(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)
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 2017
(December 1, 2016 to November 30, 2017)

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 18, 2018.

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-five consolidated subsidiaries. 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, there was a net decrease of one company in the number of consolidated subsidiaries. Specifically, one subsidiary was added with the Company acquiring shares of TO AD KEWPIE CO., LTD. and two subsidiaries were excluded as a result of two separate mergers: consolidated subsidiaries Salad Club, Inc., and Enshu Delica Co., Ltd. were merged and consolidated subsidiaries Sun Family Corporation and M Logistics Corporation were merged.

Among the twenty-one 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 twenty 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.

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

Purchased goods and products, 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.
The main useful lives are as follows.

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

(b) Intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized by the straight-line method.
The main useful life is as follows.

Computer software:	5 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.

(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 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) Reserves for sales rebates

To provide for payments for sales rebates to be incurred 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 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, equity investments in overseas subsidiaries and interest of loans.

(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. Additional information

(Application of Guidance on Recoverability of Deferred Tax Assets)

From the current fiscal year, the Company has applied "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

III. Notes to consolidated balance sheet

1. Pledged assets and secured obligations

Amount of pledged assets (book value):	Tangible fixed assets	¥1,146 million
	Total	¥1,146 million
Obligations secured by such pledged assets:	Short-term loans payable	¥789 million
	Long-term loans payable	¥583 million
	Total	¥1,372 million

2. Contingent liabilities

Guarantee obligations	¥382 million

IV. Notes to consolidated statements of income

(Losses on abolishment of retirement benefit plans)

This is a result of the consolidated subsidiary Henningsen Foods, Inc. having abolished its defined benefit pension plan.

V. 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, 2016	153,000,000 shares	3,333,991 shares
Increase in the number of shares during the year	-	4,121,530 shares
Decrease in the number of shares during the year	3,000,000 shares	4,500,000 shares
Number of shares as of November 30, 2017	150,000,000 shares	2,955,521 shares

(Note 1) The decrease of 3,000,000 shares in the number of shares issued and outstanding is the result of the retirement of treasury stock in accordance with the resolution of the Board of Directors.

(Note 2) The increase of 4,121,530 shares in the number of shares of treasury stock includes an increase of 4,120,000 shares due to the repurchase of shares in accordance with the resolution of the Board of Directors, and an increase of 1,530 shares due to the acquisition of shares less than one unit.

(Note 3) The decrease of 4,500,000 shares in the number of shares of treasury stock includes a decrease of 3,000,000 shares due to the retirement of treasury stock in accordance with the resolution of the Board of Directors, and a decrease of 1,500,000 shares due to their allocation to a third party for the purpose of funding the activities of the Kewpie Mirai Tamago Foundation, a general incorporated foundation.

2. Distribution of surplus

(1) Amount of dividends paid

(a) At the meeting of the Board of Directors held on January 25, 2017, a resolution was adopted as follows:

・ Matters concerning dividends on shares of common stock

1)	Total amount of dividends	¥2,918 million
2)	Amount of dividend per share	¥19.50
3)	Record date	November 30, 2016
4)	Effective date	February 3, 2017

(b) At the meeting of the Board of Directors held on June 26, 2017, a resolution was adopted as follows:

・ Matters concerning dividends on shares of common stock

1)	Total amount of dividends	¥2,720 million
2)	Amount of dividend per share	¥18.00
3)	Record date	May 31, 2017
4)	Effective date	August 7, 2017

(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 23, 2018 as follows:

・ Matters concerning dividends on shares of common stock

1)	Total amount of dividends	¥2,720 million
2)	Fund of dividends	Earned surplus
3)	Amount of dividend per share	¥18.50
4)	Record date	November 30, 2017
5)	Effective date	February 6, 2018

VI. 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:

Notes and accounts receivable - trade, which are operating receivables, 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 notes and accounts payable - trade, which are operating payables, have payment due dates within one year. Some operating 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 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 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 "I. Notes on the matters forming the basis of 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 monitor the conditions of its major clients and manages the due dates and balances of its operating 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 operating 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 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 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

1-4-13 Shibuya, Shibuya-ku, Tokyo 150-0002, Japan Tel:03-3486-3331

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, 2017, 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	29,618	29,618	–
(2)	Notes and accounts receivable - trade	78,212		
	Allowances for doubtful accounts (*1)	(215)		
		77,997	77,997	–
(3)	Securities and investment securities	40,628	40,628	–
	Total assets	148,244	148,244	–
(4)	Notes and accounts payable - trade	48,008	48,008	–
(5)	Short-term loans payable	5,883	5,883	–
(6)	Accounts payable - other	17,547	17,547	–
(7)	Accrued income taxes	4,005	4,005	–
(8)	Bonds	10,000	10,085	85
(9)	Long-term loans payable (*2)	38,101	38,139	37
	Total liabilities	123,546	123,669	123
	Derivatives (*3)	(41)	(41)	–

(*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.

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

<u>Assets</u>

(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 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) 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 calculated from the present value of the total principal and interest discounted at a rate supposing newly conducted similar issuance.

(9) Long-term loans payable:

The fair value of long-term loans payable 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 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. With regard to some long-term loans payable 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 loans payable to be hedged, as they are processed together with such long-term loans payable.

(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	5,867

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."

VII. 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.

VIII. Notes on information per share

Net assets per share	¥1,539.94
Earnings per share (basic)	¥121.05

IX. Notes on business combination

(Business combination through acquisition)

The Company decided to acquire the business 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, Mosso Kewpie Poland Sp. z o.o., entered into a business transfer agreement dated September 29, 2016 with Mosso Kwaśniewscy Sp.J. and acquired the above-mentioned business effective as of January 12, 2017.

1. Outline of the business combination

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

(i) Company that acquired the business

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

(ii) Company that transferred the business

Name: Mosso Kwaśniewscy Sp.J.
Business: Production and sale centered on mayonnaise and other condiments

(2) Primary reason for the business combination

The primary reason for the business combination is to accelerate our expansion in Europe 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

Acquisition by a business transfer

(5) Name of the company after the business combination

Mosso Kewpie Poland Sp. z o.o.

(6) Primary basis for determining the acquiring company

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

2. Period of the financial results of the acquired business included in the consolidated financial statements

From January 12, 2017 to September 30, 2017 (the fiscal-year end of the acquiring company is September 30)

3. Cost of acquisition of the acquired business and the breakdown thereof by consideration type

Consideration of acquisition	Cash and deposits	¥4,547 million
Cost of acquisition		¥4,547 million

4. Details and amount of the principal acquisition-related costs

Remuneration and commissions to advisors ¥191 million

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

(1) Amount of the goodwill recognized
¥2,304 million

(2) Reason for the recognition
The goodwill is recognized from future excess earning power expected to be generated from future business operations.

(3) Method and period for amortization
The goodwill is amortized by the straight-line method over 10 years.

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

Current assets	¥1,280 million
Fixed assets	¥2,029 million
Total assets	¥3,310 million
Current liabilities	¥1,003 million
Non-current liabilities	¥63 million
Total liabilities	¥1,067 million

7. Amounts allocated to intangible fixed assets other than goodwill and the breakdown of the primary components thereof, and weighted average period for amortization overall and for each primary component

Component	Amount	Period of amortization
Customer-related assets (Other intangible fixed assets)	¥384 million	10 years
Trademark rights (Other intangible fixed assets)	¥348 million	10 years

8. Approximate amount of impact of the above mentioned business combination on the consolidated statements of income for the current fiscal year on the assumption that the business combination was completed at the beginning of the fiscal year and the method of calculation thereof

It is omitted here due to its immateriality.
No audit attestation has been received for the provisional calculation of the above mentioned approximate amount.

X. Notes on material subsequent events

(Establishment of significant subsidiaries)

1. Establishment of controlling company in China

At the meeting of its Board of Directors held on October 24, 2017, the Company adopted a resolution to establish a China business controlling company in Beijing, China, and said company was established on December 8, 2017.

(1) Purpose of the establishment

With its China business expanding, the Company established the above-mentioned company to strengthen the functions of management of its entire business in China.

(2) Outline of the established company

(i)	Company name:	Kewpie China Corporation
(ii)	Location:	Beijing, the People's Republic of China
(iii)	Representative:	Tadaaki Katsuyama, President
(iv)	Business:	General control over, and support for, financial management, business management, formulation of business strategies, etc. of the Company's local subsidiaries in China
(v)	Capital stock:	US$30 million (approx. JPY3,400 million on the basis of US$1 = JPY113)
(vi)	Date of establishment:	December 8, 2017
(vii)	Fiscal year end:	December 31 of each year
(viii)	Shareholding ratio:	100% by the Company

2. Establishment of subsidiary by the China business controlling company

At the meeting of its Board of Directors held on December 26, 2017, the Company determined the establishment and outline of a subsidiary in Guangzhou City, Guangdong Province, China.

(1) Purpose of establishment

With its China business expanding, the Company intends to establish the above-mentioned company to set up a production base in the South China area, one of China's important economic zones, and promote greater permeation into the market.

(2) Outline of the company to be established

(i)	Company name:	Guangzhou Kewpie Corporation (tentative name)
(ii)	Location:	Guangzhou City, Guangdong Province, the People's Republic of China
(iii)	Representative:	Toshiyuki Yasutomi, President and General Manager
(iv)	Business:	Manufacture and sale of mayonnaise, dressings, etc.
(v)	Capital stock:	CNY270 million (approx. JPY4,600 million on the basis of CNY1 = JPY17)
(vi)	Date of establishment:	January 2018 (expected)
(vii)	Fiscal year end:	December 31 of each year
(viii)	Shareholding ratio:	100% by Kewpie China Corporation

(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.

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:

Purchased goods and products, work in process and raw materials and supplies are valued at cost (the value method to devaluate a book value for decreasing profitability).

(2) Method of valuation:

Purchased goods and products, work in process and raw materials and supplies 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.
The main useful lives are as follows.

Buildings:	2–50 years
Machinery and equipment:	2–10 years

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

Intangible fixed assets are amortized by the straight-line method.
The main useful life is as follows.
Computer software: 5 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) Allowances 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) Reserves for sales rebates:

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

(3) 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.

(4) 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 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 equity investments in overseas subsidiaries

(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. Additional information

(Application of Guidance on Recoverability of Deferred Tax Assets)

From the current fiscal year, the Company has applied "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

III. Notes to non-consolidated balance sheet

(Millions of yen)

1. Accumulated depreciation of tangible fixed assets:		117,142
2. Contingent liabilities		
Guarantee obligations:		371
3. Accounts receivable from related companies:	Current assets	18,791
	Fixed assets	245
4. Accounts payable to related companies:	Current liabilities	35,014
5. Accounts payable to directors and corporate auditors:	Non-current liabilities	88

IV. Notes to non-consolidated statement of income

(Millions of yen)

1. Operating revenue from related companies:	17,479
2. Operating expenses to related companies:	102,828
3. Amount of transactions other than operating transactions with related companies:	4,431

V. Notes to non-consolidated 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, 2016	3,333,991 shares
Increase in the number of shares during the year	4,121,530 shares
Decrease in the number of shares during the year	4,500,000 shares
Number of shares as of November 30, 2017	2,955,521 shares

(Note 1) The increase of 4,121,530 shares in the number of shares of treasury stock includes an increase of 4,120,000 shares due to the repurchase of shares in accordance with the resolution of the Board of Directors, and an increase of 1,530 shares due to the acquisition of shares less than one unit.

(Note 2) The decrease of 4,500,000 shares in the number of shares of treasury stock includes a decrease of 3,000,000 shares due to the retirement of treasury stock in accordance with the resolution of the Board of Directors, and a decrease of 1,500,000 shares due to their allocation to a third party for the purpose of funding the activities of the Kewpie Mirai Tamago Foundation, a general incorporated foundation.

VI. 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)	646
Accrued enterprise taxes	144
Reserves for sales rebates	199
Other	129
Subtotal of deferred tax assets (current)	1,120
Valuation allowance	(10)
Total deferred tax assets (current)	1,109
Deferred tax assets (fixed)	
Established amount for trust to cover retirement benefit obligations	1,084
Depreciation and amortization	698
Gains on trust to cover retirement benefit obligations	455
Losses on valuation of investment securities	167
Losses on impairment of fixed assets	146
Other	283
Subtotal of deferred tax assets (fixed)	2,836
Valuation allowance	(467)
Total deferred tax assets (fixed)	2,369
Total deferred tax assets	3,478
Deferred tax liabilities (non-current)	
Prepaid pension expenses	(4,628)
Reserves for reduction entry of property by purchase	(1,128)
Unrealized holding gains on securities	(5,371)
Other	(6)
Total deferred tax liabilities (non-current)	(11,135)
Total deferred tax liabilities	(11,135)
Net deferred tax assets (liabilities)	(7,657)

VII. 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		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)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sales of various processed foods	Direct: 10.3% (Direct: 12.6% Indirect: 5.9%)	Director: 2 persons	Purchase of products, sales of goods and products and payment of brand use fees	Purchase of products	419	Accounts payable - trade	78
								Sale of goods and products	94	Accounts receivable - trade	10
								Payment of brand use fees	660		
								Lease of property	15		
								Purchases of shares of subsidiaries and affiliates (Note 8)	82		
								Sales of shares of subsidiaries and affiliates (Note 9)	1,242		
								Repurchase of shares (Note 10)	2,110		

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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)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property/ Leasing business	[Direct 5.9%]	Director: 1 person	Rent of the office, etc. and purchase of lease assets	Rent of property	1,058	Guarantee money deposited	946
										Accounts payable - other	6
								Purchase of lease assets	240	Other current liabilities	57
										Other non-current liabilities	196
								Repurchase of shares (Note 11)	7,884		
Company whose director(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	None	Sales of goods and products	Sale of goods and products	117	Accounts receivable - trade	48

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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 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	1,955 380 41 58	Accounts payable - other	316
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 a 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.
Minato Shokai Co., Ltd. succeeded the wine business of NAKASHIMATO CO., LTD. and changed its name to nakato co., ltd.
(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) The Company acquired 400 shares of common stock of TO AD KEWPIE CO., LTD. of whose voting rights had directly been wholly owned by a company whose majority of voting rights are held by Amane Nakashima, Chairman of the Company, and his close relatives. As a result of this acquisition, TO AD KEWPIE CO., LTD. has become a consolidated subsidiary of the Company.
The decision of the transaction price was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of the stock price conducted by third-party evaluators.
(Note 9) The Company sold 35,000 shares of common stock of NAKASHIMATO CO., LTD. of which 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 to NAKASHIMATO CO., LTD.
The decision of the transaction price was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of the stock price conducted by third-party evaluators.
(Note 10) For repurchase of shares, the Company acquired 870,000 shares of common stock of the Company by TOB for ¥2,426 per share, in accordance with the resolution at the meeting of the Board of Directors on July 26, 2017.
(Note 11) For repurchase of shares, the Company acquired 3,250,000 shares of common stock of the Company by TOB for ¥2,426 per share, in accordance with the resolution at the meeting of the Board of Directors on July 26, 2017.

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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: 9 persons	Sales of goods and products and purchase of products and materials	Purchase of products and materials	20,980	Accounts payable - trade	668
								Borrowing of fund	5,922	Short-term loans payable	5,881
								Payment of interest	42		
								Receipt of dividends	1,290		
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: 3 persons	Purchase of products	Purchase of products	15,989	Accounts payable - trade	2,854
Subsidiary	Salad Club, Inc.	Chofu, Tokyo	300	Processing and sale of fresh vegetables	Direct: 51.0%	Director: 2 persons Employee: 2 persons	Sale of goods and products	Borrowing of fund	2,930	Short-term loans payable	3,176
								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	6,200	Short-term loans receivable	6,213
								Receipt of interest	60		
Subsidiary	Mosso Kewpie Poland Sp. z o.o.	Puchały, Poland	160,300 thousand Polish zloty	Production and sale of condiments	Direct: 100.0%	Employee: 5 persons	Lending of fund	Underwriting of capital increase (Note 4)	4,755		

(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 receivable and loans payable are determined reasonably in consideration of market interest rates.

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

(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.

(Note 4) The underwriting of capital increase is the underwriting of capital increase implemented by the subsidiary.

VIII. Note on information per share

Net assets per share:	¥1,045.05
Earnings per share:	¥84.88

IX. Notes on material subsequent events

(Establishment of significant subsidiaries)

At the meeting of its Board of Directors held on October 24, 2017, the Company adopted a resolution to establish a China business controlling company in Beijing, China, and said company was established on December 8, 2017. The details thereof are described in "Notes to Consolidated Financial Statements: X. Notes on material subsequent events."

X. 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.