

Q.P. CORPORATION

BRIEF NOTE OF THE ACCOUNT

(CONSOLIDATION)

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2006

(Translation)

January 11, 2007

**BRIEF NOTE OF THE ACCOUNT (CONSOLIDATION)
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2006**

Listed corporate name:	KEWPIE KABUSHIKI-KAISHA
English corporate name:	Q.P. Corporation
Security code number:	2809
URL:	http://www.kewpie.co.jp/english/
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' meeting for approval of the account:	January 11, 2007
Parent company and other affiliated company name/Voting rights percentage:	Nakashimato Co., Ltd. / 20.4%
Application of U S GAAP:	Non applied

1. Business results for the fiscal year ended November 30, 2006 (From December 1, 2005 to November 30, 2006):

(1) Operating results

	<u>Year ended November 30, 2006</u>	<u>Year ended November 30, 2005</u>
Net sales	¥ 456,067 million (0.2%)	¥ 455,007 million (7.4%)
Operating income	¥ 14,159 million (10.4%)	¥ 12,830 million (-18.1%)
Ordinary income	¥ 14,262 million (11.2%)	¥ 12,829 million (-17.3%)
Net income	¥ 6,071 million (11.1%)	¥ 5,465 million (-22.0%)
Net income per share-primary	¥ 39.66	¥ 35.25
Net income per share-diluted	¥ 39.66	¥ 32.64
Return on equity	4.5%	4.2%
Ordinary income to total assets	5.1%	4.9%
Ordinary income to net sales	3.1%	2.8%
(Notes)		
1. Equity income	¥ 223 million	¥ 183 million
2. Weighted average number of shares	153,087,370 shares	152,957,371 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, 2006</u>	<u>Year ended November 30, 2005</u>
Total assets	¥ 290,186 million	¥ 265,724 million
Net assets	¥ 156,217 million	¥ 132,412 million
Equity ratio	47.3%	49.8%
Net assets per share	¥ 896.69	¥ 865.32
(Note)		
Number of outstanding shares	153,162,367 shares	152,936,625 shares

(3) Cash flows

	<u>Year ended</u> <u>November 30, 2006</u>	<u>Year ended</u> <u>November 30, 2005</u>
Net cash provided by operating activities	¥ 21,443 million	¥ 15,686 million
Net cash used in investing activities	- ¥ 16,589 million	- ¥ 11,625 million
Net cash provided by (used in) financing activities	¥ 3,187 million	- ¥ 7,415 million
Cash and cash equivalents at end of the year	¥ 21,212 million	¥ 13,127 million

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

Number of consolidated subsidiaries	44
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	1
Number of companies excluded from consolidation	0
Number of companies newly accounted for by the equity method	0
Number of companies excluded from the application of the equity method	0

2. Estimate of operating results for the fiscal year ending November 30, 2007 (From December 1, 2006 to November 30, 2007):

	<u>Interim period</u>	<u>Yearly period</u>
Net sales	¥ 228,100 million	¥ 465,000 million
Ordinary income	¥ 6,900 million	¥ 15,200 million
Net income	¥ 2,850 million	¥ 6,500 million
(Reference) Estimate of yearly net income per share	¥ 42.44	

(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

	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

(Notes)

1. Each index is calculated based on consolidated financial figures.
2. Equity ratio = Shareholders' equity / Total assets ※1
Equity ratio based on market price = Market value of total stock / Total assets ※2
Debt service coverage = Interest-bearing debt / Operating cash flow ※3, ※4
Interest coverage ratio = Operating cash flow / Interest paid ※4

※1. Shareholder's equity is calculated by the following formula.

Shareholder's equity = Net assets – Stock subscription rights – Minority interests

※2. 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).

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

※4. '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.

3. Consumption taxes are not included in the above writing and table.

Q.P. CORPORATION

Consolidated Balance Sheets

NOVEMBER 30, 2006 AND 2005

(Millions of yen)

	2006	2005
ASSETS:		
CURRENT ASSETS:		
Cash and deposits	22,179	13,153
Notes and accounts receivable	73,689	66,066
Securities	12	27
Inventories	15,761	16,224
Deferred tax assets	2,305	1,894
Other	5,137	3,758
Allowance for doubtful accounts	(565)	(607)
Total current assets	118,519	100,517
FIXED ASSETS:		
Tangible fixed assets		
Buildings and structures	115,858	109,040
Machinery, equipment and transportation equipment	116,537	113,280
Land	40,342	39,374
Construction in progress	1,330	3,392
Other	7,866	7,905
Accumulated depreciation	(161,820)	(155,186)
Total tangible fixed assets	120,116	117,807
Intangible fixed assets		
Consolidation adjustment accounts	31	63
Other	2,785	2,923
Total intangible fixed assets	2,817	2,986
Investments and other assets		
Investment in securities	24,694	22,971
Deferred tax assets	844	1,063
Other	23,190	20,240
Allowance for doubtful accounts	(289)	(303)
Total investment and other assets	48,439	43,971
Total fixed assets	171,373	164,766
DEFERRED ASSETS:		
Business commence costs	293	440
Total deferred assets	293	440
Total assets	290,186	265,724

	2006	2005
LIABILITIES:		
CURRENT LIABILITIES:		
Notes and accounts payable	43,741	37,133
Short-term loans payable	13,487	17,662
Accounts payable-other	21,883	20,042
Accrued income taxes	3,494	1,424
Deferred tax liabilities	11	2
Reserve for sales rebates	1,237	726
Reserve for bonuses	1,662	1,707
Reserve for directors' and corporate auditors' bonuses	92	-
Other	6,563	5,611
Total current liabilities	92,174	84,310
LONG-TERM LIABILITIES:		
Bonds	10,500	10,000
Long-term loans payable	19,260	10,380
Deferred tax liabilities	6,707	5,124
Reserve for retirement benefits	2,574	2,901
Reserve for directors' and corporate auditors' retirement pay	1,218	1,161
Other	1,532	1,513
Total long-term liabilities	41,794	31,081
Total liabilities	133,969	115,391
NET ASSETS:		
OWNERS' EQUITY:		
Paid-in capital	24,104	-
Capital surplus	29,432	-
Earned surplus	83,305	-
Treasury stock	(2,268)	-
Total owners' equity	134,574	-
VALUATION AND TRANSLATION ADJUSTMENTS:		
Valuation difference on available-for-sale securities	4,676	-
Deferred gains or losses on hedges	(5)	-
Translation adjustments	(1,905)	-
Total valuation and translation adjustments	2,765	-
MINORITY INTERESTS	18,878	-
Total net assets	156,217	-
Total liabilities and net assets	290,186	-
MINORITY INTERESTS	-	17,919
SHAREHOLDERS' EQUITY:		
Capital stock	-	24,104
Capital surplus	-	29,418
Earned surplus	-	79,295
Unrealized valuation gain on other securities – net	-	4,448
Cumulative foreign currency translation adjustments	-	(2,353)
Treasury stock	-	(2,500)
Total shareholders' equity	-	132,412
Total liabilities, minority interests and shareholders' equity	-	265,724

Q.P. CORPORATION

Consolidated Statements of Income
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2006 AND 2005

(Millions of yen)

	2006	2005
NET SALES	456,067	455,007
COST OF SALES	345,241	346,520
Gross profit	110,825	108,487
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	96,665	95,656
Operating income	14,159	12,830
NON-OPERATING INCOME:		
Interest income and dividend receivable	532	465
Equity income	223	183
Other	537	627
NON-OPERATING EXPENSES:		
Interest expense	538	544
Other	652	733
Ordinary income	14,262	12,829
EXTRAORDINARY GAINS:		
Gain on sales of fixed assets	141	24
Gain on sales of investment in securities	65	245
Other	128	91
EXTRAORDINARY LOSSES:		
Loss on sales and disposal of fixed assets	966	554
Write-down of investment in securities	53	6
Other	283	606
Net income before income taxes and minority interests	13,294	12,024
Income taxes	4,846	3,388
Income taxes deferred	1,270	1,910
Minority interests	1,105	1,260
Net income	6,071	5,465

Q.P. CORPORATION

Consolidated Statement of Shareholders' Equity

(Millions of yen)

	Year ended November 30, 2005
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CAPITAL SURPLUS:	
CAPITAL SURPLUS AT BEGINNING OF THE YEAR	29,418
CAPITAL SURPLUS AT END OF THE YEAR	29,418
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EARNED SURPLUS:	
EARNED SURPLUS AT BEGINNING OF THE YEAR	75,985
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INCREASE OF EARNED SURPLUS:	
Net income	5,465
Increase of earned surplus	5,465
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DECREASE OF EARNED SURPLUS:	
Cash dividends	2,066
Directors' and corporate auditors' bonuses	88
Decrease of earned surplus	2,155
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EARNED SURPLUS AT END OF THE YEAR	79,295
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Q.P. CORPORATION

Consolidated Statement of Changes in Net Assets

(Millions of yen)

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

	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			(1,990)		(1,990)						(1,990)
Net income			6,071		6,071						6,071
Repurchase of treasury stock				(8)	(8)						(8)
Disposal of treasury stock		14		240	254						254
Directors' and corporate auditors' bonuses			(70)		(70)						(70)
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

Q.P. CORPORATION

Consolidated Statements of Cash Flows
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2006 AND 2005

(Millions of yen)

	2006	2005
I . CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before income taxes and minority interests	13,294	12,024
Adjustment to reconcile net income before income taxes and minority interests to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,162	12,279
Loss on impairment of fixed assets	164	-
Amortization of consolidation adjustment accounts	31	28
Amortization of bond issue cost	8	62
Equity income	(223)	(183)
Write-down of investment in securities	53	6
Write-down of golf course memberships	33	71
Decrease in reserve for retirement benefits	(3,710)	(3,661)
Increase (Decrease) in reserve for directors' and corporate auditors' retirement pay	56	(447)
Increase (Decrease) in reserve for sales rebates	511	(242)
Increase in reserve for directors' and corporate auditors' bonuses	92	-
Increase (Decrease) in reserve for bonuses	(45)	70
Increase (Decrease) in allowance for doubtful accounts	(57)	50
Interest income and dividend receivable	(532)	(465)
Interest expense	538	544
Gain on sales of investment in securities	(65)	(231)
Loss on sales and disposal of fixed assets	825	529
Increase in notes and accounts receivable	(7,538)	(374)
Decrease in inventories	520	43
Increase (decrease) in notes and accounts payable	6,572	(353)
Increase (decrease) in accounts payable – other	2,036	(777)
Increase (decrease) in accrued consumption taxes	(209)	168
Directors' and corporate auditors' bonuses paid	(70)	(88)
Directors' and corporate auditors' bonuses payment charged to minority shareholders	(31)	(29)
Other	98	1,654
Sub-total	24,513	20,679
Interest income and dividends received	500	540
Interest paid	(509)	(532)
Income taxes paid	(3,061)	(5,001)
Net cash provided by operating activities	21,443	15,686
II . CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(11)	(27)
Sales of securities	26	27
Purchases of tangible fixed assets	(13,982)	(10,707)
Purchases of intangible fixed assets	(917)	(857)
Purchases of investment in securities	(1,445)	(497)
Sales of investment in securities	263	2,646
Loans receivable made	(919)	(5,813)
Collection of loans receivable	568	4,554
Disbursements for deposit to bank	(1,018)	(220)
Withdrawal of time deposits	19	369
Other	827	(1,100)
Net cash used in investing activities	(16,589)	(11,625)

	2006	2005
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing on short-term loans	96,290	79,247
Repayment of short-term loans	(100,515)	(72,733)
Borrowing on long-term loans	12,050	800
Repayment of long-term loans	(3,246)	(3,604)
Issue of bonds	491	9,937
Redemption of bonds	-	(200)
Redemption of convertible bonds	-	(18,629)
Paid in from minority shareholders for increase of common stock of consolidated subsidiary	17	183
Cash dividends paid	(1,990)	(2,066)
Cash dividends paid to minority shareholders	(156)	(157)
Repurchase of treasury stock	(8)	(192)
Sales of treasury stock	254	-
Net cash provided by (used in) financing activities	3,187	(7,415)
IV. EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	43	30
V. INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	8,085	(3,324)
VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
	13,127	16,451
VII. CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
	21,212	13,127

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 newly established Fujiyoshida Kewpie, Co., Ltd. as a consolidated subsidiary. Thereby, consolidated subsidiaries comprise forty-four companies in the current fiscal year.

The significant 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 twenty-one companies.

The principal non-consolidated subsidiaries 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.

(2) APPLICATION OF THE EQUITY METHOD

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

(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 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.

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 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.

(Change in accounting standard)

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, 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.

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 the 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 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.

(Change in accounting standard)

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 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.

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 the end of the current fiscal year according to each company's bylaw.

d. Significant 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.

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. Hedge accounting

1. Deferral hedge is adopted in 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.

2. Hedge instruments are forward exchange contracts, crude oil price swap agreements, crude oil price collar option contracts and interest swap contracts.

3. Hedge items are purchase transactions in foreign currencies, planned purchase transactions of light and heavy oil, and interest of loans.

4. The Company and consolidated subsidiaries enters into forward exchange contracts to hedge risks from fluctuation in foreign exchange rate, crude oil price swap agreements and crude oil price collar option contracts 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 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 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.

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) 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.

CHANGES IN ACCOUNTING POLICIES

(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 Standard Board of Japan Guidance No.6 issued by Accounting Standard Board of Japan on October 31, 2003) from 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 and minority interests decreased by ¥ 164 million.

Accumulated loss on impairment is directly deducted from the related assets.

(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 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 current fiscal year.

The equivalent amount of the total shareholders' equity regulated formerly is ¥ 137,344 million.

2. NOTES TO CONSOLIDATED BALANCE SHEETS

	Millions of yen	
	<u>November 30, 2006</u>	<u>November 30, 2005</u>
(1) Contingent liabilities (guarantees)	513	723
(2) Treasury stock	-	2,527,890 shares
(Including treasury stock for stock option granted)	-	(1,110,000 shares)
(3) Pledged assets and secured debts		
Pledged assets		
Tangible fixed assets	<u>10,326</u>	<u>10,633</u>
Total	<u>10,326</u>	<u>10,633</u>
Secured debts		
Short-term loans payable	3,635	2,238
Long-term loans payable	<u>3,058</u>	<u>3,355</u>
Total	<u>6,694</u>	<u>5,594</u>
(4) Investment in securities and sundry investments of non-consolidated subsidiaries and affiliated companies		
Investment in securities	4,075	3,396
Sundry investments	295	85

3. NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. Research and development costs

	Millions of yen	
	<u>November 30, 2006</u>	<u>November 30, 2005</u>
Research and development costs	3,196	2,942

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

2. 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.

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

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.

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.

4.NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Total numbers and periodic changes of outstanding shares and treasury stock by class

	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

(Notes)

1. Increase in number of common stock of treasury stock is due to acquisition of the odd stock.
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.

2. Dividend

(1) Dividends from surplus

The resolution matter of the 93rd shareholders' meeting held at February 22, 2006

- | | |
|--------------------------------|-------------------|
| (1) Total amounts of dividend: | ¥ 994,409,377 |
| (2) Dividend per share | ¥ 6.50 |
| (3) Record date | November 30, 2005 |
| (4) Effective date | February 23, 2006 |

(2) The resolution matter of the board of directors' meeting held at July 10, 2006

- | | |
|--------------------------------|----------------|
| (1) Total amounts of dividend: | ¥ 995,796,138 |
| (2) Dividend per share | ¥ 6.50 |
| (3) Record date | May 31, 2006 |
| (4) Effective date | August 8, 2006 |

(3) Dividends whose effective date is after the end of current fiscal year and record date is included in current fiscal year

The proposal matter of the 94th shareholders' meeting held at February 23, 2007

- | | |
|--------------------------------|-------------------|
| (1) Total amounts of dividend: | ¥1,149,088,500 |
| (2) Dividend resource | Earned surplus |
| (3) Dividend per share | ¥ 7.50 |
| (4) Record date | November 30, 2006 |
| (5) Effective date | February 26, 2007 |

5. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and cash equivalents comprise as follows:

	Millions of yen	
	<u>November 30, 2006</u>	<u>November 30, 2005</u>
Cash and deposits (Deduction)	22,179	13,153
Time deposits with maturity over three months	(966)	(26)
Cash and cash equivalents	<u>21,212</u>	<u>13,127</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, 2006

- 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	16,782	8,192	8,590
Tangible fixed assets – Other	7,363	3,236	4,126
Computer software	168	78	90
Total	24,314	11,507	12,807

- b. Future lease payments

Due within one year	¥ 4,158	million
Due over one year	¥ 8,660	million
Total	¥ 12,818	million

- c. Lease payments, depreciation and estimated interest expense

Lease payment	¥ 4,618	million
Depreciation expense	¥ 4,199	million
Estimated interest expense	¥ 300	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.

(Note)

The item concerning loss on impairment of fixed assets is omitted because none of the loss is allocated to lease assets.

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	<u>¥ 12,662</u>	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.

(2) Operating lease transactions

Year ended November 30, 2006

Future lease payments

Due within one year	¥ 68	million
Due over one year	¥ 111	million
Total	<u>¥ 179</u>	million

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

6. SECURITIES

Current fiscal year (as of November 30, 2006)

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	771	(228)
	Sub-total	1,000	771	(228)
Total		1,000	771	(228)

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	8,064	16,235	8,170
	(2)Bonds	-	-	-
	(a)Other	-	-	-
	(3)Other	2	3	1
Sub-total		8,066	16,238	8,172
Securities whose acquisition cost exceeds their book value	(1)Stocks	612	544	(68)
	(2)Bonds	-	-	-
	(a)Other	-	-	-
	(3)Other	22	21	(0)
Sub-total		634	565	(69)
Total		8,701	16,804	8,103

(Note) The Company wrote down by ¥53 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
232	65	(0)

4. Principal securities with no fair value

(Millions of yen)

	Book value	Remarks
(1)Held-to-maturity bonds Domestic bonds of private placement	12	
(2)Other securities Unlisted stocks	2,814	

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	12	-	-	1,000
Total	12	-	-	1,000

Previous 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

7. DERIVATIVE FINANCIAL TRANSACTIONS

No derivative financial transactions except of transactions for which hedge accounting is applied.

8. STOCK OPTION, etc.

None

9. Retirement Benefits

1. Retirement benefit obligations

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

(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.

2. Retirement benefit costs

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

(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, 2006)	Previous fiscal year (As of November 30, 2005)
(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.)

10.TAX-EFFECT ACCOUNTING

(Millions of yen)

	Current fiscal year (As of November 30, 2006)	Previous fiscal year (As of November 30, 2005)
1. The principal details of deferred tax assets and liabilities are as follows:		
Deferred tax assets		
Unrealized gains	1,649	1,221
Reserve for sales rebates	503	295
Reserve for bonuses	705	707
Accrued enterprise taxes	293	142
Reserve for directors' and corporate auditors' retirement pay	496	482
Reserve for retirement benefits	504	1,184
Trust to cover retirement benefit obligations	1,442	1,442
Allowance for doubtful accounts	399	104
Write-down of golf course memberships	225	284
Other	1,333	970
Sub-total deferred tax assets	7,555	6,835
Valuation reserve	(676)	(246)
Total deferred tax assets	6,878	6,589
Deferred tax liabilities		
Prepaid pension costs	(4,440)	(3,041)
Valuation difference of fixed assets	(965)	(965)
Reserve for deduction entry of property by purchase	(1,543)	(1,555)
Valuation difference on available-for-sale securities	(3,154)	(3,148)
Other	(344)	(45)
Total deferred tax liabilities	(10,447)	(8,757)
Net deferred tax assets	(3,569)	(2,168)
Net deferred tax assets included in the consolidated balance sheets are as follows:		
Current assets-Deferred tax assets	2,305	1,894
Fixed assets-Deferred tax assets	844	1,063
Current liabilities		
-Deferred tax liabilities	(11)	(2)
Long-term liabilities		
-Deferred tax liabilities	(6,707)	(5,124)
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%	40.7%
Valuation reserve	2.1%	-
Loss carry forward of consolidated subsidiaries not to have recognized tax-effect	1.0%	0.5%
Permanent exclusion from expenses	1.2%	1.6%
Tax free income	(0.4%)	(0.4%)
Capita levy on inhabitant tax	1.3%	1.5%
Other	0.1%	0.2%
Actual burden tax rate after application of tax effect accounting	46.0%	44.1%

11. SEGMENT INFORMATION

(1) Segment information of business lines

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	19,977	(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
Impairment of fixed assets	164	-	164	-	164
Capital expenditure	12,613	2,654	15,268	48	15,316

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) 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 ¥ 5,886 million and ¥ 5,782 million for the fiscal years ended November 30, 2006 and 2005, 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 ¥ 39,536 million and ¥ 33,141 million for the fiscal years ended November 30, 2006 and 2005, respectively.

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

(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, 2006 and 2005 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, 2006 and 2005, are less than 10% of consolidated sales, respectively.

12. RELATED PARTIES' TRANSACTIONS

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 right	Relationship		Transaction	Amount	Account	End of year	
						Number of interlocking directors and corporate auditors	On business					
Principal corporate shareholders and other affiliated companies	Nakashimato 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	Accounts 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 Nakashimato Co., Ltd. on April 1, 2005 off To Solutions 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, 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	Nakashimato 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	Accounts payable-other	4

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, 2006	
		Percentage to the previous fiscal year
Foodstuffs	215,595	99.5%
Total	215,595	99.5%

(Notes) 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, 2006	
		Percentage to the previous fiscal year
Foodstuffs	51,778	96.7%
Distribution	7,656	113.8%
Total	59,435	98.6%

(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, 2006	November 30, 2005
Foodstuffs	Mayonnaise and dressings	117,363	115,211
	Fruit applications and cooked foods	50,242	50,256
	Egg products	85,819	90,197
	Healthcare products	13,259	14,952
	Vegetables and salads	99,896	97,155
	Sub-total	366,581	367,774
Distribution	Storage and transportation	89,485	87,233
	Total	456,067	455,007

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

2. Sales results represent the sales to outside customers.