(Translation)

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

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

For the Fiscal Year 2018
(December 1, 2017 to November 30, 2018)

Kewpie Corporation

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

* The contents of the notes to consolidated financial statements and the notes to non-consolidated financial statements are those audited by the account auditors by January 21, 2019.

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-eight (58) 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., Salad Club, Inc. and Aohata Corporation.
In the current fiscal year, following subsidiaries are newly included in the scope of consolidation: since Kewpie China Corporation, Guangzhou Kewpie Corporation and Kewpie Philippines, Inc. were newly incorporated, and Hisamatsu Transport Corporation has gained its materiality, while it was a non-consolidated subsidiary until the previous fiscal year. On the other hand, Kowa Delica Co., Ltd. is excluded from the scope of consolidation due to the transfer of shares of this company.
Gourmet Delica Co., Ltd. has conducted an incorporation-type company split whereby Gourmet Delica Co., Ltd. (its new company name is "Soka Delica Co., Ltd.") was the split company and continued its status as a subsidiary, while the new company ("(New) Gourmet Delica Co., Ltd.") was incorporated as the successor company and a new 100% subsidiary of the Company. During the current fiscal year, the Company has sold the 80% shares of (New) Gourmet Delica Co., Ltd. and this company is excluded from the scope of consolidation.
As a consequence, five companies were added and two companies were excluded.

Among the nineteen (19) non-consolidated subsidiaries, the principal one is K. LP Corporation. These companies are excluded from consolidation, because each of the amount of their total assets, net sales, profit and loss and earned surplus (based on the Company's ownership percentage) does not have a significant effect on the consolidated financial statements of the Company.

2. Application of the equity method

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

The investments in K. LP Corporation and eighteen (18) other non-consolidated subsidiaries, as well as AK Franchise System Co., Ltd. and three other affiliated companies are not accounted for on an equity method, since each of the amounts of profit and loss and earned surplus (based on the Company's ownership percentage) did not have a significant effect on the consolidated financial statements of the Company.

In the current fiscal year, since the 15% (out of 20%) of the shares of newly-incorporated (New) Gourmet Delica Co., Ltd. were sold, this company is excluded from the scope of affiliated companies.

3. Fiscal years of consolidated subsidiaries

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

Six foreign subsidiaries whose fiscal year end is December 31 are consolidated based on their provisional financial statements based on a provisional settlement of accounts as at September 30. Other nine foreign subsidiaries are consolidated based on the financial statements as at their fiscal year end. However, significant transactions of those subsidiaries recognized during the period after their settlement of accounts (September 30) to the fiscal year end of the Company's consolidated financial statements (November 30) are reflected.

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) Shares in 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 net assets. 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).

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

(a) Tangible fixed assets (excluding lease assets)

Tangible fixed assets are depreciated by the straight-line method.
The main useful lives are as follows.

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

(b) Intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized by the straight-line method.
The main useful life is as follows.
Software: 5 years

(c) Lease assets

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

(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 particular possibilities of collection in respect of possible non-performing credits and other specific claims.

(b) Reserves for sales rebates

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

(c) Reserves for bonuses

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

(d) Reserves for directors' bonuses

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

(5) Accounting for retirement benefits

(a) Periodic allocation method for projected retirement benefits

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

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

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

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

In addition, if the amount of pension fund assets exceeds that of retirement benefit obligations for benefit pension plan, it is provided as assets for retirement benefits on the 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 treatment is adopted for interest rate swap transactions that meet the requirements for special treatment.

(b) Hedging instruments are forward exchange contracts, interest rate swap transactions and commodity futures transactions.

(c) Hedged items are purchase transactions in foreign currencies, purchase transactions, 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 rate swap transactions to hedge risks from fluctuations in interest rates in the future.

The Company conducts commodity futures transactions to hedge market fluctuation risk relating to grain market prices.

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 internal rules. The effectiveness of the hedge is analyzed by comparing movements in the fair value of hedged items with those of hedging instruments, assessed and strictly controlled.

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

(7) Amortization of goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life during which its effect will be realized. 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 consolidated balance sheet

1. Pledged assets and secured obligations

Amount of pledged assets (book value):	Tangible fixed assets	¥1,132 million
	Total	¥1,132 million
Obligations secured by such pledged assets:	Short-term loans payable	¥825 million
	Long-term loans payable	¥336 million
	Total	¥1,162 million

2. Contingent liabilities

Guarantee obligations	¥294 million

III. Note to consolidated statement of income

(Gain on transfer of business)

This is principally due to the transfer of the business for convenience stores of Gourmet Delica Co., Ltd., which was a consolidated subsidiary of the Company.

IV. 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, 2017	150,000,000 shares	2,955,521 shares
Increase in the number of shares during the year	–	4,001,404 shares
Decrease in the number of shares during the year	–	–
Number of shares as of November 30, 2018	150,000,000 shares	6,956,925 shares

(Note) The increase of 4,001,404 shares in the number of shares of treasury stock includes an increase of 4,000,000 shares due to the repurchase of shares in accordance with the resolution of the Board of Directors, and an increase of 1,404 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 23, 2018, a resolution was adopted as follows:

・ Matters concerning dividends on shares of common stock

i)	Total amount of dividends	¥2,720 million
ii)	Amount of dividend per share	¥18.50
iii)	Record date	November 30, 2017
iv)	Effective date	February 6, 2018

(b) At the meeting of the Board of Directors held on June 25, 2018, a resolution was adopted as follows:

・ Matters concerning dividends on shares of common stock

i)	Total amount of dividends	¥2,793 million
ii)	Amount of dividend per share	¥19.00
iii)	Record date	May 31, 2018
iv)	Effective date	August 6, 2018

(2) Dividends whose record date fell during the current fiscal year but whose effective date 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, 2019 as follows:

・ Matters concerning dividends on shares of common stock

i)	Total amount of dividends	¥2,717 million
ii)	Fund of dividends	Earned surplus
iii)	Amount of dividend per share	¥19.00
iv)	Record date	November 30, 2018
v)	Effective date	February 7, 2019

V. 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 rate swap transactions, among others.

Derivatives are forward exchange contracts to hedge foreign currency risk involving payables in foreign currencies, interest rate swap transactions to hedge interest volatility risk relating to loans payable, oil swaps to hedge market risk relating to prices of light oil and heavy oil, and commodity futures to hedge market fluctuation risk relating to grain market prices. 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 monitors 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 rate swap transactions to hedge interest volatility risk relating to loans payable, oil swaps to hedge market risk relating to prices of light oil and heavy oil, and commodity futures to hedge market fluctuation risk relating to grain market prices. 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 reviews 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 financing:

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, 2018, 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	38,493	38,493	–
(2)	Notes and accounts receivable - trade	77,034		
	Allowances for doubtful accounts (*1)	(431)		
		76,602	76,602	–
(3)	Securities and investment securities	34,016	34,016	–
	Total assets	149,113	149,113	–
(4)	Notes and accounts payable - trade	44,518	44,518	–
(5)	Short-term loans payable	7,108	7,108	–
(6)	Current portion of bonds	10,000	10,000	–
(7)	Accounts payable - other	17,025	17,025	–
(8)	Accrued income taxes	6,775	6,775	–
(9)	Long-term loans payable (*2)	39,051	39,080	28
	Total liabilities	124,479	124,508	28
	Derivatives (*3)	(1)	(1)	–

(*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 securities and derivatives:

Assets

(1) Cash and deposits and (2) Notes and accounts receivable - trade:

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

(3) Securities and investment securities:

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

Liabilities

(4) Notes and accounts payable - trade, (5) Short-term loans payable, (7) Accounts payable - other and (8) 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.

(6) Current portion of bonds:

The fair value of current portion 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. However, the book value is used for this item, as the fair value is nearly equal to the book value.

(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 treatment 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 treatment 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	5,156

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."

VI. Note to leased and other real estate properties

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

VII. Note on information per share

Net assets per share	¥1,582.27
Earnings per share (basic)	¥124.85

VIII. Notes on business combination

(Business divestiture)

At its Board of Directors' meeting held on June 25, 2018, the Company resolved to implement the transfer of a certain business of the Company's consolidated subsidiary, Gourmet Delica Co., Ltd., which involves the manufacturing and sales of boxed lunches, rice balls, delicatessen foods and other products for convenience stores (excluding manufacturing and sales businesses pertaining to the Soka Factory and businesses pertaining to the Frozen Merchandise Division and the External Sales Development Department of the Sales Division of the Head Office, the "Business"), to a newly incorporated company by means of an incorporation-type company split (the "Company Split"). On August 3, 2018, the Company concluded a share transfer agreement with Mitsubishi Corporation, under which the Company transferred 80% of the shares of the new company on October 1, 2018 and a further 15% of the same shares during the current fiscal year to Mitsubishi Corporation, and has excluded the said company from affiliates.
As of October 1, 2018, the split company, Gourmet Delica Co., Ltd., has changed its company name to Soka Delica Co., Ltd., and the new company has commenced its operations under the name of Gourmet Delica Co., Ltd. ("(New) Gourmet Delica Co., Ltd.")

1. Outline of the business divestiture

(1) Name of successor company upon company split and name of transferee of the shares

(i) Name of successor company upon company split
(New) Gourmet Delica Co., Ltd.

(ii) Name of transferee of the shares
Mitsubishi Corporation

(2) Content of the divested business

Details of business: Manufacturing and sales of boxed lunches, rice balls, delicatessen foods and other products for convenience stores

(3) Main reason for business divestiture

In order to keep providing high value-added services in a business environment of diversifying customer needs with respect to the Business, we believe that our consistent management of our operations across procurement, manufacturing and sales is necessary. We decided that we should further develop the Business by accommodating Mitsubishi Corporation's offer to acquire the stakes of the Business.
On the other hand, we believe that the Company Split and the transfer of the new company's shares will increase the shareholder value of the Company as an optimum allocation of management resources.

(4) Date of company split and share transfer
October 1, 2018

(5) Matters concerning additional outline of business divestiture including its legal form

Company split:	Incorporation-type company split whereby Gourmet Delica Co., Ltd. is the split company and the newly established company is the successor company
Share transfer:	Share transfer whereby the consideration is specific assets such as cash

Upon transferring the shares, the ownership ratio of the Company in the newly established company (New) Gourmet Delica Co., Ltd. has changed from 100% to 20% as of October 1, 2018, thereby making (New) Gourmet Delica Co., Ltd. an affiliate.

2. Outline of the accounting treatment implemented

(1) Amount of gain or loss on the transfer

Gain on transfer of business	¥527 million

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

Current assets	¥3,752 million
Fixed assets	¥7,434 million
Total assets	¥11,187 million
Current liabilities	¥10,753 million
Non-current liabilities	¥484 million
Total liabilities	¥11,237 million

(3) Accounting treatments
On the assumption that our investments in the transferred Business have been deemed liquidated, we recognize the amount of gain or loss on the transfer of the Business as the difference between the market value of assets including cash received as the consideration and the amount of the equity value for the transferred Business.

3. Name of reportable segment in which the divested business was included
Delicatessen Products business

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

Net sales	¥27,500 million
Operating income	¥800 million

IX. Notes on material subsequent events

(Acquisition of significant assets and termination of significant agreements)

On October 17, 2018, Aohata Corporation, a consolidated subsidiary of the Company, entered into an agreement for acquisition of trademark rights for the "Aohata" brand held by Nakashimato Co., Ltd. (the "Acquisition"), which was resolved at the Board of Directors meeting of Aohata Corporation held on the same date, and completed the Acquisition on December 3, 2018. In conjunction with the Acquisition of the "Aohata" brand, Nakashimato Co., Ltd. and the Company agreed to terminate the trademark license agreement and Aohata Corporation and the Company agreed to terminate the trademark sublicense agreement in relation to the "Aohata" brand, respectively.

1. Reason for the Acquisition
   The Company has decided that, in addition to the combined operation of manufacturing and sales, Aohata Corporation should establish its independent operating structure, including the planning and management of trademark of "Aohata" brand, since it will contribute for its swift decision-making process and improving the market competitiveness to respond to diversifying customer needs and changing preferences.

2. Name of the counterparty to the agreement for the Acquisition
   Nakashimato Co., Ltd.

3. Class of assets subject to the Acquisition
   Trademark rights for the "Aohata" brand

4. Content of the agreement
   Agreement for the acquisition of the above assets, and agreements for termination of license and sublicense related to the above assets

5. Date of the Acquisition and termination of the license agreements
   December 3, 2018

6. Value of the Acquisition
   ¥2,100 million

7. Significant impact of the conclusion and termination of agreements on operating activities and others
   As described in the “Reason for the Acquisition”, the Company has decided that holding of trademark rights for the "Aohata" brand by Aohata Corporation will contribute to improve the market competitiveness to respond to diversifying customer needs and changing preferences. In addition, the Company aims to promote the "Aohata" brand not only for jams but also in new fields and increase medium- to long-term earning capacity. However, since it is difficult to determine the impact for the future, information on the impact has been omitted.
   Impact of an increase in cost of amortization of trademark rights and a decrease in expense of royalties is currently being calculated.

Notes to Non-consolidated Financial Statements

I. Notes on matters concerning significant accounting policies

1. Basis and method of valuation of securities:

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

(2) Shares in 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 net assets. 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 and amortization 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.
Software: 5 years

(3) Lease assets:

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

(4) Long-term prepaid expenses:

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

5. Accounting standards 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 borne 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 current fiscal year.

(5) Reserves for retirement benefits:

To meet the payment of retirement benefits to employees, the Company provides an amount based on estimated retirement benefit obligations and pension fund assets as of the end of the current fiscal year.

(i) Periodic allocation method for projected retirement benefits

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

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

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

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

In addition, if the amount of pension 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 the non-consolidated balance sheet.

6. Method of hedge accounting:

(1) Method 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 internal rules. The effectiveness of the hedge is analyzed by comparing movements in the fair value of hedged items with those of hedging instruments, assessed and strictly controlled.

7. Other important matters forming the basis of preparation of non-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 of the Company.

(2) Accounting for consumption taxes:

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

II. Notes to non-consolidated balance sheet

(Millions of yen)

1.	Accumulated depreciation of tangible fixed assets:		121,114
2.	Contingent liabilities		
	Guarantee obligations:		585
3.	Accounts receivable from related companies:	Current assets	10,501
		Fixed assets	215
4.	Accounts payable to related companies:	Current liabilities	32,743
5.	Accounts payable to directors and corporate auditors:	Non-current liabilities	88

III. Notes to non-consolidated statement of income

(Millions of yen)

1.	Operating revenue from related companies:	16,902
2.	Operating expenses to related companies:	100,396
3.	Amount of transactions other than operating transactions with related companies:	4,573

IV. Note 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, 2017	2,955,521 shares
Increase in the number of shares during the year	4,001,404 shares
Decrease in the number of shares during the year	–
Number of shares as of November 30, 2018	6,956,925 shares

(Note) The increase of 4,001,404 shares in the number of shares of treasury stock includes an increase of 4,000,000 shares due to the repurchase of shares in accordance with the resolution of the Board of Directors, and an increase of 1,404 shares due to the acquisition of shares less than one unit.

V. 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)	696
Accrued enterprise taxes	228
Reserves for sales rebates	205
Other	145
Subtotal of deferred tax assets (current)	1,276
Valuation allowance	(34)
Total deferred tax assets (current)	1,242
Deferred tax assets (fixed)	
Losses on valuation of shares of related companies	1,151
Established amount for trust to cover retirement benefit obligations	1,084
Depreciation and amortization	690
Gains on trust to cover retirement benefit obligations	490
Losses on valuation of investment securities	163
Losses on impairment of fixed assets	140
Other	206
Subtotal of deferred tax assets (fixed)	3,927
Valuation allowance	(1,454)
Total deferred tax assets (fixed)	2,472
Total deferred tax assets	3,715
Deferred tax liabilities (non-current)	
Prepaid pension expenses	(4,629)
Reserves for reduction entry of property by purchase	(1,142)
Unrealized holding gains on securities	(4,182)
Other	(4)
Total deferred tax liabilities (non-current)	(9,959)
Total deferred tax liabilities	(9,959)
Net deferred tax assets (liabilities)	(6,244)

VI. Notes on transactions with related parties

1. Directors, 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	Transaction amount	Account	Ending balance
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: 10.5% Indirect: 5.7%)	Director: 2 persons	Purchase of products, sale of goods and products and payment of brand use fees	Purchase of products	384	Accounts payable - trade	76
								Sale of goods and products	112	Accounts receivable - trade	14
								Payment of brand use fees	600		
								Purchase of promotional items	60	Accounts payable - other	31
								Lease of property	16		
								Repurchase of shares (Note 8)	8,095		
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 5.7%]	Director: 1 person	Rent of the office, etc. and purchase of lease assets	Rent of property	1,082	Guarantee money deposited	946
										Accounts payable - other	6
								Repurchase of shares (Note 9)	1,156		

(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	Transaction amount	Account	Ending balance
						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)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Employee: 1 person	Sale of goods and products	Sale of goods and products	129	Accounts receivable - trade	33
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 Rent of real estate	2,046 208 60	Accounts payable - other	249
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	95	Guarantee money deposited	116

(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	Transaction amount	Account	Ending balance
						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)	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 amount and ending balance, 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 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 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 company.

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

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

(Note 8) For repurchase of shares, the Company acquired 3,500,000 shares of common stock of the Company by TOB for ¥2,313 per share, in accordance with the resolution at the meeting of the Board of Directors on October 2, 2018.

(Note 9) For repurchase of shares, the Company acquired 500,000 shares of common stock of the Company by TOB for ¥2,313 per share, in accordance with the resolution at the meeting of the Board of Directors on October 2, 2018.

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	Transaction amount	Account	Ending balance
						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: 8 persons	Sale of goods and products and purchase of products and materials	Purchase of products and materials	20,599	Accounts payable - trade	667
								Borrowing of fund Payment of interest	5,330 38	Short-term loans payable	4,321
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	16,334	Accounts payable - trade	3,056
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 Payment of interest	2,901 21	Short-term loans payable	2,735
Subsidiary	Soka Delica Co., Ltd.	Soka, Saitama	98	Production and sale of delicatessen products	Direct: 100.0%	Director: 2 persons Employee: 2 persons	Sale of goods and products	Lending of fund Receipt of interest	5,295 51		
Affiliated company	Gourmet Delica Co., Ltd. (Note 4)	Tokorozawa, Saitama	–	Production and sale of delicatessen products	Direct: 20.0%	None	Sale of goods and products	Collection of loans receivable Receipt of interest	9,800 4		

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

(Note 2) Loans receivable and loans payable are principally 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 amount and ending balance, the amount of ending balance includes consumption taxes but the transaction amount does not include consumption taxes.

(Note 4) Gourmet Delica Co., Ltd. implemented a company split effective as of October 1, 2018 and changed its company name to Soka Delica Co., Ltd. The name “Gourmet Delica Co., Ltd.” is currently the company name of the newly incorporated company as a result of the company split. Because the new company, Gourmet Delica Co., Ltd., is no longer a related party due to the sale of its shares by the Company on November 9, 2018, the amounts in the above table show the amounts of transactions during the period when that company had a status of the affiliate of the Company, and the above ratio of voting rights owned by the Company represents the ratio of voting rights at the end of the period when that company was the affiliate.

VII. Note on information per share

Net assets per share	¥1,032.95
Earnings per share (basic)	¥78.96

VIII. Note on material subsequent events

Not applicable.

IX. 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 owned by (in) the Company are stated by counting fractions of 1/2 or more of their units as one and discarding the rest.