.

In the business environment surrounding the Group, the competition becomes even fiercer, constantly requiring the Group to spend sales promotion expenses, etc. As a result, it becomes necessary for the Group to ensure more timely and appropriate profit control by clarifying correlation between the sales promotion activity and sales.

Under such business environment, the Group took the opportunity of formulating the Medium-term Business Plan starting from the current year to re-verify the coverage of sales promotion expenses, etc. and the actual status of transactions, in order to review standards for recording net sales, which is one of the important indices to measure business performance for the Group. It shed light on the status that sales promotion expenses, etc. comprise a part of sales conditions. Accordingly, the Group concluded that the method to record net sales after deducting sales promotion expenses, etc. at the time when sales are recorded should more appropriately reflect the business performance. At the same time, the Group reviewed the method of managing sales and sales promotion expenses, etc. and pushed forward improvement of a framework for operational process reviews and system development. As the framework is now in place, the Group has implemented the change.

The changes in accounting policy have been applied retroactively, and the cumulative affected amount of changes in the accounting policy is reflected in the book value of net assets at the beginning of the current fiscal year.

As a result of the above, the balance of earned surplus at the beginning of the fiscal year after retroactive application of the change in the Consolidated Statements of Changes in Net Assets decreased by ¥1,136 million.

III. Notes to changes in presentation method

(Consolidated statements of income)

"Gains on sales of investment securities" and "Gains on sales of fixed assets" were included in "Other" account of "Extraordinary gains" for the previous fiscal year, but because their materiality has increased for the current fiscal year, they were changed to be presented as separate accounts.

"Losses on valuation of investment securities" was included in "Other" account of "Extraordinary losses" for the previous fiscal year, but because its materiality has increased for the current fiscal year, it was changed to be presented as a separate account.

IV. Notes to changes in accounting policies that are difficult to distinguish from the changes in accounting estimates, and changes in accounting estimates

(Changes to depreciation method for tangible fixed assets and revision of useful life and residual value)

The Group changed its depreciation method for tangible fixed assets to the straight-line method from the current fiscal year from the declining balance method mainly used in the past.

In the Foods business, following the terminated production in Sengawa Factory in 2011, the Group proceeded with gradual reorganization of production locations by consolidating the production capabilities of core products in the condiments products for home use line into Goka Factory. In addition, in accordance with the Medium-term Business Plan that has started in the current fiscal year, we plan to implement a drastic reorganization of our production locations centering on operations in Kobe Factory equipped with the state-of-the-art production facility. The Group expects to be able to use the production facility efficiently and consistently by concentrating production of core products.

In the Distribution system business, it is confirmed that the ratio of generic warehouse facilities has increased; stable operation at warehouse facilities is expected going forward through standardization, leveling, and simplification of operations enabled by investments in large-sized facilities with a main focus on the joint distribution business; and stable operation of vehicles is expected over its useful life by applying limitation to drivers' on-duty hours.

As a result, the Group has concluded that distribution of expenses using the straight-line method is the depreciation method that reflects the reality of the Group. Furthermore, as a result of another review on the expected period of use and the disposal value of tangible fixed assets, the Group has changed the useful life of some vehicles, to 8 to 15 years depending on the types of vehicles from the current fiscal year from 4 years applied in the past. The residual values of tangible fixed assets (excluding some vehicles) have also been changed to ¥1, the memorandum value.

With these changes described above, operating income for the current fiscal year increased ¥2,395 million, and ordinary income and profit before income taxes increased ¥2,440 million respectively compared with those by the previous method.

V. Notes to consolidated balance sheet

1. Pledged assets and secured obligations

Amount of pledged assets (book value):	Tangible fixed assets	¥1,188 million
	Total	¥1,188 million
Obligations secured by such pledged assets:	Short-term borrowings	¥814 million
	Long-term borrowings	¥804 million
	Total	¥1,618 million

2. Contingent liabilities

Guarantee obligations	¥480 million

VI. Notes to consolidated statements of changes in net assets

1. Classes and total numbers of shares issued and outstanding and shares of treasury stock

	Class of shares issued and outstanding	Class of shares of treasury stock
	Shares of common stock	Shares of common stock
Number of shares as of December 1, 2015	153,000,000 shares	1,232,318 shares
Increase in the number of shares during the year	-	2,101,673 shares
Decrease in the number of shares during the year	-	-
Number of shares as of November 30, 2016	153,000,000 shares	3,333,991 shares

(Note) The increase of 2,101,673 shares in the number of shares of treasury stock includes an increase of 2,100,000 shares due to the Company's acquisition of treasury stock pursuant to the provisions of Article 156, paragraph 1 of the Companies Act, which is applied with the necessary replacements in accordance with the provisions of Article 459, paragraph 1 of the said Act, and also includes an increase of 1,673 shares due to the acquisition of shares less than one unit.

2. Distribution of surplus

(1) Amount of dividends paid

(a) At the meeting of the Board of Directors held on January 25, 2016, a resolution was adopted as follows:

・ Matters concerning dividends on shares of common stock

1) Total amount of dividends ¥2,504,166,753
2) Amount of dividend per share ¥16.50
3) Record date November 30, 2015
4) Effective date February 5, 2016

(b) At the meeting of the Board of Directors held on June 24, 2016, a resolution was adopted as follows:

・ Matters concerning dividends on shares of common stock

1) Total amount of dividends ¥2,245,002,600
2) Amount of dividend per share ¥15.00
3) Record date May 31, 2016
4) Effective date August 8, 2016

(2) Dividends the record date of which fell during the fiscal year under review but the effective date of which will fall during the next fiscal year

A proposition is planned to be submitted to the meeting of the Board of Directors to be held on January 25, 2017 as follows:

- Matters concerning dividends on shares of common stock

1)	Total amount of dividends	¥2,918,487,176
2)	Fund of dividends	Earned surplus
3)	Amount of dividend per share	¥19.50
4)	Record date	November 30, 2016
5)	Effective date	February 3, 2017

VII. Notes to 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 high-security 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:

Trade receivables – trade notes and accounts receivable – are exposed to clients' credit risks. Securities and investment securities, which principally consist of shares in the client companies related with the Group's business, are exposed to market risk.

Substantially all of trade payables – trade notes and accounts payable – have payment due dates within one year. Some trade 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 borrowings are funds raised principally in relation to business transactions and long-term borrowings and bonds are funds raised principally for equipment investment requirements. Certain funds so raised bear floating interest rates and are exposed to interest volatility risk, which is hedged by using interest swap agreements, among others.

Derivatives are forward exchange contracts to hedge foreign currency risk involving payables in foreign currencies, interest swap agreements to hedge interest volatility risk relating to borrowings 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 "I. Notes on the matters forming the basis of preparation of consolidated financial statements: 4. Accounting policies: (6) Signification 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 monitor the conditions of its major clients and manages the due dates and balances of its trade receivables by client to early detect or reduce credits that may become uncollectable due to the deterioration of its financial position or other reasons. Likewise, its consolidated subsidiaries manage their trade 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 swap agreements to hedge interest volatility risk relating to borrowings 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 all of the trading results are reported to the respective directors of the subsidiaries responsible therefor.

With regard to securities and investment securities, the Company periodically gains information on the market values and financial standings of the issuers (client companies) and review the holding of securities other than those 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 fund-raising:

The Group prepares and revises cash flow projections on a timely basis and keeps current cash flow at a specified level through overdraft agreements with several banks and a cash management system to manage liquidity risk.

(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.

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

The following table shows amounts for items recorded in the consolidated balance sheet as of November 30, 2016, along with their fair values and the variances. Items for which determining the fair values is recognized as being extremely difficult are not included in the table. (See Note 2)

(Millions of yen)

		Balance sheet amount	Fair value	Variance
(1)	Cash and deposits	35,794	35,794	–
(2)	Trade notes and accounts receivable	75,134		
	Allowances for doubtful accounts (*1)	(168)		
		74,966	74,966	–
(3)	Securities and investment securities:	27,182	27,182	–
	Total assets	137,943	137,943	–
(4)	Trade notes and accounts payable	47,050	47,050	–
(5)	Short-term borrowings	6,137	6,137	–
(6)	Accounts payable - other	22,074	22,074	–
(7)	Accrued income taxes	7,016	7,016	–
(8)	Bonds	10,000	10,135	135
(9)	Long-term borrowings	14,662	14,685	23
	Total liabilities	106,941	107,100	158
	Derivatives (*2)	88	88	–

(*1) Allowances for doubtful accounts of trade notes and accounts receivable are excluded from the trade notes and accounts receivable.

(*2) Net receivables and payables resulting from derivatives are presented in net amounts.

(Note 1) Matters concerning the calculation method of the fair values of financial instruments, as well as marketable securities and derivatives:

Assets

(1) Cash and deposits and (2) Trade notes and accounts receivable:

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 Company's 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.

Liabilities

(4) Trade notes and accounts payable, (5) Short-term borrowings, (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 calculated from the present value of the total principal and interest discounted at a rate supposing newly conducted similar borrowings.

(9) Long-term borrowings:

The fair value of long-term borrowings with fixed interest rates is calculated from the present value of the total principal and interest discounted at a rate supposing newly conducted similar borrowings. For long-term borrowings 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. With regard to some long-term borrowings with floating interest rates subject to special processing of interest rate swaps, the fair value is calculated by discounting the total principal and interest to be processed together with such interest swaps, at a reasonably estimated rate supposing conducted similar borrowings.

Derivatives

Fair values with respect to derivative transactions are calculated based on prices indicated by counterparty financial institutions and other such entities. With regard to derivatives subject to special processing of interest rate swaps, the fair value is indicated by inclusion in the fair value of long-term borrowings to be hedged, as they are processed together with such long-term borrowings.

(Note 2) Financial instruments for which determining the market values is recognized as being extremely difficult:

Category	Balance sheet amount (Millions of yen)
Unlisted shares	5,225

The item has no market price. Accordingly, as determining the market value is recognized as being extremely difficult, it is not included in "(3) Securities and investment securities."

VIII. Notes to leased and other real estate properties

Notes to leased and other real estate properties are omitted as the total amount thereof is insignificant.

IX. Notes on information per share

Amount of net assets per share	¥1,420.63
Net income per share (basic)	¥113.47

X. Notes on material subsequent events

(Establishment of a general incorporated foundation and disposition of treasury stock)

At the meeting of the Board of Directors held on December 26, 2016, the Company resolved to establish the Kewpie Mirai Tamago Foundation, a general incorporated foundation (hereinafter referred to as the "Foundation") and, in order to fund the activities of the Foundation through dividends, etc. of the Company's stock, resolved to allot 1,500,000 shares of treasury stock to a trust established by the Company at a disposition price of ¥1 per share.

The disposition of treasury stock is subject to the approval at the 104th Ordinary General Meeting of Shareholders to be held on February 24, 2017.

1. Establishment of new foundation

(1) Purpose of establishment

To contribute to the realization of a healthy society by actively supporting a wide range of activities by organizations that contribute to society with a focus on food education as a means to work toward finding solutions to issues faced by society related to food.

(2) Outline of the foundation

(i)	Name:	Kewpie Mirai Tamago Foundation
(ii)	Activities:	Support organizations that conduct food-related activities to contribute to society, with a focus on food education
(iii)	Funding for activities:	Approximately ¥50 million per year Activities of the Foundation will be funded from funds received as the beneficiary of the trust that will receive the treasury stock to be disposed as described in 2. below.
(iv)	Date of establishment:	April 2017 (scheduled)

2. Disposition of treasury stock

(1) Purpose and reason for disposition

The Company resolved to establish the Foundation at the meeting of the Board of Directors held on December 26, 2016. In order to fund the activities of the Foundation through dividends, etc. of the Company's stock, treasury stock will be transferred to a trust established by the Company by way of third-party allotment.

(2) Outline of disposition

(i)	Number of shares to be disposed:	1,500,000 shares of common stock
(ii)	Price of disposition:	¥1 per share
(iii)	Amount of proceeds:	¥1,500,000
(iv)	Method of offering or disposition:	Disposition by way of third-party allotment
(v)	Subscriber:	Japan Trustee Services Bank, Ltd. (sub-trustee, with Sumitomo Mitsui Trust Bank, Limited as trustee)
(vi)	Date of payment:	To be decided
(vii)	Other:	The disposition of treasury stock is subject to the special resolution on offering shares at a favorable price at the 104th Ordinary General Meeting of Shareholders to be held on February 24, 2017. Other details regarding the disposition will be resolved at the meeting of the Board of Directors following the Ordinary General Meeting of Shareholders.

(Business Acquisition)

The Company decided to acquire businesses of production and sale centered on mayonnaise and other condiments from a condiment production company in Poland, Mosso Kwaśniewscy Sp.J., and a wholly-owned subsidiary of the Company "Kewpie Poland Sp. z o.o." (the corporate name is projected to be changed to "Mosso Kewpie Poland Sp. z o.o.") and Mosso Kwaśniewscy Sp.J. executed a business transfer agreement on September 29, 2016, thus the business was acquired on January 12, 2017.

1. Outline of business combination

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

(i) Company to acquire business

Name:	Kewpie Poland Sp. z o.o. (consolidated subsidiary of the Company)
Description of businesses:	Production and sale centered on mayonnaise and other condiments

(ii) Company to transfer business

Name:	Mosso Kwaśniewscy Sp.J.
Description of businesses:	production and sale centered on mayonnaise and other condiments

(2) Primary reasons for business combination

Primary reasons for the business combination is to accelerate our Europe extension by acquiring brands, production centers and sales channels in Eastern Europe.

(3) Date of the business combination

January 12, 2017

(4) Legal form of the business combination

Business acquisition

(5) Name of company after the business combination

Scheduled to be changed to Mosso Kewpie Poland Sp. z o.o.

(6) Primary basis for determining the acquiring company

Kewpie Poland Sp. z o.o., a consolidated subsidiary of the Company, acquired a production and sale business centered on mayonnaise and other condiments in consideration for cash.

2. Cost of acquisition of the acquired company and the breakdown thereof by consideration type

Consideration for acquisition cannot be disclosed due to the Company's obligation to maintain confidentiality regarding the agreement with the counterparty.

3. Details and amount of major acquisition-related costs

Remuneration and commissions to advisors ¥64 million

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

Under calculation.

5. Amounts and primary components of assets acquired and liabilities assumed as of the date of the business combination

Under calculation.

(Note) Figures are stated by discarding fractions of one million yen. The ratios of voting rights are stated by counting fractions of 1/2 or more of their units as one and discarding the rest.

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Non-Consolidated Statements of Changes in Net Assets
(From December 1, 2015 to November 30, 2016)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Earned surplus			
						Other earned surplus		
	Paid-in capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special deprecia-tion	Reserve for reduction entry of replaced property	General reserve
Balance at the beginning of the current fiscal year	24,104	29,418	875	30,294	3,115	27	2,607	67,200
Cumulative effects of changes in accounting policies								
Restated balance	24,104	29,418	875	30,294	3,115	27	2,607	67,200
Changes of items during the fiscal year								
Provision of other capital surplus							5	
Reversal of other capital surplus						(6)	(47)	
Adjustments of other capital surplus resulting from tax rate changes						0	60	
Dividends from surplus								
Net income								
Repurchase of shares								
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	–	–	–	(6)	18	–
Balance at the end of the current fiscal year	24,104	29,418	875	30,294	3,115	21	2,625	67,200

	Shareholders' equity				Valuation and translation adjustments			Total net assets
	Earned surplus		Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Total valuation and translation adjustments	
	Other earned surplus: Retained earnings brought forward	Total earned surplus						
Balance at the beginning of the current fiscal year	19,400	92,351	(1,457)	145,291	8,691	–	8,691	153,982
Cumulative effects of changes in accounting policies	(1,066)	(1,066)		(1,066)				(1,066)
Restated balance	18,334	91,285	(1,457)	144,225	8,691	–	8,691	152,916
Changes of items during the fiscal year								
Provision of other capital surplus	(5)	–		–				–
Reversal of other capital surplus	54	–		–				–
Adjustments of other capital surplus resulting from tax rate changes	(61)	–		–				–
Dividends from surplus	(4,749)	(4,749)		(4,749)				(4,749)
Net income	9,161	9,161		9,161				9,161
Repurchase of shares			(4,706)	(4,706)				(4,706)
Net changes of items other than shareholders' equity					(446)	57	(389)	(389)
Total changes of items during the fiscal year	4,400	4,411	(4,706)	(294)	(446)	57	(389)	(684)
Balance at the end of the current fiscal year	22,735	95,697	(6,164)	143,930	8,244	57	8,302	152,232

(Note) Figures are stated by discarding fractions of one million yen.

Notes to Non-Consolidated Financial Statements

I. Notes on matters concerning significant accounting policies:

1. Basis and method of valuation of marketable securities:

(1) Held-to-maturity bonds Stated at amortized cost (by the straight-line method)

(2) Capital stocks of subsidiaries and affiliated companies:

At cost, determined by the moving average method

(3) Other securities:

Those with market value: At market value, determined by market prices, etc. as of the closing of the fiscal year (Revaluation differences are all transferred directly to capital. Selling costs are determined by the moving average method.)

Those without market value: At cost, determined by the moving average method

2. Basis and method of valuation of derivatives:

At market value.

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

3. Inventories:

(1) Basis of valuation:

Merchandise and products, work-in-process and materials and stocks are valued at cost (the value method to devaluate a book value for decreasing profitability).

(2) Method of valuation:

Merchandise and products, work-in-process and materials and stocks are valued by the monthly moving average method.

4. Method of depreciation of fixed assets:

(1) Tangible fixed assets (excluding lease assets):

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

(2) Intangible fixed assets (excluding lease assets):

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

Software for internal use is amortized by the straight-line method based on the estimated useful life of internal use (five years).

(3) Lease assets:

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

(4) Long-term prepaid expenses:

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

5. Accounting for allowances:

(1) Allowance for doubtful accounts:

To provide for losses on bad debts, the Company 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 individual possibilities of collection in respect of possible non-performing credits and other specific claims.

(2) Reserve for sales rebates:

To provide for payments for sales rebates to be incurred during the current fiscal year, a reserve for sales rebates is provided based on an accrual basis in accordance with the Company's policy (rate of the estimated payments for sales rebates to sales).

(3) Reserve for bonuses:

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

(4) Reserve for officers' bonuses:

To provide for the payment of bonuses to officers, a reserve for officers' bonuses is provided according to the estimated amounts payable at the end of the fiscal year under review.

(5) Accounting for retirement benefits

To meet the payment of retirement benefits to employees, the Company provides an amount based on estimated retirement benefit obligations and plan assets as of the close of the said fiscal year.

(i) Periodic allocation method for projected retirement benefits

In calculating retirement benefit obligations, the method of allocating the projected retirement benefits at the end of the current fiscal year is based on the benefit formula basis.

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

Prior service costs are amortized by the straight-line method over twelve years based on the average remaining employees' service years.

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

In addition, if the amount of pension fund assets exceeds that of retirement benefit obligations for benefit pension plan plus unrecognized actuarial gains or losses for benefit pension plan, it is provided as prepaid pension expenses on non-consolidated balance sheet.

6. Method of hedge accounting:

(1) Methods of hedge accounting

Deferral hedge is adopted in hedge accounting.

Appropriation processing is adopted for transactions that meet the requirements for that method.

(2) Hedging instruments and hedged items:

Hedging instruments: Forward exchange contracts

Hedged items: Purchase transactions in foreign currencies and others

(3) Hedging policy:

The Company enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rates. In addition, the Company never makes use of them for the purpose of speculative transactions.

(4) Assessment of the effectiveness of hedge accounting

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

7. Other important matters forming the basis of preparation of consolidated financial statements:

(1) Accounting for retirement benefits

The basis for accounting for unappropriated amounts of unrecognized actuarial gains or losses for retirement benefits and unrecognized prior service costs differs from the basis therefor under consolidated financial statements.

(2) Accounting for consumption taxes

Consumption taxes are treated on a net-of-tax basis.

II. Notes to changes in accounting policies

(Changes to standards for recording net sales)

The Company used to record part of expenses payable to business partners for sales promotion (hereinafter referred to as "sales promotion expenses") under selling, general and administrative expenses by mostly including them in sales promotion expenses when the amount payable is fixed. From the current fiscal year, the Company has changed the method to deduct the sales promotion expenses, etc. from net sales when recording sales.

In the business environment surrounding the Company, the competition becomes even fiercer, constantly requiring the Company to spend sales promotion expenses. As a result, it becomes necessary for the Company to ensure more timely and appropriate profit control by clarifying correlation between the sales promotion activity and sales.

Under such business environment, the Company took the opportunity of formulating the Medium-term Business Plan starting from the current year to re-verify the coverage of sales promotion expenses and the actual status of transactions, in order to review standards for recording net sales, which is one of the important indices to measure business performance for the Company. It shed light on the status that sales promotion expenses comprise a part of sales conditions. Accordingly the Company concluded that the method to record net sales after deducting sales promotion expenses at the time when sales are recorded should more appropriately reflect the business performance. At the same time, the Company reviewed the method of managing sales and sales promotion expenses and pushed forward improvement of a framework for operational process reviews and system development. As the framework is now in place, the Company has implemented the change.

The changes in accounting policy have been applied retroactively, and the cumulative affected amount of changes in the accounting policy is reflected in the book value of net assets at the beginning of the current fiscal year.

As a result of the above, the balance of earned surplus at the beginning of the fiscal year after retroactive application of the change in the Non-Consolidated Statements of Changes in Net Assets decreased by ¥1,066 million.

III. Notes to changes in presentation method

(Statement of income)

"Gains on sales of investment securities" was included in "Other" account of "Extraordinary gains" for the previous fiscal year, but because their materiality has increased for the current fiscal year, it was changed to be presented as a separate account.

IV. Notes to changes in accounting policies that are difficult to distinguish from the changes in accounting estimates, and changes in accounting estimates

(Changes to depreciation method for tangible fixed assets and revision of useful life and residual value)

The Company changed its depreciation method for tangible fixed assets to the straight-line method from the current fiscal year from the declining balance method mainly used in the past.

Following the terminated production in Sengawa Factory in 2011, the Group proceeded with gradual reorganization of production locations by consolidating the production capabilities of core products in the condiments products for home use line into Goka Factory. In addition, in accordance with the Medium-term Business Plan that has started in the current fiscal year, we plan to implement a drastic reorganization of our production locations centering on operations in Kobe Factory equipped with the state-of-the-art production facility. The Company expects to be able to use the production facility efficiently and consistently by concentrating production of core products.

As a result, the Company has concluded that distribution of expenses using the straight-line method is the depreciation method that reflects the reality of the Company. Furthermore, as a result of another review on the disposal value of tangible fixed assets, the residual values of tangible fixed assets (excluding some vehicles) have also been changed to ¥1, the memorandum value.

With these changes described above, operating income for the current fiscal year increased ¥95 million, and ordinary income and profit before income taxes increased ¥124 million respectively compared with those by the previous method.

V. Notes to the balance sheet:

(Millions of yen)

1.	Accumulated depreciation of tangible fixed assets:		117,910
2.	Contingent liabilities		
	Guarantee obligations:		392
3.	Accounts receivable from related companies:	Current assets	17,523
		Fixed assets	257
4.	Accounts payable to related companies:	Current liabilities	35,920
5.	Accounts payable to directors and corporate auditors:	Long-term liabilities	101

VI. Notes to the statement of income

(Millions of yen)

1.	Operating income from related companies:	17,492
2.	Operating expenses to related companies:	95,187
3.	Amount of transactions other than operating transactions with related companies:	3,230

VII. Notes to the statements of changes in net assets

Class and total numbers of shares of treasury stock

	Class of shares of treasury stock
	Shares of common stock
Number of shares as of December 1, 2015	1,232,318 shares
Increase in the number of shares during the year	2,101,673 shares
Decrease in the number of shares during the year	– shares
Number of shares as of November 30, 2016	3,333,991 shares

(Note) The increase in the number of shares of treasury stock includes an increase of 2,100,000 shares due to the Company's acquisition of treasury stock pursuant to the provisions of Article 156, paragraph 1 of the Companies Act, which is applied with the necessary replacements in accordance with the provisions of Article 459, paragraph 1 of the said Act, and also includes an increase of 1,673 shares due to the acquisition of shares less than one unit.

VIII. Notes on tax effect accounting

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

	(Millions of yen)
Deferred tax assets (current)	
Accrued expenses (sales promotion expenses)	615
Accrued enterprise taxes	231
Reserve for sales rebates	183
Accrued social security premiums	117
Others	234
Subtotal of deferred tax assets (current)	1,383
Valuation reserve	(61)
Total deferred tax assets (current)	1,322
Deferred tax assets (fixed)	
Amount of trust of employee retirement benefits created	1,084
Depreciation and amortization	646
Gains on trust of employee retirement benefits	405
Gains on valuation of investment securities	176
Losses on impairment of fixed assets	174
Others	327
Subtotal of deferred tax assets (fixed)	2,815
Valuation reserve	(470)
Total deferred tax assets (fixed)	2,345
Total deferred tax assets	3,667
Deferred tax liabilities (short-term)	
Forward exchange contracts	(25)
Total deferred tax liabilities (short-term)	(25)
Deferred tax liabilities (long-term)	
Prepaid pension expenses	(4,502)
Reserve for deferred tax on replacement assets	(1,159)
Revaluation difference of other securities, etc.	(3,413)
Others	(9)
Total deferred tax liabilities (long-term)	(9,085)
Total deferred tax liabilities	(9,110)
Net deferred tax income (liabilities)	(5,443)

IX. Notes on transactions with related parties

1. Parent company, leading corporate shareholders, etc.:

(Millions of yen)

Category	Corporate name	Address	Capital stock	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Relationship: Interlocking officers	Relationship: Business relationship	Transaction	Amount	Account	End of year
Company whose director(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Nakashimato Co., Ltd. (Note 3)	Shibuya-ku, Tokyo	50	Sales of various processed foods	Direct: 11.6% (Direct: 13.0% Indirect: 7.9%)	Director: 2 persons	Purchase of products, sales of goods and products and payment of brand use fees	Purchase of products Sale of goods and products Payment of brand use fees Lease of property Repurchase of shares (Note 8)	383 57 720 10 4,701	Accounts payable - trade Accounts receivable - trade	52 11
Company whose director(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Touka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property/ Leasing business	[Direct 7.9%]	Director: 1 person	Rent of the office, etc. and purchase of lease assets	Rent of property Purchase of tangible fixed assets Purchase of lease assets	978 809 18	Guarantee money deposited Accounts payable - other Other current liabilities Other non-current liabilities	946 6 20 35

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(Millions of yen)

Category	Corporate name	Address	Capital stock	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Relationship		Transaction	Amount	Account	End of year
						Interlocking officers	Business relationship				
Company whose director(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Tou Ad Kewpie Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	4	Service business	None	Employee: 2 persons	Payment of advertising expense and sales promotion cost, and sales of goods and products	Payment of advertising expense	6,930	Accounts payable - other	1,717
								Payment of sales promotion cost	83		
								Purchase of supplies	14		
								Purchase of tangible fixed assets	24		
								Sale of goods and products	69	Accounts receivable - trade	9
Company whose director(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Minato Shokai, Co., Ltd. (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	None	Sales of goods and products	Sale of goods and products	108	Accounts receivable - trade	27

(Millions of yen)

Category	Corporate name	Address	Capital stock	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Relationship		Transaction	Amount	Account	End of year
						Interlocking officers	Business relationship				
Company whose director(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Tou Solutions Co., Ltd. (Note 5)	Chofu, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Employee: 1 person	Outsourcing of computing work	Payment of IT-related expense Purchase of software Purchase of tangible fixed assets Rent of real estate	1,982 445 268 39	Accounts payable - other	278
Company whose director(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	None	Rent of the office	Rent of real estate	96	Guarantee money deposited	117
Company whose director(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%]	Director: 1 person	Rent of the dormitory	Rent of real estate	61		

(Note 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.

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

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

(Note 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 relevant company.

(Note 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 relevant company.

(Note 6) Amane Nakashima, Chairman of the Company, and his close relatives directly own 100.0% of the voting rights of the relevant company.

(Note 7) Amane Nakashima, Chairman of the Company, and his close relatives directly own 89.5% of the voting rights of the relevant company.

(Note 8) For repurchase of shares, the Company acquired 2,100,000 shares of common stock of the Company by TOB for ¥2,239 per share, in accordance with the resolution at the meeting of the Board of Directors on March 15, 2016.

Kewpie Corporation

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2. Subsidiaries, etc.:

(Millions of yen)

Category	Corporate name	Address	Capital stock	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Relationship		Transaction	Amount	Account	End of year
						Interlocking officers	Business relationship				
Subsidiary	Kewpie Egg Corporation	Chofu, Tokyo	350	Production and sale of liquid eggs, frozen eggs, etc.	Direct: 100.0%	Director: 2 persons Employee: 11 persons	Sales of goods and products and purchase of products and materials	Purchase of products and materials	19,800	Accounts payable - trade	664
								Borrowing of fund	2,492	Short-term borrowings	5,784
								Payment of interest	18		
Subsidiary	Kanae Foods Co., Ltd.	Chofu, Tokyo	50	Production and sale of processed eggs, including egg spread, thick omelets and shredded eggs	Direct: 100.0%	Director: 2 persons Employee: 2 persons	Purchase of products	Purchase of products	15,209	Accounts payable - trade	2,854
								Borrowing of fund	2,097	Short-term borrowings	2,947
								Payment of interest	15		
Subsidiary	Salad Club, Inc.	Chofu, Tokyo	300	Processing and sale of fresh vegetables	Direct: 51.0%	Director: 2 persons Employee: 3 persons	Sale of goods and products	Borrowing of fund	2,897	Short-term borrowings	3,951
								Payment of interest	21		
Subsidiary	Gourmet Delica Co., Ltd.	Chofu, Tokyo	98	Production and sale of delicatessen products	Direct: 100.0%	Director: 2 persons Employee: 8 persons	Sale of goods and products	Lending of fund	6,369	Short-term loans	6,322
								Receipt of interest	62		

(Note 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. Interest on loans and borrowings are determined reasonably in consideration of market interest rates.

(Note 2) Loans and borrowings are associated with fund management under the cash management system. The transaction amounts thereof are shown by the average outstanding loans and borrowings.

(Note 3) With regard to the above-listed transaction amounts, the amount of ending balance includes consumption taxes but the transaction amount does not include consumption taxes.

X. Note on information per share

Net assets per share:	¥1,017.15
Earnings per share:	¥60.82

XI. Notes on material subsequent events

1. Capital increase of consolidated subsidiary

The Company adopted a resolution to subscribe in entirety for new shares to be issued by its consolidated subsidiary, Kewpie Poland Sp. z o.o., at the meeting of its Board of Directors held on November 25, 2016, and executed the payment on December 5, 2016.

(1) Purpose of the capital increase

To strengthen the financial base in preparation of business acquisition

(2) Outline of the capital increase

Amount paid: 179,650 thousand Polish złoty (¥4,755 million)
Payment date: December 5, 2016

(3) Outline of the subsidiary

(i)	Name:	Kewpie Poland Sp. z o.o.	
(ii)	Description of businesses:	Production and sale of mayonnaise and other products	
(iii)	Capital stock:	Before the capital increase:	350 thousand PLN (¥9 million)
		After the capital increase:	160,000 thousand PLN (¥4,235 million)
(iv)	Capital reserve:	Before the capital increase:	– thousand PLN
		After the capital increase:	20,000 thousand PLN (¥529 million)
(v)	Shareholding ratio:	100% by the Company	

2. Establishment of a general incorporated foundation and disposition of treasury stock

At the meeting of the Board of Directors held on December 26, 2016, the Company resolved to establish the Kewpie Mirai Tamago Foundation, a General Incorporated Foundation and, in order to fund the activities of the Foundation through dividends, etc. of the Company's stock, resolved to allot 1,500,000 shares of treasury stock to a trust established by the Company at a disposition price of ¥1 per share. The details thereof are described in "Notes to Consolidated Financial Statements: X. Notes on material subsequent events."

XII. Note on company adopting consolidated dividend rules

The Company is a company adopting consolidated dividend rules.

(Note) Figures are stated by discarding fractions of one million yen. The ratios of voting rights held by (in) the Company are stated by counting fractions of 1/2 or more of their units as one and discarding the rest.