

**Q.P. CORPORATION**

**BRIEF NOTE OF THE ACCOUNT**

**(CONSOLIDATION)**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2005**

(Translation)

January 11, 2006

**BRIEF NOTE OF THE ACCOUNT (CONSOLIDATION)  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2005**

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Listed corporate name:	KEWPIE KABUSHIKI-KAISHA
English corporate name:	Q.P. Corporation
Security code number:	2809
URL:	<a href="http://www.kewpie.co.jp/english/">http://www.kewpie.co.jp/english/</a>
Listed exchange:	Tokyo Stock Exchange
Location of head office:	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo
Name and title of representative:	Yutaka Suzuki President and Representative Director
Contact for inquiries:	Katsuhiko Sasaki Director and General Manager of Administration Division Tel. +81-3-3486-3331
Board of directors for approval of the account:	January 11, 2006
Parent company and other affiliated company name/Voting rights percentage:	Nakashimato Co.,Ltd. / 20.5%
Application of U S GAAP:	Non applied

1. Business results for the fiscal year ended November 30, 2005 (From December 1, 2004 to November 30, 2005):

(1) Operating results

	<u>Year ended November 30, 2005</u>	<u>Year ended November 30, 2004</u>
Net sales	¥ 455,007 million (7.4%)	¥ 423,727 million (-3.0%)
Operating income	¥ 12,830 million (-18.1%)	¥ 15,662 million (-14.2%)
Ordinary income	¥ 12,829 million (-17.3%)	¥ 15,507 million (-11.6%)
Net income	¥ 5,465 million (-22.0%)	¥ 7,006 million (-19.2%)
Net income per share-primary	¥ 35.25	¥ 45.18
Net income per share-diluted	¥ 32.64	¥ 41.63
Return on equity	4.2%	5.7%
Ordinary income to total assets	4.9%	5.8%
Ordinary income to net sales	2.8%	3.7%
(Notes)		
1. Equity income	¥ 183 million	¥ 268 million
2. Weighted average number of shares	152,957,371 shares	153,154,908 shares
3. Changes in accounting principles in the current fiscal year:	None	
4. The percentage (%) of Net sales, Operating income, Ordinary income and Net income is the ratio of increase or decrease compared with the previous year.		

(2) Financial conditions

	<u>Year ended November 30, 2005</u>	<u>Year ended November 30, 2004</u>
Total assets	¥ 265,724 million	¥ 262,122 million
Shareholders' equity	¥ 132,412 million	¥ 126,768 million
Equity ratio	49.8%	48.4%
Shareholders' equity per share	¥ 865.32	¥ 827.17
(Note)		
Number of outstanding shares	152,936,625 shares	153,150,739 shares

(3) Cash flows

	<u>Year ended</u> <u>November 30, 2005</u>	<u>Year ended</u> <u>November 30, 2004</u>
Net cash provided by operating activities	¥ 15,686 million	¥ 17,377 million
Net cash used in investing activities	¥ -11,625 million	¥ -12,806 million
Net cash used in financing activities	¥ -7,415 million	¥ -8,109 million
Cash and cash equivalents at end of the year	¥ 13,127 million	¥ 16,451 million

(4) Scope of consolidated companies and companies accounted for by the equity method

Number of consolidated subsidiaries	43
Number of non-consolidated subsidiaries accounted for by the equity method	0
Number of affiliated companies accounted for by the equity method	5

(5) Change in scope of consolidated companies and companies accounted for by the equity method

Number of newly consolidated companies	0
Number of companies excluded from consolidation	1
Number of companies newly accounted for by the equity method	1
Number of companies excluded from the application of the equity method	0

2. Estimate of operating results for the fiscal year ending November 30, 2006 (From December 1, 2005 to November 30, 2006):

	<u>Interim period</u>	<u>Yearly period</u>
Net sales	¥ 226,900 million	¥ 460,000 million
Ordinary income	¥ 7,450 million	¥ 15,400 million
Net income	¥ 3,150 million	¥ 7,000 million
(Reference) Estimate of yearly net income per share	¥ 45.77	

(Notes)

(1) Figures of amounts are described by discarding fractions less than one million yen.

(2) The above estimate information is reported based on available information and uncertain factors which may have an effect on the future operating results, and the estimate of operating results may differ significantly from the actual operating results due to uncertain various factors.

### Cash flow index

	November 30,2003	November 30,2004	November 30,2005
Equity ratio (%)	44.7	48.4	49.8
Equity ratio based on market price (%)	49.4	52.7	58.6
Debt service coverage (years)	2.7	2.5	2.4
Interest coverage ratio (times)	23.7	27.9	29.5

(Notes)

1. Each index is calculated based on consolidated financial figures.

2. Equity ratio=Shareholders' equity / Total assets

Equity ratio based on market price=Market value of total stock/ Total assets ※1

Debt service coverage= Interest-bearing debt/ Operating cash flow ※2, ※3

Interest coverage ratio=Operating cash flow / Interest paid ※3

※1. Market value of total stock is calculated by multiplying the final market price by the number of outstanding shares at the end of the fiscal year (excluding treasury stock).

※2. Interest-bearing debt includes all debts whose interest is paid in the consolidated balance sheet.

※3. 'Operating cash flow' and 'Interest Paid' are the figure of Net cash provided by operating activities and Interest paid reported in the consolidated statements of cash flows, respectively.

Q.P. CORPORATION

**Consolidated Balance Sheets**  
**NOVEMBER 30, 2005 AND 2004**

(Millions of yen)

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
<b>CURRENT ASSETS:</b>		
Cash and deposits	13,153	17,097
Notes and accounts receivable	66,066	65,665
Securities	27	27
Inventories	16,224	16,247
Deferred tax assets	1,894	1,967
Other	3,758	3,804
Allowance for doubtful accounts	(607)	(614)
Total current assets	100,517	104,195
<b>FIXED ASSETS:</b>		
Tangible fixed assets		
Buildings and structures	109,040	106,980
Machinery, equipment and transportation equipment	113,280	110,495
Land	39,374	38,750
Construction in progress	3,392	2,266
Other	7,905	7,794
Accumulated depreciation	(155,186)	(147,905)
Total tangible fixed assets	117,807	118,381
Intangible fixed assets		
Consolidation adjustment accounts	63	95
Other	2,923	2,959
Total intangible fixed assets	2,986	3,054
Investments and other assets		
Investment in securities	22,971	20,273
Deferred tax assets	1,063	1,338
Other	20,240	14,535
Allowance for doubtful accounts	(303)	(246)
Total investment and other assets	43,971	35,901
Total fixed assets	164,766	157,337
<b>DEFERRED ASSETS:</b>		
Business commence costs	440	587
Bond discounts	-	0
Total deferred assets	440	588
Total assets	265,724	262,122

**LIABILITIES, MINORITY INTERESTS AND  
SHAREHOLDERS' EQUITY**

	<b>2005</b>	<b>2004</b>
<b>CURRENT LIABILITIES:</b>		
Notes and accounts payable	37,133	37,395
Short-term loans payable	17,662	11,380
Current portion of bonds	-	200
Current portion of convertible bonds	-	18,629
Accounts payable-other	20,042	20,471
Accrued income taxes	1,424	2,598
Deferred tax liabilities	2	-
Reserve for sales rebates	726	968
Reserve for bonuses	1,707	1,637
Other	5,611	5,747
<b>Total current liabilities</b>	<b>84,310</b>	<b>99,028</b>
<b>LONG-TERM LIABILITIES:</b>		
Bonds	10,000	-
Long-term loans payable	10,380	12,577
Deferred tax liabilities	5,124	1,723
Reserve for retirement benefits	2,901	2,423
Reserve for directors' and corporate auditors' retirement pay	1,161	1,609
Other	1,513	1,450
<b>Total long-term liabilities</b>	<b>31,081</b>	<b>19,784</b>
<b>Total liabilities</b>	<b>115,391</b>	<b>118,812</b>
<b>MINORITY INTERESTS</b>	<b>17,919</b>	<b>16,541</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock	24,104	24,104
Capital surplus	29,418	29,418
Earned surplus	79,295	75,985
Unrealized valuation gain on other securities – net	4,448	1,830
Cumulative foreign currency translation adjustments	(2,353)	(2,263)
Treasury stock	(2,500)	(2,308)
<b>Total shareholders' equity</b>	<b>132,412</b>	<b>126,768</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>265,724</b>	<b>262,122</b>

Q.P. CORPORATION

**Consolidated Statements of Income**  
**FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2005 AND 2004**

(Millions of yen)

	<b>2005</b>	<b>2004</b>
NET SALES	455,007	423,727
COST OF SALES	346,520	315,628
Gross profit	108,487	108,099
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	95,656	92,437
Operating income	12,830	15,662
NON-OPERATING INCOME:		
Interest income and dividend receivable	465	527
Equity income	183	268
Other	627	594
NON-OPERATING EXPENSES:		
Interest expense	544	620
Other	733	924
Ordinary income	12,829	15,507
EXTRAORDINARY GAINS:		
Gain on sales of fixed assets	24	95
Gain on sales of investment in securities	245	156
Gain on return of the entrusted government's portion of the welfare pension	-	610
Other	91	72
EXTRAORDINARY LOSSES:		
Loss on sales and disposal of fixed assets	554	441
Write-down of investment in securities	6	13
Other	606	1,102
Net income before income taxes and minority interests	12,024	14,883
Income taxes	3,388	5,175
Income taxes deferred	1,910	1,650
Minority interests	1,260	1,050
Net income	5,465	7,006

Q.P. CORPORATION

**Consolidated Statements of Shareholders' Equity**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2005 AND 2004**

(Millions of yen)

	<u>2005</u>	<u>2004</u>
<b>CAPITAL SURPLUS</b>		
CAPITAL SURPLUS AT BEGINNING OF THE YEAR	29,418	29,418
CAPITAL SURPLUS AT END OF THE YEAR	29,418	29,418
<b>EARNED SURPLUS</b>		
EARNED SURPLUS AT BEGINNING OF THE YEAR	75,985	70,833
<b>INCREASE OF EARNED SURPLUS</b>		
Net income	5,465	7,006
Gain resulting from merger of subsidiaries of each other	-	85
Increase of earned surplus	5,465	7,092
<b>DECREASE OF EARNED SURPLUS</b>		
Cash dividends	2,066	1,838
Directors' and corporate auditors' bonuses	88	100
Decrease of earned surplus	2,155	1,939
EARNED SURPLUS AT END OF THE YEAR	79,295	75,985

Q.P. CORPORATION

**Consolidated Statements of Cash Flows**  
**FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2005 AND 2004**

(Millions of yen)

	2005	2004
<b>I . CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income before income taxes and minority interests	12,024	14,883
Adjustment to reconcile net income before income taxes and minority interests to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,279	12,614
Amortization of consolidation adjustment accounts	28	32
Amortization of bond issue cost	62	-
Equity income	(183)	(268)
Write-down of investment in securities	6	13
Write-down of golf course memberships	71	4
Decrease in reserve for retirement benefits	(3,661)	(4,242)
Decrease in reserve for directors' and corporate auditors' retirement pay	(447)	(11)
Decrease in reserve for sales rebates	(242)	(158)
Increase (Decrease) in reserve for bonuses	70	(228)
Increase in allowance for doubtful accounts	50	42
Interest income and dividend receivable	(465)	(527)
Interest expense	544	620
Loss (Gain) on sales of investment in securities	(231)	3
Loss on sales and disposal of fixed assets	529	346
Decrease (increase) in notes and accounts receivable	(374)	5,758
Decrease (increase) in inventories	43	(769)
Decrease in notes and accounts payable	(353)	(1,782)
Decrease in accounts payable - other	(777)	(3,308)
Increase (decrease) in accrued consumption taxes	168	(771)
Directors' and corporate auditors' bonuses paid	(88)	(100)
Directors' and corporate auditors' bonuses payment charged to minority shareholders	(29)	(34)
Other	1,654	107
Sub total	20,679	22,223
Interest income and dividends received	540	1,032
Interest paid	(532)	(622)
Income taxes paid	(5,001)	(5,255)
Net cash provided by operating activities	15,686	17,377
<b>II . CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of securities	(27)	(27)
Sales of securities	27	42
Purchases of tangible fixed assets	(10,707)	(12,601)
Purchases of intangible fixed assets	(857)	(1,082)
Purchases of investment in securities	(497)	(2,157)
Sales of investment in securities	2,646	1,827
Loans receivable made	(5,813)	(799)
Collection of loans receivable	4,554	1,139
Disbursements for deposit to bank	(220)	(3,036)
Withdrawal of time deposits	369	2,690
Other	(1,100)	1,200
Net cash used in investing activities	(11,625)	(12,806)

	2005	2004
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowing on short-term loans	79,247	62,063
Repayment of short-term loans	(72,733)	(66,678)
Borrowing on long-term loans	800	4,663
Repayment of long-term loans	(3,604)	(5,868)
Issue of bonds	9,937	-
Redemption of bonds	(200)	(1,300)
Redemption of convertible bonds	(18,629)	-
Paid in from minority shareholders for increase of common stock of consolidated subsidiary	183	971
Cash dividends paid	(2,066)	(1,838)
Cash dividends paid to minority shareholders	(157)	(114)
Repurchase of treasury stock	(192)	(7)
Net cash used in financing activities	(7,415)	(8,109)
<b>IV. EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	30	(6)
<b>V. INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(3,324)	(3,545)
<b>VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		
	16,451	19,868
<b>VII. INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF CONSOLIDATED SUBSIDIARY</b>		
	-	128
<b>VIII. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		
	13,127	16,451

## 1. BASIS OF PREPARATIONS FOR CONSOLIDATED FINANCIAL STATEMENTS

**Figures of amounts are described by discarding fractions less than one million yen.**

### (1) CONSOLIDATED SUBSIDIARIES

The Company liquidated Aid Co., Ltd.. Thereby, consolidated subsidiaries are comprised forty-three companies in the current fiscal year.

The principal consolidated subsidiaries are K.R.S. Corporation, Q.P. Egg Corporation, Deria Foods Co., Ltd., Kanae Foods Co., Ltd. and Zenno Q.P. Egg Station Co., Ltd..

Non-consolidated subsidiaries are comprised seventeen companies.

The principal non-consolidated subsidiaries 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.

### (2) APPLICATION OF EQUITY METHOD

The equity method is applied to the investments in five affiliated companies including To Solutions Co., Ltd. The principal companies are Aohata Corporation and Summit Oil Mill Co., Ltd.. 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.

### (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 at 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.

#### (4) SIGNIFICANT ACCOUNTING POLICIES

##### a. Valuation basis and valuation methods for significant assets

###### Securities

1. Held-to-maturity bonds are stated at amortized cost. Discounts and premiums are amortized by the straight-line method.
2. Stocks of subsidiaries and affiliated companies excluded from application of the equity method are stated at moving average cost.
3. 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.

###### 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.

###### Inventories

Products, purchased goods, 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.

##### b. Depreciation

###### Tangible fixed assets

Tangible fixed assets are 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.

###### 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.

## Long-term prepaid expenses

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

### c. Accounting standards for significant reserves

#### 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.

#### Reserve for sales rebates

Reserve for sales rebates is based on the proportion to sales on an accrual basis.

#### Reserve for bonuses

Reserve for bonuses is based on the specific computation period.

#### Reserve for retirement benefits

Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis based on 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 subsidiary 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.

Prior service liabilities are amortized by the straight-line method over twelve years (except for from ten to thirteen years of K.R.S Corporation) based on the average remaining employees' service years 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 from ten to thirteen years of K.R.S Corporation) 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.

#### 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 bylaw.

d. Significant deferred assets

Bond issue costs were 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.

e. 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.

f. Significant hedge accounting

1. 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 requirement of hedge accounting.

2. Hedge instruments are forward exchange contracts.

3. Hedge items are purchase transactions in foreign currencies.

4. The Company enters into forward exchange contracts to hedge risks from fluctuation in foreign exchange rate and never makes use of them for the purpose of speculative transactions.

5. Assessment of the effectiveness of hedge accounting

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

g. Accounting for consumption taxes

Consumption taxes are recorded in separate accounts.

(5) VALUATION OF ASSETS AND LIABILITIES OF CONSOLIDATED SUBSIDIARIES

The Company adopts the full fair value method, which all assets and liabilities including those of minority interests are valued at fair value when the Company acquired the control as subsidiaries.

(6) CONSOLIDATION ADJUSTMENT ACCOUNTS

Consolidation adjustment accounts are amortized by the straight-line method over five years and small amounts are charged to expense.

(7) STATEMENTS OF RETAINED EARNINGS

Retained earnings are based on the appropriation approved by the shareholders' meeting held during the current accounting period.

## (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.

### (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, 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.

The effect on the segment information resulting from this application is reported in Segment Information.

## 2. NOTES TO CONSOLIDATED BALANCE SHEETS

	Millions of yen	
	<u>November 30, 2005</u>	<u>November 30, 2004</u>
(1) Contingent liabilities (guarantees)	723	1,072
(2) Treasury stock	2,527,890 shares	2,313,776 shares
(Including treasury stock for stock option granted)	(1,110,000 shares)	(1,111,000 shares)
(3) Pledged assets and secured debts		
Pledged assets		
Time deposits	-	150
Tangible fixed assets	<u>10,633</u>	<u>12,757</u>
Total	<u>10,633</u>	<u>12,907</u>
Secured debts		
Accounts payable	-	34
Short-term loans payable	2,238	2,541
Long-term loans payable	3,355	3,837
Bonds	<u>-</u>	<u>200</u>
Total	<u>5,594</u>	<u>6,612</u>
(4) Investment in securities and Sundry investments of non-consolidated subsidiaries and affiliated companies		
Investment in securities	3,396	3,066
Sundry investments	85	85

## 3. NOTES TO CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen	
	<u>November 30, 2005</u>	<u>November 30, 2004</u>
Research and development costs	2,942	2,755

Research and development costs are all included in general and administrative expenses.

## 4. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and cash equivalents comprise as follows:

	Millions of yen	
	<u>November 30, 2005</u>	<u>November 30, 2004</u>
Cash and deposits	13,153	17,097
(Deduction)		
Time deposits with maturity over three months	<u>(26)</u>	<u>(646)</u>
Cash and cash equivalents	<u>13,127</u>	<u>16,451</u>

## 5. LEASE TRANSACTIONS

- (1) Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees.

### Year ended November 30, 2005

- a. Estimated acquisition cost, accumulated depreciation and estimated value of lease properties  
(Millions of yen)

	Estimated acquisition cost	Accumulated depreciation	Estimated value
Machinery, equipment and transportation equipment	14,731	6,805	7,926
Tangible fixed assets – Other	7,661	3,390	4,271
Computer software	107	60	46
Total	22,501	10,256	12,245

- b. Future lease payments

Due within one year	¥ 4,147	million
Due over one year	¥ 8,514	million
Total	¥ 12,662	million

- c. Lease payments, depreciation and estimated interest expense

Lease payment	¥ 4,785	million
Depreciation expense	¥ 4,449	million
Estimated interest expense	¥ 305	million

- d. 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.

- e. 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 a lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

Year ended November 30, 2004

a. Estimated acquisition cost, accumulated depreciation and estimated value of lease properties  
(Millions of yen)

	Estimated acquisition cost	Accumulated depreciation	Estimated value
Machinery, equipment and transportation equipment	13,448	5,743	7,704
Tangible fixed assets – Other	8,851	4,279	4,572
Computer software	199	128	70
Total	22,498	10,151	12,347

b. Future lease payments

Due within one year	¥ 4,003	million
Due over one year	¥ 8,923	million
Total	<u>¥ 12,926</u>	million

c. Lease payments, depreciation and estimated interest expense

Lease payment	¥ 4,175	million
Depreciation expense	¥ 3,916	million
Estimated interest expense	¥ 255	million

d. 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.

e. 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 a lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

(2) Operating lease transactions

Year ended November 30, 2005

Future lease payments

Due within one year	¥ 88	million
Due over one year	¥ 196	million
Total	<u>¥ 285</u>	million

Year ended November 30, 2004

Future lease payments

Due within one year	¥ 101	million
Due over one year	¥ 315	million
Total	<u>¥ 417</u>	million

## 6. SECURITIES

Current consolidation fiscal year (as of November 30, 2005)

### Securities

#### 1. Held-to-maturity bonds with fair value

(Millions of yen)

	Description	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)
	Sub-total	1,000	810	(189)
Total		1,000	810	(189)

#### 2. Other securities with fair value

(Millions of yen)

	Description	Acquisition cost	Book value	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost	(1)Stocks	8,041	15,603	7,562
	(2)Bonds	-	-	-
	(a)Other	-	-	-
	(3)Other	23	32	8
Sub-total		8,065	15,635	7,570
Securities whose acquisition cost exceeds their book value	(1)Stocks	131	108	(23)
	(2)Bonds	-	-	-
	(a)Other	-	-	-
	(3)Other	-	-	-
Sub-total		131	108	(23)
Total		8,196	15,744	7,547

(Note) The Company wrote down by ¥6 million against securities with a remarkable decline in the value of investment.

#### 3. Sales of other securities in the current fiscal year

(Millions of yen)

Aggregate sales amount	Gain	Loss
1,213	245	14

#### 4. Principal securities with no fair value

(Millions of yen)

	Book value	Remarks
(1)Held-to-maturity bonds Domestic bonds of private placement	27	
(2)Other securities Unlisted stocks	2,830	

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

(Millions of yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
1.Bonds				
(1)Other	27	-	-	1,000
Total	27	-	-	1,000

Previous consolidation fiscal year (as of November 30, 2004)

Securities

1. Held-to-maturity bonds with fair value

(Millions of yen)

	Description	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	2,000	1,904	(95)
	Sub-total	2,000	1,904	(95)
Total		2,000	1,904	(95)

2. Other securities with fair value

(Millions of yen)

	Description	Acquisition cost	Book value	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost	(1)Stocks	4,178	7,581	3,403
	(2)Bonds			
	(a)Other	388	397	8
	(3)Other	12	16	4
	Sub-total	4,579	7,995	3,416
Securities whose acquisition cost exceeds their book value	(1)Stocks	4,404	4,086	(317)
	(2)Bonds			
	(a)Other	-	-	-
	(3)Other	30	28	(2)
	Sub-total	4,434	4,115	(319)
Total		9,014	12,110	3,096

(Note) The Company wrote down by ¥13 million against securities with a remarkable decline in the value of investment.

3. Sales of other securities in the current fiscal year

(Millions of yen)

Aggregate sales amount	Gain	Loss
952	156	0

4. Principal securities with no fair value

(Millions of yen)

	Book value	Remarks
(1)Held-to-maturity bonds Domestic bonds of private placement	27	
(2)Other securities Unlisted stocks (except for over-the-counter securities)	3,095	

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

(Millions of yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
1. Bonds				
(1) Other	27	-	-	2,000
Total	27	-	-	2,000

## 7. DERIVATIVE FINANCIAL TRANSACTIONS

### 1. Interest rate swap agreements

(Millions of yen)

Classification	Description	November 30, 2005			November 30, 2004		
		Contract amount	Fair value	Unrealized gain(loss)	Contract amount	Fair value	Unrealized gain(loss)
Non-market transactions	Interest rate swap Floating rate receipt, fixed rate payment	-	-	-	100	(1)	(1)
Total		-	-	-	100	(1)	(1)

(Notes)

1. Fair value is based on the price presented by Financial Institutions.
2. Derivative financial transactions, for which the hedge accounting is applied, are excluded from the above table.

## 8. Retirement Benefits

### 1. Retirement benefit obligations

	(Millions of yen)	
	Current fiscal year (As of November 30, 2005)	Previous fiscal year (As of November 30, 2004)
(1) Retirement benefit obligations	(57,158)	(56,893)
(2) Pension fund assets	61,919	51,171
(3) Unrecognized retirement benefit obligations	4,761	(5,722)
(4) Unrecognized pension fund assets	(5,895)	-
(5) Unrecognized effects of the amendments on the application of the new accounting standards for retirement benefits	-	382
(6) Unrecognized actuarial losses	14,491	16,565
(7) Unrecognized prior service liabilities	(9,120)	(10,024)
(8) Gain on the return of the entrusted government's portion of the welfare pension	-	(610)
(9) Net retirement benefit obligation recognized in the consolidated balance sheet	4,236	590
(10) Reserve for retirement benefits	(2,901)	(2,423)
(11) Prepaid pension cost	7,138	3,014

### 2. Retirement benefit costs

	(Millions of yen)	
	Current fiscal year (From December 1, 2004 to November 30, 2005)	Previous fiscal year (From December 1, 2003 to November 30, 2004)
(1) Service costs (Note)	1,863	2,137
(2) Interest costs	1,168	1,181
(3) Expected return on pension fund assets	(1,692)	(1,484)
(4) Recognition of prior service liabilities	(904)	(919)
(5) Amortization of actuarial losses	1,589	1,655
(6) Amortization of effects of the amendments on the application of the new accounting standards for retirement benefits	382	382
Retirement benefit costs	2,406	2,952

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

### 3. Calculation basis of retirement benefit obligations

	Current fiscal year (As of November 30, 2005)	Previous fiscal year (As of November 30, 2004)
(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.)	- (The effects of K.R.S. Corporation and Y.M. Kyuso Corporation are amortized by the straight-line method over five years.)

## 9.TAX-EFFECT ACCOUNTING

	(Millions of yen)	
	Current fiscal year (As of November 30, 2005)	Previous fiscal year (As of November 30, 2004)
1. The principal details of deferred tax assets and liabilities are as follows:		
Deferred tax assets		
Unrealized gains	1,221	1,265
Reserve for sales rebates	295	425
Reserve for bonuses	707	948
Accrued enterprise taxes	142	219
Reserve for directors' and corporate auditors' retirement pay	482	664
Reserve for retirement benefits	1,184	1,237
Trust to cover retirement benefit obligations	1,442	1,442
Allowance for doubtful accounts	104	116
Write-down of golf course memberships	284	363
Other	970	315
Sub-total deferred tax assets	6,835	6,997
Valuation reserve	(246)	(115)
Total deferred tax assets	6,589	6,881
Deferred tax liabilities		
Prepaid pension costs	(3,041)	(1,560)
Valuation difference of fixed assets	(965)	(965)
Reserve for deduction entry of property by purchase	(1,555)	(1,576)
Unrealized gain on other securities	(3,148)	(1,141)
Other	(45)	(53)
Total deferred tax liabilities	(8,757)	(5,299)
Net deferred tax assets	(2,168)	1,582
Net deferred tax assets included in the consolidated balance sheets are as follows:		
Current assets-Deferred tax assets	1,894	1,967
Fixed assets-Deferred tax assets	1,063	1,338
Current liabilities		
-Deferred tax liabilities	(2)	-
Long-term liabilities		
-Deferred tax liabilities	(5,124)	(1,723)
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 (Adjustments)	40.7%	42.0%
Loss carry forward of consolidated subsidiaries not to have recognized tax-effect	0.5%	1.6%
Permanent exclusion from expenses	1.6%	1.3%
Tax free income	(0.4%)	(0.5%)
Capita levy on inhabitant tax	1.5%	1.2%
Other	0.2%	0.3%
Actual burden tax rate after application of tax effect accounting	44.1%	45.9%

## 10. SEGMENT INFORMATION

### (1) Segment information of business lines

Current 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

Previous fiscal year (From December 1, 2003 to November 30, 2004)

(Millions of yen)

	Foodstuffs	Distribution	Total	Elimination and/or addition	Consolidated
1.Sales and operating income					
Sales					
(1) Sales to customers	340,713	83,014	423,727	-	423,727
(2) Internal sales or transfers to/from segments	15	23,915	23,930	(23,930)	-
Total	340,728	106,929	447,658	(23,930)	423,727
Operating expenses	324,034	102,529	426,564	(18,498)	408,065
Operating income	16,694	4,399	21,094	(5,431)	15,662
2.Allocated assets, depreciation expense and capital expenditure					
Assets	178,352	61,606	239,958	22,163	262,122
Depreciation expense	10,316	2,212	12,528	86	12,614
Capital expenditure	11,121	2,611	13,733	44	13,778

(Notes) a. Methods determining business segments

Business segments are classified based on business line.

b. 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

c. Operating expenses unable to allocate to segments, mainly belong to the general control division in the head office of the Company, and consolidated subsidiaries 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 and ¥ 5,673 million for the fiscal years ended November 30, 2005 and 2004, respectively.

d. Assets unable to allocate to segments, are mainly spare working fund and investment capital (cash, deposits, securities and investment in securities) and belong to the general control division in the head office of the Company.

Those amounts included in Elimination and/or addition on the column of the above table, are ¥ 33,141 million and ¥ 30,957 million for the fiscal years ended November 30, 2005 and 2004, respectively.

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

f. 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.

(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 2004, exceed 90% to the total amount of all segment sales and all 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 2004, are less than 10% of consolidated sales, respectively.

## 11. RELATED PARTIES' TRANSACTIONS

Current 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 right	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	Accounts payable-trade	6,820
								Non-operating	Consignment of calculation office work	666	Accounts payable-other	4

Transaction's term and policy

1. Purchase prices of products and charges of consignment of 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 Transaction exclude them.

Previous fiscal year (From December 1, 2003 to November 30, 2004)

Parent company, principal corporate shareholders, and other

(Millions of yen)

Attribution	Corporate name	Address	Capital stock	Principal business	Percentage of voting right	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	119	Sales of processed foodstuffs	Direct 17.2% Indirect 3.1%	3 persons	Purchase of products	Operating	Purchase of products	40,178	Accounts payable-trade	6,662
								Non-operating	Consignment of calculation office work	2,113	Accounts payable-other	290

Transaction's term and policy

Purchase prices of products and charges of consignment of calculation office work are determined in accordance with the general transaction's term in consideration of the market prices.

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

## DESCRIPTION OF PRODUCTION, PRODUCTION BUSINESS UNDER CONTRACT RECEIVED AND SALES

### 1. Production results

(Millions of yen)

Business segment	Year ended November 30, 2005	
		Percentage to the previous fiscal year
Foodstuffs	216,650	107.6%
Total	216,650	107.6%

(Note)1. Production activity is not conducted in Distribution business.

2. Consumption taxes are not included in the above table.

### 2. Purchasing results

(Millions of yen)

Business segment	Year ended November 30, 2005	
		Percentage to the previous fiscal year
Foodstuffs	53,544	100.3%
Distribution	6,727	115.7%
Total	60,272	101.8%

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

### 3. Production business under contract received

The Company and subsidiaries do not conduct production business under contract received.

### 4. Sales results

(Millions of yen)

Business segment	Line of Products	Year ended	Year ended
		November 30, 2005	November 30, 2004
Foodstuffs	Mayonnaise and dressings	115,211	111,558
	Fruit applications and cooked foods	50,256	50,675
	Egg products	90,197	76,214
	Healthcare products	14,952	14,291
	Vegetables and salads	97,155	87,974
	Sub-total	367,774	340,713
Distribution	Storage and transportation	87,233	83,014
Total		455,007	423,727

(Note)1. Consumption taxes are not included in the above table.

2. Sales results represent the sales to outside customers.