

Annual Report 2006

December 1, 2005 to November 30, 2006



Q.P. Corporation

The information contained in this report is derived from the Company's Annual Securities Report in Japanese filed with the Commissioner of the Financial Services Agency on the day of February 26, 2007 in accordance with the Securities and Exchange Law, which has been translated into English for the convenience of readers outside Japan.

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English Corporate Name: Q.P. Corporation

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I. Outline of the Company

1. Principal Management Index

(1) Consolidated principal management index for the five years ended November 30, 2006

Term ended		Nov. 2002	Nov. 2003	Nov. 2004	Nov. 2005	Nov. 2006
Net sales	(millions of yen)	434,480	437,032	423,727	455,007	456,067
Ordinary income	(millions of yen)	18,262	17,532	15,507	12,829	14,262
Net income	(millions of yen)	9,306	8,675	7,006	5,465	6,071
Shareholders' equity	(millions of yen)	114,015	120,504	126,768	132,412	156,217
Total assets	(millions of yen)	270,181	269,559	262,122	265,724	290,186
Shareholders' equity per share	(yen)	744.11	786.15	827.17	865.32	896.69
Net income per share	(yen)	60.36	56.08	45.18	35.25	39.66
Net income per share – diluted	(yen)	55.11	51.53	41.63	32.64	39.66
Net worth to gross capital	(%)	42.2	44.7	48.4	49.8	47.3
Return on equity	(%)	8.4	7.4	5.7	4.2	4.5
Price earnings ratio	(times)	16.2	15.5	20.0	28.9	26.1
Net cash provided by operating activities	(millions of yen)	22,829	18,550	17,377	15,686	21,443
Net cash used in investing activities	(millions of yen)	(25,388)	(13,419)	(12,806)	(11,625)	(16,589)
Net cash used in financing activities	(millions of yen)	(6,897)	(2,116)	(8,109)	(7,415)	3,187
Cash and cash equivalents at end of the year	(millions of yen)	16,950	19,868	16,451	13,127	21,212
Number of regular full-time employees, and [in parentheses] average number of temporary employees		8,550 [8,136]	8,109 [7,913]	8,529 [8,483]	8,548 [8,351]	8,805 [8,474]

(Notes) 1. Consumption taxes are not included in net sales.

2. To calculate shareholders' equity per share, net income per share and net income per share – diluted, the Company started applying the "Accounting Standards for Net Income per Share" (Accounting Standards No. 2) and the Guideline for Accounting Standard Application for Net Income per share (Accounting Standard Application Guideline No. 4) in the term ended November 2003.

3. Beginning from the term under review, the Company adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No. 5 issued by Accounting Standards Board of Japan on December 9, 2005) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No. 8 issued by Accounting Standards Board of Japan on December 9, 2005).

(2) Non-consolidated principal management index for the five years ended November 30, 2006

Term ended	Nov. 2002	Nov. 2003	Nov. 2004	Nov. 2005	Nov. 2006
Net sales (millions of yen)	271,208	268,958	230,110	232,668	230,598
Ordinary income (millions of yen)	10,582	11,248	7,663	6,453	6,165
Net income (millions of yen)	6,030	6,805	4,529	3,769	2,883
Capital stock (millions of yen)	24,104	24,104	24,104	24,104	24,104
Total number of outstanding shares	155,464,515	155,464,515	155,464,515	155,464,515	155,464,515
Shareholders' equity (millions of yen)	105,794	111,395	115,012	118,987	120,325
Total assets (millions of yen)	186,656	190,335	188,772	189,865	200,019
Shareholder's equity per share (yen)	690.46	726.74	750.44	777.57	785.35
Yearly dividend per share, and interim dividend per share in parentheses (yen)	12.00 [6.0]	12.00 [6.0]	13.00 [6.0]	13.00 [6.5]	14.00 [6.5]
Net income per share (yen)	39.11	44.08	29.27	24.44	18.83
Net income per share – diluted (yen)	35.97	40.64	27.21	22.83	18.83
Net worth to gross capital (%)	56.7	58.5	60.9	62.7	60.2
Return on equity (%)	5.8	6.3	4.0	3.2	2.4
Price earnings ratio (times)	25.1	19.7	30.8	41.7	55.0
Payout ratio (%)	30.59	27.01	44.41	53.19	74.3
Number of regular full-time employees, and [in parentheses] average number of temporary employees	2,259 [802]	2,118 [921]	2,374 [1,110]	2,444 [1,035]	2,475 [1,018]

(Notes) 1. Consumption taxes are not included in net sales.

2. To calculate shareholders' equity per share, net income per share and net income per share – diluted; the Company started applying the "Accounting Standards for Net Income per Share" (Accounting Standards No. 2) and the Guideline for Accounting Standard Application for Net Income per Share (Accounting Standard Application Guideline No. 4) in the term ended November 2003.

3. The decline in sales in the non-consolidated accounts for the term ended November 2004 is principally attributable to the transfer of sales department of egg materials to consolidated subsidiary Q.P. Egg Corporation.

4. The per-share dividend for the term ended November 2004 includes a ¥1 special commemorative dividend in celebration of the 85th anniversary of the Company's establishment.

2. Nature of Business

The Company's group consists of the Company, sixty five consolidated subsidiaries, twelve affiliated companies, and one other affiliated company which owns over 20% of stocks of the Company. The Group's principal businesses are manufacturing, wholesaling and warehousing.

The relationships between the Company and these affiliated companies in the above-mentioned businesses are summarized below.

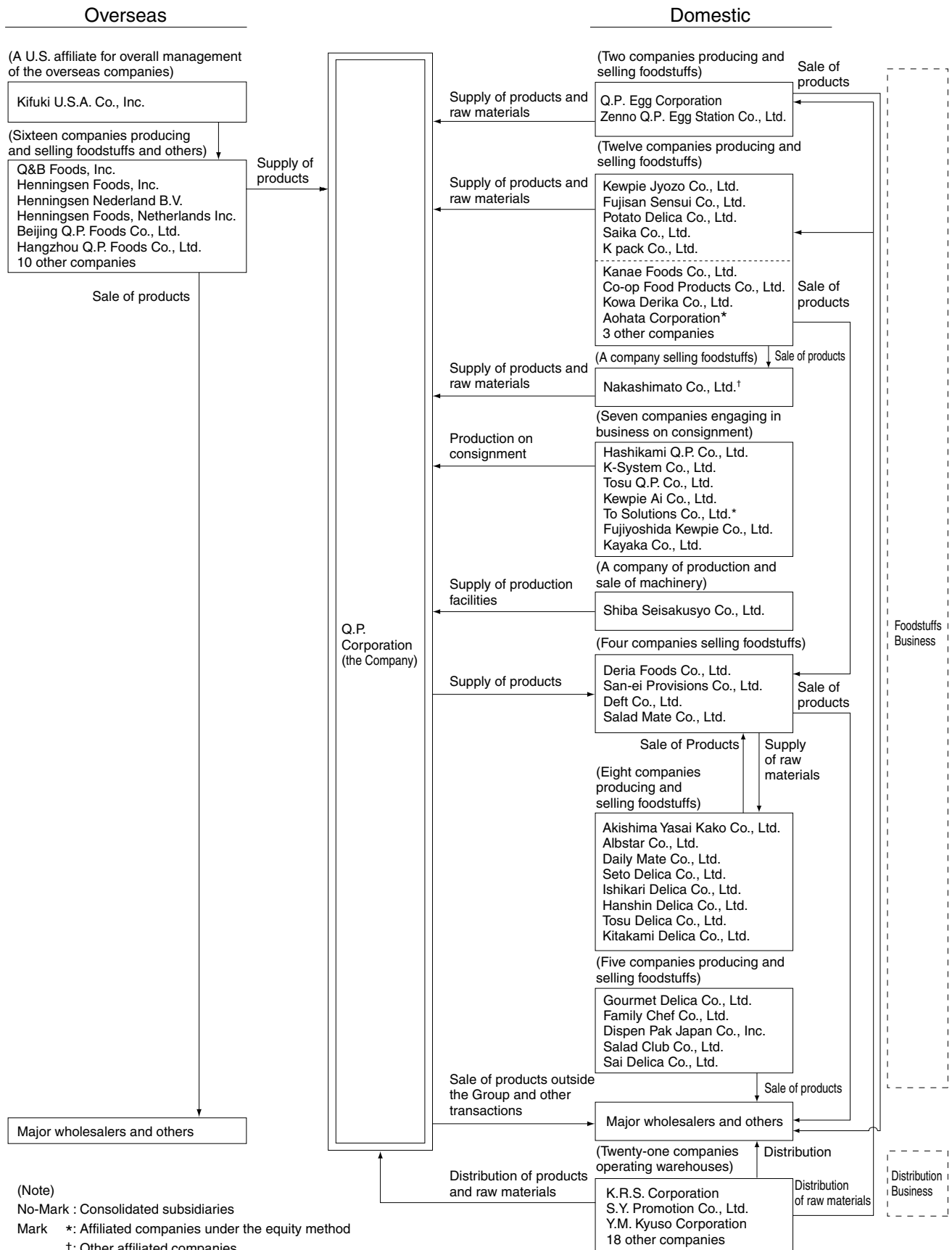
The summary of the foodstuffs and distribution businesses is categorized in the same manner as in the segment information on business lines.

Business segments	Principal companies	Major handling items/services
Foodstuffs		
Mayonnaise and dressings	Q.P. Corporation Q&B Foods, Inc. Beijing Q.P. Foods Co., Ltd. Hangzhou Q.P. Foods Co., Ltd.	Mayonnaise and dressings
	Kewpie Jyozo Co., Ltd.	Vinegar
	San-ei Provisions Co., Ltd.	Seasonings
Fruit applications and cooked foods	Q.P. Corporation Aohata Corporation Co-op Food Products Co., Ltd.	Jams, pasta sauces, sweet corn, and other products in bottled, canned and/or retort form
Egg products	Q.P. Egg Corporation Zenno Q.P. Egg Station Co., Ltd.	Liquid egg, frozen egg, and dried egg
	Q.P. Corporation Kanae Foods Co., Ltd.	Egg spread, egg block, and thin egg film
	Henningsen Foods, Inc.	Dried egg
Healthcare products	Q.P. Corporation	Baby foods, health foods, nursing care foods, and soft-bag fluid containers
Vegetables and salads	Q.P. Corporation Deria Foods Co., Ltd.	Salads and other delicatessen foods
	Daily Mate Co., Ltd.	Salads, and boiled and stewed foods
	Potato Delica Co., Ltd.	Salads and potato croquettes
	Gourmet Delica Co., Ltd.	Boxed lunches and rice balls
	Sai Delica Co., Ltd.	Boxed lunches and rice balls
	Family Chef Co., Ltd.	Salads and other delicatessen foods
	Saika Co., Ltd.	Pickles
	Salad Club Co., Ltd.	Pre-cut vegetables
Distribution	K.R.S. Corporation	Overland transportation and warehousing of food products
	S.Y. Promotion Co., Ltd.	Transportation of food products
	Y.M. Kyuso Corporation	

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

The shares of consolidated subsidiary K.R.S. Corporation were reclassified for trading on the first section of the Tokyo Stock Exchange (TSE), while the shares of the equity-method affiliate Aohata Corporation were registered for trading on the second section of the TSE.

(Group Business Network)



3. Outline of Affiliated Companies

(1) Parent company

Not applicable

(2) Consolidated subsidiaries

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note 1)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
Q.P. Egg Corporation (Note 2)	Chofu, Tokyo	350 million yen	Production and sale of liquid and frozen egg	88.0	D or CA Employees 2 8	2,126 million yen	Purchase of products and raw materials	Leases on offices
Deria Foods Co., Ltd.	Fuchu, Tokyo	50 million yen	Production and sale of salads and ready-to-eat foods	100.0	D or CA Employees 2 3	None	Sale of products	Leases on offices
Kewpie Jyozo Co., Ltd.	Fuchu, Tokyo	450 million yen	Production and sale of vinegar	88.0	D or CA Employees 2 2	2,618 million yen	Purchase of raw materials	Leases on offices
K.R.S. Corporation (Notes 3 & 4)	Chofu, Tokyo	4,063 million yen	Warehousing and transportation	44.8 (0.3) [5.8]	D or CA Employee 3 1	None	Consignment of storage and transportation of products and raw materials of group companies	Leases on land and warehouses
San-ei Provisions Co., Ltd.	Shibuya-ku, Tokyo	57 million yen	Sale of products for commercial use	51.3	D or CA Employees 2 2	None	Sale of products and purchase of raw materials	Leases on offices
Co-op Food Products Co., Ltd.	Shibuya-ku, Tokyo	250 million yen	Production and sale of canned foods	51.0	D or CA Employees 2 3	907 million yen	Purchase of products	Leases on offices
Kanae Foods Co., Ltd.	Fuchu, Tokyo	50 million yen	Production and sale of processed egg, including egg spread, egg block, and thin egg film	88.0	D or CA Employees 1 4	1,836 million yen	Purchase of products	Leases on offices and factories
Zenno Q.P. Egg Station Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	105 million yen	Production of dried eggs and other egg products	51.4	D or CA Employees 2 2	None	Purchase of products	Leases on factories
Kifuki U.S.A. Co., Inc.	Delaware, USA	USD 7.17	Investment in and management of subsidiaries in USA	100.0	D or CA Employee 2 1	None	Overall management of subsidiaries in USA	None
Q&B Foods, Inc.	California, USA	USD 4,800 thousand	Production and sale of mayonnaise and dressings	100.0 (100.0)	D or CA Employees 1 3	None	Purchase of products	None
Henningsen Foods, Inc.	New York, USA	USD 1.92 thousand	Production and sale of egg products and dried meats	100.0 (100.0)	D or CA Employees 2 2	Liabilities for guarantee 2,314 million yen	Purchase of products	None
Henningsen Nederland B.V.	Waalwijk, the Netherlands	Euro 359.39 thousand	Production and sale of dried meats	100.0 (100.0)	Employee 1	None	Purchase of products	None
Henningsen Foods, Netherlands Inc.	Delaware, USA	USD 2 thousand	Investment in subsidiaries in the Netherlands	100.0 (100.0)	None	None	None	None
Akishima Yasai Kako Co., Ltd.	Akishima, Tokyo	20 million yen	Processing and sale of fresh vegetables	100.0 (100.0)	Employees 3	None	Purchase of raw materials	None
Gourmet Delica Co., Ltd.	Tokorozawa, Saitama	98 million yen	Production and sale of ready-to-eat foods	100.0	D or CA Employees 1 5	1,332 million yen	Sale of raw materials	None
Fujisan Sensui Co., Ltd.	Fujiyoshida, Yamanashi	90 million yen	Production and sale of mineral water	77.8 (15.0)	D or CA Employees 2 2	291 million yen	Purchase of products	Leases on factories
Family Chef Co., Ltd.	Sagamihara, Kanagawa	50 million yen	Production and sale of ready-to-eat foods	70.0	D or CA Employees 2 6	648 million yen	Sale of raw materials	Leases on factories
Daily Mate Co., Ltd.	Ome, Tokyo	20 million yen	Production and sale of ready-to-eat foods	100.0 (100.0)	Employees 5	1,478 million yen	Sale of raw materials	None
Kowa Derika Co., Ltd.	Kamisu, Ibaraki	10 million yen	Production of canned foods	100.0	D or CA Employees 1 2	525 million yen Liabilities for guarantee 40 million yen	Purchase of products	None
Albstar Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	50 million yen	Production of frozen and chilled foods	100.0 (100.0)	Employees 4	146 million yen	Purchase of products	Leases on factories
Dispen Pak Japan Co., Inc.	Chofu, Tokyo	140 million yen	Production and sale of foodstuffs, and subdividing and packing work	51.0	D or CA Employees 2 5	232 million yen	Purchase of products	Leases on factories
Shiba Seisakusyo Co., Ltd.	Kawasaki, Kanagawa	10 million yen	Production of machinery and equipment	100.0	D or CA Employees 1 4	None	Purchase of machinery and equipment	None
Potato Delica Co., Ltd.	Azumino, Nagano	200 million yen	Production of frozen and chilled foods	66.6 (0.9)	D or CA Employees 3 3	431 million yen Liabilities for guarantee 20 million yen	Purchase of products	Leases on factories
Saika Co., Ltd.	Ome, Tokyo	50 million yen	Production and sale of pickles	100.0	D or CA Employees 1 2	1,917 million yen Liabilities for guarantee 50 million yen	Purchase of products	Leases on land and offices
Deft Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Sale of seasonings, chilled foods and foodstuffs	100.0	Employees 4	None	Sale of products	Leases on offices

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note 1)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
K-System Co., Ltd.	Machida, Tokyo	50 million yen	Consigned clerical work	80.0	D or CA Employees 2 5	240 million yen	Consignment of clerical work	Leases on offices
K pack Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	30 million yen	Production and sale of seasonings	100.0	D or CA Employees 1 5	1,084 million yen	Purchase of products	Leases on offices
Hangzhou Q.P. Foods Co., Ltd.	Zhejiang Province, China	100 million yuan	Production and sale of foodstuffs	60.0 (5.0)	D or CA Employees 1 3	145 million yen Liabilities for guarantee 483 million yen	None	None
S.Y. Promotion Co., Ltd.	Koto-ku, Tokyo	200 million yen	Transportation	93.4 (51.0)	Employees 2	None	Consignment of transportation services	None
Seto Delica Co., Ltd.	Seto, Aichi	30 million yen	Production and sale of ready-to-eat foods	96.7 (96.7)	Employees 6	503 million yen	None	None
Ishikari Delica Co., Ltd.	Teine-ku, Sapporo, Hokkaido	30 million yen	Production and sale of ready-to-eat foods	100.0 (100.0)	Employees 4	370 million yen	None	None
Hanshin Delica Co., Ltd.	Itami, Hyogo	10 million yen	Production and sale of ready-to-eat foods	100.0 (100.0)	Employees 4	405 million yen	None	Leases on factories
Salad Club Co., Ltd.	Fuchu, Tokyo	300 million yen	Processing and sale of fresh vegetables	51.0	D or CA Employees 2 2	None	Purchase of products	Leases on factories
Y.M. Kyuso Corporation	Inagi, Tokyo	82 million yen	Warehousing and transportation	52.4 (52.4)	None	None	None	None
Beijing Q.P. Foods Co., Ltd.	Huairou District, Beijing, China	42 million yuan	Production and sale of foodstuffs	65.0	D or CA Employees 1 4	98 million yen Liabilities for guarantee 81 million yen	None	None
Kewpie Ai Co., Ltd.	Machida, Tokyo	30 million yen	Consigned clerical work	100.0	D or CA Employees 3 3	None	Consignment of clerical work	None
Hashikami Q.P. Co., Ltd.	Hashikami-cho, Sannohe-gun, Aomori	10 million yen	Production and processing of foodstuffs; outsourced work	100.0	D or CA Employees 1 3	None	Consignment of production	Leases on factories
Salad Mate Co., Ltd.	Shinjuku-ku, Tokyo	10 million yen	Sale of seasonings and processed foods	100.0	Employees 2	None	Sale of products	None
Tosu Q.P. Co., Ltd.	Tosu, Saga	10 million yen	Production and processing of foodstuffs; outsourced work	100.0	Employees 2	None	Consignment of production	Leases on factories
Tosu Delica Co., Ltd.	Tosu, Saga	10 million yen	Production and sale of ready-to-eat foods	100.0 (100.0)	Employees 3	None	None	Leases on factories
Kayaka Co., Ltd.	Ayabe, Kyoto	30 million yen	Processing of agricultural products; outsourced work	100.0	D or CA Employees 1 3	402 million yen	Consignment of production	Leases on factories
Kitakami Delica Co., Ltd.	Kitakami, Iwate	20 million yen	Production and sale of ready-to-eat foods	100.0 (100.0)	Employees 5	1,245 million yen	None	None
Sai Delica Co., Ltd. (Note 4)	Miyaki-cho, Miyaki-gun, Saga	98 million yen	Production and sale of ready-to-eat foods	49.0 [51.0]	D or CA Employees 2 4	1,120 million yen	None	None
Fujiyoshida Kewpie Co., Ltd.	Fujiyoshida, Yamanashi	10 million yen	Production and processing of foodstuffs; outsourced work	100.0	Employees 2	32 million yen	Consignment of production	Leases on factories

(Notes) 1. Figures in parentheses under "Voting rights percentage" indicate the proportion of indirect ownership.

2. Net sales registered by Q.P. Egg Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's net sales. Its major profit/loss information is as follows:

Net sales	¥58,340 million
Ordinary income	¥ 1,951 million
Net income	¥ 1,116 million
Shareholders' equity	¥ 5,630 million
Total assets	¥17,133 million

3. a. K.R.S. Corporation is classified under Japanese tax law as tokutei kogaisha, a special category of subsidiary.

b. Net sales registered by K.R.S. Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales. As K.R.S. Corp. submits its own annual securities report to the Commissioner of the Financial Services Agency, however, specific details regarding its major profit/loss information are not published here.

4. a. K.R.S. Corporation and Sai Delica Co., Ltd. are treated as subsidiaries, even though the voting rights held by Q.P. as a percentage of total voting rights are below 50%, in view of the effective control exerted over their management.

b. In the "Voting rights percentage" column, the figure shown in square brackets indicates the voting rights resulting from indirect shareholdings.

(3) Affiliated companies applied the equity method

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note 1)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
Summit Oil Mill Co., Ltd.	Chiba, Chiba	97 million yen	Production of vegetable oil	49.0	D or CA Employee 1 1	None	Purchase of products	None
Aohata Corporation (Notes 2 & 3)	Takehara, Hiroshima	644 million yen	Production and sale of canned foods	16.1 (0.4)	D or CA 3	None	Purchase of products	None
Kunimi Nosankako Co., Ltd. (Note 2)	Kunisaki, Oita	80 million yen	Production and sale of frozen and chilled foods	17.5	Employee 1	530 million yen	Purchase of products	None
Henningsen Van Den Burg B.V.	Waalwijk, the Netherlands	Euro 5,127 thousand	Production and sale of dried eggs	50.0 (50.0)	None	None	Purchase of products	None
To Solutions Co., Ltd.	Shinjuku-ku, Tokyo	90 million yen	Planning, development, sale, maintenance and operational support of computer systems	20.0	D or CA 1	None	Consignment of calculation work, etc.	Renting of office equipment

- (Notes) 1. Figures in parentheses under "Voting rights percentage" indicate the proportion of indirect ownership.
2. Although the proportion of shares held by the Company is less than 20%, the Company exercises substantial influence; thus the companies are included in the scope of equity-method affiliated companies.
3. The Company submits its own annual securities report to the Commissioner of the Financial Services Agency.

(4) Other affiliated company

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
Nakashimato Co., Ltd.	Shibuya-ku, Tokyo	50 million yen	Sale of processed food	20.4 (3.2)	D or CA 4	None	Purchase of products, etc.	Leases on offices

(Note) Figure in parentheses under "Voting rights percentage" indicates the proportion of indirect ownership.

4. Employees

(1) The Company and its consolidated subsidiaries

(as of November 30, 2006)

Business segment	Number of employees	
Foodstuffs	6,748	(7,635)
Distribution	2,057	(839)
Total	8,805	(8,474)

- (Notes) 1. Employee figures shown outside parentheses indicate registered regular employees and long-term special contract employees, excluding the Group employees dispatched outside the Group but including workers from outside employed within the Group on dispatch. Figures within parentheses indicate short-term contract non-regular employees and workers hired on a daily, weekly or seasonal basis.
2. Figures for employees of consolidated subsidiaries are those as of September 30, 2006, with the exception of K.R.S. Corporation.

(2) The Company

(as of November 30, 2006)

Number of employees	Average age	Average years of service	Average annual salary
2,475 (1,018)	35.7	11.3	5,846,744 yen

- (Notes) 1. Employee figures shown outside parentheses indicate registered regular employees and long-term special contract employees, excluding the Company employees dispatched outside the Company but including workers on dispatch from outside employed in the Company. Figures within parentheses indicate average number of short-term contract non-regular employees and workers hired on a daily, weekly or seasonal basis.
2. Average annual salary of employees refers to income before taxes, including overtime pay and bonuses.

(3) The workers' union

The workers' union of Q.P. Corporation, a single-enterprise union having no affiliation with any larger entity and enjoying friendly relations with the Company, was formed on July 14, 1962. As of November 30, 2006, 94 employees working in the Tokyo district were members of the union.

II. Business Operations

1. General

(1) Business performance (consolidated)

The business environment in Japan during the reporting period, ended November 2006, remained gloomy. Specifically, corporate earnings continued to improve personal income and consumer spending recovered only moderately.

Amid this situation, the Q.P. Group (Q.P. Corporation, its consolidated subsidiaries, and affiliates under the equity method) recorded net sales of ¥456,067 million, up ¥1,060 million (0.2%) year-on-year.

Operating income rose ¥1,329 million (10.4%) year-on-year to ¥14,159 million, principally as a result of enhancing our capabilities to absorb the impact of fluctuation in market prices for eggs and making stronger recipe suggestions in the vegetables and salad segment. Ordinary income was up ¥1,433 million (11.2%) from the previous year at ¥14,262 million, while net income for the reporting period also grew ¥606 million (11.1%) year-on-year, to ¥6,071 million.

Turning to matters not directly related to day-to-day business operations, the Group continued its work toward establishing a Groupwide legal compliance and risk management systems in accordance with the internal control system as decided at the Board of Directors' meeting in May.

(2) Business overview by segment

[Foodstuffs Business]

In the foodstuffs industry, companies made moves to distinguish themselves from their rivals through offering superior functional food products. This was in response to recent government efforts to ensure food safety with the adoption of the positive list system (regulated by a law that prohibits foods that contain residues of agricultural chemicals by specifying permissible substances and establishing the maximum residue limits), as well as to a greater interest in health and an increasing concern over the aging of the population and the declining birthrate.

In these circumstances, the Q.P. Group took various measures to catch the consumer's eye in all of its foodstuff business segments, developing and expanding high-value-added products that exploit its unique technologies. We also carried out a range of sales promotion activities for our mainstay mayonnaise and salad dressing products and made recipe suggestions that match up with the fresh vegetables available at each season to boost demand.

On the materials procurement side, both egg and edible oil prices became stable during the reporting period.

As a result of the above, sales of the foodstuffs business edged down by ¥1,193 million, or 0.3% year-on-year, to ¥366,581 million, due largely to the stabilization of egg prices in the egg business. Operating income grew ¥2,304 million, or 16.0% year-on-year, to ¥16,661 million.

The following is a detailed breakdown by product of the business performance of the foodstuffs business.

a) Mayonnaise and dressings

Sales growth was seen in *Kewpie Defe*, which supports healthy diet and approved by the Ministry of Health, Labour and Welfare as a food for specified health use; non-oil and low-calorie dressings; *Roasted Sesame Dressing*, featuring an improved flavor; the *Tasty Dressings* line; and *Cobb Salad Dressing* and *Caesar's Salad Dressing*, whose recipe campaigns were linked to marketing for commercial-use products. As a result, total sales in this category was ¥117,363 million, a year-on-year increase of ¥2,152 million, or 1.9%.

b) Fruit applications and cooked foods

Favorable sales growth was posted by *Aeru Pasta Sauce* series, reflecting aggressive advertising efforts, as well as pasta sauces such as authentic, easy-to-cook *Italiane* and *Oil Sauce*. Likewise,

mineral water products recorded brisk sales. Nonetheless, total segment sales remained at almost the same level as the previous year at ¥50,242 million.

c) Egg products

Strong sales were recorded for thick omelets and scrambled eggs, which leverage the Company's own technologies. However, sales of raw materials, whose prices are linked to those in the market, dropped due to the impact of stabilizing egg prices. Consequently, total segment sales dropped ¥4,378 million year-on-year, or 4.9%, to ¥85,819 million.

d) Healthcare products

Sales growth was seen in nursing care foods, which integrated suggestions received from care receivers and medical facilities. However, sales of pharmaceutical equipment and soft-bag packaged liquid foods fell below the previous year's levels. As a result, total segment sales declined ¥1,693 million year-on-year, or 11.3%, to ¥13,259 million.

e) Vegetables and salads

An increase in sales was posted for cut vegetables, which recorded an expansion in orders from mass-sales retail stores and carried out new recipe campaigns. Sales of salads, which responded to customer demand and expanded its lineup, also grew. Due to these factors, total sales of this segment rose ¥2,741 million year-on-year, or 2.8%, to ¥99,896 million.

[Distribution Business]

Against the backdrop of further hikes in fuel prices, the Q.P. Group's distribution business faced a challenging business environment, marked by competition with rival companies over securing consignment contracts, as well as a decline in per-unit fees for distribution services triggered by ongoing price drops of food products.

In this environment, the Q.P. Group expanded the scope of its operations of distribution centers for retailers. In addition, solid growth was seen in asset-based third-party logistics service (provision of optimized distribution systems that cater to the customers' individual needs) by focusing on suggesting customers such logistics as to boost profitability.

Consequently, sales of the Distribution Business for the reporting period rose ¥2,252 million year-on-year, or 2.6%, to ¥89,485 million. However, operating income dropped ¥705 million year-on-year, or 17.5%, to ¥3,316 million, due mainly to increased unit procurement price of fuel and higher expenses incurred from launching new businesses.

(3) Cash flows

Income before income taxes and minority interests came to ¥13,294 million, depreciation expenses amounted to ¥12,162 million, and notes and accounts payable increased ¥6,572 million.

Meanwhile, an increase in notes and accounts receivable amounted to ¥7,538 million and an increase in prepaid pension costs amounted to ¥3,710 million.

As a result, net cash provided by operating activities, on a consolidated basis, came to ¥21,443 million for the reporting period, up from ¥15,686 million for the previous term.

Net cash provided by investing activities amounted to ¥16,589 million, up from ¥11,625 million for the previous term, as a result of capital investment amounted to ¥13,982 and purchase of investment securities amounted to ¥1,445 million.

Net cash used in financing activities amounted ¥3,187 million, down from ¥7,415 million for the previous term. An increase in short-term loans payable and long-term loans payable amounted to ¥4,579 million, while dividend payments amounted to ¥2,146 million.

As a result, cash and cash equivalents at the reporting term-end amounted to ¥21,212 million, which represents an increase of ¥8,085 million from the previous term-end.

Note: Figures shown in "II. Business Operations" are exclusive of consumption taxes.

2. Market and Order-Based Production, and Sales

(1) Market production

The value of production for the term under review is shown below.

(millions of yen)

Business segments	Term under review (from December 1, 2005 to November 30, 2006)	Year-on-year change (%)
Foodstuffs	215,595	99.5
Total	215,595	99.5

(Notes) 1. No production is involved in the distribution business.
2. Consumption taxes are not included in the above figures.

(2) Purchasing

A segmental breakdown of the value of purchases by the Group for the term under review is shown below.

(millions of yen)

Business segments	Term under review (from December 1, 2005 to November 30, 2006)	Year-on-year change (%)
Foodstuffs	51,778	96.7
Distribution	7,656	113.8
Total	59,435	98.6

(Note) Consumption taxes are not included in the above figures.

(3) Order-based production

The Group does not engage in order-based production.

(4) Sales

The following is a segmental breakdown of sales by the Group for the term under review.

(millions of yen)

Business segments	Line of products	Term under review (from December 1, 2005 to November 30, 2006)	Year-on-year change (%)
Foodstuffs	Mayonnaise and dressings	117,363	101.9
	Fruit applications and cooked foods	50,242	100.0
	Egg products	85,819	95.1
	Healthcare products	13,259	88.7
	Vegetables and salads	99,896	102.8
	Sub-total	366,581	99.7
Distribution		89,485	102.6
Total		456,067	100.2

3. Tasks Ahead

The Q.P. Group's three-year medium-term management plan, covering the period from December 1, 2006 to November 30, 2009, aims to achieve, in the last fiscal year, net sales of ¥500,000 million, operating income of ¥21,000 million (4.2% in operating income margin), ordinary income of ¥20,800 million, net income of ¥10,000 million, and return on assets (ROA) of 7.0% by fiscal 2009.

The inclusion of return on assets (ROA) in our numerical goals reflects our resolve to realize management that puts shareholders and investors first and improve asset efficiency.

(1) Business Strategy of the medium-term business plan

The basic strategy of the Q.P. Group's medium-term management plan calls for strengthening of profit capabilities and entry into growth fields. To these ends, we will make a Group-wide effort to boost our enterprise value.

Strengthen profit capabilities	Gravitate to growth areas
1. Reform profit structure and establish health-care product business 2. Advance as a technology-oriented company 3. Reduce costs Group-wide	1. Respond to wishes of health-conscious consumers 2. Strengthen business development in food service market 3. Promote overseas expansion

(2) Business strategies for achieving the goals of the plan

Business Segments	Business Strategies
Condiments and processed foods (comprising "Mayonnaise and dressings" and "Fruit applications and cooked foods")	Respond to wishes of health-conscious consumers and accelerate entry to the food service market 1. Improve and expand health foods 2. Strengthen business developments in the food service market 3. Expand condiments for salads
Health function products (comprising "Healthcare" and "Fine chemicals," a new segment currently categorized under "Eggs")	Provide health and function products both in Japan and overseas, leveraging the Q.P. Group's unique technology and scientific knowledge 1. Expand sales channels - Full-fledged development of specialized mail-order business for home healthcare - Penetration into the Asian market - Increased exports to the U.S. and Europe 2. Enhance product competitiveness - Expand and improve foods for nephropathy and diabetic patients - Expand high-functional hyaluronic acid and plant sterol - Put priority on "allergy awareness" with baby foods

Egg products (Fine chemicals will be categorized under "Health and function products")	With renewed strength, focus on expanding sales channels and enhancing product competitiveness 1. Expand sales channels 2. Accelerate market differentiation by exploiting technological expertise 3. Endeavor to meet wishes of health-conscious consumers
Salads and prepared foods ("Vegetables and salads" renamed)	Achieve higher profit by strengthening the ability to create new markets and streamlining operations 1. Improve recipe development capabilities 2. Become more sensitive to the increasingly health-conscious market 3. Foray into new fields 4. Enhance productivity
Distribution systems	Expand sales and profit by improving functions and service quality 1. Expand and improve functions and service quality 2. Promote low-cost operations 3. Launch a business that identifies idle trucks for delivery job assignments 4. Enter new areas

4. Operational Risks

Among the various factors relating to the business operations and financial conditions of the Company described in this Report that may exert a significant effect on the decisions of investors are the following matters.

The Q.P. Group, in full recognition of the risks inherent in the Group's business, takes all reasonable measures to lower the degree of risk without prejudice to the conduct of viable business operations. An overview of the risks involved is given below, but this is not intended to be an exhaustive list of all risks attendant on the Group's business operations.

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

(1) Movements in the mayonnaise and dressing markets

Mayonnaise and dressings contribute the greatest proportion of both sales and profits to the Group. Consequently, in the event of a shrinkage in the domestic market for mayonnaise and/or dressings as a result of a decline in demand, or in the event that the market share of the Company's products falls sharply owing to competition with other makers' products, the business performance and financial position of the Q.P. Group would be severely impacted. In respect of short-term fluctuations, too, the volume of consumption of mayonnaise and dressings is affected by fluctuations in the prices of vegetables.

In view of these risks, the Group is working to decrease its reliance on mayonnaise and dressings by expanding the scale of its other business fields and diversifying into yet more new operational fields. In fact, the proportion of total Group sales and profits accounted for by mayonnaise and dressings is growing gradually smaller: for the reporting period, on a consolidated basis, the figure was 25.7% of total sales.

We make constant efforts to update our mayonnaise and dressing product line to correspond

with changes in consumer preferences, developing and advertising new dishes, recipes, and conducting continuous cost-cutting initiatives involving close collaboration among all our business units. In these ways, we aim to stimulate the market by uncovering new areas of latent demand, and at the same time strengthen our competitiveness. We are also planning to expand our business in the promising Chinese market, particularly in mayonnaise and dressings.

(2) Fluctuations in the prices of principal ingredients

The principal ingredients from which the products of the Q.P. Group are made consist of hens' eggs and edible oils.

Our procurement of hens' eggs is conducted under annual fixed-volume contracts with major egg producers, as well as fixed-price contracts, and supplementary spot contract purchases on the open market and imports from overseas suppliers. We have long-established relationships of trust with major producers of edible oils. In principle, we do not buy oil through spot purchases, but under long-term contracts that assure us of sufficient supply well in advance. In the case of both eggs and oil, we take all reasonable measures to ensure that we have the necessary volume, at a reasonable cost.

In the Egg Business, we also make constant effort to improve response to fluctuations in the market prices as increased in line between price and hens' eggs market.

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

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

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

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

Simultaneously, we place great importance on ensuring a high level of concern for product quality among our employees. To this end, we both ensure that all employees are fully informed about all the issues involved, and possess the skills required to maintain high standards of hygiene and to rectify errors. This training is accomplished both through on-the-job training and through special study courses, and we constantly remind our staff that the very existence of the Company and the Group is predicated on the public's perception of us as a trustworthy organization that can be relied on to supply safe, high-quality products.

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

(4) Relationship with the affiliated company Nakashimato Co., Ltd.

Nakashimato Co., Ltd. an affiliated company, is the largest shareholder (including indirectly) in Q.P. Corporation, holding shares conferring 20.4% of the voting rights of the Company.

Nakashimato also plays an important role in the marketing of the Company's products. Thus, a change in the relationship between the two companies would have a major effect on the business performance and financial position of Q.P. Group.

At present, however, no particular problems exist with regard to the relationship between Nakashimato Co., Ltd. and Q.P. Corporation, and the two parties are expected to maintain good relations into the foreseeable future, including a stable trading relationship.

Further details regarding Nakashimato Co., Ltd. and its trading relationship with the Company are given in Section 5. Material Contracts, and in V. Financial Conditions, Section 1. (1) Consolidated Financial Statements: related-party transactions.

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

Revenue of the Group's distribution business, all of which is handled by K.R.S. Corporation (a consolidated subsidiary of Q.P. Corporation) and its subsidiaries, for the reporting term amounted to ¥89,485 million (19.6% of total Group revenues), and operating income came to ¥3,316 million (16.6% of the Group total). All of above are contributed by K.R.S Corporation and its subsidiaries.

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

In order that the Q.P. Group continue to grow in the future, the management of Q.P. Corporation recognizes that it is necessary to secure an efficient and competitive foodstuffs distribution service, as high-quality storage and delivery of food products is a key element in realizing the safety and reliability that forms the basis of the Company's business. That being so, it is a firm part of the management policy of Q.P. Corporation to maintain the status of K.R.S. Corporation as a consolidated subsidiary, in which capability we are confident that it will contribute to raising the enterprise value of the Group as a whole.

5. Material Contracts

A summary of the relationship with Nakashimato Co., Ltd. and the basic purchase contract are as follows:

(1) The relationship with Nakashimato Co., Ltd.

Nakashimato Co., Ltd. has consistently been the largest shareholder of Q.P. Corporation, and previously held the exclusive right to sell Q.P. products. In December 1972, the Company acquired from Nakashimato Co., Ltd. the right to sell its own products, and concluded a basic purchase contract with Nakashimato Co., Ltd. to take over its sales network as well as its rights to distribute foodstuffs manufactured elsewhere, including canned and frozen foods.

(2) The basic purchase contract

QP Corporation purchases a portion of group-produced bottled, canned, and frozen foodstuffs which it plans to sell subsequently, via Nakashimato Co., Ltd. The basic purchase contract was concluded with Nakashimato Co., Ltd. on December 1, 1972, which is reviewed every year and renewed automatically on the agreement of both parties.

6. Research and Development

In addition to its basic commitment to ensuring a high level of product quality and safety, the Q.P. Group also dedicates itself to producing and selling tastier and healthier foods at reasonable prices.

In line with this corporate stance, we carry out extensive research and development in all our separate lines of business — mayonnaise & dressings, fruit applications & cooked foods, egg products, healthcare products, and vegetables & salads.

Research and development is carried out through close cooperation among the Company Laboratory, Technical R&D Division, Laboratory of Horticulture, and the R&D facilities of consolidated subsidiaries at home and abroad, including Kewpie Jyozo Co., Ltd., Kanae Foods Co., Ltd., Co-op Food Products Co., Ltd., Potato Delica Co., Ltd., Henningsen Foods, Inc., Beijing Q.P. Foods Co., Ltd. and Hangzhou Q.P. Foods Co., Ltd.

The Company Laboratory, the core of the Q.P. Group's R&D activities, develops original technologies and conceives new ideas for the employment of raw materials, striving to create and nurture the best products. The Company Laboratory in close collaboration with the Group's R&D divisions, played a crucial role in creating original and competitive products as part of its product development program.

The reporting consolidated fiscal year is the final year of our three-year medium-term business plan. Under the plan, the Company Laboratory took leadership in developing products that reflect customer needs and feature uniqueness and superior competitiveness. This was achieved through collaboration among the Q.P. Group's R&D departments based on the product development plan.

Under the three-year medium management plan, the Q.P. Group has been strengthening its R&D framework, aiming to acquire an R&D capability that will be recognized around the world. At the Company Laboratory, the following five centers play a central role to improve on R&D capability: the Fundamental Technology Center, which moves ahead on boosting products quality leveraging the Company's outstanding capacity for raw materials and technology development; the Product Development Center; the Prepared Foods Development Center; the Egg R&D Center; and the Health and Functional Foods Development Center, all of which carry out product development in accordance with the business strategy set by the Company.

In addition to food R&D, the Technical R&D Division, with its in-house information technology, develops production lines and computer software that will raise the level of production efficiency of the Group, and enhance their quality assurance systems. At the Laboratory of Horticulture, staff members are working on study for its low energy cost at TS Farm, cultivation facility, using such as solar light.

Total research and development expenses for the Group for the term under review amounted to ¥3,196 million on a consolidated basis.

The following is a summary of the research and development activities of each business segment.

(1) Foodstuffs business

During the reporting period, the Group's basic technology research efforts included participation at the International Association for Food Protection, where the Q.P. Group presented a poster titled, "Inactivation of Avian Influenza Virus in Disinfectants and in Egg Products (Mayonnaise)." Presentations given at other conferences were "Inoxidization of Egg White Peptide" at the 53rd meeting of the Japanese Society for Food Science and Technology; "Emulsion Stability of Acidic Egg Whites by Compound Emulsion Formation" at the 2006 Annual Meeting of Japan Society for Bioscience, Biotechnology, and Agrochemistry; and "Evaluation of Preservation Properties of Oxygen-impermeable Soft Plastic Bottles" at the 15th Annual Meeting of the Society of Packaging Science & Technology, Japan.

On the product development front, in the Mayonnaise and Dressings business, we launched *Cobb Salad Dressing* for both commercial and household use, as well as three new flavors in the Tasty Dressings line. Other new products included *Green Perilla (With Leaf of Acmella)* in the Non-Oil Dressings line and *Light and Salty*, a low-calorie dressing. In bread spreads, we introduced

Vegetable and Beans and *Cheese and Mayonnaise*. To respond to increasing demand for healthier products, we also launched *Quarter* and *Liquid Type Taratar Sauce*, both of which are salad condiments that use functional units having medium-chain triglyceride. In products for commercial use, 11 mayonnaise products, 41 types of dressings, and 54 varieties of salad dressings and traditional Japanese sauces in small containers (one-person servings and similar).

In the Fruit Applications and Cooked Foods business, we launched eight items in the *Italiante* line, as well as *Salt and Green Onions Japanese Style* and *Italian Taste* in oil pasta sauces and *Japanese Takana Pickles* in our series of mix-and-serve dressings. Moreover, in our *Verde Whip* line, we launched *Black Sesame Whip* and *Almond Whip* spreads. We also introduced *Quick Minestrone* for easy cooking. Finally, in commercial-use products, we developed sauces for convenience stores, fast food restaurants, and other types of restaurant, in addition to launching sauces for quality gourmet sauces for professional results with minimal effort.

Turning to the Egg Products business, in the field of egg material products, we developed *Excel Egg HV*, which not only has versatile applications as liquid eggs, but also features good whipping, stickiness, and adhesiveness. *Tasty Eggs*, which have a distinct savory flavor, was also launched. In dried eggs, we developed *Dried Egg Whites M Type No. 200*, which feature superior performance in preventing pasta from absorbing too much water, as well as *Freeze-dried Cooked Egg Powder*, which retains the flavor of cooked eggs. Meanwhile, in processed egg products, we developed low-cholesterol egg spreads. In addition, we marketed pre-oven-baked quiche as a new product category. Finally, in the Snow-man brand, we launched *Retort Pouch Beef-Egg Rice Bowl*, *Retort Pouch Pork-Egg Rice Bowl*, and *Egg Shrimp (Korean Pancake Style)*, while introducing *Soft Egg Spread* in the EXCEED brand.

As for the Healthcare Products business, in baby foods we launched bottled and powder foods for weaning babies, which are labeled on the front with at-a-glance ingredients information on wheat, eggs, and milk, the major causes of food allergies during the weaning period. Furthermore, we integrated the *Diet Sengen* series under the new *Healthy Q.P.* brand, and launched *Thick Brown-Rice Broth* and *Agar Noodles*. We also marketed *Unit Calorie Gourmet* and *Calorie Choice*, delicious meals for consumers who want to improve their diet and control their caloric intake, as well as low-protein *Janef Protein Control* series for kidney disease patients. In liquid foods, we renewed the *Janef Liquid Diet* series, featuring long-lasting effects, which now come in new easy-to-use, easy-to-dispose containers. Meanwhile, in foods for home nursing care, we marketed *Instant Arrowroot Gruel Ginger Flavor* and *Instant Arrowroot Gruel Red Bean Flavor*. Finally, in fine chemicals, we launched HA-LF5, a fermented hyaluronic acid for food with a molecular mass of less than 50,000 and *Qsterol*, a plant sterol that is more water dispersible than the previous version.

In Vegetables and Salad segment, we made improvements to the ingredients in packaged salads and introduced *Three Type Bean Cobb Salad*, *Spicy Chicken Cobb Salad*, and *Caesar's Salad With Half-boiled Egg*. We also developed new salads for mass retailers. In the new packaged salad category, we introduced *Salad With Soup*. Meanwhile, in the Long-Life Salad series, we launched the frozen salads, *Yams and Okra and Shrimp Tartar*, in addition to *Chicken With Roasted Nuts*, *Chili Beans Salad*, *Onion Salad (Cod Roe Flavor)*. Furthermore, in PB salads, we introduced new products such as *Sweet Chili Filling* and *Colorful Hijiki Salad*. Finally, new products in fresh salads included *Meaty Shrimps in Aurora Sauce*, *Cobb Salad*, and *Colorful Burdock Salad*, all of which targeted large-scale mass retailers.

In addition to the product developments described above, we began shipping chervil (a type of herb) and edible beets (Detroit) from the Laboratory of Horticulture. Meanwhile, the Kewpie Jyozo Co., Ltd. (a consolidated subsidiary) launched *Kewpie Pure Crude Wheat Black Vinegar*, *Kewpie Black Vinegar and Five Grain Drink*, and *Kewpie Plum Vinegar and Apple Vinegar Drink*. Finally, Hangzhou Q.P. Foods Co., Ltd. (a consolidated subsidiary in China) introduced Japanese taste salad dressings and low-sugar jams to the consumer.

As a result of the development efforts described above, R&D costs of the Foodstuffs segment for the reporting period came to ¥3,196 million.

(2) Distribution business

There is nothing to report regarding R&D of this segment for the reporting period.

7. Financial Position and Business Performance

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

(1) Summary of significant accounting policies and the use of estimates

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

The basis of preparation for consolidated financial statements is described in V. Financial Conditions. We consider the following significant accounting policies to have a material effect on our estimates.

a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for on the amounts calculated by an estimated uncollectible rate to general credit in consideration of the past actual bad debt losses, plus on the estimated uncollectible amounts in consideration of the possibility of collection to specific credits of apprehension credits of bad debt, etc. The possibility cannot be ruled out that additional provision is required and that larger losses will be recognized than our current estimate in the event of deterioration in our customers' financial position and payment capabilities.

b) Impairment losses on investments in securities

Other securities (including investments in securities) with fair value are stated at market price, and those with no fair value are stated at cost. Based on reasonable criteria, the Company recognizes impairment losses on investment securities, taking into consideration declines in prices of equity shares and the deterioration of the business performance of companies in which the Company has invested.

We have posted losses under accounting for impairment and currently have no investments in securities subject to such accounting. In the future, however, impairment losses could be generated as the possibility of recognition of losses and defaults cannot be ruled out.

c) Deferred tax assets

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

(2) Analysis of business performance

a) Sales

Net sales increased by ¥1,060 million, or 0.2%, year-on-year to ¥456,067 million on a consolidated basis. By segment, sales of the Foodstuffs Business decreased ¥1,193 million, or 0.3%, year-on-year, to ¥366,581 million, mainly as a result of the effect of egg prices in the Egg business during the term.

Sales of the Distribution Business rose by ¥2,252 million, or 2.6%, year-on-year, to ¥89,485 million. This was due largely to a larger scope of consignment contracts received and marketing efforts that focused on improving profitability.

b) Operating income

Operating income registered a year-on-year increase of ¥1,329 million, as 10.4%, to ¥14,159 million. By segment, operating income for the Foodstuffs Business was 16,661 million, an increase

of ¥2,304 million, or 16.0%, year-on-year. Main attributable factors include enhanced capabilities to absorb the impact of fluctuation in market prices for eggs and stronger recipe suggestions in the vegetables and salad segment.

Sales of the Distribution Business decreased by ¥705 million, or 17.5%, year-on-year, to ¥3,316 million, due to increased costs related to launching new businesses and failure to adequately carry out plans to streamline operations.

c) Ordinary income

Non-operating income rose ¥104 million year-on-year due to an increase of interest income and dividend receivable amounted to ¥103 million. As a result, ordinary income was ¥14,262 million, an increase of ¥1,433 million, or 11.2%, year-on-year.

d) Net income

Net extraordinary gains/losses came to a loss of ¥968 million, mainly consisting of an increase of gains on sales of fixed assets, a decrease of gain on sales of investment in securities, an increase of loss on sales of fixed assets, and a decrease of effects of the amendments on the application of the new accounting standards for retirement benefits.

As a result of the above, income before income taxes and minority interests amounted to ¥13,294 million, an increase of ¥1,270 million, or 10.6%, year-on-year. Income taxes amounted to ¥4,846 million, deferred income taxes to ¥1,270 million, and minority interests to ¥1,105 million. Consequently, net income posted a year-on-year increase of ¥606 million, or 11.1%, to ¥6,071 million.

Earnings per share for the fiscal year under review came to ¥39.66 for the reporting period (compared with ¥35.25 for the previous term), and the return on equity (ROE) came to 4.5% (compared with 4.2% for the previous term).

(3) Financial position

a) Assets

Current assets improve by ¥18,002 million year-on-year, to ¥118,519 million. This was largely due to a ¥9,026 million increase in cash and deposits and a ¥7,623 million rise in notes and accounts receivable—trade, owing partly to the effects created by having a holiday as the ending date of the term for consolidated subsidiaries. Fixed assets increased by ¥6,607 million over the previous term-end, to ¥171,373 million mainly due to newly established Fujiyoshida Factory, an increase of prepaid pension expenses and investment in securities.

As a result of the above, total assets increased by ¥24,462 million over the previous term-end, to ¥290,186 million.

b) Liabilities, minority interests and shareholders' equity

Total liabilities increased by ¥18,578 million from the previous term-end, to stand at ¥133,969 million. This was mainly attributable to an increase of notes and accounts payable trade by ¥6,608 million, influenced by the fact that mainly as a result, influenced by the fact that the end of September, which was the term-end date for the consolidated subsidiaries, was a holiday, etc. The term-end balance of interest bearing liabilities increased by ¥5,206 million from the previous term-end, to ¥43,248 million.

Net assets rose ¥23,805 million from previous term's ¥132,412 million, to ¥156,217 million, as a result of higher retained earnings and the inclusion, starting the period under review, of minority interests and loss on deferred hedge, which posted ¥18,878 million and ¥5 million, respectively.

As a result, the equity ratio (shareholders' equity as a percentage of total assets) fell 2.5 percentage points to 47.3%, and total net assets per share rose ¥31.37 to ¥896.69.

c) Cash flow analysis

Further details regarding cash flow analysis during the term under review is given in II. Business Operations, Section 1. General, (3) Cash flows.

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

Term ended		Nov. 2004	Nov. 2005	Nov. 2006
Equity ratio	(%)	48.4	49.8	47.3
Equity ratio based on market price	(%)	52.7	58.6	54.6
Debt service coverage	(years)	2.5	2.4	2.0
Interest coverage ratio	(times)	27.9	29.5	42.1

(Definition)

Equity ratio = Shareholders' equity / Total assets

Equity ratio based on market price = Market value of total stock / Total assets

Debt service coverage = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest paid

(Notes)

1. Each index is calculated based on consolidated financial figures.
2. From this term, shareholders' equity is calculated using the following formula.
Shareholders' Equity = Net assets – Stock acquisition rights – Minority interests
3. Market value of total stock is calculated by multiplying the final market price by the number of outstanding shares at the end of fiscal year (excluding treasury stock).
4. Interest-bearing debt includes all debts whose interest is paid in the consolidated balance sheet.
5. "Operating cash flow" and "Interest paid" is the figure of Net cash provided by operating activities and Interest paid reported in the consolidated statements of cash flows, respectively.

III. Facilities and Equipment

1. Investments in Facilities and Equipment

As a result of continuous investments to augment, upgrade and streamline facilities, the Q.P. Group invested a total of ¥15,316 million in facilities and equipment during the term under review. These investments were part of the Company's efforts to preserve the environment and were made for the purpose of improving product safety, reducing production costs, and developing products to meet customers' needs.

Investments in facilities and equipment for the respective business segments were as follows:

[Foodstuffs Business]

The principal investments in this business segment during the term under review were for the purpose of augmenting and streamlining facilities for the production of mayonnaise and egg products as well as enhancing product quality and preserving the environment. A total of ¥12,613 million was invested in facilities and equipment for the food business segment.

[Distribution Business]

The principal investments during the term under review were made for the purpose of streamlining and upgrading warehouse facilities. A total of ¥2,654 million was invested in facilities and equipment for the distribution business segment.

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

Consumption taxes are not included in the above figures.

2. Principal Facilities and Equipment

Investments in facilities and equipment, and the number of employees working at each site on November 30, 2006 are as follows:

(1) The Company

Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and transportation equipment	Land (m ²)	Other	Total	
Hashikami Factory (Hashikami-cho, Sannohe-gun, Aomori)	Foodstuffs	For frozen, chilled and retort foods	1,015	647	553 (46,365)	20	2,236	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Foodstuffs	For mayonnaise and dressings, egg products	4,683	2,962	3,661 (214,655)	47	11,355	191 (118)
Sengawa Factory (Chofu, Tokyo)	Foodstuffs	For mayonnaise and dressings, frozen and chilled foods	1,999	1,615	24 (16,571)	41	3,681	131 (126)
Nakagawara Factory (Fuchu, Tokyo)	Foodstuffs	For mayonnaise and dressings, frozen and chilled foods, canned foods	5,101	2,117	415 (79,848)	34	7,668	173 (246)
Fujiyoshida Factory (Fujiyoshida, Yamanashi)	Foodstuffs	For mayonnaise and retort foods	2,377	1,120	272 (59,399)	16	3,786	1 (7)
Koromo Factory (Toyota, Aichi)	Foodstuffs	For mayonnaise and dressings, egg products, frozen and chilled foods	1,262	1,786	16 (37,876)	21	3,087	211 (170)
Itami Factory (Itami, Hyogo)	Foodstuffs	For mayonnaise and dressings, egg products, frozen and chilled foods	2,980	2,377	2,113 (36,138)	37	7,509	154 (197)
Izumisano Factory (Izumisano, Osaka)	Foodstuffs	For mayonnaise and dressings, egg products, frozen and chilled foods	1,045	641	663 (18,576)	10	2,361	68 (80)
Tosu Factory (Tosu, Saga)	Foodstuffs	For mayonnaise and dressings, egg products, canned foods, frozen and chilled foods	1,880	1,795	363 (53,958)	19	4,058	1 (—)
Head Office (Shibuya-ku, Tokyo)	General control	For others	458 [6,156]	305	6 (433)	137	907	523 (38)
Tokyo Branch and other 10 branches and 23 sales offices	Foodstuffs	For others	61 [16,641]	1	— (—)	41	103	800 (21)
Laboratory (Fuchu, Tokyo)	Foodstuffs	For research and development	1,031	149	31 (7,261)	166	1,380	218 (2)
Kobe Distribution Center (Kobe, Hyogo)	Foodstuffs and distribution	For warehousing and distribution	1,570	273	4,555 (31,105)	1	6,400	3 (13)

- (Notes) 1. "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
2. The figures in brackets under Buildings and structures indicate the total area [m²] of leased properties.
3. Under Number of employees, the figures in parentheses indicate the number of temporary employees.

(2) Domestic subsidiaries

Trade name	Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and transportation equipment	Land (m ²)	Other	Total	
Q.P. Egg Corporation	Niigata Factory (Niigata, Niigata)	Foodstuffs	For foodstuffs	70	6	580 (4,648)	0	657	33 (9)
	Kurimoto Center (Katori, Chiba)	Foodstuffs	For foodstuffs	342	18	623 (10,511)	0	985	35 (15)
	Nishinomiya Office (Nishinomiya, Hyogo)	Foodstuffs	For foodstuffs	115	6	346 (4,007)	0	469	36 (4)
Kewpie Jyozo Co., Ltd.	Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Foodstuffs	For foodstuffs	861	498	1,802 (29,788)	59	3,222	67 (88)
	Shiga Factory (Aisyo-cho, Echi-gun, Shiga)	Foodstuffs	For foodstuffs	1,039	619	88 (20,265)	63	1,811	41 (48)
K.R.S. Corporation	Hokkaido Bloc (Ishikari, Hokkaido)	Distribution	Trucking and warehousing	982	54	706 (20,530)	2	1,745	20 (14)
	Tohoku First Bloc (Miyagino-ku, Sendai, Miyagi)	Distribution	Trucking and warehousing	1,006	157	747 (35,649)	25	1,936	38 (14)
	Tohoku Second Bloc (Kahoku-cho, Nishimurayama-gun, Yamagata)	Distribution	Trucking and warehousing	334	23	170 (11,778)	0	528	17 (6)
	Kanto Bloc (Goka-machi, Sashima-gun, Ibaraki)	Distribution	Trucking and warehousing	2,767	293	6,149 (80,474)	45	9,255	78 (65)
	Osaka Bloc (Itami, Hyogo)	Distribution	Trucking and warehousing	665	119	383 (3,120)	12	1,181	96 (44)
	Chugoku-Shikoku Bloc (Higashi-Hiroshima, Hiroshima)	Distribution	Trucking and warehousing	552	103	580 (15,348)	7	1,244	18 (12)
Kanae Foods Co., Ltd.	Owari Factory (Kasugai, Aichi)	Foodstuffs	For foodstuffs	1,437	278	1,013 (22,084)	4	2,734	37 (71)
	Tsukuba Factory (Mitsukaido, Ibaraki)	Foodstuffs	For foodstuffs	1,316	518	796 (16,946)	20	2,651	49 (101)
	Tama Factory (Tama, Tokyo)	Foodstuffs	For foodstuffs	123	40	154 (934)	2	320	14 (31)
	Kasugai Factory (Kasugai, Aichi)	Foodstuffs	For foodstuffs	195	105	42 (486)	6	350	25 (71)
	Fujiyoshida Factory (Fujiyoshida, Yamanashi)	Foodstuffs	For foodstuffs	125	146	155 (5,547)	2	430	28 (90)
Gourmet Delica Co., Ltd.	Soka Factory (Soka, Saitama)	Foodstuffs	For foodstuffs	738	86	964 (5,643)	2	1,791	30 (247)

Trade name	Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and transportation equipment	Land (m ²)	Other	Total	
Daily Mate Co., Ltd.	Head Office and Factory (Ome, Tokyo)	Foodstuffs	For foodstuffs	434	85	798 (10,364)	3	1,320	50 (330)
	Ome Factory (Ome, Tokyo)	Foodstuffs	For foodstuffs	505	18	200 (4,761)	0	724	6 (100)
Deria Foods Co., Ltd.	Kitakami Delica Co., Ltd. (Kitakami, Iwate)	Foodstuffs	For foodstuffs	781	83	194 (11,526)	3	1,063	28 (160)
Co-op Food Products Co., Ltd.	Tohoku Factory (Fukushima, Fukushima)	Foodstuffs	For foodstuffs	853	393	84 (35,593)	13	1,345	62 (99)
	Kyushu Factory (Kumamoto, Kumamoto)	Foodstuffs	For foodstuffs	434	429	172 (35,418)	11	1,049	76 (155)
Dispen Pak Japan Co., Inc.	Minami-Ashigara Factory (Minami-Ashigara, Kanagawa)	Foodstuffs	For foodstuffs	436	542	836 (7,697)	5	1,820	38 (41)

- (Notes) 1. "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
2. Under Number of employees, the figures in parentheses indicate the number of temporary employees.
3. K.R.S. Corporation integrated Kanto First Bloc and Kanto Second Bloc as Kanto Service Block, and integrated Osaka First Bloc and Osaka Second Bloc as Osaka Service Block. In addition, Motomiya Office and Fukushima Representative Office of Tohoku Second Bloc were placed under the jurisdiction of Tohoku First Bloc.

(3) Foreign subsidiaries

Trade name	Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and transportation equipment	Land (m ²)	Other	Total	
Q&B Foods, Inc.	California, USA	Foodstuffs	For foodstuffs	187	169	96 (13,152)	1	455	90 (30)
Henningsen Nederland B.V.	Waalwijk, the Netherlands	Foodstuffs	For foodstuffs	296	54	33 (9,915)	7	391	33 (—)
Henningsen Foods, Inc.	New York, USA	Foodstuffs	For foodstuffs	501	526	38 (45,163)	23	1,089	240 (1)
Beijing Q.P. Foods Co., Ltd.	Beijing, China	Foodstuffs	For foodstuffs	608	240	— (—)	27	876	284 (—)
Hangzhou Q.P. Foods Co., Ltd.	Hangzhou, China	Foodstuffs	For foodstuffs	897	405	— (—)	18	1,322	260 (74)

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

IV. The Company

1. Shares

(1) Number of authorized and outstanding shares

a) Authorized shares

Class	Number of authorized shares
Common stock	250,004,000
Total	250,004,000

(Note) Partial amendment to the Articles of Incorporation was approved at the general meeting of shareholders as of February 23, 2007 and total number of shares authorized to be issued by the Company was changed to 500 million shares effective as from the same date.

b) Outstanding shares

Class	Number of shares issued		Stock exchange	Remarks
	End of term (Nov. 30, 2006)	Filing date (Feb. 26, 2007)		
Common stock	155,464,515	155,464,515	Tokyo Stock Exchange (First Section)	Refers to ordinary shares of Company stock with no voting right restrictions
Total	155,464,515	155,464,515	—	—

(2) Stock acquisition rights

No information available

(3) Principal shareholders

(as of November 30, 2006)

Trade name	Address	Number of the Company's shares held (A) (thousand)	Ratio of (A) to the total number of outstanding shares (%)
Nakashimato Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	26,371	16.96
Touka Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,872	3.13
Mizuho Trust & Banking Co., Ltd., employee pension trust, asset management service trust for beneficiary of the retrust	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,585	2.95
The Master Trust Bank of Japan, Ltd.	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	4,322	2.78
Japan Trustee Service Bank, Ltd.	8-11, Harumi 1-chome, Chuo-ku, Tokyo	4,316	2.78
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	2.73
National Mutual Insurance Federation of Agricultural Co-operatives (Zenkyoren)	7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo	4,004	2.58
Sumitomo Mitsui Banking Corp.	1-2, Yuraku-cho 1-chome, Chiyoda-ku, Tokyo	3,208	2.06
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,132	2.02
The Dai-ichi Mutual Life Insurance Company	13-1, Yuraku-cho 1-chome, Chiyoda-ku, Tokyo	3,012	1.94
Total		62,073	39.93

(4) Stock options

Nothing to report

2. Acquisition of the Company's Own Shares

[Types of shares acquired]

Common shares acquired based on a decision of the Company's Board of Directors, in accordance with Article 165, Paragraph 2 of the Corporation Law, as well as based on requests for the purchase of odd lot shares in accordance with Article 221, Paragraph 6 of the former Commercial Code; common shares as defined by Article 155, Item 7 of the Corporation Law.

(1) [Shares repurchase based on a decision at the general shareholders meeting]

No items fall into this category.

(2) [Share repurchase based on a decision by the Board of Directors]

The repurchase of common shares was approved by the Company's board of directors, in accordance with Article 165, Paragraph 2 of the Corporation Law.

Item	Number of shares	Total price (¥)
Repurchase approved at the Board of Directors meeting on January 11, 2007 (Repurchase period: January 12, 2007 – February 22, 2007)	500,000	600,000,000
Treasury shares held prior to the current fiscal year	—	—
Shares acquired during the current fiscal year	—	—
Number and market value of total voting shares outstanding	—	—
Percentage of unexercised portion as of final day of current fiscal year	—	—
Shares repurchased during the above repurchase period	365,900	377,608,800
Percentage of unexercised portion as of the document submission date	26.8%	37.1%

(3) [Shares repurchase not based on a decision by a general shareholders meeting or the Board of Directors]

Repurchase of odd lot shares, in accordance with Article 221, Paragraph 6 of the former Commercial Code, as well as Article 192, Paragraph 1 of the Corporation Law.

Item	Number of shares	Total price (¥)
Repurchase approved at the Board of Directors meeting on 00-00-200x (Repurchase period: 00-00, 200x – 00-00, 200x)	—	—
Treasury shares held prior to the current fiscal year	—	—
Shares acquired during the current fiscal year	8,258	8,897,593
Number and market value of total authorized shares outstanding	—	—
Percentage of unexercised portion as of final day of current fiscal year	—	—
Shares repurchased during the above repurchase period	1,459	1,501,885
Percentage of unexercised portion as of the document submission date		

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

Item	Current fiscal year		Specified period	
	Number of shares	Total disposal value	Number of shares	Total disposal value
Number of shares repurchased via solicitation	—	—	—	—
Number of repurchased shares disposed of	—	—	—	—
Repurchase shares transferred via a merger, share exchange or division of the company	—	—	—	—
Other (—)	—	—	—	—
Balance of treasury shares held	2,252,715	—	2,620,074	—

3. Dividend Policy

Placing great importance on shareholder ROI (return on investment), the Company has consistently paid stable dividends, and has carried out stock split and cancellation of shares in treasury as necessary. As we are giving the top priority to dividend payment, the Company intends to continue consistently paying a dividend, and plans to steadily increase dividend per share over a long period of time.

Dividend policy is based primarily on a target dividends on equity (DOE) ratio, but the dividend payout ratio and the Company's future funding needs will also be taken into consideration. In principle, the Company will maintain a consolidated DOE of at least 1.5%, and a consolidated payout ratio of 25% or more.

Based on the above policy, the Company paid a ¥14 per share dividend for the current fiscal year (including a ¥6.50 per share interim dividend). As a result, the Company's consolidated DOE and payout ratio came to 1.6% and 35.3% respectively for the consolidated reporting period.

As for internal reserves, the Company endeavors to adequately secure them to strengthen its financial position and provide an adequate supply of funds to future expansion, the Company will take a medium to long-term view and continue to allocate funds to the improvement of its facilities and equipment, research and development, and the further streamlining of operations in order to enhance its competitiveness.

In addition, based on the decision by the Board of Directors, the Company has specified in its Articles of Incorporation that the interim dividends will be paid to shareholders as of May 31 of each year.

Issues concerning the payment of dividends on profits for the Company's 93rd fiscal period and those of interim were settled by the resolution of the Company's general shareholders' meeting on February 22, 2006, and by a meeting of the Board of Directors on July 10, 2006, respectively interim dividends for the 94th fiscal period.

4. Stock Price Movements

Highest and lowest price for the most recent five terms ended November 30, 2006	Term ended	Nov. 2002	Nov. 2003	Nov. 2004	Nov. 2005	Nov. 2006	
	Highest (yen)	1,110	989	955	1,103	1,238	
	Lowest (yen)	950	835	846	850	967	
Highest and lowest price for the most recent six months ended November 30, 2006	Month in 2006	June	July	August	September	October	November
	Highest (yen)	1,097	1,134	1,120	1,118	1,145	1,051
	Lowest (yen)	1,001	1,004	1,031	1,038	1,009	1,015

(Note) Share prices are those on the Tokyo Stock Exchange, First Section.

5. Directors and Corporate Auditors

Name	Title	Installation date	Date of birth
Yutaka Suzuki	President and Representative Director	February 2001	December 6, 1949
Shizuo Hatanaka	Senior Managing Director	February 1995	April 13, 1944
Toshimasa Tatebe	Senior Managing Director	February 2001	October 31, 1944
Amane Nakashima	Managing Director	February 1997	September 26, 1959
Hidenobu Yamagami	Managing Director	February 2001	October 15, 1945
Katsuhiko Sasaki	Managing Director	February 2004	March 8, 1946
Akio Okumura	Managing Director	February 2005	January 14, 1951
Ietoki Shima	Director	February 2001	March 22, 1947
Mineo Hasegawa	Director	February 2001	July 29, 1947
Mitsugu Endo	Director	February 2001	March 19, 1948
Minesaburo Miyake	Director	February 2003	July 22, 1952
Hidefumi Tachibana	Director	February 2005	February 15, 1951
Mitsugu Ozawa	Director	February 2007	March 18, 1946
Kuniaki Ishikawa	Director	February 1999	June 6, 1946
Osamu Muranaka	Standing Corporate Auditor	February 1998	March 22, 1945
Yasuo Hirakuri	Standing Corporate Auditor	February 2004	November 18, 1948
Shunichiro Ishiguro	Corporate Auditor	February 2004	June 22, 1954
Ichiro Sakai	Corporate Auditor	February 2006	May 3, 1942

(Note) Shunichiro Ishiguro and Ichiro Sakai are the external auditors stipulated in the Corporation Law.

6. Corporate Governance

A part of section of the corporate governance below includes the consolidated subsidiaries' information.

(1) Basic stance on corporate governance

To maximize the Company's enterprise value through efficient management, the Company has identified as a priority task the reorganization of the management structure and system of the parent company and the entire group, simultaneously with the public disclosure of management policies and plans whenever necessary. In parallel with these measures, the Company also recognizes the vital importance of sharing the benefits created by the successful conduct of its business with its shareholders, business partners, employees, and other stakeholders. These various measures, taken together, constitute good corporate governance, in the view of the management of the Q.P. Group.

Regarding compliance, the Company fully recognizes it indispensable to our lasting development, and promote the formulation of compliance program and its implementation in order to enforce all directors and employees of the Company to follow full legal compliance with high ethical sense.

(2) Progress made in the implementation of corporate governance programs

(information contained in sections a) and b) below is correct as of the date of submission to the authorities of the Securities Report of Q.P. Corporation, February 26, 2007)

a) Corporate governance systems relating to management organization in decision-making, executive functions, and supervisory functions

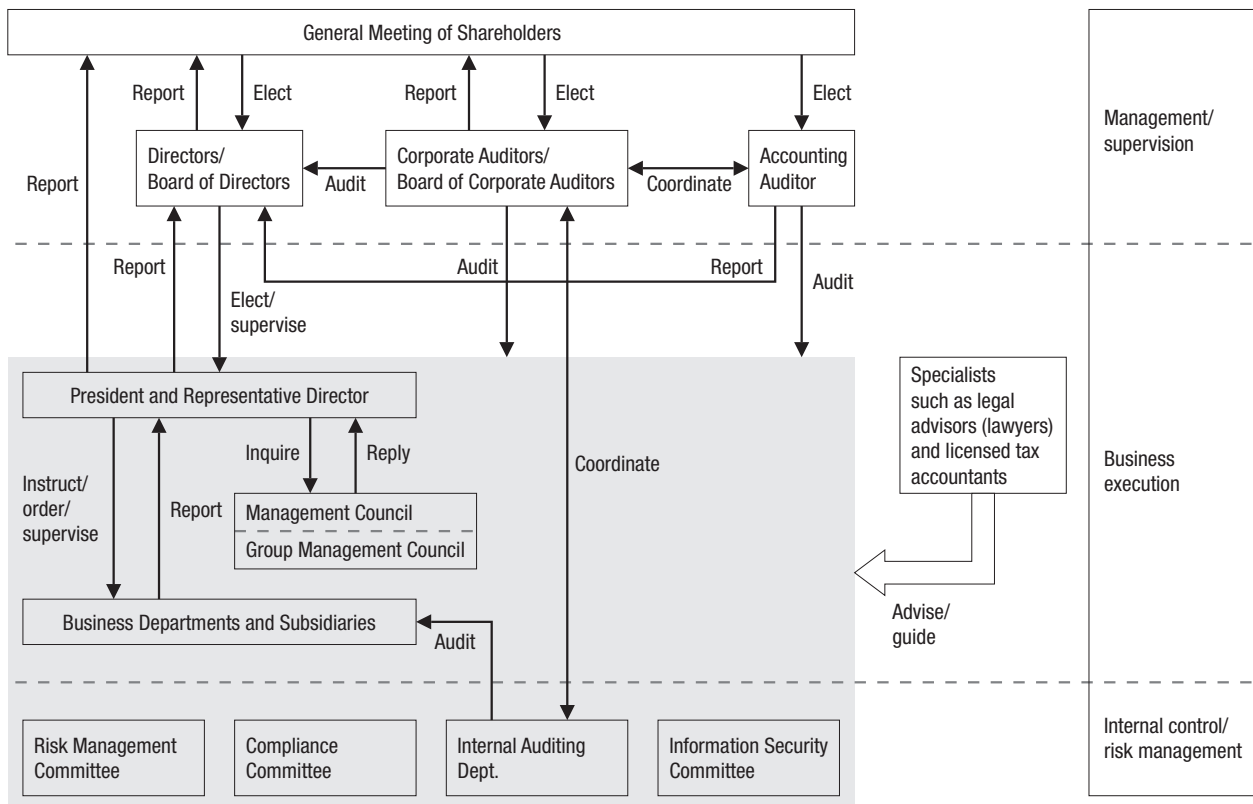
The Board of Directors of the Company, as its highest-level decision-making body, meets at least once every month. In addition, a Management Council has been set up the Board and the President of the Company by deliberating on important management issues in accordance with the Company's basic management policies. To enable a speedy and effective response to changes in the business environment, the scope of matters requiring discussion by the Board of Directors, and the limits of decision-making authority delegated to Company officers of each

rank are subject to constant review with the goal of ensuring swift decision-making and execution of orders at the operational level.

In addition to the foregoing, the managements of the seven subsidiaries that form the core of the Q.P. Group take part in a Group Management Council, where management matters affecting the Group as a whole are debated.

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

The Group's Corporate Governance Structure



Management system

Q.P. Corporation utilizes the conventional management organization system, under which the decision-making of the Board of Directors is monitored by corporate auditors.

Corporate governance organization

At Q.P. Corporation, the Board of Directors oversees the implementation of their duties by individual directors, while the Board of Corporate Auditors audits the work performance of the directors.

The Board of Corporate Auditors determines the auditing policies to be followed, as well as the division of responsibilities among corporate auditors, and each auditor complies with the Board's policy directives and sits in on meetings of the Board of Directors and other important management meetings to hear reports on their work by individual directors, and to peruse the documents employed in the process of reaching decisions on important matters. The corporate auditors conduct on-site investigations at the Company's Head Office and other important business centers regarding business performance and financial position. The auditors also request reports from the managements of the Company's subsidiaries on their business perfor-

mance. When deemed necessary, the corporate auditors visit subsidiaries to investigate the performance of their business and their financial position at first hand.

The two standing corporate auditors simultaneously act as corporate auditors for the Company's main subsidiaries.

Regular meetings are held between the Board of Corporate Auditors and the president of the Company, and extraordinary meetings may be held when necessary: these meetings are utilized to exchange opinions regarding proposals covering the whole range of the Company's business activities.

Outside directors & auditors

Q.P. Corporation does not appoint outside directors to its Board of Directors, but two of the four corporate auditors on the Company's Board of Corporate Auditors are outside auditors.

Progress made in establishing internal control system

The Company has set up an Auditing Office to act as its internal auditing section. The staff of the Auditing Office perform auditing – in line with the directives laid down in the auditing plan for each year, as well as in accordance with orders or requests received from the president and the Company's other executive officers, or the Corporate Auditors – to confirm that organized activities throughout the Group are being carried out correctly and efficiently in conformity with the law, or in line with the Company's own internal regulations and the management's policies. Auditing activities may also be conducted in cooperation with staff members in each divisions or department of the Company or its subsidiaries who are charged with the auditing of matters relating to product quality and environmental protection.

Risk management system

The Company's risk management policy has set specific, systematic procedures for risk management, under which each responsible division exercises continuous oversight of each individual risk factor. In addition, in January 2006, the Company established a Risk Management Committee, chaired by the Company president and representative director, to address risk factors that affect the Company as a whole by evaluating and prioritizing risks to comprehensively manage risk. A crisis management manual has been prepared on the basis of Company risk management policy, to prepare for any foreseeable sudden risks to operations. In addition, in the event of a sudden incident or emergency, an Emergency Headquarters will be established immediately in accordance with the crisis management manual (supervised by the General Manager of the Administrative Division), to take action in order to deal swiftly and appropriately with the incident. The members of the Risk Management Committee include representatives from each of the Company's major subsidiaries. Furthermore, in order to manage operating risks at subsidiaries, each subsidiary reports on its management risks to the member of the Company's Board of Directors responsible for risk management, as needed.

In order to provide a solid legal compliance structure, the Company has established a Compliance Committee (chaired by the member of the board of directors responsible for compliance issue, with administrative work performed by members of the Legal Department), which is at the center of various compliance activities. The Committee chairman reports back to the Board of Directors and the Board of Auditors on the condition of compliance activities. In addition to establishing and publicizing a document entitled "Group Guidelines on Ethical Behavior", which explains to people both within and outside the Group the core values and activities expected of group companies, the Company also set up "whistle-blower" helplines, that employees of Group companies can use to report information or seek guidance (there are many ways to contact this helpline, from both within and outside the Company), and set up a Compliance Investigation Committee to investigate any suggestions of illegal activity. In order to ensure that all employees have been instructed in, and have a proper understanding of what compliance entails, the Company has been conducting a "mind up program", since fiscal 2005. In the event of non-compliance, such cases are fully reported (up to and including action taken against employees or directors found to be at fault) to employees of the whole Company and

other Group companies, and companywide efforts are being implemented to prevent any recurrence.

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

Lawyers, auditing companies, and other third parties

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

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

Auditing work for the Company during the reporting period was performed principally by the two certified public accountants listed below, assisted by sixteen other qualified persons, including seven CPAs, seven assistant CPAs and two other qualified persons.

Names & titles of CPAs	Independent Auditing Company by which the persons at left are employed
Hidenori Takahashi	Ernst & Young Shin Nihon
Keisuke Takemoto	Ernst & Young Shin Nihon

(Note) 1. The column of "Number of successive years in which the person has handled the accounts of Q.P. Corp. (if 7 years or more)" described last year is now omitted, because there is no one who has handled the accounts of Q.P. Corp for 7 years or more.

2. Ernst & Young Shin Nihon takes measures to prohibit their executive managers from engaging in accounting audit of the Company over certain consecutive period.

b) Summary of personal, capital, or business transaction interests in the Company held by the outside auditors

Mr. Ichiro Sakai, who serves as the Company's "outside auditor" (as defined in the Corporation Law), is lawyer and member of the Daiichi Tokyo Bar Association. He has no material interest in the Company.

Mr. Shunichiro Ishiguro, also serving as an outside auditor, is a director of Nakashimato Co., Ltd., an affiliate of the Company and the largest shareholder in the Company. Nakashimato Co., Ltd. currently possesses shares of the Company conferring (directly and indirectly) 20.4% of total voting rights (17.2% of the voting rights are held directly). The company has had a long and continuous trading relationship with Q.P. Corporation. Four of the board members or statutory auditors of Q.P. Corporation (including Mr. Ishiguro) concurrently hold the posts of director or statutory auditor at Nakashimato Co., Ltd.

c) Measures implemented over the past year to bolster the Company's corporate governance

The Board of Directors of the Company held twelve meetings during the reporting period, and the aggregate rate of attendance at these meetings of outside auditors was 100%.

The Auditing Department, the internal organ responsible for auditing, conducted auditing of major Group offices including subsidiaries.

In the field of legal compliance, along with the enforcement of the Whistleblower Protection Act, the Company overhauled the helpline system and also worked on activities including the employees' education through holding various seminars.

(3) Compensation of directors and corporate auditors

(millions of yen)

	Directors		Auditors		Total	
	Number of directors	Compensation	Number of auditors	Compensation	Number of directors & auditors	Total compensation
Compensation authorized by Articles of Incorporation and/or resolution of general meeting of shareholders	13	146	5	58	18	204
Bonuses paid out of unappropriated retained earnings	13	25	5	5	18	30
Retirement lump-sum payments approved by general meetings of shareholders	—	—	—	—	—	—
Total	—	172	—	63	—	235

- (Notes) 1. By decision of the general meeting of shareholders, the maximum amount of total annual compensation shall be ¥420 million for all directors and ¥96 million for all corporate auditors.
2. In addition to the above provision (1.), directors who also serve concurrently as employees received annual salaries (in addition to their compensation as directors) in the total aggregate amount of ¥118 million, which figure includes employees' bonuses.
3. As of the end of the reporting period, there were thirteen directors and five corporate auditors. There are no outside directors.

(4) Details of payment for services of auditing company

In accordance with the contract signed between the Company and the auditing company Ernst & Young Shin Nihon, a fee of ¥50 million (exclusive of tax) was paid to Ernst & Young Shin Nihon for auditing services with respect to the reporting period, as provided for in Article 2-1 of the Law Concerning Certified Public Accountants Services (Law No. 103 of 1948). There were no additional transactions between the Company and Ernst & Young Shin Nihon.

V. Financial Conditions

1. Compilation of the consolidated financial statements and the financial statements (non-consolidated)

- (1) The Consolidated Financial Statements were compiled in accordance with the Regulations Concerning the Terminology, Forms and Preparation Methods of the Consolidated Financial Statements (Ministry of Finance Ordinance No.28, 1976, hereinafter referred to as “Regulations for the Consolidated Financial Statements”).

Note that the statements for the previous consolidated fiscal year (from December 1, 2004 were prepared in accordance with the Regulations for the Consolidated Financial Statements before revision, while those for the fiscal year under review (December 1, 2005 to November 30, 2006) were prepared in accordance with the revised Regulations for the Consolidated Financial Statements.

- (2) The Financial Statements were compiled in accordance with the Regulation Concerning the Terminology, Forms, and Preparation Methods of the Financial Statements (Ministry of Finance Ordinance No.59, 1963, hereinafter referred to as “Regulations for the Financial Statements”).

Note that the statements for the previous fiscal year (from December 1, 2004 were prepared in accordance with the Regulations for the Financial Statements before revision, while those for the fiscal year under review (December 1, 2005 to November 30, 2006) were prepared in accordance with the revised Regulations for the Financial Statements.

2. Audit

The audits of the Consolidated Financial Statements for the previous consolidation fiscal year (from December 1, 2004 to November 30, 2005) and for the current consolidation fiscal year (from December 1, 2005 to November 30, 2006) and the Financial Statements for the 93rd fiscal year (from December 1, 2004 to November 30, 2005) and for the 94th fiscal year (from December 1, 2005 to November 30, 2006) are performed by ERNST & YOUNG SHIN NIHON in accordance with the Article 193-2 of “The Securities and Exchange Law”.

Independent Auditors' Report

February 23, 2007

The Board of Directors
KEWPIE KABUSHIKI-KAISHA
(Q.P. Corporation)

ERNST & YOUNG SHIN NIHON

Designated and Engagement Partner	<u>Takahashi Hidenori</u> Certified Public Accountant (signed and sealed)
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Designated and Engagement Partner	<u>Takemoto Keisuke</u> Certified Public Accountant (signed and sealed)
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Pursuant to Article 193-2 of "The Securities and Exchange Law", we have audited the consolidated financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions" from December 1, 2005 to November 30, 2006, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, the consolidated statement of cash flows and the consolidated supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEWPIE KABUSHIKI-KAISHA and consolidated subsidiaries at November 30, 2006, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

(Additional information)

- (1) As described in "4. 3. (c) Changes in accounting standard" in basis of presentation for consolidated financial statements, the Company compiled the consolidated financial statements, according to the Accounting Standard for Directors' Bonus, which is to be applied for the current fiscal year.
- (2) As described in "4. 3. (d) Changes in accounting standard" in basis of presentation for consolidated financial statements, the Company compiled the consolidated financial statements, according to the Partial Revision of Accounting Standard for Retirement Benefits, which is to be applied for the current fiscal year.
- (3) As described in changes in accounting policies, the Company compiled the consolidated financial statements, according to the Accounting Standard for Impairment of Fixed Assets, which is to be applied for the current fiscal year.

We have no interest in the Company, which should be disclosed pursuant to the provision of the Certified Public Accountants' Law.

Independent Auditors' Report

February 22, 2006

The Board of Directors
KEWPIE KABUSHIKI-KAISHA
(Q.P. Corporation)

ERNST & YOUNG SHIN NIHON

Designated and Engagement Partner	<u>Kitabayashi Hiroshi</u> Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	<u>Takahashi Hidenori</u> Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	<u>Takemoto Keisuke</u> Certified Public Accountant (signed and sealed)

Pursuant to Article 193-2 of "The Securities and Exchange Law", we have audited the consolidated financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions" from December 1, 2004 to November 30, 2005, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of retained earnings, the consolidated statement of cash flows and the consolidated supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEWPIE KABUSHIKI-KAISHA and consolidated subsidiaries at November 30, 2005, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants' Law.

1. Consolidated Financial Statements

(1) Consolidated financial statements

(a) Consolidated Balance Sheets

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2005)		Current fiscal year (As of November 30, 2006)		
		Amount	Component ratio	Amount	Component ratio	
	(Assets)		%		%	
I. Current assets						
1. Cash and deposits		13,153		22,179		
2. Notes and accounts receivable — trade		66,066		73,689		
3. Securities		27		12		
4. Inventories		16,224		15,761		
5. Deferred tax assets		1,894		2,305		
6. Other		3,758		5,137		
7. Allowance for doubtful accounts		(607)		(565)		
Total current assets		100,517	37.8	118,519	40.8	
II. Fixed assets						
(1) Tangible fixed assets						
1. Buildings and structures (Note *1)		109,040		115,858		
Accumulated depreciation		61,526	47,514	64,934	50,923	
2. Machinery, equipment, and transportation equipment (Note *1)		113,280		116,537		
Accumulated depreciation		87,566	25,714	90,789	25,748	
3. Land (Note *1)			39,374		40,342	
4. Construction in progress			3,392		1,330	
5. Other (Note *1)		7,905		7,866		
Accumulated depreciation		6,093	1,811	6,095	1,771	
Total tangible fixed assets			117,807		120,116	41.4
(2) Intangible fixed assets						
1. Computer software			2,366		2,328	
2. Consolidation adjustment accounts			63		31	
3. Other			557		457	
Total intangible fixed assets			2,986		2,817	1.0
(3) Investments and other assets						
1. Investment in securities (Note *2)			22,971		24,694	
2. Long-term loans receivable			514		803	
3. Deferred tax assets			1,063		844	
4. Other (Note *2)			19,726		22,387	
5. Allowance for doubtful accounts			(303)		(289)	
Total investments and other assets			43,971		48,439	16.7
Total fixed assets			164,766		171,373	59.1
III. Deferred assets						
1. Business commence costs			440		293	
Total deferred assets			440		293	0.1
Total assets			265,724		290,186	100.0

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2005)		Current fiscal year (As of November 30, 2006)	
		Amount	Component ratio	Amount	Component ratio
	(Liabilities)		%		%
I. Current liabilities					
1. Notes and accounts payable — trade		37,133		43,741	
2. Short-term loans payable (Note *1)		17,662		13,487	
3. Accounts payable — other		20,042		21,883	
4. Accrued expenses		5,479		5,893	
5. Accrued income taxes		1,424		3,494	
6. Deferred tax liabilities		2		11	
7. Reserve for sales rebates		726		1,237	
8. Reserve for bonuses		1,707		1,662	
9. Reserve for directors' and corporate auditors' bonuses		—		92	
10. Other		131		669	
Total current liabilities		84,310	31.7	92,174	31.8
II. Long-term liabilities					
1. Bonds		10,000		10,500	
2. Long-term loans payable (Note *1)		10,380		19,260	
3. Deferred tax liabilities		5,124		6,707	
4. Reserve for retirement benefits		2,901		2,574	
5. Reserve for directors' and corporate auditors' retirement pay		1,161		1,218	
6. Other		1,513		1,532	
Total long-term liabilities		31,081	11.7	41,794	14.4
Total liabilities		115,391	43.4	133,969	46.2
(Minority interests)					
Minority interests		17,919	6.8	—	—
(Shareholders' equity)					
I. Capital stock (Note *3)		24,104	9.1	—	—
II. Capital surplus		29,418	11.1	—	—
III. Earned surplus		79,295	29.8	—	—
IV. Unrealized valuation gain on other securities		4,448	1.6	—	—
V. Cumulative foreign currency translation adjustments		(2,353)	(0.9)	—	—
VI. Treasury stock (Note *4)		(2,500)	(0.9)	—	—
Total shareholders' equity		132,412	49.8	—	—
Total liabilities, minority interests and shareholders' equity		265,724	100.0	—	—
(Net assets)					
I. Owners' equity:					
1. Paid-in capital		—	—	24,104	8.3
2. Capital surplus		—	—	29,432	10.1
3. Earned surplus		—	—	83,305	28.7
4. Treasury stock		—	—	(2,268)	(0.7)
Total owners' equity		—	—	134,574	46.4
II. Valuation and translation adjustments:					
1. Valuation difference on available-for-sale securities		—	—	4,676	1.6
2. Deferred gains or losses on hedges		—	—	(5)	(0.0)
3. Translation adjustments		—	—	(1,905)	(0.7)
Total valuation and translation adjustments		—	—	2,765	0.9
III. Minority interests:		—	—	18,878	6.5
Total net assets		—	—	156,217	53.8
Total liabilities and net assets		—	—	290,186	100.0

(b) Consolidated Statements of Income

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2004 to November 30, 2005)		Current fiscal year (From December 1, 2005 to November 30, 2006)	
		Amount	Percentage	Amount	Percentage
			%		%
I. Net sales		455,007	100.0	456,067	100.0
II. Cost of sales		346,520	76.2	345,241	75.7
Gross profit		108,487	23.8	110,825	24.3
III. Selling, general and administrative expenses (Notes *1, 2)		95,656	21.0	96,665	21.2
Operating income		12,830	2.8	14,159	3.1
IV. Non-operating income					
1. Interest income		234		250	
2. Dividend receivable		231		281	
3. Equity income		183		223	
4. Other		627	1,276	537	1,293
0.3					
V. Non-operating expenses					
1. Interest expense		544		538	
2. Loss on scrapped inventories		136		176	
3. Amortization of business commence costs		146		146	
4. Other		450	1,277	329	1,190
0.3					
Ordinary income		12,829	2.8	14,262	3.1
VI. Extraordinary gains					
1. Prior period adjustments		23		23	
2. Gain on sales of fixed assets (Note *3)		24		141	
3. Gain on sales of investment in securities		245		65	
4. Reversal of allowance for doubtful accounts		—		73	
5. Other		68	361	31	335
0.1					
VII. Extraordinary losses					
1. Prior period adjustments		24		3	
2. Loss on sales of fixed assets (Note *4)		10		27	
3. Loss on disposal of fixed assets (Note *5)		543		939	
4. Loss on impairment of fixed assets (Note *6)		—		164	
5. Effects of the amendments on the application of the new accounting standards for retirement benefits		382		—	
6. Other		206	1,166	169	1,303
0.3					
Net income before income taxes and minority interests		12,024	2.6	13,294	2.9
Income taxes		3,388		4,846	
Income taxes deferred		1,910	5,298	1,270	6,117
1.1					
Minority interests		1,260	0.3	1,105	0.2
Net income		5,465	1.2	6,071	1.3

(c) Consolidated Statements of Retained Earnings and Consolidated Statement of Changes in Net Assets

Consolidated Statement of Retained Earnings

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2004 to November 30, 2005)	
		Amount	
(Capital surplus)			
I. Capital surplus at beginning of the year			29,418
II. Capital surplus at end of the year			29,418
(Earned surplus)			
I. Earned surplus at beginning of the year			75,985
II. Increase of earned surplus			
1. Net income		5,465	5,465
III. Decrease of earned surplus			
1. Cash dividends		2,066	
2. Directors' and corporate auditors' bonuses		88	2,155
IV. Earned surplus at end of the year			79,295

Consolidated Statement of Changes in Net Assets

Current fiscal year (From December 1, 2005 to November 30, 2006)

(Millions of yen)

	Owners' equity					Valuation and translation adjustments				Minority interests	Total net assets
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total owners' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Total valuation and translation adjustments		
Balance at November 30, 2005	24,104	29,418	79,295	(2,500)	130,318	4,448	—	(2,353)	2,094	17,919	150,332
Changes of items during the fiscal year											
Dividends from surplus (Note *1)			(1,990)		(1,990)						(1,990)
Directors' and corporate auditors' bonuses			(70)		(70)						(70)
Net income			6,071		6,071						6,071
Repurchase of treasury stock				(8)	(8)						(8)
Disposal of treasury stock		14		240	254						254
Net changes of items other than owners' equity						227	(5)	448	670	958	1,629
Total changes of items during the fiscal year	—	14	4,009	231	4,255	227	(5)	448	670	958	5,884
Balance at November 30, 2006	24,104	29,432	83,305	(2,268)	134,574	4,676	(5)	(1,905)	2,765	18,878	156,217

(Note *1) "Dividends from surplus" includes ¥ 994 millions of cash dividends by appropriation of retained earnings.

(d) Consolidated Statements of Cash Flows

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
		Amount	Amount
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before income taxes and minority interests		12,024	13,294
Depreciation and amortization		12,279	12,162
Loss on impairment of fixed assets		—	164
Amortization of consolidation adjustment accounts		28	31
Amortization of bond issue cost		62	8
Equity income		(183)	(223)
Write-down of investment in securities		6	53
Write-down of golf course memberships		71	33
Decrease in reserve for retirement benefits		(3,661)	(3,710)
Increase (decrease) in reserve for directors' and corporate auditors' retirement pay		(447)	56
Increase (decrease) in reserve for sales rebates		(242)	511
Increase in reserve for directors' and corporate auditors' bonuses		—	92
Increase (decrease) in reserve for bonuses		70	(45)
Increase (decrease) in allowance for doubtful accounts		50	(57)
Interest income and dividend receivable		(465)	(532)
Interest expense		544	538
Gain on sales of investment in securities		(231)	(65)
Loss on sales and disposal of fixed assets		529	825
Increase in notes and accounts receivable		(374)	(7,538)
Decrease in inventories		43	520
Decrease (Increase) in notes and accounts payable		(353)	6,572
Decrease (Increase) in accounts payable — other		(777)	2,036
Increase (Decrease) in accrued consumption taxes		168	(209)
Directors' and corporate auditors' bonuses paid		(88)	(70)
Directors' and corporate auditors' bonuses payment charged to minority shareholders		(29)	(31)
Other		1,654	98
Sub total		20,679	24,513
Interest income and dividends received		540	500
Interest paid		(532)	(509)
Income taxes paid		(5,001)	(3,061)
Net cash provided by operating activities		15,686	21,443

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
		Amount	Amount
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities		(27)	(11)
Sales of securities		27	26
Purchases of tangible fixed assets		(10,707)	(13,982)
Purchases of intangible fixed assets		(857)	(917)
Purchases of investment in securities		(497)	(1,445)
Sales of investment in securities		2,646	263
Loans receivable made		(5,813)	(919)
Collection of loans receivable		4,554	568
Disbursements for deposit money in bank		(220)	(1,018)
Withdrawal of time deposits		369	19
Other		(1,100)	827
Net cash used in investing activities		(11,625)	(16,589)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing on short-term loans		79,247	96,290
Repayment of short-term loans		(72,733)	(100,515)
Borrowing on long-term loans		800	12,050
Repayment of long-term loans		(3,604)	(3,246)
Issue of bonds		9,937	491
Redemption of bonds		(200)	—
Redemption of convertible bonds		(18,629)	—
Paid in from minority shareholders		183	17
Cash dividends paid		(2,066)	(1,990)
Cash dividends paid to minority shareholders		(157)	(156)
Repurchase of treasury stock		(192)	(8)
Sales of treasury stock		—	254
Net cash provided by (used in) financing activities		(7,415)	3,187
IV. EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		30	43
V. INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		(3,324)	8,085
VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		16,451	13,127
VII. CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note *1)			
		13,127	21,212

Basis of Preparation for Consolidated Financial Statements

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>1. Consolidated subsidiaries Consolidated subsidiaries are forty-three companies and their names are omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. The Company liquidated Aid Co., Ltd. Non-consolidated subsidiaries are seventeen companies, and the principal companies of them are Kyuso Management Corporation, whose name is changed into Kyuso L-Plan Corporation and Osaka San-ei Logistics Corporation. These companies are excluded from the consolidation, because their total amounts of assets, sales, net income (equal to the equity share), and earned surplus (equal to the equity share) do not have a significant effect on the total consolidated amounts of assets, sales, net income, and earned surplus.</p> <p>2. Application of the equity method The equity method is applied to the investments in five companies of seventeen non-consolidated subsidiaries and thirteen affiliated companies (20% to 50% owned) since the Company (Q.P. Corporation) has significant effect over them. The name of companies accounted for by the equity method is omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. To Solutions Co., Ltd. is newly added as an affiliated company applying the equity method to consolidation accounting by acquisition of stock. The investments in seventeen non-consolidated subsidiaries including Kyuso Management Corporation, whose name is changed into Kyuso L-Plan Corporation and in eight affiliated companies including Thai Q.P. Co., Ltd. not to be accounted for by the equity method, are stated at cost, because the amounts calculated by the application of the equity method do not have a significant effect on the total consolidated net income and earned surplus.</p> <p>3. Closing date of consolidated subsidiaries The closing date of the Company and K.R.S. Corporation is November 30, Beijing Q.P. Foods Co., Ltd. and Hangzhou Q.P. Foods Co., Ltd. is December 31, and the others is September 30. The subsidiaries with the closing date of December 31 are consolidated based on their temporary financial statements of November 30. The subsidiaries with the closing date of September 30 are consolidated based on the financial statements at their balance sheet date and significant transactions for the period from October 1 to November 30 are reflected in the consolidated financial statements.</p> <p>4. Accounting standards (1) Valuation basis and valuation methods for significant assets (a) Securities 1. Held-to-maturity bonds are stated at amortized cost. Discounts and premiums are amortized by the straight-line method. 2. Other securities with fair value are stated at fair value based on market price at the closing date. Valuation differences comprise shareholders' equity as unrealized valuation gain (loss) on other securities. When sold, cost of sales is determined by the moving average method. Other securities with no fair value are stated at moving average cost.</p>	<p>1. Consolidated subsidiaries Consolidated subsidiaries are forty-four companies and their names are omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. The Company newly established Fujiyoshida Kewpie, Co., Ltd. as a consolidated subsidiary. Non-consolidated subsidiaries are twenty-one companies, and the principal companies of them are Kyuso L-Plan Corporation and Osaka San-ei Logistics Corporation. These companies are excluded from the consolidation, because their total amounts of assets, sales, net income (equal to the equity share), and earned surplus (equal to the equity share) do not have a significant effect on the total consolidated amounts of assets, sales, net income, and earned surplus.</p> <p>2. Application of the equity method The equity method is applied to the investments in five companies of twenty-one non-consolidated subsidiaries and twelve affiliated companies (20% to 50% owned) since the Company (Q.P. Corporation) has significant effect over them. The name of companies accounted for by the equity method is omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. The investments in twenty-one non-consolidated subsidiaries including Kyuso L-Plan Corporation and in seven affiliated companies including Thai Q.P. Co., Ltd. not to be accounted for by the equity method, are stated at cost, because the amounts calculated by the application of the equity method do not have a significant effect on the total consolidated net income and earned surplus.</p> <p>3. Closing date of consolidated subsidiaries The same standards with the previous fiscal year.</p> <p>4. Accounting standards (1) Valuation basis and valuation methods for significant assets (a) Securities 1. The same standards with the previous fiscal year. 2. Other securities with fair value are stated at fair value based on market price at the closing date. Valuation differences comprise net assets as valuation difference on available-for-sale securities. When sold, cost of sales is determined by the moving average method. Other securities with no fair value are stated at moving average cost.</p>

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>(b) Derivative financial instruments Derivative financial instruments are stated at fair value. Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.</p> <p>(c) Inventories Purchased goods, products, raw materials, supplies and work in progress are principally stated at monthly moving average cost. Some joint products are stated at retail periodic average cost.</p> <p>(2) Depreciation</p> <p>(a) Tangible fixed assets Tangible fixed assets are mainly depreciated by the declining balance method except for the following assets. Buildings (except for equipment fixed inside buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The same basis with the Corporation Tax Law is adopted for useful life and scrap value. The main useful life is as follows. Buildings: 2-50 years Machinery and equipment: 2-20 years</p> <p>(b) Intangible fixed assets Intangible fixed assets are depreciated by the straight-line method. The same basis with the Corporation Tax Law is adopted for useful life. Computer software purchased for internal use is amortized as no scrap value by the straight-line method for five years based on the estimated useful life for internal use.</p> <p>(c) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p> <p>(3) Accounting standards for significant reserves</p> <p>(a) Reserve for sales rebates Reserve for sales rebates is based on the proportion to sales on an accrual basis.</p> <p>(b) Reserve for bonuses Reserve for bonuses is based on the specific computation period.</p> <p>(c) _____</p>	<p>(b) Derivative financial instruments The same standards with the previous fiscal year.</p> <p>(c) Inventories The same standards with the previous fiscal year.</p> <p>(2) Depreciation</p> <p>(a) Tangible fixed assets Tangible fixed assets are mainly depreciated by the declining balance method except for the following assets. Buildings (except for equipment fixed inside buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The same basis with the Corporation Tax Law is adopted for useful life and scrap value. The main useful life is as follows. Buildings: 2-50 years Machinery and equipment: 2-22 years</p> <p>(b) Intangible fixed assets The same standards with the previous fiscal year.</p> <p>(c) Long-term prepaid expenses The same standards with the previous fiscal year.</p> <p>(3) Accounting standards for significant reserves</p> <p>(a) Reserve for sales rebates The same standards with the previous fiscal year.</p> <p>(b) Reserve for bonuses The same standards with the previous fiscal year.</p> <p>(c) Reserve for directors' and corporate auditors' bonuses Reserve for directors' and corporate auditors' bonuses is provided for at the necessary amounts based on the estimated amounts payable at the end of current fiscal year.</p> <p>(Change in accounting standard) The Company and consolidated subsidiaries adopted the Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan Statement No.4 issued by Accounting Standards Board of Japan on November 29, 2005) from the current fiscal year. The standard is to be applied for the fiscal year ending on or after May 1, 2006, on which the Corporate Law takes effective. As a result, selling, general and administrative expense increased by ¥ 92 million and operating income, ordinary income, and net income before income taxes and minority interests decreased by the same amount, compared to those accounted for based on the prior standard, respectively. In addition, the effect of the change in segment information is disclosed in Note of segment information.</p>

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>(d) Reserve for retirement benefits Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis considering the estimated retirement benefit obligations and pension fund assets at end of the current fiscal year. Some consolidated subsidiaries adopt other method than the above. As to the effects of the amendments on the application of the new accounting standards for retirement benefits, the consolidated subsidiaries K.R.S Corporation which is registered on First Section of Tokyo Stock Exchange and Y.M. Kyuso Corporation amortize them equally over five years and account for them as an extraordinary loss and the Company and other consolidated subsidiaries amortized fully when incurred. Prior service liabilities are amortized by the straight-line method over twelve years except for K.R.S Corporation (from ten to thirteen years) based on the average remaining employees' service year, and their amortizations start in the respective accrual years. Actuarial gains or losses are amortized by the straight-line method over twelve years except for K.R.S Corporation (from ten to thirteen years) based on the average remaining employees' service years, and their amortizations start in the next year of the respective accrual years. Retirement benefits systems of the Company and subsidiaries consist of a defined benefit corporate pension plan (Fund-type and Contract-type) and a retirement lump-sum grants system.</p> <p>(e) Reserve for directors' and corporate auditors' retirement pay The Company and consolidated subsidiaries provide a reserve for directors' and corporate auditors' retirement pay at 100% of estimated amounts payable at end of the current fiscal year according to each company's by law.</p>	<p>(d) Reserve for retirement benefits Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis considering the estimated retirement benefit obligations and pension fund assets at end of the current fiscal year. Some consolidated subsidiaries adopt other method than the above. Prior service liabilities are amortized by the straight-line method over twelve years except for K.R.S Corporation (from ten to thirteen years) based on the average remaining employees' service year, and their amortizations start in the respective accrual years. Actuarial gains or losses are amortized by the straight-line method over twelve years except for K.R.S Corporation (from ten to thirteen years) based on the average remaining employees' service years, and their amortizations start in the next year of the respective accrual years. Retirement benefits systems of the Company and subsidiaries consist of a defined benefit corporate pension plan (Fund-type and Contract-type) and a retirement lump-sum grants system.</p> <p>(Change in accounting standard) The Company and consolidated subsidiaries adopted the Partial Revision of Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No.3 issued by Accounting Standards Board of Japan on March 16, 2005) and the Guidance on Partial Revision of Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Guidance No.7 issued by Accounting Standards Board of Japan on March 16, 2005) from the current fiscal year. The standard is to be applied for the fiscal year beginning on or after April 1, 2005. As a result, operating income, ordinary income, and net income before income taxes and minority interests increased by ¥ 470 million, compared to those accounted for based on the prior standard, respectively. In addition, the effect of the change in segment information is disclosed in Note of segment information.</p> <p>(e) Reserve for directors' and corporate auditors' retirement pay The same standards with the previous fiscal year</p>

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>(f) Allowance for doubtful accounts Allowance for doubtful accounts is provided for on the amounts calculated by an estimated uncollectible rate to general credits in consideration of the past actual bad debt losses, plus on the estimated uncollectible amounts in consideration of the possibility of collection to specific credits of apprehension credits of bad debt, etc.</p> <p>(4) Deferred assets Bond issue costs are amortized fully when incurred. Bond discounts and business commence costs are deferred and amortized by the straight-line method. The amortization period of bond discounts is seven years, and that of business commence costs is five years, maximum amortization period regulated by the Commercial Code Enforcement Regulation.</p> <p>(5) Accounting for significant lease transactions Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees, are accounted for by the same method as that applied to ordinary operating leases.</p> <p>(6) Significant hedge accounting (a) Hedge accounting Deferral hedge is adopted in the method of hedge accounting. Designation transactions are applied to debts and credits in foreign currency which conform to the requirements of hedge accounting.</p> <p>(b) Hedge instruments Hedge instruments are forward exchange contracts.</p> <p>(c) Hedge items Hedge items are purchase transactions in foreign currencies.</p> <p>(d) Hedge policy The Company enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rate and never makes use of them for the purpose of speculative transactions.</p> <p>(e) Assessment of the effectiveness of hedge accounting Control procedures of hedge transactions are executed according to each company's by law. The effectiveness of the hedge is measured by comparing movements in the fair value of hedge items with those of hedge instruments. Hedge transactions are strictly controlled, analyzed, and assessed.</p>	<p>(f) Allowance for doubtful accounts The same standards with the previous fiscal year</p> <p>(4) Deferred assets Bond issue costs are amortized fully when incurred. Business commence costs are deferred and amortized by the straight-line method. The amortization period of business commence costs is five years.</p> <p>(5) Accounting for significant lease transactions The same standards with the previous fiscal year</p> <p>(6) Significant hedge accounting (a) Hedge accounting Deferral hedge is adopted in the method of hedge accounting. Designation transactions are applied to debts and credits in foreign currency which conform to the requirements of hedge accounting. The exceptional accounting method is adopted to the interest swap agreements which conform to the special regulated terms.</p> <p>(b) Hedge instruments Hedge instruments are forward exchange contracts, crude oil price swap agreements, crude oil price collar option contracts and interest swap contracts.</p> <p>(c) Hedge items Hedge items are purchase transactions in foreign currencies, planned purchase transactions of light and heavy oil, and interest of loans.</p> <p>(d) Hedge policy The Company and consolidated subsidiaries enter into forward exchange contracts to hedge risks from fluctuation in foreign exchange rate, crude oil price swap agreements and crude oil price collar option agreements to hedge risks from fluctuation in light and heavy oil price, and interest swap agreements to hedge risks from moving on fluctuation in interest rate. In addition, the Company and consolidated subsidiaries never make use of them for the purpose of speculative transactions.</p> <p>(e) Assessment of the effectiveness of hedge accounting Control procedures of hedge transactions are executed according to each company's by law. The effectiveness of the hedge except for the following contracts is measured by comparing movements in the fair value of hedge items with those of hedge instruments. Hedge transactions are strictly controlled, analyzed, and assessed. Interest swap agreements are omitted to measure their effectiveness due to conforming to the special regulated terms.</p>

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>(f) Accounting for consumption taxes Consumption taxes are recorded in separate accounts.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries The Company adopts the full fair value method that all assets and liabilities including those of minority interests are valued at fair value when the Company acquired control of the subsidiaries.</p> <p>6. Consolidation adjustment accounts Consolidation adjustment accounts are amortized by the straight-line method over five years and small amounts are charged to expense.</p> <p>7. Unappropriated retained earnings Consolidated statement of retained earnings is based on appropriation approved by the shareholders' meeting held during the current accounting period.</p> <p>8. Cash and cash equivalents Cash and cash equivalents consist of cash in hand, bank deposits which can be withdrawn freely and easily converted into money, and short-term investments which have an original maturity of three months or less and are not exposed to significant valuation risks.</p>	<p>(f) Accounting for consumption taxes The same standards with the previous fiscal year</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries The same standards with the previous fiscal year.</p> <p>6. Consolidation adjustment accounts The same standards with the previous fiscal year</p> <p>7. _____</p> <p>8. Cash and cash equivalents The same standards with the previous fiscal year</p>

Changes in Accounting Policies

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>_____</p> <p>_____</p>	<p>(Accounting Standard for Impairment of Fixed Assets) The Company adopts the Accounting Standard for Impairment of Fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council on August 9, 2002) and the Guidance on Accounting for Impairment of Fixed Assets (Accounting Standards Board of Japan Guidance No.6 issued by Accounting Standards Board of Japan on October 31, 2003) from the current fiscal year. The standard is to be applied for the fiscal year beginning on or after April 1, 2005. As a result, net income before income taxes decreased by ¥ 164 million. Accumulated loss on impairment is directly deducted from the related assets.</p> <p>(Accounting Standard for Presentation of Net Assets in the Balance Sheet) The Company adopts the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No.5 issued by Accounting Standards Board of Japan on December 9, 2005) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No.8 issued by Accounting Standards Board of Japan on December 9, 2005) from the current fiscal year. The equivalent amount of the total shareholders' equity regulated formerly is ¥ 137,344 million.</p>

Reclassification

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>(Consolidated Statements of Income)</p> <p>1. As amortization of business commence costs included in Non-operating expenses — other in the previous fiscal year, exceeded 10% of the aggregate amount of Non-operating expenses in the current fiscal year, the Company changed to the method reporting as an independent account by reclassifying other accounts, and amortization of business commence costs included in Non-operating expenses — other in the previous fiscal year was ¥ 146 million.</p> <p>2. As loss on sales of investment in securities reported as an independent account in the previous fiscal year, is not more than 10% of the aggregate amount of Extraordinary loss in the current fiscal year, the Company changed to the method included in Extraordinary loss — other, and loss on sales of investments in securities included in Extraordinary loss — other in the current fiscal year is ¥ 14 million.</p> <p>3. As administrative expense to legal affairs reported as an independent account in the previous fiscal year, is not more than 10% of the aggregate amount of Extraordinary loss in the current fiscal year, the Company changed to the method included in Extraordinary loss — other, and administrative expense to legal affairs included in Extraordinary loss — other in the current fiscal year is ¥ 100 million.</p>	<p>(Consolidated Statements of Income)</p> <p>1. As reversal of allowance for doubtful accounts included in extraordinary gains in the previous fiscal year, exceeded 10% of the aggregate amount of extraordinary gains in the current fiscal year, the Company changed to the method reporting as an independent account by reclassifying other accounts, and reversal of allowance for doubtful accounts included in extraordinary gains in the previous fiscal year was ¥ 8 million.</p>

Additional Information

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>Representation on the statement of income regarding an external tax (say the external standard taxation) levied on added value amounts and capital amounts composing corporate enterprise tax.</p> <p>The law for revision of a part of the local tax law (law No 9 of 2003) was promulgated on March 31, 2003, and the external standard taxation system levied on the external of enterprise was enforced from the fiscal year beginning April 1, 2004.</p> <p>Thereby, a tax levied on the external standard is included in selling, general and administrative expenses from the current fiscal year in accordance with “Practical guidance for representation on statement of income regarding a tax levied on the external standard”(Practical report No 12 issued by Accounting Standards Board of Japan on February 13, 2004).</p> <p>As a result, selling, general and administrative expenses increased by ¥ 334 million and operating income, ordinary income and net income before income taxes and minority interests decreased by the same amounts respectively.</p> <p>The effect on the segment information resulting from this application is reported in Segment Information.</p>	<p>—————</p>

Notes

Consolidated Balance Sheets

Previous fiscal year (As of November 30, 2005)		Current fiscal year (As of November 30, 2006)			
1. *1. Pledged assets and secured debts (Millions of yen)		1. *1. Pledged assets and secured debts (Millions of yen)			
Pledged assets:		Pledged assets:			
Buildings and structures	3,646	Buildings and structures	3,369		
Machinery, equipment and transportation equipment	56	Machinery, equipment and transportation equipment	61		
Land	6,831	Land	6,839		
Other (Tangible fixed assets)	98	Other (Tangible fixed assets)	56		
Total	10,633	Total	10,326		
Secured debts:		Secured debts:			
Short-term loans payable	2,238	Short-term loans payable	3,635		
Long-term loans payable	3,355	Long-term loans payable	3,058		
Total	5,594	Total	6,694		
2. Contingent liabilities Liabilities for guarantee The amounts of liabilities guaranteed under joint signature are as follows;		2. Contingent liabilities Liabilities for guarantee The amounts of liabilities guaranteed under joint signature are as follows;			
(Millions of yen)		(Millions of yen)			
Debtor	Amount	Contents	Debtor	Amount	Contents
Employees	521	Bank loan, etc.	Employees	476	Bank loan, etc.
Thai Q.P. Co., Ltd.	2	Bank loan	Thai Q.P. Co., Ltd.	2	Bank loan
Kewpie (Thailand) Co., Ltd.	115	Bank loan	Kewpie (Thailand) Co., Ltd.	26	Bank loan
Osaka San-Ei Logistics Corporation	84	Bank loan	Osaka San-Ei Logistics Corporation	8	Bank loan
Total	723		Total	513	
3. *2. Investments in non-consolidated subsidiaries and affiliated companies, are as follows;		3. *2. Investments in non-consolidated subsidiaries and affiliated companies, are as follows;			
Investment in securities	¥ 3,396 million	Investment in securities	¥ 4,075 million		
Sundry investments	¥ 85 million	Sundry investments	¥ 295 million		
4. *3. Outstanding shares Common share	155,464,515 shares	4.	_____		
5. *4. Shares of the Company held by the Company itself, consolidated subsidiaries and companies applied the equity method Common share	2,527,890 shares (Including 1,110,000 shares for stock option granted)	5.	_____		

Consolidated Statements of Income

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)																																																																																																										
<p>1. *1. Main components of selling, general and administrative expenses are as follows;</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Warehousing and carrying charges</td><td style="text-align: right;">¥ 26,386 million</td></tr> <tr><td>Sales promotion expense</td><td style="text-align: right;">¥ 22,465 million</td></tr> <tr><td>Research and development costs</td><td style="text-align: right;">¥ 2,942 million</td></tr> <tr><td>Advertising and general publicity expense</td><td style="text-align: right;">¥ 9,498 million</td></tr> <tr><td>Payroll expense</td><td style="text-align: right;">¥ 14,357 million</td></tr> <tr><td>Depreciation expense</td><td style="text-align: right;">¥ 1,701 million</td></tr> <tr><td>Reserve for bonuses</td><td style="text-align: right;">¥ 764 million</td></tr> <tr><td>Reserve for directors' and corporate auditors' retirement pay</td><td style="text-align: right;">¥ 284 million</td></tr> <tr><td>Reserve for retirement benefits</td><td style="text-align: right;">¥ 1,040 million</td></tr> </table> <p>2. *2. The total amounts of research and development costs are ¥ 2,942 million and all of them are included in general and administrative expense.</p> <p>3. *3. Gain on sales of fixed assets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">¥ 22 million</td></tr> <tr><td>Land</td><td style="text-align: right;">¥ 1 million</td></tr> <tr><td>Other</td><td style="text-align: right;">¥ 0 million</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">¥ 24 million</td></tr> </table> <p>4. *4. Loss on sales of fixed assets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">¥ 9 million</td></tr> <tr><td>Land</td><td style="text-align: right;">¥ 1 million</td></tr> <tr><td>Other</td><td style="text-align: right;">¥ 0 million</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">¥ 10 million</td></tr> </table> <p>5. *5. Loss on disposal of fixed assets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Buildings and structures</td><td style="text-align: right;">¥ 126 million</td></tr> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">¥ 363 million</td></tr> <tr><td>Other</td><td style="text-align: right;">¥ 53 million</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">¥ 543 million</td></tr> </table> <p>6. _____</p>	Warehousing and carrying charges	¥ 26,386 million	Sales promotion expense	¥ 22,465 million	Research and development costs	¥ 2,942 million	Advertising and general publicity expense	¥ 9,498 million	Payroll expense	¥ 14,357 million	Depreciation expense	¥ 1,701 million	Reserve for bonuses	¥ 764 million	Reserve for directors' and corporate auditors' retirement pay	¥ 284 million	Reserve for retirement benefits	¥ 1,040 million	Machinery, equipment and transportation equipment	¥ 22 million	Land	¥ 1 million	Other	¥ 0 million	Total	¥ 24 million	Machinery, equipment and transportation equipment	¥ 9 million	Land	¥ 1 million	Other	¥ 0 million	Total	¥ 10 million	Buildings and structures	¥ 126 million	Machinery, equipment and transportation equipment	¥ 363 million	Other	¥ 53 million	Total	¥ 543 million	<p>1. *1. Main components of selling, general and administrative expenses are as follows;</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Warehousing and carrying charges</td><td style="text-align: right;">¥ 26,645 million</td></tr> <tr><td>Sales promotion expense</td><td style="text-align: right;">¥ 23,921 million</td></tr> <tr><td>Research and development costs</td><td style="text-align: right;">¥ 3,196 million</td></tr> <tr><td>Advertising and general publicity expense</td><td style="text-align: right;">¥ 8,897 million</td></tr> <tr><td>Payroll expense</td><td style="text-align: right;">¥ 14,396 million</td></tr> <tr><td>Depreciation expense</td><td style="text-align: right;">¥ 1,698 million</td></tr> <tr><td>Reserve for bonuses</td><td style="text-align: right;">¥ 848 million</td></tr> <tr><td>Reserve for directors' and corporate auditors' retirement pay</td><td style="text-align: right;">¥ 198 million</td></tr> <tr><td>Reserve for retirement benefits</td><td style="text-align: right;">¥ 498 million</td></tr> </table> <p>2. *2. The total amounts of research and development costs are ¥ 3,196 million and all of them are included in general and administrative expense.</p> <p>3. *3. Gain on sales of fixed assets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Buildings and structures</td><td style="text-align: right;">¥ 110 million</td></tr> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">¥ 16 million</td></tr> <tr><td>Land</td><td style="text-align: right;">¥ 13 million</td></tr> <tr><td>Other</td><td style="text-align: right;">¥ 0 million</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">¥ 141 million</td></tr> </table> <p>4. *4. Loss on sales of fixed assets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Buildings and structures</td><td style="text-align: right;">¥ 15 million</td></tr> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">¥ 11 million</td></tr> <tr><td>Land</td><td style="text-align: right;">¥ 0 million</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">¥ 27 million</td></tr> </table> <p>5. *5. Loss on disposal of fixed assets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Buildings and structures</td><td style="text-align: right;">¥ 418 million</td></tr> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">¥ 402 million</td></tr> <tr><td>Land</td><td style="text-align: right;">¥ 1 million</td></tr> <tr><td>Other</td><td style="text-align: right;">¥ 116 million</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">¥ 939 million</td></tr> </table> <p>6. *6. Loss on impairment of fixed assets The Company and subsidiaries recognized loss on impairment for the following group of assets in the current fiscal year.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;">Location</th> <th style="text-align: center;">Use</th> <th style="text-align: center;">Item</th> <th style="text-align: center;">Loss on impairment (Millions of yen)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Tochigi, etc.</td> <td style="text-align: center;">Idol properties (2 properties)</td> <td style="text-align: center;">Land</td> <td style="text-align: center;">112</td> </tr> <tr> <td style="text-align: center;">Nagano</td> <td style="text-align: center;">Idol properties (2 properties)</td> <td style="text-align: center;">Land</td> <td style="text-align: center;">29</td> </tr> <tr> <td rowspan="2" style="text-align: center;">Okayama, etc.</td> <td rowspan="2" style="text-align: center;">Factories (2 properties)</td> <td style="text-align: center;">Land</td> <td style="text-align: center;">17</td> </tr> <tr> <td style="text-align: center;">Buildings and structures</td> <td style="text-align: center;">4</td> </tr> </tbody> </table> <p>The Company and subsidiaries classified in principle the fixed assets into groups by the type of respective operation and business place based on the management accounting units on which revenue and expenditure continuously are taken in.</p> <p>In the current fiscal year, the book value of the idol properties was written down to the recoverable amount by ¥ 164 million, accounted for as an extraordinary loss, due to decline of their land prices. Recoverable amount is measured by net sales amounts based on the estimated sales amounts.</p>	Warehousing and carrying charges	¥ 26,645 million	Sales promotion expense	¥ 23,921 million	Research and development costs	¥ 3,196 million	Advertising and general publicity expense	¥ 8,897 million	Payroll expense	¥ 14,396 million	Depreciation expense	¥ 1,698 million	Reserve for bonuses	¥ 848 million	Reserve for directors' and corporate auditors' retirement pay	¥ 198 million	Reserve for retirement benefits	¥ 498 million	Buildings and structures	¥ 110 million	Machinery, equipment and transportation equipment	¥ 16 million	Land	¥ 13 million	Other	¥ 0 million	Total	¥ 141 million	Buildings and structures	¥ 15 million	Machinery, equipment and transportation equipment	¥ 11 million	Land	¥ 0 million	Total	¥ 27 million	Buildings and structures	¥ 418 million	Machinery, equipment and transportation equipment	¥ 402 million	Land	¥ 1 million	Other	¥ 116 million	Total	¥ 939 million	Location	Use	Item	Loss on impairment (Millions of yen)	Tochigi, etc.	Idol properties (2 properties)	Land	112	Nagano	Idol properties (2 properties)	Land	29	Okayama, etc.	Factories (2 properties)	Land	17	Buildings and structures	4
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Machinery, equipment and transportation equipment	¥ 16 million																																																																																																										
Land	¥ 13 million																																																																																																										
Other	¥ 0 million																																																																																																										
Total	¥ 141 million																																																																																																										
Buildings and structures	¥ 15 million																																																																																																										
Machinery, equipment and transportation equipment	¥ 11 million																																																																																																										
Land	¥ 0 million																																																																																																										
Total	¥ 27 million																																																																																																										
Buildings and structures	¥ 418 million																																																																																																										
Machinery, equipment and transportation equipment	¥ 402 million																																																																																																										
Land	¥ 1 million																																																																																																										
Other	¥ 116 million																																																																																																										
Total	¥ 939 million																																																																																																										
Location	Use	Item	Loss on impairment (Millions of yen)																																																																																																								
Tochigi, etc.	Idol properties (2 properties)	Land	112																																																																																																								
Nagano	Idol properties (2 properties)	Land	29																																																																																																								
Okayama, etc.	Factories (2 properties)	Land	17																																																																																																								
		Buildings and structures	4																																																																																																								

Consolidated Statements of Changes in Net Assets

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)																																											
—————	<p>1. Total numbers and periodic changes of outstanding shares and treasury stock by class</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th style="text-align: center;">Outstanding shares by class</th> <th style="text-align: center;">Treasury stock by class</th> </tr> <tr> <th style="text-align: center;">Common stock</th> <th style="text-align: center;">Common stock</th> </tr> </thead> <tbody> <tr> <td>Number of shares at the end of previous fiscal year</td> <td style="text-align: center;">155,464,515 shares</td> <td style="text-align: center;">2,527,890 shares</td> </tr> <tr> <td>Increase in number of shares</td> <td style="text-align: center;">—</td> <td style="text-align: center;">8,258 shares</td> </tr> <tr> <td>Decrease in number of shares</td> <td style="text-align: center;">—</td> <td style="text-align: center;">234,000 shares</td> </tr> <tr> <td>Number of shares at the end of current fiscal year</td> <td style="text-align: center;">155,464,515 shares</td> <td style="text-align: center;">2,302,148 shares</td> </tr> </tbody> </table> <p>(Notes)</p> <p>1. Increase in number of common stock of treasury stock is due to acquisition of the odd stock.</p> <p>2. Decrease in number of common stock of treasury stock is due to exercise of the former stock subscription rights in accordance with the Article 210-2 of the pre commercial code revision.</p> <p>2. Dividend</p> <p>(1) Dividends from surplus The resolution matter of the 93rd shareholders' meeting held at February 22, 2006</p> <table style="width: 100%;"> <tr> <td>(1) Total amounts of dividend:</td> <td style="text-align: right;">¥ 994 million</td> </tr> <tr> <td>(2) Dividend per share</td> <td style="text-align: right;">¥ 6.50</td> </tr> <tr> <td>(3) Record date</td> <td style="text-align: right;">November 30, 2005</td> </tr> <tr> <td>(4) Effective date</td> <td style="text-align: right;">February 22, 2006</td> </tr> </table> <p>The resolution matter of the board of directors' meeting held at July 10, 2006</p> <table style="width: 100%;"> <tr> <td>(1) Total amounts of dividend:</td> <td style="text-align: right;">¥ 995 million</td> </tr> <tr> <td>(2) Dividend per share</td> <td style="text-align: right;">¥ 6.50</td> </tr> <tr> <td>(3) Record date</td> <td style="text-align: right;">May 31, 2006</td> </tr> <tr> <td>(4) Effective date</td> <td style="text-align: right;">August 8, 2006</td> </tr> </table> <p>(2) Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year The resolution matter of the 94th shareholders' meeting held at February 23, 2007</p> <table style="width: 100%;"> <tr> <td>(1) Total amounts of dividend:</td> <td style="text-align: right;">¥1,149 million</td> </tr> <tr> <td>(2) Dividend resource</td> <td style="text-align: right;">Earned surplus</td> </tr> <tr> <td>(3) Dividend per share</td> <td style="text-align: right;">¥ 7.50</td> </tr> <tr> <td>(4) Record date</td> <td style="text-align: right;">November 30, 2006</td> </tr> <tr> <td>(5) Effective date</td> <td style="text-align: right;">February 26, 2007</td> </tr> </table>		Outstanding shares by class	Treasury stock by class	Common stock	Common stock	Number of shares at the end of previous fiscal year	155,464,515 shares	2,527,890 shares	Increase in number of shares	—	8,258 shares	Decrease in number of shares	—	234,000 shares	Number of shares at the end of current fiscal year	155,464,515 shares	2,302,148 shares	(1) Total amounts of dividend:	¥ 994 million	(2) Dividend per share	¥ 6.50	(3) Record date	November 30, 2005	(4) Effective date	February 22, 2006	(1) Total amounts of dividend:	¥ 995 million	(2) Dividend per share	¥ 6.50	(3) Record date	May 31, 2006	(4) Effective date	August 8, 2006	(1) Total amounts of dividend:	¥1,149 million	(2) Dividend resource	Earned surplus	(3) Dividend per share	¥ 7.50	(4) Record date	November 30, 2006	(5) Effective date	February 26, 2007
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Consolidated Statements of Cash Flows

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)																
<p>1. *1. Cash and cash equivalents comprise as follows: (As of November 30, 2005)</p> <table style="width: 100%;"> <tr> <td>Cash and deposits</td> <td style="text-align: right;">¥ 13,153 million</td> </tr> <tr> <td>(Deduction)</td> <td></td> </tr> <tr> <td>Time deposits with maturity over three months</td> <td style="text-align: right;">¥ (26 million)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">¥ 13,127 million</td> </tr> </table>	Cash and deposits	¥ 13,153 million	(Deduction)		Time deposits with maturity over three months	¥ (26 million)	Cash and cash equivalents	¥ 13,127 million	<p>1. *1. Cash and cash equivalents comprise as follows: (As of November 30, 2006)</p> <table style="width: 100%;"> <tr> <td>Cash and deposits</td> <td style="text-align: right;">¥ 22,179 million</td> </tr> <tr> <td>(Deduction)</td> <td></td> </tr> <tr> <td>Time deposits with maturity over three months</td> <td style="text-align: right;">¥ (966 million)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">¥ 21,212 million</td> </tr> </table>	Cash and deposits	¥ 22,179 million	(Deduction)		Time deposits with maturity over three months	¥ (966 million)	Cash and cash equivalents	¥ 21,212 million
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Time deposits with maturity over three months	¥ (26 million)																
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Cash and deposits	¥ 22,179 million																
(Deduction)																	
Time deposits with maturity over three months	¥ (966 million)																
Cash and cash equivalents	¥ 21,212 million																

Lease Transactions

Previous fiscal year (From December 1, 2004 to November 30, 2005)				Current fiscal year (From December 1, 2005 to November 30, 2006)			
1. Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees				1. Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees			
(1) Estimated acquisition cost, accumulated depreciation, and estimated value of lease properties				(1) Estimated acquisition cost, accumulated depreciation, and estimated value of lease properties			
(Millions of yen)				(Millions of yen)			
	Estimated acquisition cost	Accumulated depreciation	Estimated value		Estimated acquisition cost	Accumulated depreciation	Estimated value
Machinery, equipment and transportation equipment	14,731	6,805	7,926	Machinery, equipment and transportation equipment	16,782	8,192	8,590
Tangible assets – Other	7,661	3,390	4,271	Tangible assets – Other	7,363	3,236	4,126
Computer software	107	60	46	Computer software	168	78	90
Total	22,501	10,256	12,245	Total	24,314	11,507	12,807
(2) Future lease payments				(2) Future lease payments			
Due within one year				Due within one year			
¥ 4,147 million				¥ 4,158 million			
Due over one year				Due over one year			
¥ 8,514 million				¥ 8,660 million			
Total				Total			
¥ 12,662 million				¥ 12,818 million			
(3) Lease payments, depreciation, and estimated interest expense				(3) Lease payments, depreciation and estimated interest expenses			
Lease payments				Lease payments			
¥ 4,785 million				¥ 4,618 million			
Depreciation expense				Depreciation expense			
¥ 4,449 million				¥ 4,199 million			
Estimated interest expense				Estimated interest expense			
¥ 305 million				¥ 300 million			
(4) Method of depreciation				(4) Method of depreciation			
Depreciation expense is calculated by the straight-line method by considering lease period to be useful life and scrap value to be zero.				The same method with the previous fiscal year			
(5) Calculation method of estimated interest expense				(5) Calculation method of estimated interest expense			
Interest which is separated from the aggregate lease amounts, is calculated as the difference between the aggregate lease amounts on contracts and the presumed costs considered to be acquired by lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.				The same method with the previous fiscal year			
2. Operating lease transactions				2. Operating lease transactions			
Future lease payments				Future lease payments			
Due within one year				Due within one year			
¥ 88 million				¥ 68 million			
Due over one year				Due over one year			
¥ 196 million				¥ 111 million			
Total				Total			
¥ 285 million				¥ 179 million			
				(Note)			
				The item concerning loss on impairment of fixed assets is omitted because none of the loss is allocated to lease assets.			

Securities

Securities

1. Held-to-maturity bonds with fair value

(Millions of yen)

	Description	Previous fiscal year (As of November 30, 2005)			Current fiscal year (As of November 30, 2006)		
		Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
Bonds whose fair value exceeds their book value	(1) Government and local bonds	—	—	—	—	—	—
	(2) Debentures	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Sub-total	—	—	—	—	—	—
Bonds whose book value exceeds their fair value	(1) Government and local bonds	—	—	—	—	—	—
	(2) Debentures	—	—	—	—	—	—
	(3) Other	1,000	810	(189)	1,000	771	(228)
	Sub-total	1,000	810	(189)	1,000	771	(228)
Total		1,000	810	(189)	1,000	771	(228)

2. Other securities with fair value

(Millions of yen)

	Description	Previous fiscal year (As of November 30, 2005)			Current fiscal year (As of November 30, 2006)		
		Acquisition cost	Book value	Unrealized gain (loss)	Acquisition cost	Book value	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost	(1) Stocks	8,041	15,603	7,562	8,064	16,235	8,170
	(2) Bonds						
	(a) Government and local bonds	—	—	—	—	—	—
	(b) Debentures	—	—	—	—	—	—
	(c) Other	—	—	—	—	—	—
	(3) Other	23	32	8	2	3	1
	Sub-total	8,065	15,635	7,570	8,066	16,238	8,172
Securities whose acquisition cost exceeds their book value	(1) Stocks	131	108	(23)	612	544	(68)
	(2) Bonds						
	(a) Government and local bonds	—	—	—	—	—	—
	(b) Debentures	—	—	—	—	—	—
	(c) Other	—	—	—	—	—	—
	(3) Other	—	—	—	22	21	(0)
	Sub-total	131	108	(23)	634	565	(69)
Total		8,196	15,744	7,547	8,701	16,804	8,103

(Note) The Company wrote down by ¥ 6 million (including ¥ 5 million of other securities with fair value) in the previous fiscal year and by ¥ 53 million (including ¥ 34 million of other securities with fair value) in the current fiscal year against securities with a remarkable decline in the value of investment, respectively.

3. Sales of other securities in the previous fiscal year and the current fiscal year

(Millions of yen)

Previous fiscal year (From December 1, 2004 to November 30, 2005)			Current fiscal year (From December 1, 2005 to November 30, 2006)		
Aggregate sales amount	Gain	Loss	Aggregate sales amount	Gain	Loss
1,213	245	(14)	232	65	(0)

4. Principal securities with no fair value

(Millions of yen)

Description	Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)
	Book value	Book value
(1) Held-to-maturity bonds Domestic bonds of private placement	27	12
(2) Other securities Unlisted stocks	2,830	2,814

5. Redemption schedule of securities with maturity and held-to-maturity bonds of other securities

(Millions of yen)

Description	Previous fiscal year (As of November 30, 2005)				Current fiscal year (As of November 30, 2006)			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Bonds								
(1) Government and local bonds	—	—	—	—	—	—	—	—
(2) Debentures	—	—	—	—	—	—	—	—
(3) Other	27	—	—	1,000	12	—	—	1,000
Total	27	—	—	1,000	12	—	—	1,000

Derivative Financial Transactions

1. Matters concerning derivative financial transactions

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>(1) Types of derivative financial transactions The Company and a consolidated subsidiary, Dispen Pak Japan Co., Inc., enter into the forward exchange contracts and interest swap agreements.</p> <p>(2) Policies of derivative financial transactions The Company and a consolidated subsidiary never conduct speculative transactions.</p> <p>(3) Purposes of derivative financial transactions The Company and a consolidated subsidiary enter into derivative agreements to hedge risks from fluctuations in foreign exchange rates and from fluctuating of interest rate and never make use of them for the purpose of speculative transactions.</p> <p>(4) Risk in derivative financial transactions Derivative financial transactions' contracts involve risks of fluctuation in foreign exchange rates and from fluctuating of interest rate. Those risks are offset by the mutual risks of assets and liabilities of hedge items. The Company and a consolidated subsidiary recognize that there are little credit risks from non-fulfillment of contract, because the business connections are creditable domestic banks.</p> <p>(5) Risk management The Company executes derivative financial transactions according to the internal regulations by Production Division and Treasury Division and all the results of derivative financial transaction are reported to the head of Treasury Division. And the general control division mainly controls derivative financial transactions of a consolidated subsidiary and all the results of them are reported to the director in charge of its division.</p>	<p>(1) Types of derivative financial transactions The Company and three consolidated subsidiaries, Dispen Pak Japan Co., Inc., S. Y. Promotion Co., Ltd., Y. M. Kyuso Corporation enter into the forward exchange contracts, interest swap agreements, crude oil price collar option contracts and crude oil price swap agreements.</p> <p>(2) Policies of derivative financial transactions The Company and three consolidated subsidiaries never conduct speculative transactions.</p> <p>(3) Purposes of derivative financial transactions The Company and three consolidated subsidiaries enter into derivative agreements to hedge risks from fluctuation in foreign exchange rates and light and heavy oil price, and from fluctuating of interest rate and never make use of them for the purpose of speculative transactions.</p> <p>(4) Risk in derivative financial transactions Derivative financial transactions' contracts involve risks of fluctuation in foreign exchange rates , risks from fluctuation in light and heavy oil price, and from fluctuating of interest rate. Those risks are offset by the mutual risks of assets and liabilities of hedge items. The Company and consolidated subsidiaries recognize that there are little credit risks from non-fulfillment of contract, because the business connections are creditable domestic banks.</p> <p>(5) Risk management The Company executes derivative financial transactions according to the internal regulations by Production Division and Treasury Division and all the results of derivative financial transaction are reported to the head of Treasury Division. And the general control division mainly controls derivative financial transactions of three consolidated subsidiaries and all the results of them are reported to the director in charge of its division.</p>

2. Matters concerning fair value

Derivative financial transactions

There are no derivative financial transactions except for transactions for which hedge accounting is applied.

Retirement Benefits

1. Summary of retirement benefit system

(1) The Company and seventeen consolidated subsidiaries including San-ei Provisions Co.,Ltd., Deria Foods Co.,Ltd., and Co-op Food Products Co.,Ltd. have a defined benefit pension plan covering all of the retirement payable for their employees. And the Company established trust to cover retirement benefit obligations.

Nineteen consolidated companies including Q.P.Egg Corporation, Kewpie Jyozo Co., Ltd., K.R.S. Corporation, Kanae Foods Co., Ltd., and Zenno Q.P. Egg Station Co., Ltd. have a defined benefit pension plan and a lump-sum grants system covering a part of the retirement payable for their employees.

As a result, nineteen companies of all the consolidated subsidiaries have the lamp-sum grant system. In addition, excluding the above, one system of Fund-Type and two systems of Contract-Type concerning the defined benefit system, two systems concerning the employees' welfare pension funds, and seven systems concerning the tax-qualified pension system are adopted every systems by the company and some companies.

2. Retirement benefit obligations

(Millions of yen)

	Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)
(1) Retirement benefit obligations	(57,158)	(57,339)
(2) Pension fund assets	61,919	66,283
(3) Unfunded retirement benefit obligations	4,761	8,943
(4) Unrecognized pension fund assets	(5,895)	—
(5) Unrecognized actuarial gains	14,491	7,199
(6) Unrecognized prior service liabilities	(9,120)	(8,216)
(7) Net retirement benefit obligation recognized in the consolidated balance sheet	4,236	7,926
(8) Reserve for retirement benefits	(2,901)	(2,574)
(9) Prepaid pension cost	7,138	10,500

(Note) The Company and consolidated subsidiaries adopted the Partial Revision of Accounting Standard for Retirement Benefits (Accounting Standard Board of Japan Statement No.3 issued by Accounting Standard Board of Japan on March 16, 2005) and the Guidance on Partial Revision of Accounting Standard for Retirement Benefits (Accounting Standard Board of Japan Guidance No.7 issued by Accounting Standard Board of Japan on March 16, 2005) from the current fiscal year.

3. Retirement benefit costs

(Millions of yen)

	Previous fiscal year (From November 30, 2004 to November 30, 2005)	Current fiscal year (From November 30, 2005 to November 30, 2006)
(1) Service costs	1,863	1,860
(2) Interest costs	1,168	1,191
(3) Expected return on pension fund assets	(1,692)	(2,098)
(4) Recognition of prior service liabilities	(904)	(904)
(5) Amortization of actuarial losses	1,589	990
(6) Amortization of effects of the amendments on the application of the new accounting standards for retirement benefits	382	—
Retirement benefit costs	2,406	1,039

(Note) The costs which the companies to which employees are on loan, and employees themselves should bear, are excluded from service costs.

4. Calculation basis of retirement benefit obligations

	Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)
(1) Discount rate	2.3%	2.3%
(2) Expected return rate on pension fund assets	4.0%	4.0%
(3) Recognition method of the projected retirement benefit obligations	Straight-line method	Straight-line method
(4) Recognition term of prior service liabilities	Twelve years except for K.R.S. Corporation (from ten to thirteen years)	Twelve years except for K.R.S. Corporation (from ten to thirteen years)
(5) Amortization term of actuarial gains or losses	Twelve years except for K.R.S. Corporation (from ten to thirteen years) Actuarial gains or losses are amortized by the straight-line method over a certain period within an average remaining service period of employees from the next year of the respective accrual years.	Twelve years except for K.R.S. Corporation (from ten to thirteen years) Actuarial gains or losses are amortized by the straight-line method over a certain period within an average remaining service period of employees from the next year of the respective accrual years.
(6) Amortization term of effects of the amendments on the application of the new accounting standards for retirement benefits	_____	_____
	(The effects of K.R.S. Corporation and Y.M. Kyuso Corporation are amortized by the straight-line method over five years.)	_____

Tax-Effect Accounting

(Millions of yen)

	Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)
1. The principal details of deferred tax assets and liabilities are as follows:		
Deferred tax assets		
Unrealized gains	1,221	1,649
Reserve for sales rebates	295	503
Reserve for bonuses	707	705
Accrued enterprise taxes	142	293
Reserve for directors' and corporate auditors' retirement pay	482	496
Reserve for retirement benefits	1,184	504
Trust to cover retirement benefit obligations	1,442	1,442
Allowance for doubtful accounts	104	399
Write-down of golf course memberships	284	225
Deficit carried forward on tax	—	1,054
Other	970	1,333
Sub-total deferred tax assets	6,835	8,609
Valuation reserve	(246)	(1,730)
Total deferred tax assets	6,589	6,878
Deferred tax liabilities		
Prepaid pension costs	(3,041)	(4,440)
Valuation difference of fixed assets	(965)	(965)
Reserve for deduction entry of property by purchase	(1,555)	(1,543)
Valuation difference on available-for-sale securities	(3,148)	(3,154)
Other	(45)	(344)
Total deferred tax liabilities	(8,757)	(10,447)
Net deferred tax assets	(2,168)	(3,569)
Net deferred tax assets included in the consolidated balance sheets are as follows:		
Current assets — deferred tax assets	1,894	2,305
Fixed assets — deferred tax assets	1,063	844
Current liabilities — deferred tax liabilities	(2)	(11)
Long-term liabilities — deferred tax liabilities	(5,124)	(6,707)
2. The principal details of the material differences between the statutory effective tax rate and the actual burden tax rate after application of tax-effect accounting		
The statutory effective tax rate	40.7 %	40.7%
(Adjustments)		
Valuation reserve	— %	2.1%
Loss carry forward of consolidated subsidiaries not to have recognized tax-effect	0.5 %	1.0%
Permanent exclusion from expenses	1.6 %	1.2%
Tax free income	(0.4 %)	(0.4%)
Capita levy on inhabitant tax	1.5 %	1.3%
Other	0.2 %	0.1%
Actual burden tax rate after the application of tax effect accounting	44.1 %	46.0%

Segment Information

1. Segment information of business line

Previous fiscal year (From December 1, 2004 to November 30, 2005)

(Millions of yen)

	Foodstuffs	Distribution	Total	Elimination and/or addition	Consolidated
1. Sales and operating income					
Sales					
(1) Sales to customers	367,774	87,233	455,007	—	455,007
(2) Internal sales or transfers to/from segments	9	24,245	24,254	(24,254)	—
Total	367,783	111,478	479,262	(24,254)	455,007
Operating expenses	353,425	107,457	460,883	(18,706)	442,176
Operating income	14,357	4,021	18,379	(5,548)	12,830
2. Allocated assets, depreciation expense, and capital expenditure					
Assets	178,684	62,598	241,283	24,441	265,724
Depreciation expense	10,155	2,043	12,198	80	12,279
Capital expenditure	10,027	2,074	12,102	108	12,210

(Notes) 1. Methods determining business segments
Business segments are classified based on business line.

2. Main products of each business segment

Business segment	Main products
Foodstuffs	Mayonnaise and dressings, Fruit applications and cooked foods, Egg products, Healthcare products, Vegetables and salads
Distribution	Storage and transportation

3. Operating expenses that cannot be allocated to segments, mainly belong to the general control division in the head office of the Company, K.System Co., Ltd. and Kewpie Ai Co., Ltd. Those amounts included in Elimination and/or addition on the column of the above table, are ¥ 5,782 million.

4. Assets that cannot be allocated to segments mainly consist of spare working funds and investment capital (cash, deposits and investment in securities) and belong to the general control division in the head office of the Company, K.System Co., Ltd. and Kewpie Ai Co., Ltd.. Those amounts included in Elimination and/or addition on the column of the above table, are ¥ 33,141 million.

5. Long-term prepaid expenses are included in capital expenditure and their depreciation in depreciation expense.

6. Additional information

Representation on the statement of income regarding an external tax (say the external standard taxation) levied on added value amounts and capital amounts composing corporate enterprise tax

The law for revision of a part of the local tax law (law No. 9 of 2003) was promulgated on March 31, 2003, and the external standard taxation system levied on the external of enterprise was enforced from the fiscal year beginning April 1, 2004.

Thereby, a tax levied on the external standard is included in selling, general and administrative expenses from the current consolidated fiscal year in accordance with "Practical guidance for representation on statement of income regarding a tax levied on the external standard" (Practical report No. 12 issued by Accounting Standards Board of Japan on February 13, 2004).

As a result, operating expenses in the Foodstuffs business increased by ¥ 66 million and operating income decreased by the same amounts, and operating expenses in the Distribution business increased by ¥ 51 million and operating income decreased by the same amounts. Operating expenses that cannot be allocated to particular segments, increased by ¥ 216 million.

Current fiscal year (From December 1, 2005 to November 30, 2006)

(Millions of yen)

	Foodstuffs	Distribution	Total	Elimination and/or addition	Consolidated
1. Sales and operating income					
Sales					
(1) Sales to customers	366,581	89,485	456,067	—	456,067
(2) Internal sales or transfers to/from segments	10	24,215	24,226	(24,226)	—
Total	366,592	113,701	480,293	(24,226)	456,067
Operating expenses	349,930	110,384	460,315	(18,408)	441,907
Operating income	16,661	3,316	19,997	(5,817)	14,159
2. Allocated assets, depreciation expense, and capital expenditure					
Assets	196,228	63,302	259,530	30,656	290,186
Depreciation expense	9,981	2,069	12,051	111	12,162
Loss on impairment of fixed assets	164	—	164	—	164
Capital expenditure	12,613	2,654	15,268	48	15,316

(Notes) 1. Methods determining business segments
Business segments are classified based on business line.

2. Main products of each business segment

Business segment	Main products
Foodstuffs	Mayonnaise and dressings, Fruit applications and cooked foods, Egg products, Healthcare products, Vegetables and salads
Distribution	Storage and transportation

3. Operating expenses that cannot be allocated to segments, mainly belong to the general control division in the head office of the Company, K.System Co., Ltd. and Kewpie Ai Co.,Ltd.. Those amounts included in Elimination and/or addition on the column of the above table, are ¥ 5,886 million.

4. Assets unable to allocate to segments consist mainly of spare working funds and investment capital (cash, deposits and investment in securities) and belong to the general control division in the head office of the Company, K.System Co., Ltd. and Kewpie Ai Co., Ltd.. Those amounts included in Elimination and/or addition on the column of the above table, are ¥ 39,536 million.

5. Long-term prepaid expenses are included in capital expenditure and their depreciation in depreciation expense.

6. Change in accounting policies

Reserve for directors' and corporate auditors' bonuses

The Company and consolidated subsidiaries adopted the Accounting Standard for Directors' Bonus (Accounting Standard Board of Japan Statement No.4 issued by Accounting Standard Board of Japan on November 29, 2005) from the current fiscal year. The standard is to be applied for the fiscal year ending on or after May 1, 2006, on which the Corporate Law takes effective.

As a result, operating expenses in the Foodstuffs business increased by ¥ 14 million and operating income decreased by the same amounts, and operating expenses in the Distribution business increased by ¥ 46 million and operating income decreased by the same amounts. Operating expenses that cannot be allocated to particular segments, increased by ¥ 30 million.

Reserve for retirement benefit

The Company and consolidated subsidiaries adopted the Partial Revision of Accounting Standard for Retirement Benefits (Accounting Standard Board of Japan Statement No.3 issued by Accounting Standard Board of Japan on March 16, 2005) and the Guidance on Partial Revision of Accounting Standard for Retirement Benefits (Accounting Standard Board of Japan Guidance No.7 issued by Accounting Standard Board of Japan on March 16, 2005) from the current fiscal year. The standard is to be applied for the fiscal year beginning on or after April 1, 2005.

As a result, operating expenses in the Foodstuffs business decreased by ¥ 437 million and operating income increased by the same amounts. Operating expenses that cannot be allocated to particular segments, decreased by ¥ 32 million.

2. Geographical business

Segment information of geographical business is not disclosed since the proportion of domestic sales and assets in the fiscal years ended November 30, 2005 and 2006, exceeds 90% to the total amounts of segment sales and segment assets, respectively.

3. Overseas sales amounts

Segment information of overseas sales amounts is not disclosed since the overseas sales amounts in the fiscal years ended November 30, 2005 and 2006, are less than 10% of consolidated sales, respectively.

Related Party Transactions

Previous fiscal year (From December 1, 2004 to November 30, 2005)

Parent company, principal corporate shareholders, and other

(Millions of yen)

Attribution	Corporate name	Address	Capital stock	Principal business	Percentage of voting rights	Relationship		Transaction	Amount	Account	End of year	
						Number of interlocking directors and corporate auditors	On business					
Principal corporate shareholders and other affiliated companies	Nakashimoto Co., Ltd.	Shibuya-ku, Tokyo	50	Sales of processed foodstuffs	Direct 17.3% Indirect 3.2%	4 persons	Purchase of products	Operating	Purchase of products	40,551	Account payable - trade	6,820
								Non-operating	Consignment of calculation office work	666	Account payable - other	4

Transaction's term and policy

1. Purchase prices of products and charges of consignment calculation office work are determined in accordance with the general transaction's term in consideration of the market prices.
2. In comparison with the tables of the previous year and the current year, the remarkable decrease in the amount of non-operating transactions and its balance of end of year resulted from spinning the information system division of Nakashimoto Co., Ltd. on April 1, 2005 off To Solusions Co., Ltd. , which was accounted for by the equity method.

(Note) Amounts in End of year include consumption taxes and those of Transactions exclude them.

Current fiscal year (From December 1, 2005 to November 30, 2006)

Parent company, principal corporate shareholders, and other

(Millions of yen)

Attribution	Corporate name	Address	Capital stock	Principal business	Percentage of voting rights	Relationship		Transaction	Amount	Account	End of year	
						Number of interlocking directors and corporate auditors	On business					
Principal corporate shareholders and other affiliated companies	Nakashimoto Co., Ltd.	Shibuya-ku, Tokyo	50	Sales of processed foodstuffs	Direct 17.2% Indirect 3.2%	4 persons	Purchase of products	Operating	Purchase of products	41,067	Account payable - trade	7,021

Transaction's term and policy

1. Purchase prices of products are determined in accordance with the general transaction's term in consideration of the market prices.
2. In comparison with the tables of the previous fiscal year and the current fiscal year, the remarkable decrease in the amount of non-operating transactions and its balance of end of year resulted from spinning the information system division of Nakashimoto Co., Ltd. on April 1, 2005 off To Solusions Co., Ltd. , which was accounted for by the equity method.

(Note) Amounts in End of year include consumption taxes and those of Transactions exclude them.

Consolidated Per Share Data

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
Shareholders' equity per share	¥ 865.32	¥ 896.69
Net income per share — primary	¥ 35.25	¥ 39.66
Net income per share — diluted	¥ 32.64	¥ 39.66

(Note) Calculation Basis of net income per share and net income per share-diluted is as follows.

(Millions of yen)

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
Net income per share		
Net income	5,465	6,071
Amounts not attributable to common share	73	—
<Including directors' and corporate auditors' bonuses>	<73>	<—>
Net income attributable to common share	5,391	6,071
Weighted average number of common share	152,957 thousand shares	153,087 thousand shares
Net income per share — diluted		
Adjustments to net income	110	0
<Including interest expense after tax adjustment>	<111>	<—>
Increase in common share	15,619 thousand shares	0
<Including convertible bonds>	<15,619 thousand shares>	<—>
Summary of potential shares which were not included in calculation basis of net income per share — diluted because they do not have dilutive effects	Common shares for stock option granted of total treasury stock number regulated article 210, No.2 of Commercial Code before revision 1,110,000shares In addition, the above stock option is stated in "IV. The Company, 1.Shares, (4) Stock Options".	Common shares for stock option granted of total treasury stock number regulated article 210, No.2 of Commercial Code before revision and whose rights lapsed by the expiration of execution period in the current fiscal year 876,000 shares Resolution at an ordinary general meeting of shareholders February 23, 2001 Exercise price ¥1,089 Execution period From December 1, 2003 to November 30, 2006

(Note) Calculation basis of net assets per share is as follows.

(Millions of yen)

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
Total amounts of net assets (millions of yen)	—	156,217
The amounts subtract from total amounts of net assets (millions of yen)	—	18,878
(Including minority interests)	—	(18,878)
The amount of net assets of common shares (millions of yen)	—	137,339
Common shares at the end of the year	—	153,162,367 shares

Significant Subsequent Events

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
None	<p>Repurchase of treasury stock</p> <p>For the purpose of executing the mobile capital policy, while complying with changes of the management circumstances, the Company resolved the repurchase of its own common share at the Board of Directors held on January 11, 2007 in accordance with the provision of Article 156 and Article 165, Paragraph 3 of the Company Law.</p> <p><u>The terms of purchase</u></p> <p>The Company can repurchase its own shares up to the maximum quantity 500,000 shares with the maximum amount ¥ 600 million by February 22, 2007.</p> <p><u>The execution</u></p> <p>1. Method of repurchase: Tokyo stock exchange Trading Network-2 on the Tokyo Stock Exchange</p> <p>2. Number of shares repurchased: 365,900 shares</p> <p>3. Repurchase amount: ¥ 377 million</p> <p>4. The date of repurchase: January 23, 2007</p>

(e) Consolidated Supplementary Statements

1. Description of bonds

(Millions of yen)

Corporate name	Issue	Issue date	Beginning balance	Ending balance	Interest rate per annum	Pledged	Maturity
*1	The 1st unsecured bonds	November 4, 2005	10,000	10,000	0.82%	—	November 4, 2009
*2	Series of Unsecured Notes Guaranteed by Sumitomo Mitsui Banking Corporation (Limited to Qualified Institutional Investors)	March 13, 2006	—	500	0.65%	—	March 13, 2013
Total			10,000	10,000			

(Notes) *1: Issued by the Company

*2: Issued by the domestic subsidiary, S.Y. Promotion Co., Ltd.

The aggregate amount which will be redeemed every years in annual maturities for the next five years, is as follows:

(Millions of yen)

Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
—	—	10,000	—	—

2. Description of bank loans and other

(Millions of yen)

Item	Beginning balance	Ending balance	Average interest rate per annum	Maturity
Short-term loans payable	14,803	9,875	1.552%	—
Current portion of long-term loans payable	2,858	3,611	1.800%	—
Long-term loans payable	10,380	19,260	1.127%	From December 2007 to October 2012
Other interest-bearing debt	404	376	4.952%	From December 2006 to September 2010
Total	28,447	33,124	—	

(Notes) *1: Average interest rates are calculated by using interest rates and balance of loans payable at the balance sheet date.

*2: The annual aggregate amount repaid to banks for the next five years is as follows:

(Millions of yen)

	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable and other	2,808	4,571	1,057	11,000

(2) Other

None

Independent Auditors' Report

February 23, 2007

The Board of Directors
KEWPIE KABUSHIKI-KAISHA
(Q.P. Corporation)

ERNST & YOUNG SHIN NIHON

Designated and Engagement Partner	<u>Takahashi Hidenori</u> Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	<u>Takemoto Keisuke</u> Certified Public Accountant (signed and sealed)

Pursuant to Article 193-2 of "The Securities and Exchange Law", we have audited the financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions", of the 94th fiscal year from December 1, 2005 to November 30, 2006, namely, the balance sheet, the statement of income, the statement of changes in net assets, and the supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KEWPIE KABUSHIKI-KAISHA at November 30, 2006, and the results of their operations for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

(Additional information)

- (1) As described in "6. 4. (c) Changes in accounting standard" in significant accounting policies, the Company compiled the financial statements, according to the Accounting Standard for Directors' Bonus, which is to be applied for the current fiscal year.
- (2) As described in "6. 5. (d) Changes in accounting standard" in significant accounting policies, the Company compiled the financial statements, according to the Partial Revision of Accounting Standard for Retirement Benefits, which is to be applied for the current fiscal year.
- (3) As described in changes in accounting policies, the Company compiled the financial statements, according to the Accounting Standard for Impairment of Fixed Assets, which is to be applied for the current fiscal year.

We have no interest in the Company, which should be disclosed pursuant to the provision of the Certified Public Accountants' Law.

Independent Auditors' Report

February 22, 2006

The Board of Directors
KEWPIE KABUSHIKI-KAISHA
(Q.P. Corporation)

ERNST & YOUNG SHIN NIHON

Designated and Engagement Partner	Kitabayashi Hiroshi Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	Takahashi Hidenori Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	Takemoto Keisuke Certified Public Accountant (signed and sealed)

Pursuant to Article 193-2 of "The Securities and Exchange Law", we have audited the financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions", of the 93rd fiscal year from December 1, 2004 to November 30, 2005, namely, the balance sheet, the statement of income, the statement of appropriated retained earnings, and the supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KEWPIE KABUSHIKI-KAISHA at November 30, 2005, and the results of their operations for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants' Law.

2. Financial Statements (Non-Consolidated)

(1) Financial Statements

(a) Balance Sheets

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2005)		Current fiscal year (As of November 30, 2006)	
		Amount	Component ratio	Amount	Component ratio
	(Assets)		%		
I. Current assets					
1. Cash and deposits		10,182		16,724	
2. Notes receivable		587		458	
3. Accounts receivable-trade (Note *1)		34,294		37,837	
4. Purchased goods		2,228		2,731	
5. Products		3,082		3,005	
6. Raw materials		2,086		1,829	
7. Work in progress		80		58	
8. Supplies		354		334	
9. Advance payments		49		124	
10. Prepaid expenses		170		156	
11. Deferred tax assets		621		1,065	
12. Short-term loans receivable to employees		35		67	
13. Short-term loans receivable to subsidiaries and affiliated companies		25,265		20,673	
14. Accounts receivable — other (Note *1)		1,109		749	
15. Other (Note *1)		1,467		1,549	
16. Allowance for doubtful accounts		(208)		(1,137)	
Total current assets		81,407	42.9	86,230	43.1
II. Fixed assets					
(1) Tangible fixed assets					
1. Buildings		55,212		58,378	
Accumulated depreciation		31,603	23,609	33,227	25,150
2. Structures		6,512		6,831	
Accumulated depreciation		4,641	1,871	4,830	2,001
3. Machinery and equipment		72,459		73,774	
Accumulated depreciation		56,134	16,325	57,886	15,888
4. Auto and transportation equipment		55		57	
Accumulated depreciation		50	4	48	8
5. Tools, furniture, and fixtures		4,114		3,952	
Accumulated depreciation		3,469	644	3,350	602
6. Land			16,171		17,189
7. Construction in progress			1,369		1,048
Total tangible fixed assets		59,996	31.6	61,888	30.9

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2005)		Current fiscal year (As of November 30, 2006)	
		Amount	Component ratio	Amount	Component ratio
(2) Intangible fixed assets			%		%
1. Patent rights		—		19	
2. Leasehold rights		87		69	
3. Trademark		0		—	
4. Computer software		1,324		1,219	
5. Telephone rights and other		98		98	
Total intangible fixed assets		1,511	0.8	1,405	0.7
(3) Investments and other assets					
1. Investment in securities		16,501		17,520	
2. Shares of subsidiaries and affiliated companies		19,249		19,259	
3. Sundry investment in companies		10		10	
4. Sundry investment in subsidiaries and affiliated companies		1,286		1,316	
5. Long-term loans receivable to employees		65		52	
6. Prepaid pension costs		6,625		8,840	
7. Long-term prepaid expenses		317		332	
8. Guarantee deposit		1,459		1,441	
9. Other		2,039		1,872	
10. Allowance for doubtful accounts		(603)		(150)	
Total investments and other assets		46,951	24.7	50,495	25.3
Total fixed assets		108,458	57.1	113,789	56.9
Total assets		189,865	100.0	200,019	100.0
(Liabilities)					
I. Current liabilities					
1. Accounts payable-trade (Note *1)		21,114		22,108	
2. Short-term loans payable (Note *1)		10,358		5,818	
3. Accounts payable-other (Note *1)		8,388		7,961	
4. Accrued expenses		3,431		3,674	
5. Accrued income taxes		447		1,387	
6. Advance received		4		0	
7. Deposits received		132		138	
8. Reserve for sales rebates		726		1,237	
9. Reserve for bonuses		258		310	
10. Reserve for directors' and corporate auditors' bonuses		—		30	
11. Other		44		45	
Total current liabilities		44,906	23.6	42,712	21.4

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2005)		Current fiscal year (As of November 30, 2006)	
		Amount	Component ratio	Amount	Component ratio
II. Long-term liabilities			%		%
1. Bonds		10,000		10,000	
2. Long-term loans payable		4,312		14,048	
3. Deferred tax liabilities		4,852		6,162	
4. Reserve for directors' and corporate auditors' retirement pay		455		545	
5. Deposits on contract (Note *1)		6,304		6,186	
6. Other		47		39	
Total long-term liabilities		25,971	13.7	36,982	18.4
Total liabilities		70,878	37.3	79,694	39.8
(Shareholders' equity)					
I. Capital stock (Note *2)		24,104	12.7	—	—
II. Capital surplus					
(1) Capital surplus reserve	29,418			—	
Total capital surplus		29,418	15.5	—	—
III. Earned surplus					
(1) Earned surplus reserve	3,115			—	
(2) Voluntary retained earnings					
1. Special depreciation reserve	49			—	
2. Reserve for deduction entry of property replaced by purchase	2,105			—	
3. Special account reserve for deduction entry of property replaced by purchase	59			—	
4. General reserve	54,700			—	
(3) Unappropriated retained earnings	3,927			—	
Total earned surplus		63,957	33.7	—	—
IV. Unrealized valuation gain on other securities		3,994	2.1	—	—
V. Treasury stock (Note *3)		(2,487)	(1.3)	—	—
Total shareholders' equity		118,987	62.7	—	—
Total liabilities and shareholders' equity		189,865	100.0	—	—

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2005)		Current fiscal year (As of November 30, 2006)		
		Amount	Component ratio	Amount	Component ratio	
(Net Assets)			%			%
I. Owners' equity						
(1) Paid-in capital		—	—	24,104		12.1
(2) Capital surplus						
1. Capital legal reserve		—		29,418		
2. Other capital surplus		—		14		
Total capital surplus		—	—	29,432		14.7
(3) Earned surplus						
1. Earned legal reserve		—		3,115		
2. Other earned surplus		—		61,704		
Special depreciation reserve		—		33		
Reserve for deduction entry of property replaced by purchase		—		2,108		
General reserve		—		56,500		
Earned surplus brought forward		—		3,063		
Total earned surplus		—	—	64,820		32.4
(4) Treasury Stock		—	—	(2,255)		(1.1)
Total owners' equity		—	—	116,101		58.1
II. Valuation and translation adjustments						
(1) Valuation difference on available-for-sale securities		—	—	4,223		
Total valuation and translation adjustments		—	—	4,223		2.1
Total net assets		—	—	120,325		60.2
Total liabilities and net assets		—	—	200,019		100.0

(b) Statements of Income

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2004 to November 30, 2005)		Current fiscal year (From December 1, 2005 to November 30, 2006)			
		Amount	Percentage	Amount	Percentage		
I. Net sales			232,668	100.0	230,598	100.0	
II. Cost of sales							
1. Products and purchased goods at beginning of the year		5,688		5,310			
2. Cost of products manufactured		74,165		74,581			
3. Purchases of goods (Note *2)		87,039		84,578			
Total		166,893		164,470			
4. Products and purchased goods at end of the year		5,310		5,737			
5. Transfer to other title of accounts (Note *1)		1,096	160,486	1,086	157,646	68.4	
Gross profit			72,181		72,951	31.6	
III. Selling, general and administrative expenses (Notes *3, 4)			66,106	28.4	67,306	29.2	
Operating income			6,074	2.6	5,645	2.4	
IV. Non-operating income							
1. Interest income (Note *2)		248		258			
2. Interest income on securities		51		—			
3. Dividend receivable (Note *2)		446		521			
4. Other (Note *2)		359	1,105	0.5	252	1,033	0.5
V. Non-operating expenses							
1. Interest expense		90		146			
2. Interest expense on bonds		192		82			
3. Loss on scrapped inventories		122		153			
4. Other		321	727	0.3	130	512	0.2
Ordinary income			6,453	2.8		6,165	2.7
VI. Extraordinary gains							
1. Gain on sales of fixed assets (Note *5)		—		110			
2. Gain on sales of investment in securities		139		48			
3. Reversal of allowance for doubtful accounts		82		57			
4. Other		0	222	0.1	37	255	0.1
VII. Extraordinary losses							
1. Loss on disposal of fixed assets (Note *6)		363		493			
2. Write-down of investment in securities		6		53			
3. Allowance for doubtful accounts		19		476			
4. Write-down of golf course memberships		56		32			
5. Loss on impairment of fixed assets (Note *7)		—		112			
6. Administrative expense to legal affairs		100		—			
7. Write-down of shares of subsidiaries and affiliated companies		79		—			
8. Other		38	664	0.3	48	1,217	0.5
Net income before income taxes			6,011	2.6		5,203	2.3
Income taxes		930		1,612			
Income taxes deferred		1,310	2,241	1.0	708	2,320	1.0
Net income			3,769	1.6		2,883	1.3
Retained earnings at beginning of the year			1,151			—	
Interim dividends			994			—	
Unappropriated retained earnings			3,927			—	

Cost Reports

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2004 to November 30, 2005)		Current fiscal year (From December 1, 2005 to November 30, 2006)	
		Amount	Component ratio	Amount	Component ratio
Material costs		54,127	73.0%	53,416	71.6%
Labor costs		7,310	9.9	7,380	9.9
Manufacturing expenses		12,715	17.1	13,762	18.5
Total manufacturing costs		74,153	100.0	74,558	100.0
Work in progress at beginning of the year		92		80	
Total		74,246		74,639	
Work in progress at end of the year		80		58	
Cost of products manufactured		74,165		74,581	

<Notes>	Previous fiscal year	<Notes>	Current fiscal year																
1.	<p>The method of cost accounting</p> <p>The method of cost accounting applied in all factories is the standard cost accounting.</p> <p>Product costs are decided by multiplying output quantities of each product line by standard product cost per unit, which consists of material cost (calculated by multiplying standard used quantities by a predetermined price), standard labor cost, and standard manufacturing expenses.</p> <p>Comparatively large cost variance (over 1% of total manufacturing cost during the period) incurring in the current period are allocated to cost of sales and inventories at end of the year.</p>	1.	<p>The method of cost accounting</p> <p>The same method with the previous term</p>																
2.	<p>Principal manufacturing expenses are as follows;</p> <table> <tr> <td>Depreciation expense</td> <td>¥ 4,784 million</td> </tr> <tr> <td>Taxes and public dues</td> <td>¥ 451 million</td> </tr> <tr> <td>Carrying charges</td> <td>¥ 1,213 million</td> </tr> <tr> <td>Consignment processing costs</td> <td>¥ 2,222 million</td> </tr> </table>	Depreciation expense	¥ 4,784 million	Taxes and public dues	¥ 451 million	Carrying charges	¥ 1,213 million	Consignment processing costs	¥ 2,222 million	2.	<p>Principal manufacturing expenses are as follows;</p> <table> <tr> <td>Depreciation expense</td> <td>¥ 4,685 million</td> </tr> <tr> <td>Taxes and public dues</td> <td>¥ 423 million</td> </tr> <tr> <td>Carrying charges</td> <td>¥ 1,382 million</td> </tr> <tr> <td>Consignment processing costs</td> <td>¥ 2,888 million</td> </tr> </table>	Depreciation expense	¥ 4,685 million	Taxes and public dues	¥ 423 million	Carrying charges	¥ 1,382 million	Consignment processing costs	¥ 2,888 million
Depreciation expense	¥ 4,784 million																		
Taxes and public dues	¥ 451 million																		
Carrying charges	¥ 1,213 million																		
Consignment processing costs	¥ 2,222 million																		
Depreciation expense	¥ 4,685 million																		
Taxes and public dues	¥ 423 million																		
Carrying charges	¥ 1,382 million																		
Consignment processing costs	¥ 2,888 million																		
3.	<p>Reserve for bonuses, ¥ 80 million and reserve for retirement benefits, ¥ 161 million are included in labor costs.</p>	3.	<p>Reserve for bonuses, ¥ 92 million and reserve for retirement benefits, ¥ 5 million are included in labor costs.</p>																

(c) Statements of Appropriated Retained Earnings and Changes in Net Assets

Statement of Appropriated Retained Earnings

(Millions of yen)

Account	Term	Previous fiscal year (The date of an approval of shareholders' meeting February 22, 2006)	
		Amount	
I. Unappropriated retained earnings			3,927
II. Reversal of voluntary retained earnings			
1. Special depreciation reserve		15	
2. Reserve for deduction entry of property replaced by purchase		29	
3. Special account reserve for deduction entry of property replaced by purchase		59	105
Total			4,032
III. Appropriation of retained earnings			
1. Cash dividends		994	
(¥ 6.5 per share — in common dividend)		(994)	
2. Directors' and corporate auditors' bonuses (Including corporate auditors' bonuses)		30	(5)
3. Reserve for voluntary retained earnings			
(1) Special depreciation reserve		5	
(2) Reserve for deduction entry of property replaced by purchase		60	
(3) General reserve		1,800	
Total			2,891
IV. Unappropriated retained earnings of carry forward to next year			1,141

(Note) Special depreciation reserve, reserve for deduction entry of property replaced by purchase, and special account reserve for deduction entry of property replaced by purchase are accounted for in conformity with Corporation Tax Law and the Special Taxation Measures Law.

Statement of Changes in Net Assets
Current fiscal year ended November 30, 2006

(Millions of yen)

	Owners' equity											
	Paid-in capital	Capital surplus		Earned surplus							Treasury stock	Total owners' equity
		Capital legal reserve	Other capital surplus	Earned legal reserve	Other earned surplus							
					Special depreciation reserve	Reserve for deduction entry of property replaced by purchase	Special account reserve for deduction entry of property replaced by purchase	General reserve	Earned surplus brought forward			
Balance at November 30, 2005	24,104	29,418	—	3,115	49	2,105	59	54,700	3,927	(2,487)	114,993	
Changes of items during the current fiscal year												
Transfer to reserve (Note*1)					13	69		1,800	(1,882)		—	
Transfer from reserve (Note*2)					(29)	(66)	(59)		156		—	
Dividends from surplus (Note*3)									(1,990)		(1,990)	
Directors' and corporate auditors' bonuses									(30)		(30)	
Net Income									2,883		2,883	
Repurchase of treasury stock										(8)	(8)	
Disposal of treasury stock			14							240	254	
Net changes of items other than owners' equity												
Total changes of items during the current fiscal year	—	—	14	—	(16)	2	(59)	1,800	(864)	231	1,108	
Balance at November 30, 2006	24,104	29,418	14	3,115	33	2,108	—	56,500	3,063	(2,255)	116,101	

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at November 30, 2005	3,994	3,994	118,987
Changes of items during the current fiscal year			
Transfer to reserve (Note*1)			—
Transfer from reserve (Note*2)			—
Dividends from surplus (Note*3)			(1,990)
Directors' and corporate auditors' bonuses			(30)
Net Income			2,883
Repurchase of treasury stock			(8)
Disposal of treasury stock			254
Net changes of items other than owners' equity	229	229	229
Total changes of items during the current fiscal year	229	229	1,337
Balance at November 30, 2006	4,223	4,223	120,325

(Note) *1 "Transfer to reserve" includes ¥ 5 million of special depreciation reserve, ¥ 60 million of reserve for deduction entry of property replaced by purchase and ¥ 1,800 million of general reserve, which were reserved by appropriation of retained earnings.

*2 "Transfer from reserve" includes ¥ 15 million of special depreciation reserve, ¥ 29 million of reserve for deduction entry of property replaced by purchase, and ¥ 59 million of special account reserve for deduction entry of replaced by purchase, which were transferred by appropriation of retained earnings.

*3 "Dividends from surplus" includes ¥ 994 million dividends by appropriation of retained earnings.

Significant Accounting Policies

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)				
1. Securities	<p>(1) Shares of subsidiaries and affiliated companies are stated at moving average cost.</p> <p>(2) Other securities with fair value are stated at fair value based on market price at the closing date. Valuation differences comprise shareholders' equity as unrealized valuation gain (loss) on other securities. When sold, cost of sales is determined by the moving average method. Other securities with no fair value are stated at moving average cost.</p>	<p>(1) The same standards with the previous fiscal year</p> <p>(2) Other securities with fair value are stated at fair value based on market price at the closing date. Valuation differences comprise net assets as valuation difference on available-for-sale securities. When sold, cost of sales is determined by the moving average method. Other securities with no fair value are stated at moving average cost.</p> <p>(3) Held-to-maturity bonds are stated at amortized cost. Discounts and premiums are amortized by the straight-line method.</p>				
2. Derivative financial instruments	<p>Derivative financial instruments are stated at fair value.</p> <p>Hedge accounting is adopted for derivative financial instruments which conform to the requirements of hedge accounting.</p>	<p>The same standards with the previous fiscal year</p>				
3. Inventories	<p>(Valuation basis)</p> <p>Purchased goods, products, raw materials, work in progress and supplies are stated at cost.</p> <p>(Valuation method)</p> <p>(a) Purchased goods, products (except for the following (b)), raw materials, work in progress and supplies are determined by the monthly moving average method.</p> <p>(b) Some joint products are determined by the retail periodic average method.</p>	<p>(Valuation basis)</p> <p>The same standards with the previous fiscal year</p> <p>(Valuation method)</p> <p>Purchased goods, products, raw materials, work in progress and supplies are determined by the monthly moving average method.</p>				
4. Depreciation of fixed assets	<p>(1) Tangible fixed assets are depreciated by the declining balance method except for the following assets.</p> <p>Buildings (except for equipment fixed inside buildings) acquired on and after April 1, 1998, are depreciated by the straight-line method.</p> <p>The same basis with the Corporation Tax Law is adopted for useful life and scrap value.</p> <p>The main useful life is as follows.</p> <table> <tr> <td>Buildings</td> <td>3-5 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>2-17 years</td> </tr> </table> <p>(2) Intangible fixed assets are depreciated by the straight-line method.</p> <p>The same basis with the Corporation Tax Law is adopted for useful life.</p> <p>Computer software is amortized as no scrap value by the straight-line method for five years based on the estimated useful life for internal use.</p> <p>(3) Long-term prepaid expenses are amortized by the straight-line method.</p>	Buildings	3-5 years	Machinery and equipment	2-17 years	<p>(1) The same standards with the previous fiscal year</p> <p>(2) The same standards with the previous fiscal year</p> <p>(3) The same standards with the previous fiscal year</p>
Buildings	3-5 years					
Machinery and equipment	2-17 years					
5. Deferred assets	<p>Bond issue costs</p> <p>Bond issue costs are amortized fully when incurred.</p>	<p>_____</p>				
6. Reserve	<p>(1) Allowance for doubtful accounts</p> <p>Allowance for doubtful accounts is provided for on the amounts calculated by an estimated uncollectible rate to general credits considering the past actual bad debt losses, plus on the estimated uncollectible amounts in consideration of the possibility of collection to specific credits</p>	<p>(1) Allowance for doubtful accounts</p> <p>The same standards with the previous fiscal year</p>				

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
	<p>of apprehension credits of bad debt, etc.</p> <p>(2) Reserve for sales rebates Reserve for sales rebates is based on a proportion to sales on an accrual basis.</p> <p>(3) Reserve for bonuses Reserve for bonuses is based on the specific computation period.</p> <p>(4) _____</p> <p>(5) Reserve for retirement benefits Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis considering the estimated retirement benefit obligations and pension fund assets at end of the current fiscal year. Prior service liabilities are amortized by the straight-line method over a certain period twelve years within an average remaining service period of employees, and their amortization starts in the respective accrual years. Actuarial gains or losses are amortized by the straight-line method over a certain period (twelve years) within an average remaining service period of employees, and their amortizations start in the next year of the respective accrual years. As the pension fund assets exceeded retirement benefit obligations in the current fiscal year, its excess amounts were accounted for as prepaid pension costs in investments and other assets. Retirement benefits systems of the Company consist of a defined benefit corporate pension plan (Fund-type and Contract-type). _____</p>	<p>(2) Reserve for sales rebates The same standards with the previous fiscal year</p> <p>(3) Reserve for bonuses The same standards with the previous fiscal year</p> <p>(4) Reserve for directors' and corporate auditors' bonuses Reserve for directors' and corporate auditors' bonuses is provided for at the necessary amounts based on the estimated amounts payable at the end of current fiscal year.</p> <p>(Change in accounting standard) The Company adopted the Accounting Standard for Directors' Bonus (Accounting Standard Board of Japan Statements No.4 issued by Accounting Standard Board of Japan on November 29, 2005) from the current fiscal year. The standard is to be applied for the fiscal year ending on or after May 1, 2006, on which the Corporate Law takes effective. As a result, selling, general and administrative expense increased by ¥ 30 million and operating income, ordinary income, and net income before income taxes decreased by the same amount, compared to those accounted for based on the prior standard, respectively.</p> <p>(5) Reserve for retirement benefits The same standards with the previous fiscal year</p> <p>(Change in accounting standard) The Company adopted the Partial Revision of Accounting Standard for Retirements Benefits (Accounting Standard Board of Japan Statement No.3 issued by Accounting Standard Board of Japan on March 16, 2005) and the</p>

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
		Guidance on Partial Revision of Accounting Standard for Retirement Benefits(Accounting Standard Board of Japan Guidance No.7 issued by Accounting Standard Board of Japan on March 16, 2005) from the current fiscal year. The standard is to be applied for the fiscal year beginning on or after April 1, 2005. As a result, operating income, ordinary income, and net income before income taxes Increased by ¥ 339 million, compared to those accounted for based on the prior standard, respectively.
7. Lease transactions	(6) Reserve for directors' and corporate auditors' retirement pay Reserve for directors' and corporate auditors' retirement pay is accounted for by amounts payable which will be required in accordance with the Company's bylaw if all directors and corporate auditors terminate their services with the Company at end of the year. Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees, are accounted for by the same method applied to ordinary operating leases.	(6) Reserve for directors' and corporate auditors' retirement pay The same standards with the previous fiscal year The same standards with the previous fiscal year
8. Hedge accounting	(1) Hedge accounting Deferral hedge is adopted in the method of hedge accounting. Designation transactions are applied to debts and credits in foreign currency which conform to the requirements of hedge accounting. (2) Hedge instruments and hedge items Hedge instruments are forward exchange contracts. Hedge items are purchase transactions in foreign currencies. (3) Hedge policy The Company enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rate and 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 hedge is measured by comparing movements in the fair value of hedge items with those of hedge instruments. Hedge transactions are strictly controlled, analyzed and assessed.	(1) Hedge accounting The same standards with the previous fiscal year (2) Hedge instruments and hedge items The same standards with the previous fiscal year (3) Hedge policy The same standards with the previous fiscal year (4) Assessment of the effectiveness of hedge accounting The same standards with the previous fiscal year
9. Other	Accounting for consumption taxes Consumption taxes are recorded in separate accounts. Accrued consumption taxes are included in accounts payable — other.	Accounting for consumption taxes The same standards with the previous fiscal year

Changes in Accounting Policies

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
—————	<p>(Accounting Standard for Impairment of Fixed Assets) The Company adopted the Accounting Standard for Impairment of Fixed Assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Council on August 9, 2002) and the Guidance on Accounting for Impairment of Fixed Assets (Accounting Standard Board of Japan Guidance No.6 issued by Accounting Standard Board of Japan on October 31, 2003) from the current fiscal year. The standard is to be applied for the fiscal year beginning on or after April 1, 2005. As a result, net income before income taxes decreased by ¥ 112 million. Accumulated loss on impairment is directly deducted from the related assets.</p> <p>(Accounting Standard for Presentation of Net Assets in the Balance Sheet) The Company adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard Board of Japan Statement No.5 issued by Accounting Standard Board of Japan on December 9, 2005) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard Board of Japan Guidance No.8 issued by Accounting Standard Board of Japan on December 9, 2005) from the current fiscal year. The equivalent amount of the total shareholders’ equity regulated formerly is ¥ 120,325 million.</p>

Additional Information

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
<p>Representation on the statement of income regarding an external tax (say the external standard taxation) levied on added value amounts and capital amounts composing corporate enterprise tax</p> <p>The law for revision of a part of the local tax law (law No. 9 of 2003) was promulgated on March 31, 2003, and the external standard taxation system levied on the external of enterprise was enforced from the fiscal year beginning April 1, 2004. Thereby, a tax levied on the external standard is included in selling, general and administrative expenses from the current fiscal year in accordance with “Practical guidance for representation on statement of income regarding a tax levied on the external standard”(Practical report No. 12 issued by Accounting Standards Board of Japan on February 13, 2004). As a result, selling, general and administrative expenses increased by ¥ 216 million and operating income, ordinary income and net income before income taxes decreased by the same amount respectively.</p>	—————

Notes

Balance Sheets

Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)																																																																																																									
<p>1. *1. The amounts of credits and debts to subsidiaries and affiliated companies excluding those disclosed as an individual account, are included in the following titles of account:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Accounts receivable — trade</td><td style="text-align: right;">¥ 3,993 million</td></tr> <tr><td>Accounts receivable — other</td><td style="text-align: right;">¥ 1,008 million</td></tr> <tr><td>Other (Current assets)</td><td style="text-align: right;">¥ 1,269 million</td></tr> <tr><td>Accounts payable — trade</td><td style="text-align: right;">¥ 10,728 million</td></tr> <tr><td>Short-term loans payable</td><td style="text-align: right;">¥ 1,989 million</td></tr> <tr><td>Accounts payable — other</td><td style="text-align: right;">¥ 1,475 million</td></tr> <tr><td>Deposits on contract</td><td style="text-align: right;">¥ 5,917 million</td></tr> </table> <p>2. *2. Authorized shares</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Common share</td><td style="text-align: right;">250,004,000 shares</td></tr> <tr><td>Outstanding shares</td><td></td></tr> <tr><td>Common share</td><td style="text-align: right;">155,464,515 shares</td></tr> </table> <p>*3. Treasury stock</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Common share</td><td style="text-align: right;">2,478,457 shares</td></tr> </table> <p>(Including 1,111,000 shares for stock option granted)</p> <p>3. Contingent liabilities</p> <p>Liabilities for Guarantee</p> <p>The amounts of liabilities guaranteed under joint signature</p> <p style="text-align: right;">(Millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Debtor</th> <th style="width: 10%;">Amount</th> <th style="width: 60%;">Contents</th> </tr> </thead> <tbody> <tr><td>Employees</td><td style="text-align: center;">504</td><td>Bank loan, etc.</td></tr> <tr><td>Kowa Derika Co., Ltd.</td><td style="text-align: center;">48</td><td>Bank loan</td></tr> <tr><td>Potato Delica Co., Ltd.</td><td style="text-align: center;">94</td><td>Bank loan</td></tr> <tr><td>Henningsen Foods, Inc.</td><td style="text-align: center;">1,705</td><td>Bank loan</td></tr> <tr><td></td><td style="text-align: center;">314</td><td>Re-guarantee for loan from David City, Nebraska</td></tr> <tr><td>Thai Q.P. 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Restriction of dividends</p> <p>Increase of shareholders' equity regulated the Commercial Code Enforcement Regulation Article 124-3 is ¥ 3,994 million.</p>	Accounts receivable — trade	¥ 3,993 million	Accounts receivable — other	¥ 1,008 million	Other (Current assets)	¥ 1,269 million	Accounts payable — trade	¥ 10,728 million	Short-term loans payable	¥ 1,989 million	Accounts payable — other	¥ 1,475 million	Deposits on contract	¥ 5,917 million	Common share	250,004,000 shares	Outstanding shares		Common share	155,464,515 shares	Common share	2,478,457 shares	Debtor	Amount	Contents	Employees	504	Bank loan, etc.	Kowa Derika Co., Ltd.	48	Bank loan	Potato Delica Co., Ltd.	94	Bank loan	Henningsen Foods, Inc.	1,705	Bank loan		314	Re-guarantee for loan from David City, Nebraska	Thai Q.P. Co., Ltd.	2	Bank loan	Kewpie (Thailand) Co., Ltd.	115	Bank loan	Hangzhou Q.P. Foods Co., Ltd.	484	Bank loan	Beijing Q.P. Foods Co., Ltd.	22	Bank loan	Total	3,290		<p>1. *1. 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Statements of Income

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)								
1. *1. Transfer to other title of accounts is a sum of amounts used as samples, gifts, and material for manufacturing.	1. *1. The same matter with the previous term.								
2. *2. Transactions with subsidiaries and affiliated companies are as follows; Purchases of goods and raw materials ¥ 86,266 million Non-operating income Interest received ¥ 245 million Dividends received ¥ 283 million Other ¥ 137 million <hr/> Total ¥ 665 million	2. *2. Transactions with subsidiaries and affiliated companies are as follows; Purchases of goods and raw materials ¥ 85,488 million Non-operating income Interest received ¥ 227 million Dividends received ¥ 327 million Other ¥ 95 million <hr/> Total ¥ 649 million								
3. *3. The component percentage of selling expenses, and general and administrative expenses to their aggregate amount, is approximately 81 % and 19 % respectively. Main expenses are as follows; Warehousing and carrying charges ¥ 12,064 million Advertising and general publicity expense ¥ 9,123 million Sales promotion expense ¥ 21,494 million Research and development costs ¥ 2,271 million Payroll ¥ 8,800 million Depreciation expense ¥ 853 million Reserve for bonuses ¥ 178 million Reserve for retirement benefits ¥ 477 million Reserve for directors' and corporate auditors' retirement pay ¥ 111 million Allowance for doubtful accounts ¥ 22 million	3. *3. The component percentage of selling expenses, and general and administrative expenses to their aggregate amount, is approximately 82 % and 18 % respectively. Main expenses are as follows; Warehousing and carrying charges ¥ 12,135 million Advertising and general publicity expense ¥ 8,515 million Sales promotion expense ¥ 22,909 million Research and development costs ¥ 2,537 million Payroll ¥ 9,041 million Depreciation expense ¥ 882 million Reserve for bonuses ¥ 248 million Reserve for retirement benefits ¥ 12 million Reserve for directors' and corporate auditors' retirement pay ¥ 90 million Allowance for doubtful accounts ¥ 29 million								
4. *4. The total amounts of research and development costs are ¥ 2,271 million and all of them are included in general and administrative expenses.	4. *4. The total amounts of research and development costs are ¥ 2,537 million and all of them are included in general and administrative expenses.								
5. _____	5. *5. Gain on sales of fixed assets are as follows; Land ¥ 110 million Buildings and other ¥ 0 million <hr/> Total ¥ 110 million								
6. *6. Loss on disposal of fixed assets are as follows; Buildings ¥ 44 million Machinery and equipment ¥ 293 million Structures and other ¥ 25 million <hr/> Total ¥ 363 million	6. *6. Loss on disposal of fixed assets are as follows; Buildings ¥ 94 million Machinery and equipment ¥ 331 million Structures and other ¥ 67 million <hr/> Total ¥ 493 million								
7. _____	7. *7. The Company recognized loss on impairment on the following group of assets in this fiscal year. <table border="1" style="margin: 10px auto;"> <thead> <tr> <th>Location</th> <th>Use</th> <th>Item</th> <th>Loss on impairment (Millions of yen)</th> </tr> </thead> <tbody> <tr> <td>Tochigi, etc</td> <td>Idol properties (2 properties)</td> <td>Land</td> <td>112</td> </tr> </tbody> </table> <p>The Company classified in principle fixed assets into groups by the type of respective operation and business place based on the management accounting units on which revenue and expenditure continuously are taken in.</p> <p>In the current fiscal year, the book value of the idol properties was written down to the recoverable amount by ¥ 112 million, accounted for as an extraordinary loss, due to decline of their land prices. Recoverable amount is measured by net sales amounts based on the estimated sales amounts.</p>	Location	Use	Item	Loss on impairment (Millions of yen)	Tochigi, etc	Idol properties (2 properties)	Land	112
Location	Use	Item	Loss on impairment (Millions of yen)						
Tochigi, etc	Idol properties (2 properties)	Land	112						

Statements of changes in net assets

Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)	
_____	Total numbers and periodic changes of treasury stock by class	
	Treasury stock by class	Common stock
	Number of shares at the end of previous fiscal year	2,478,457 shares
	Increase in number of shares	8,258 shares
	Decrease in number of shares	234,000 shares
	Number of shares at the end of current fiscal year	2,252,715 shares
	(Notes) 1. Increase in number of common shares of treasury stock is due to acquisition of the odd stock. 2. Decrease in number of common shares of treasury stock is due to exercise of the former stock subscription rights in accordance with the Article 210-2 of the pre commercial code revision.	

Lease Transactions

Previous fiscal year (From December 1, 2004 to November 30, 2005)				Current fiscal year (From December 1, 2005 to November 30, 2006)			
1. Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees				1. Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees			
(1) Estimated acquisition cost, accumulated depreciation, and estimated value of lease properties (Millions of yen)				(1) Estimated acquisition cost, accumulated depreciation, and estimated value of lease properties (Millions of yen)			
	Estimated acquisition cost	Accumulated depreciation	Estimated value		Estimated acquisition cost	Accumulated depreciation	Estimated value
Tools, furniture and fixtures	1,131	532	599	Tools, furniture and fixtures	1,112	548	564
Auto and transportation equipment	739	337	401	Auto and transportation equipment	634	346	288
Computer software	90	53	37	Computer software	107	55	52
Machinery and equipment	190	118	71	Machinery and equipment	175	128	46
Total	2,152	1,041	1,110	Total	2,030	1,078	952
(2) Future lease payments				(2) Future lease payments			
Due within one year				Due within one year			
			¥ 538 million				¥ 502 million
Due over one year				Due over one year			
			¥ 586 million				¥ 463 million
Total			¥ 1,124 million	Total			¥ 965 million
(3) Lease payments, depreciation, and estimated interest expenses				(3) Lease payments, depreciation, and estimated interest expenses			
Lease payments				Lease payments			
			¥ 663 million				¥ 534 million
Depreciation expense				Depreciation expense			
			¥ 640 million				¥ 515 million
Estimated interest expense				Estimated interest expense			
			¥ 21 million				¥ 20 million
(4) Method of depreciation				(4) Method of depreciation			
Depreciation expense is calculated by the straight-line method by considering lease period to be useful life and scrap value to be zero.				The same method with the previous fiscal year			
(5) Calculation method of estimated interest expense				(5) Calculation method of estimated interest expense			
Interest which is separated from the aggregate lease amounts, is calculated as the difference between the aggregate lease amounts on contracts and the presumed costs considered to be acquired by lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.				The same method with the previous fiscal year			
(Notes) The item concerning loss on impairment of fixed assets is omitted because none of the loss is allocated to lease assets.				(Notes) The item concerning loss on impairment of fixed assets is omitted because none of the loss is allocated to lease assets.			

Securities

Shares of subsidiaries and affiliated companies with fair value

(Millions of yen)

Description	Previous fiscal year (As of November 30, 2005)			Current fiscal year (As of November 30, 2006)		
	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
Shares of subsidiaries	3,472	9,921	6,448	3,472	8,946	5,474
Shares of affiliated companies	290	1,871	1,580	290	1,888	1,598
Total	3,763	11,792	8,029	3,763	10,835	7,072

Tax-Effect Accounting

(Millions of yen)

	Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)
1. The principal details of deferred tax assets and liabilities are as follows:		
Deferred tax assets		
Current assets		
Reserve for sales rebates	295	503
Reserve for bonuses	105	126
Accrued enterprise tax	83	126
Other	137	564
Sub-total current assets-deferred tax assets	621	1,321
Valuation reserve	—	(255)
Total current assets — deferred tax assets	621	1,065
Fixed assets		
Trust to cover retirement benefit obligations	1,442	1,442
Reserve for directors' and corporate auditors' retirement pay	185	222
Write-down of golf course memberships	144	133
Other	367	217
Sub-total fixed assets — deferred tax assets	2,140	2,015
Valuation reserve	(61)	(210)
Total fixed assets — deferred tax assets	2,078	1,804
Total deferred tax assets	2,700	2,870
Deferred tax liabilities		
Long-term liabilities		
Prepaid pension costs	(2,696)	(3,598)
Reserve for deduction entry of property replaced by purchase	(1,466)	(1,447)
Special depreciation reserve	(27)	(22)
Valuation difference on available-for-sale securities	(2,741)	(2,898)
Total long-term liabilities — deferred tax liabilities	(6,931)	(7,966)
Total deferred tax liabilities	(6,931)	(7,966)
Net deferred tax assets (liabilities)	(4,230)	(5,096)

	Previous fiscal year (As of November 30, 2005)	Current fiscal year (As of November 30, 2006)
2. The principal details of the material differences between the statutory effective tax rate and the actual burden tax rate after application of tax-effect accounting		
The statutory effective tax rate	40.7 %	40.7 %
(Adjustments)		
Valuation reserve	—	7.7 %
Permanent exclusion from expenses of entertainment expense and other	1.5 %	1.1 %
Tax free income of dividends receivable and other	(2.4 %)	(3.1 %)
Capita levy on inhabitant tax	1.3 %	1.5 %
Prior taxes and other	(3.9 %)	(3.4 %)
Actual burden tax rate after the application of tax effect accounting	37.3 %	44.5 %

Per Share Data

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
Shareholders' equity per share	¥ 777.57	¥ 785.35
Net income per share — primary	¥ 24.44	¥ 18.83
Net income per share — diluted	¥ 22.83	¥ 18.83

(Note) Calculation basis of net income per share and net income per share — diluted is as follows:

(Millions of yen)

	Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
Net income per share-primary		
Net income	3,769	2,883
Amounts not attributable to common share	30	—
<Including directors' and corporate auditors' bonuses>	<30>	<—>
Net income attributable to common share	3,739	2,883
Weighted average number of common share	153,006 thousand shares	153,136 thousand shares
Net income per share — diluted		
Adjustments to net income	111	—
<Including interest expense after tax adjustment>	<111>	<—>
Increase of common share	15,619 thousand shares	0 thousand shares
<Including convertible bonds>	<15,619> thousand shares	<—>
Summary of potential shares which were not included in calculation basis of net income per share — diluted because they do not have dilutive effects	Common shares for stock option granted of total treasury stock number regulated article 210, No.2 of Commercial Code before revision 1,110,000 shares In addition, the above stock option is stated in "IV. The Company, 1.Shares, (4) Stock Options".	Common shares for stock option granted of total treasury stock number regulated article 210, No.2 of Commercial Code before revision and whose rights lapsed by the expiration of execution period in current fiscal year 876,000 shares Resolution at an ordinary general meeting of shareholders February 23, 2001 Exercise price ¥ 1,089 Execution period From December 1, 2003 to November 30, 2006

Significant Subsequent Events

Previous fiscal year (From December 1, 2004 to November 30, 2005)	Current fiscal year (From December 1, 2005 to November 30, 2006)
None	<p>Repurchase of treasury stock</p> <p>For the purpose of executing the mobile capital policy, while complying with changes of the management circumstances, the Company resolved the repurchase of its own common share at the Board of Directors held on January 11, 2007 in accordance with the provision of Article 156 and Article 165 Paragraph 3 of the Company law.</p> <p><u>The terms of repurchase</u></p> <p>The Company can repurchase its own shares up to the maximum quantity 500,000 shares with the maximum amount ¥ 600 million by February 22, 2007.</p> <p><u>The execution</u></p> <p>1. Method of repurchase: Tokyo stock exchange Trading Network-2 on the Tokyo Stock Exchange at the closing price</p> <p>2. Number of shares repurchased: 365,900 shares</p> <p>3. Repurchase amount: ¥ 377 million</p> <p>4. The date of repurchase: January 23, 2007</p>

(d) Supplementary Statements

1. Description of securities

(Shares)

(Millions of yen)

		Issue	Number of shares	Book value
		Investment in securities	Other securities	Nichirei Corporation
		Mizuho Financial Group, Inc.	2,307	2,039
		Sumitomo Mitsui Financial Group, Inc.	1,124	1,372
		Kirin Brewery Co., Ltd.	814,500	1,329
		Kato Sangyo Co., Ltd.	840,329	1,178
		Mitsubishi UFJ Financial Group, Inc.	569	842
		SAHA PATHANAPIBUL PUBLIC Co., Ltd.	13,776,500	780
		Yoshinoya D&C Co., Ltd.	2,818	535
		Kikkoman Corporation	374,196	490
		Casio Computer Co., Ltd	181,000	480
		Seven & i Holdings Co., Ltd.	125,322	462
		Ono Pharmaceutical Co., Ltd.	77,000	455
		147 issues including Taisho Pharmaceutical Co., Ltd.	4,815,742	4,482
		Total	24,120,410	16,520

(Bonds)

(Millions of yen)

Investment in securities	Held-to-maturity bonds	Name	Face value	Book value
			Euroyen bond issued by The Royal Bank of Scotland	1,000
		Total	1,000	1,000

2. Description of fixed assets

(Millions of yen)

Item		Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation	Depreciation expense	Book value
Tangible fixed assets	Buildings	55,212	3,447	282	58,378	33,227	1,820	25,150
	Structures	6,512	342	23	6,831	4,830	208	2,001
	Machinery and equipment	72,459	3,946	2,632	73,774	57,886	4,075	15,888
	Auto and transportation equipment	55	6	4	57	48	2	8
	Tools, furniture and fixtures	4,114	201	362	3,952	3,350	223	602
	Land	16,171	1,189	172	17,189	—	—	17,189
	Construction in progress	1,369	2,259	2,581	1,048	—	—	1,048
	Total	155,895	11,394	6,058 (112)	161,231	99,342	6,329	61,888
Intangible fixed assets	Patent rights	—	—	—	22	2	2	19
	Leasehold rights	—	—	—	69	—	—	69
	Trademark	—	—	—	0	0	0	—
	Computer software	—	—	—	3,085	1,865	502	1,219
	Telephone rights and other	—	—	—	104	5	0	98
	Total	—	—	—	3,280	1,874	506	1,405
Long-term prepaid expenses		4,438	361	86	4,713	4,380	259	332
Deferred assets	—	—	—	—	—	—	—	—
	Total	—	—	—	—	—	—	—

(Notes) 1. Figure in parentheses under "Decrease" indicate the amount of loss on impairment.

2. Principal fixed assets increasing in the current year are as follows;

(Millions of yen)

Classification	Amount	Contents
Buildings	2,178	Buildings of Fujiyoshida factory
	290	Buildings of Nakagawara factory
	289	Buildings of Koromo factory
Machinery and equipment	998	Manufacturing facilities of Fujiyoshida factory
	726	Manufacturing facilities of Goka factory
	718	Manufacturing facilities of Nakagawara factory
Construction in progress	793	Manufacturing facilities of Fujiyoshida factory
	459	Manufacturing facilities of Nakagawara factory
	405	Manufacturing facilities of Goka factory

3. Principal fixed assets decreasing in the current year are as follows;

(Millions of yen)

Classification	Amount	Contents
Machinery and equipment	1,452	Manufacturing facilities of Nakagawara factory
	319	Manufacturing facilities of Sengawa factory
	227	Manufacturing facilities of Tosu factory

4. The description of beginning balance, increase and decrease of intangible fixed assets are omitted by the reason why those amounts are not more than 1% of total assets.

3. Description of reserve

(Millions of yen)

Classification	Beginning balance	Increase	Decrease		Ending balance
			Used with purpose	Other	
Allowance for doubtful accounts	812	750	0	(Note) 275	1,287
Reserve for sales rebates	726	1,237	726	—	1,237
Reserve for bonuses	258	310	258	—	310
Reserve for directors' and corporate auditors' bonuses	—	30	—	—	30
Reserve for directors' and corporate auditors' retirement pay	455	90	—	—	545

(Note) Decrease — other ¥ 275 million on the column of allowance for doubtful accounts consists of reversal of allowance ¥ 231 million for individual accounts which were not necessary due to collection, and ¥ 43 million for general credits on the Corporate tax regulations.

(2) Principal Assets and Liabilities

Description of the principal titles of accounts in the balance sheet as of November 30, 2006 is as follows:

Assets

Current assets

1. Cash and deposits

(Millions of yen)

Account	Amount
Cash on hand	9
Type of deposits	
Current deposits	11,713
Ordinary deposits	—
Notice deposits	—
Time deposits	5,000
Special deposits	1
Sub-total	16,715
Total	16,724

2. Notes receivable

(1) Customer

(Millions of yen)

Customer	Amount
Nipro Pharma Corporation	217
Tokyo Glass Co., Ltd.	41
Morishita Jintan Co., Ltd.	27
Fujikawa & Co., Ltd.	19
Ace Trading Co., Ltd.	18
Other	133
Total	458

(2) Monthly maturity

(Millions of yen)

Maturity	December 2006	January 2007	February	On and after March	Total
Notes receivable	163	76	70	148	458

3. Accounts receivable — trade

(1) Customer

(Millions of yen)

Customer	Amount
Mitsubishi Corporation	4,017
Q.P. Egg Corporation	3,053
Kato Sangyo Co., Ltd	2,917
Kokubu Co., Ltd.	2,009
Mitsui & Co., Ltd.	1,857
Other	23,983
Total	37,837

(2) Turnover of accounts receivable — trade

(Millions of yen)

Item	Amount
A. Beginning balance	34,294
B. Turnover	242,128
C. Ending balance	37,837
D. Collection	238,584
E. Collection ratio ($D \div (A+B) \times 100$)	86.31 %
F. Turnover ratio ($B \div \{(A+C) \div 2\}$)	6.71 times
G. Turnover period ($365 \div F$)	54.40 days

(Note) Consumption taxes are included in the above amounts.

4. Inventories

(Millions of yen)

Item	Amount
Purchased goods	
Canned foods	1,382
Egg products and other	1,349
Sub-total	2,731
Products	
Mayonnaise, dressings and other	1,484
Egg products	1,521
Sub-total	3,005
Raw materials	
Eggs and the yolk	774
Cooking oil and other	1,054
Sub-total	1,829
Work in progress	
Mayonnaise and other	58
Supplies	
Machine parts	213
Expendables for sale and other	121
Sub-total	334
Total	7,959

5. Short-term loans receivable to subsidiaries and affiliated companies

(Millions of yen)

Corporate name	Amount
Kewpie Jyozo Co., Ltd.	2,618
Q.P. Egg Corporation	2,126
Saika Co., Ltd.	1,917
Kanae Foods Co., Ltd.	1,836
Daily Mate Co., Ltd.	1,478
Other	10,696
Total	20,637

Fixed assets

Shares of subsidiaries and affiliated companies

(Millions of yen)

Issue	Amount
Kifuki U.S.A Co., Inc.	9,207
K.R.S. Corporation	3,472
Nakashimato Co., Ltd.	1,448
Kewpie Jyozo Co., Ltd.	802
Potato Delica Co., Ltd.	543
Other	3,785
Total	19,259

Liabilities

Current liabilities

Accounts payable — trade

(Millions of yen)

Supplier	Amount
Nakashimato Co., Ltd.	7,021
Toyo Seikan Kaisha, Ltd.	1,226
Toshoku Ltd.	1,177
Kewpie Jyozo Co., Ltd.	1,141
Aohata Corporation	1,098
Other	10,443
Total	22,108

Long-term liabilities

Long-term loans payable

(Millions of yen)

Corporate name	Amount
Sumitomo Mitsui Banking Corporation	7,210
Mizuho Corporate Bank, Ltd.	3,900
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,600
The Norinchukin Bank	338
Total	14,048

(3) Other

None

VI. Stock Information of Reporting Company

End of fiscal year	November 30
The General Shareholders' Meeting	Held in February
Record Date	November 30
Stock certificate denominations	6 denominations, including 100,000-share, 10,000-share, 1,000-share, 500-share, 100-share, and less than 100-share certificates
Interim dividend record date	May 31
Shares per trading unit	100
Stock transfer agency:	
Handling office	Stock Transfer Agency Dept., The Sumitomo Trust & Banking Co., Ltd. 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka
Customer contact	The Sumitomo Trust & Banking Co., Ltd. (head office and branches nationwide) Daiwa Securities Co., Ltd. (head office and branches nationwide) Japan Securities Agents, Ltd. (head office and branches nationwide)
Stock transfer fee	Free
Stock certificate issuance fee	Revenue stamp in equivalent amount plus ¥100
Purchase of stock in less than the minimum trading unit:	
Handling office	Stock Transfer Agency Dept., The Sumitomo Trust & Banking Co., Ltd. 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka
Customer contact	The Sumitomo Trust & Banking Co., Ltd. (head office and branches nationwide) Daiwa Securities Co., Ltd. (head office and branches nationwide) Japan Securities Agents, Ltd. (head office and branches nationwide)
Stock transfer fee	(Note)
Newspaper for announcements	The Company shall publish its public notices by electronic means. However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun. URL for public address: http://www.kewpie.co.jp/
Shareholder privileges	Shareholders receive an annual gift of the Company's product(s), of a value determined by the number of shares in their possession as of November 30 of each year. More than 1,000 shares: Company product(s) valued at ¥3,000 More than 100 shares (but less than 1,000): Company product(s) valued at ¥1,000

(Note) The calculating method below shall be used to determine fees for purchase of stock in less than the minimum trading unit on the basis of the method below, in which total purchase fees per trading unit are divided by the total number of shares purchased and multiplied by the number of shares held by the shareholder in question.

(Calculation Method) Purchase prices per share, determined by the final TSE market price, are multiplied by the number of shares per trading unit, and the sum total amount derived therefrom is applied, as in the following table, to find the percentage fee charged.

Total amount	Percentage fee
¥1 million or less	1.150%
Over ¥1 million – ¥5 million	0.900%
Over ¥5 million – ¥10 million	0.700%
Over ¥10 million – ¥30 million	0.575%
Over ¥30 million – ¥50 million	0.375%

(Figures of less than ¥1 are rounded down.)

However, if the purchase fee per trading unit calculated above is less than ¥2,500, the fee shall be ¥2,500.

American Depositary Receipts:

Ratio (ADR : ORD): 1 : 2

Exchange: OTC (Over-the-Counter)

Symbol: QPCPY

CUSIP: 746941103

Depository:

The Bank of New York

101 Barclay Street, New York, NY 10286, U.S.A.

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