

Flash Report Interim 2007

Kikkoman Corporation



Consolidated Financial Results

October 26, 2006

Six-month Period Ended September 30, 2006

Listed Company Name: **Kikkoman Corporation**

Code No.: 2801

Shares Listed: Tokyo (1st Section), Osaka (1st Section)

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Board of Directors' meeting for approval of interim consolidated results: October 26, 2006

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended September 30, 2006 are presented solely for convenience.



Kikkoman Corporation

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**1. Business Performance for the Six-month Period Ended September 30, 2006
(April 1, 2006 to September 30, 2006)**

(1) Business Results

Amounts less than ¥1 million, except for per share amounts, have been omitted in the following tables.

(Millions of yen)

	Net sales	Operating income	Recurring income
Apr. 1- Sep.30, 2006	¥189,710	¥9,239	¥9,073
Apr. 1- Sep.30, 2005	¥173,000	¥8,087	¥8,191
Apr. 1, 2005 -Mar.31, 2006	¥359,906	¥18,557	¥17,350

	Net income	Net income per share (yen)	Net income per share: Assuming full dilution (yen)
Apr. 1- Sep.30, 2006	¥5,026	¥25.97	¥25.95
Apr. 1- Sep.30, 2005	¥4,631	¥23.91	¥23.91
Apr. 1, 2005 -Mar.31, 2006	¥10,125	¥51.80	¥51.79

Notes:

Income from equity in earnings of unconsolidated subsidiaries and affiliates:

Apr.1-Sep.30, 2006: ¥241 million

Apr.1-Sep.30, 2005: ¥460 million

Apr.1, 2005-Mar.31, 2006: ¥716 million

Average number of shares during the period (consolidated):

Apr.1-Sep.30, 2006: 193,559,719

Apr.1-Sep.30, 2005: 193,668,237

Apr.1, 2005-Mar.31, 2006: 193,639,737

Changes in accounting method:

None

**1. Business Performance for the Six-month Period Ended September 30, 2006
(continued)
(April 1, 2006 to September 30, 2006)**

(2) Financial Position

(Millions of yen)

	Total assets	Total Net Assets	Shareholders' equity ratio	Shareholders' equity ratio per share (yen)
Sep.30, 2006	¥345,916	¥201,541	49.0%	¥875.61
Sep.30, 2005	¥307,983	¥157,457	51.1%	¥813.18
Mar.31, 2006	¥331,781	¥168,676	50.8%	¥870.82

Note:

Number of shares issued and outstanding at end of period (consolidated)

Sep.30, 2006: 193,553,778

Sep.30, 2005: 193,632,008

Mar.31, 2006: 193,589,843

(3) Cash Flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Apr. 1- Sep.30, 2006	¥10,333	(¥12,206)	(¥8,303)	¥25,197
Apr. 1- Sep.30, 2005	¥9,864	(¥5,626)	(¥644)	¥24,223
Apr. 1, 2005 -Mar.31, 2006	¥20,646	(¥17,270)	¥11,240	¥35,642

(4) Scope of Consolidation and Application of the Equity Method

- Consolidated subsidiaries: 34
- Unconsolidated subsidiaries accounted for by equity method: 4
- Affiliates accounted for by equity method: 6

**1. Business Performance for the Six-month Period Ended September 30, 2006
(continued)**

(5) Changes in Scope of Consolidation and Accounting Methods

Changes in the scope of consolidation and the number of companies accounted for by the equity method:

Newly consolidated companies:	4
Newly unconsolidated companies:	0
Companies newly accounted for by the equity method:	0
Companies no longer accounted for by the equity method:	4

**2. Forecast of Business Performance for the Fiscal Year Ending March 31, 2007
(April 1, 2006 to March 31, 2007)**

(Millions of yen)

	Net sales	Operating Income	Recurring income	Net income
Apr.1, 2006- Mar.31, 2007	¥392,900	¥21,500	¥20,800	¥10,500

Estimated net income per share for the year: Consolidated basis ¥54.25

Notes:

The average exchange rate for the second half year is estimated at ¥115.00=US\$1.00 (¥115.30 in the full year).

The above estimates were based on the economic environment at the time they were prepared. Kikkoman therefore wishes to caution readers that actual results may differ materially from forecasts due to a number of unpredictable factors.

3. Consolidated Interim Balance Sheets

	September 30,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Assets			
Current assets:			
Cash and time deposits	¥ 26,207	¥ 24,768	\$ 222,093
Trade notes and accounts receivable	49,393	43,894	418,585
Allowance for doubtful receivables	(791)	(759)	(6,703)
	48,601	43,135	411,873
Inventories	30,208	26,327	256,000
Deferred tax assets	4,861	4,402	41,195
Other current assets	7,044	6,095	59,695
Total current assets	116,923	104,729	990,873
Property, plant and equipment, at cost:			
Land	31,860	30,989	270,000
Buildings and structures	104,235	94,250	883,347
Machinery, equipment and vehicles	157,138	142,914	1,331,678
Other	56,338	55,402	477,441
Construction in progress	2,269	3,783	19,229
	351,843	327,341	2,981,720
Accumulated depreciation	(219,841)	(213,024)	(1,863,059)
Property, plant and equipment, net	132,001	114,316	1,118,653
Investments and other assets:			
Investments in securities	45,971	41,625	389,585
Investments in and advances to unconsolidated subsidiaries and affiliates	12,530	34,694	106,186
Goodwill	26,759	-	226,771
Other intangible assets	6,210	-	52,627
Deferred tax assets	3,555	3,677	30,127
Other assets	1,965	1,983	16,653
Total investments and other assets	96,992	88,937	821,966
Total assets	¥ 345,916	¥ 307,983	\$ 2,931,492

3. Consolidated Interim Balance Sheets (continued)

	September 30,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Liabilities			
Current liabilities:			
Short-term loans	¥ 12,221	¥ 6,682	\$ 103,568
Current portion of long-term debt	2,295	7,669	19,449
Trade notes and accounts payable	16,552	12,745	140,271
Other accounts payable	13,689	12,756	116,008
Accrued employees' bonus	2,718	2,582	23,034
Accrued directors' bonus	64	–	542
Accrued income taxes	2,453	3,165	20,788
Other current liabilities	6,026	4,740	51,068
Total current liabilities	<u>56,023</u>	<u>50,343</u>	<u>474,771</u>
Long-term liabilities:			
Long-term debt	51,788	37,204	438,881
Accrued employees' pension and severance costs	18,459	23,528	156,432
Accrued officers' severance benefits	1,759	1,628	14,907
Deposits received	6,340	6,493	53,729
Deferred tax liabilities	8,431	6,764	71,449
Other long-term liabilities	1,571	1,999	13,314
Total long-term liabilities	<u>88,351</u>	<u>77,618</u>	<u>748,737</u>
Minority interests	–	22,563	–
Net assets			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 300,000,000 shares			
Issued: 197,202,300 shares at September 30, 2006	11,599	–	\$98,297
Capital surplus	5,778	–	48,966
Retained earnings	139,130	–	1,179,068
Treasury stock, at cost			
September 30, 2006 – 3,648,522 shares	(2,746)	–	(23,271)
Total Shareholders' equity	<u>153,762</u>	<u>–</u>	<u>1,303,068</u>
Difference of appreciation and conversion:			
Unrealized holding gain on securities	17,193	–	145,703
Deferred hedge gain/loss	181	–	1,534
Translation adjustments	(1,659)	–	(14,059)
Total difference of appreciation and conversion	<u>15,715</u>	<u>–</u>	<u>133,178</u>
Minority interests	32,064	–	271,729
Total net assets	<u>201,541</u>	<u>–</u>	<u>1,707,975</u>
Total liabilities and net assets	<u>¥ 345,916</u>	<u>¥ –</u>	<u>\$ 2,931,492</u>
Shareholders' equity			
Common stock, without par value:			
Authorized: 300,000,000 shares			
Issued: 197,202,300 shares at September 30, 2005	–	11,599	–
Additional paid-in capital	–	5,773	–
Retained earnings	–	130,967	–
Unrealized holding gain on securities	–	15,692	–
Translation adjustments	–	(3,959)	–
	<u>–</u>	<u>160,074</u>	<u>–</u>
Treasury stock, at cost:			
September 30, 2005 – 3,570,292 shares	–	(2,616)	–
Shareholders' equity, net	<u>–</u>	<u>157,457</u>	<u>–</u>
Total liabilities and Shareholders' equity	<u>¥ –</u>	<u>¥307,983</u>	<u>\$ –</u>

See accompanying notes to consolidated interim financial statements.

4. Consolidated Interim Statements of Income

	Six months ended September 30,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Net sales	¥189,710	¥173,000	\$1,607,712
Cost of sales	114,395	103,594	969,449
Gross profit	75,315	69,405	638,263
Selling, general and administrative expenses	66,075	61,318	559,958
Operating income	9,239	8,087	78,297
Other income (expenses):			
Interest and dividend income	617	545	5,229
Equity in earnings of unconsolidated subsidiaries and affiliates	241	460	2,042
Interest expense	(562)	(263)	(4,763)
Gain on sales of securities	20	501	169
Gain on sales of property, plant and equipment	1,014	77	8,593
Loss on impairment of fixed assets	–	(405)	–
Loss on disposal of property, plant and equipment	(535)	(187)	(4,534)
Loss on revaluation of investments in securities	(16)	(6)	(136)
Loss on revaluation of golf membership	(12)	(11)	(102)
Loss from redemption of bond	(78)	–	(661)
Special additional severance benefits	–	(195)	–
Costs related to vending machines to accept the tender of new yen bills	–	(169)	–
Other, net	(156)	(451)	(1,322)
Income before income taxes and minority interests	9,771	7,981	82,805
Income taxes:			
Current	4,181	4,042	35,432
Deferred	(61)	(876)	(517)
	4,120	3,165	34,915
Income before minority interests	5,651	4,815	47,890
Minority interests	(624)	(184)	(5,288)
Net income	¥ 5,026	¥ 4,631	\$ 42,593

See accompanying notes to consolidated interim financial statements.

5. Consolidated Interim Statements of Net Assets

	Six months ended September 30,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Common stock			
Balance at beginning and end of the period (September 30, 2006 – 197,202,300 shares; September 30, 2005 – 197,202,300 shares)	¥ 11,599	¥ 11,599	\$ 98,297
Capital surplus			
Balance at beginning of the period	¥ 5,775	¥ 5,773	\$ 48,941
Add:			
Gain on sales of treasury stock	3	0	25
Balance at end of the period	¥ 5,778	¥ 5,773	\$ 48,966
Retained earnings			
Balance at beginning of the period	¥136,546	¥127,951	\$1,157,169
Add:			
Net income	5,026	4,631	42,593
Increase from accounting period changes of consolidated subsidiaries	40	435	339
Other	32	–	271
Deduct:			
Cash dividends paid	(2,333)	(1,945)	(19,771)
Bonuses to directors and statutory auditors	(105)	(96)	(890)
Other	(74)	(8)	(627)
Balance at end of the period	¥139,130	¥130,967	\$1,179,068
Treasury stock			
Balance at beginning of the period	¥ (2,668)	–	\$ (22,610)
Add:			
Purchase	(131)	–	(1,110)
Deduct:			
Sales	53	–	449
Balance at end of the period	¥ (2,746)	–	\$ (23,271)
Unrealized holding gain on securities			
Balance at beginning of the period	¥ 19,497	¥ 11,008	\$ 165,229
Net change during the period	(2,304)	4,684	(19,525)
Balance at end of the period	¥ 17,193	¥ 15,692	\$ 145,703
Deferred hedge gain/loss			
Balance at beginning of the period	¥ –	¥ –	\$ –
Net change during the period	181	–	1,534
Balance at end of the period	¥ 181	¥ –	\$ 1,534
Translation adjustments			
Balance at beginning of the period	¥ (2,073)	¥ (6,408)	\$ (17,568)
Net change during the period	414	2,449	3,508
Balance at end of the period	¥ (1,659)	¥ (3,959)	\$ (14,059)
Minority interests			
Balance at beginning of the period	¥ 23,331	–	\$ 197,720
Net change during the period	8,732	–	74,000
Balance at end of the period	¥ 32,064	–	\$ 271,729

See accompanying notes to consolidated interim financial statements.

6. Consolidated Interim Statements of Cash Flows

	Six months ended September 30,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 9,771	¥ 7,981	\$ 82,805
Depreciation and amortization	7,703	6,694	65,280
Loss on impairment for fixed assets	—	405	—
Accrued employees' pension and severance costs	(681)	(257)	(5,771)
Accrued officers' severance benefits	(25)	(115)	(212)
Interest and dividend income	(617)	(545)	(5,229)
Interest expense	562	263	4,763
Equity in earnings of unconsolidated subsidiaries and affiliates	(241)	(460)	(2,042)
Gain on sales of property, plant and equipment	(1,014)	(77)	(8,593)
Gain on sales of securities	(20)	(501)	(169)
Loss on disposal of property, plant and equipment	535	187	4,534
Loss on revaluation of investments in securities	16	6	136
Notes and accounts receivable	(906)	347	(7,678)
Inventories	(972)	1,179	(8,237)
Notes and accounts payable	997	(1,057)	8,449
Other	(231)	(777)	(1,958)
Subtotal	14,877	13,270	126,076
Interest and dividends received	939	897	7,958
Interest paid	(568)	(392)	(4,814)
Income taxes paid	(4,914)	(3,910)	(41,644)
Net cash provided by operating activities	10,333	9,864	87,568
Cash flows from investing activities			
Acquisition of property, plant and equipment	(8,721)	(7,798)	(73,907)
Proceeds from sales of property, plant and equipment	6,019	146	51,008
Acquisition of intangible assets	(213)	(393)	(1,805)
Acquisition of investments in securities	(4,959)	(509)	(42,025)
Proceeds from sales of investments in securities	588	918	4,983
Payments for purchase of shares of consolidated subsidiaries due to change in scope of consolidation	(6,043)	—	(51,212)
Loans granted	(303)	(35)	(2,568)
Loans collected	468	598	3,966
Other	959	1,445	8,127
Net cash used in investing activities	(12,206)	(5,626)	(103,441)

6. Consolidated Interim Statements of Cash Flows (continued)

	Six months ended September 30,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	2,666	(18,347)	22,593
Repayment of long-term debt	(3,116)	(81)	(26,407)
Proceeds from long-term debt	–	19,887	–
Redemption of bonds	(5,000)	–	(42,373)
Acquisition of treasury stock	(131)	(72)	(1,110)
Cash dividends paid	(2,760)	(1,954)	(23,390)
Other	39	(76)	331
Net cash used in by financing activities	<u>(8,303)</u>	<u>(644)</u>	<u>(70,364)</u>
Effect of exchange rate changes on cash and cash equivalents	168	286	1,424
Increase (decrease) in cash and cash equivalents	<u>(10,007)</u>	<u>3,880</u>	<u>(84,805)</u>
Cash and cash equivalents at beginning of the period	35,642	18,815	302,051
Increase from the changes of accounting year-end date in certain consolidated subsidiaries	(1,072)	1,526	(9,085)
Increase arising from inclusion of subsidiaries in consolidation	625	–	5,297
Increase in cash due to merger of non-consolidated subsidiaries	9	–	76
Cash and cash equivalents at end of the period	<u>¥ 25,197</u>	<u>¥ 24,223</u>	<u>\$ 213,534</u>

See accompanying notes to consolidated interim financial statements.

7. Notes to Consolidated Interim Financial Statements

September 30, 2006

(1) Basis of Preparation

KIKKOMAN CORPORATION (the “Company”) and its domestic subsidiaries maintain their accounting records and prepare their interim financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated interim financial statements have been compiled from the consolidated semiannual financial statements prepared by the Company as required by the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects on to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated interim financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(2) Summary of Significant Accounting Policies

- (a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated interim financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. In addition, companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated interim financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

Differences, not significant in amount, between the cost and the underlying net equity in investments in consolidated subsidiaries and unconsolidated subsidiaries and affiliates accounted for by the equity method are charged or credited to income in the year of acquisition.

7. Notes to Consolidated Interim Financial Statements (continued)

(2) Summary of Significant Accounting Policies (continued)

(b) Foreign currency translation

Revenue and expense accounts of the foreign consolidated subsidiaries are translated at the average exchange rates in effect during the period. Except for Shareholders' equity, the balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The components of Shareholders' equity are translated at their historical exchange rates.

Differences arising on translation are presented as foreign currency translation adjustments and minority interests in a separate component of net assets.

(c) Cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Securities

Securities except for investments in unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with unrealized gains and losses (net of taxes) reported in a separate component of difference of appreciation and conversion. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(e) Inventories

Inventories, consist of finished products, work in progress and raw materials, are stated principally at the lower of cost or market, cost being determined by the average method, except for finished products, work in process and soybean-related ingredients of the Company which are stated at the lower of cost or market, cost being determined by the last-in, first-out method.

(f) Depreciation and amortization

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is determined primarily by the declining-balance method, except for buildings and part of rental equipments on which depreciation is computed by the straight-line method at rates based on the estimated useful lives of the respective assets. Depreciation of property, plant and equipment of the foreign consolidated subsidiaries is computed principally by the straight-line method.

7. Notes to Consolidated Interim Financial Statements (continued)

(2) Summary of Significant Accounting Policies (continued)

(f) Depreciation and amortization (continued)

The ranges of useful lives are as follows:

Buildings and structures	–	from 7 to 50 years
Machinery and vehicles	–	from 3 to 20 years

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(g) Leases

Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally accounted for as either finance or operating leases according to their classification.

(h) Accrued employees' bonuses

Accrued employees' bonuses are provided for payment of employees' bonuses based on the estimated amounts.

(i) Accrued directors' bonuses

Accrued directors' bonuses are provided for payment of directors' bonuses based on the estimated amounts.

(j) Accrued pension and severance costs

To provide for employees' severance indemnities and pension payments, net periodic pension and severance costs are computed by the Company and its domestic consolidated subsidiaries based on the projected benefit obligation and the pension plan assets.

Prior service cost is amortized by the straight-line method over the periods ranging from 8 to 12 years which is shorter than the average remaining years of service of the active participants in the plans.

7. Notes to Consolidated Interim Financial Statements (continued)

(2) Summary of Significant Accounting Policies (continued)

(j) Accrued pension and severance costs (continued)

The effect of the adjustment made during this fiscal year arising from revisions to the actuarial assumptions (the “actuarial assumption adjustment”) is amortized by the straight-line method beginning the following fiscal year over periods ranging from 10 to 12 years, which are shorter than the average remaining years of service of the active participants in the plans.

Certain foreign consolidated subsidiaries have defined contribution plans in addition to defined pension plans.

In addition, directors’ and statutory auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement allowance plans. Provision for retirement allowances for these officers has been made at estimated amounts.

(k) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(l) Research and development costs

Research and development costs are charged to income as incurred.

(m) Derivatives

The Company and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to manage adverse fluctuations in foreign currency exchange rates but not for speculation purposes. Derivatives are stated at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates.

7. Notes to Consolidated Interim Financial Statements (continued)

(2) Summary of Significant Accounting Policies (continued)

(n) Changes in accounting policies

Accounting Standard for Directors' Bonuses

“Accounting Standard for Directors' Bonuses” (The 4th Accounting Standards on November 29, 2005) has been adopted from the current term. Though Directors' Bonuses had been recorded as decrease of unappropriated retained earnings by appropriation of earnings after a resolution of a general shareholders' meeting, it is recorded as expense when it is paid since the current term.

This application resulted in the decrease of operating income and net income before income taxes and minority interest by 64 million yen.

Accounting Standard for Net Assets of Balance Sheet

“Accounting Standard for Net Assets of Balance Sheet” (The 5th Accounting Standards on December 9, 2005) and “Guidance for the application of Accounting Standards for Net Assets of Balance Sheet” (The 8th Application Principle of the Accounting Standards on December 9, 2005) have been adopted from the current term.

The equivalent total amount of shareholders' equity under the previous presentation method as of September 30, 2006 was 169,296 million yen.

(3) U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation, at the rate of ¥118 = U.S.\$1.00, the approximate rate of exchange in effect on September 30, 2006. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

(4) Recurring Income

	Six months ended September 30		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars)
Operating income	¥9,239	¥8,087	\$78,297
Non-operating income	2,494	2,244	21,136
Non-operating expenses	(2,659)	(2,139)	(22,534)
Recurring income	9,073	8,191	76,890
Extraordinary income	1,035	579	8,771
Extraordinary expenses	(337)	(789)	(2,856)
Income before income taxes and minority interests	¥9,771	¥7,981	\$82,805

7. Notes to Consolidated Interim Financial Statements (continued)

(5) Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the processing and sales of products in Japan and overseas in four major segments: processing and sales of foods which include soy sauce and other processed seasonings, sauces, Del Monte processed fruit and vegetables, and sake and wine; wholesale sales of oriental food products which include eastern foods; Coca-Cola, which includes Coca-Cola and other beverages; and other businesses which include pharmaceuticals, real estate rental and restaurants.

Business Segments

Business segments information of the Company and its consolidated subsidiaries for the six months ended September 30, 2006 and 2005 is summarized as follows:

	Six months ended September 30, 2006						Consolidated
	Foods – processing and sales	Foods – wholesale sales	Coca-Cola	Other	Total	Eliminations and corporate	
	<i>(Millions of yen)</i>						
Sales:							
Sales to third parties	¥101,009	¥31,955	¥53,343	¥3,401	¥189,710	¥ –	¥189,710
Intragroup sales	300	112	–	0	413	(413)	–
Total sales	101,310	32,067	53,343	3,401	190,123	(413)	189,710
Operating expenses	94,005	30,540	53,336	3,003	180,886	(415)	180,470
Operating income	¥ 7,304	¥ 1,526	¥ 7	¥ 398	¥ 9,236	¥ 2	¥ 9,239

	Six months ended September 30, 2006						Consolidated
	Foods – processing and sales	Foods – wholesale sales	Coca-Cola	Other	Total	Eliminations and corporate	
	<i>(Thousands of U.S. dollars)</i>						
Sales:							
Sales to third parties	\$856,008	\$270,805	\$452,059	\$28,822	\$1,607,712	\$ –	\$1,607,712
Intragroup sales	2,542	949	–	0	3,500	(3,500)	–
Total sales	858,559	271,754	452,059	28,822	1,611,212	(3,500)	1,607,712
Operating expenses	796,653	258,814	452,000	25,449	1,532,932	(3,517)	1,529,407
Operating income	\$ 61,898	\$ 12,932	\$ 59	\$ 3,373	\$ 78,271	\$ 17	\$ 78,297

	Six months ended September 30, 2005						Consolidated
	Foods – processing and sales	Foods – wholesale sales	Coca-Cola	Other	Total	Eliminations and corporate	
	<i>(Millions of yen)</i>						
Sales:							
Sales to third parties	¥88,344	¥27,666	¥54,734	¥2,254	¥173,000	¥ –	¥173,000
Intragroup sales	298	250	–	0	549	(549)	–
Total sales	88,643	27,917	54,734	2,254	173,550	(549)	173,000
Operating expenses	82,798	26,810	54,105	1,749	165,464	(551)	164,913
Operating income	¥ 5,844	¥ 1,106	¥ 629	¥ 504	¥ 8,085	¥ 1	¥ 8,087

7. Notes to Consolidated Interim Financial Statements (continued)

(5) Segment Information (continued)

Geographical Segments

Geographical segments information of the Company and its consolidated subsidiaries for the six months ended September 30, 2006 and 2005 is summarized as follows:

	Six months ended September 30, 2006				Eliminations and corporate	employees
	Japan	North America	Other	Total		
	<i>(Millions of yen)</i>					
Sales to third parties	¥137,090	¥43,453	¥9,165	¥189,710	¥ –	¥189,710
Interarea sales	5,712	693	238	6,643	(6,643)	–
Total sales	142,802	44,147	9,404	196,353	(6,643)	189,710
Operating expenses	139,014	39,582	8,476	187,072	(6,601)	180,470
Operating income	¥ 3,788	¥ 4,564	¥ 928	¥ 9,281	¥ (41)	¥ 9,239

	Six months ended September 30, 2006				Eliminations and corporate	Consoli- dated
	Japan	North America	Other	Total		
	<i>(Thousands of U.S. dollars)</i>					
Sales to third parties	\$1,161,780	\$368,246	\$77,669	\$1,607,712	\$ –	\$1,607,712
Interarea sales	48,407	5,873	2,017	56,297	(56,297)	–
Total sales	1,210,186	374,127	79,695	1,664,008	(56,297)	1,607,712
Operating expenses	1,178,085	335,441	71,831	1,585,356	(55,941)	1,529,407
Operating income	\$ 32,102	\$ 38,678	\$ 7,864	\$ 78,653	\$ (347)	\$ 78,297

	Six months ended September 30, 2005				Eliminations and corporate	Consoli- dated
	Japan	North America	Other	Total		
	<i>(Millions of yen)</i>					
Sales to third parties	¥130,655	¥34,460	¥7,884	¥173,000	¥ –	¥173,000
Interarea sales	4,278	969	213	5,461	(5,461)	–
Total sales	134,933	35,430	8,098	178,462	(5,461)	173,000
Operating expenses	131,749	31,337	7,269	170,357	(5,444)	164,913
Operating income	¥ 3,183	¥ 4,092	¥ 828	¥ 8,104	¥ (17)	¥ 8,087

7. Notes to Consolidated Interim Financial Statements (continued)

(5) Segment Information (continued)

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the six months ended September 30, 2006 and 2005 are summarized as follows:

	Six months ended September 30, 2006					
	North America	Other	Total	North America	Other	Total
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Overseas sales	¥43,122	¥12,547	¥ 55,669	\$365,441	\$106,331	\$ 471,771
Consolidated net sales			189,710			1,607,712
Ratio of overseas sales to consolidated net sales	22.7%	6.6%	29.3%	22.7%	6.6%	29.3%
	Six months ended September 30, 2005					
	North America	Other	Total			
	<i>(Millions of yen)</i>					
Overseas sales	¥34,238	¥10,243	¥ 44,482			
Consolidated net sales			173,000			
Ratio of overseas sales to consolidated net sales	19.8%	5.9%	25.7%			

8. Supplementary Schedules

(1) Consolidated Results for FY2007 Interim and Effect of Exchange Rate Differences on Translation of Overseas Subsidiaries' Financial Statements

Consolidated Statement of Income

(Millions of yen, %)

	FY2007 interim		FY2006 interim		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
	4.1.06 – 9.30.06		4.1.05 – 9.30.05		Amount	YoY	%		Amount	YoY
	Amount	%	Amount	%						
Net Sales	¥189,710	100.0	¥173,000	100.0	¥16,709	109.7	-	¥2,615	¥14,094	108.1
Operating Income	9,239	4.9	8,087	4.7	1,152	114.2	0.2	319	832	110.3
Recurring Income	9,073	4.8	8,191	4.7	882	110.8	0.1	319	562	106.9
Net Income	5,026	2.6	4,631	2.7	394	108.5	(0.1)	210	183	104.0
Exchange Rate (¥/US\$)	115.63		109.93		5.70					

Geographical Segment Information

(Millions of yen, %)

		FY2007 interim		FY2006 interim		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
		4.1.06 – 9.30.06		4.1.05 – 9.30.05		Amount	YoY	%		Amount	YoY
		Amount	%	Amount	%						
Japan	Net Sales	¥142,802	100.0	¥134,933	100.0	¥ 7,868	105.8	-	¥ -	¥7,868	105.8
	Operating Income	3,788	2.7	3,183	2.4	604	119.0	0.3	-	604	119.0
Overseas	Net Sales	53,143	100.0	43,226	100.0	9,917	122.9	-	2,655	7,261	116.8
	Operating Income	5,492	10.3	4,921	11.4	571	111.6	(1.1)	319	251	105.1
Eliminations	Net Sales	(6,236)	100.0	(5,159)	100.0	(1,076)	120.9	-	(40)	(1,035)	120.1
	Operating Income	(41)	-	(17)	-	(23)	234.7	-	0	(23)	234.7
Consolidated total	Net Sales	189,710	100.0	173,000	100.0	16,709	109.7	-	2,615	14,094	108.1
	Operating Income	9,239	4.9	8,087	4.7	1,152	114.2	0.2	319	832	110.3
Exchange Rate (¥/US\$)		115.63		109.93		5.70					

8. Supplementary Schedules (Continued)

(1) Consolidated Results for FY2007 Interim and Effect of Exchange Rate Differences on Translation of Overseas Subsidiaries' Financial Statements (Continued)

		Business Segment Information				<i>(Millions of yen, %)</i>					
		FY2007 interim		FY2006 interim		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
		4.1.06 – 9.30.06		4.1.05 – 9.30.05						Amount	
		Amount	%	Amount	%	Amount	YoY	%		Amount	YoY
Foods-manufacturing and sales	Net Sales	¥101,310	100.0	¥88,643	100.0	¥12,667	114.3	-	¥ 1,147	¥11,520	113.0
	Operating Income	7,304	7.2	5,844	6.6	1,460	125.0	0.6	250	1,209	120.7
Foods-wholesale	Net Sales	32,067	100.0	27,917	100.0	4,150	114.9	-	1,462	2,687	109.6
	Operating Income	1,526	4.8	1,106	4.0	420	138.0	0.8	68	351	131.8
Coca-Cola	Net Sales	53,343	100.0	54,734	100.0	(1,391)	97.5	-	-	(1,391)	97.5
	Operating Income	7	0.0	629	1.2	(622)	1.1	(1.2)	-	(622)	1.1
Others	Net Sales	3,401	100.0	2,254	100.0	1,147	150.9	-	7	1,139	150.6
	Operating Income	398	11.7	504	22.4	(106)	78.9	(10.7)	(0)	(106)	78.9
Eliminations	Net Sales	(413)	100.0	(549)	100.0	136	75.1	-	(1)	138	74.8
	Operating Income	2	-	1	-	0	144.3	-	(0)	0	144.6
Consolidated total	Net Sales	189,710	100.0	173,000	100.0	16,709	109.7	-	2,615	14,094	108.1
	Operating Income	9,239	4.9	8,087	4.7	1,152	114.2	0.2	319	832	110.3
Exchange Rate (¥/US\$)		115.63		109.93		5.70					

8. Supplementary Schedules (Continued)

(2) Consolidated Forecasts for FY2007 and Effect of Exchange Rate Differences on Translation of Overseas Subsidiaries' Financial Statements

Consolidated Statement of Income

(Millions of yen, %)

	FY2007		FY2006		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
	4.1.06 – 3.31.07		4.1.05 – 3.31.06		Amount	YoY	%		Amount	YoY
	Amount	%	Amount	%						
Net Sales	¥392,900	100.0	¥359,906	100.0	¥32,993	109.2	-	¥ 2,266	¥30,727	108.5
Operating Income	21,500	5.5	18,557	5.2	2,942	115.9	0.3	248	2,694	114.5
Recurring Income	20,800	5.3	17,350	4.8	3,449	119.9	0.5	246	3,203	118.5
Net Income	10,500	2.7	10,125	2.8	374	103.7	(0.1)	169	204	102.0
Exchange Rate (¥/US\$)	115.30		113.42		1.88					

Geographical Segment Information

(Millions of yen, %)

		FY2007		FY2006		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
		4.1.06 – 3.31.07		4.1.05 – 3.31.06		Amount	YoY	%		Amount	YoY
		Amount	%	Amount	%						
Japan	Net Sales	¥297,100	100.0	¥279,587	100.0	¥17,512	106.3	-	¥ -	¥17,512	106.3
	Operating Income	10,700	3.6	8,806	3.1	1,893	121.5	0.5	-	1,893	121.5
Overseas	Net Sales	107,400	100.0	91,834	100.0	15,565	117.0	-	2,324	13,241	114.4
	Operating Income	10,800	10.1	9,769	10.6	1,030	110.6	(0.5)	248	781	108.0
Eliminations	Net Sales	(11,600)	100.0	(11,514)	100.0	(85)	100.7	-	(57)	(27)	100.2
	Operating Income	-	-	(19)	-	19	-	-	-	19	-
Consolidated total	Net Sales	392,900	100.0	359,906	100.0	32,993	109.2	-	2,266	30,727	108.5
	Operating Income	21,500	5.5	18,557	5.2	2,942	115.9	0.3	248	2,694	114.5
Exchange Rate (¥/US\$)		115.30		113.42		1.88					

8. Supplementary Schedules (Continued)

(2) Consolidated Forecasts for FY2007 and Effect of Exchange Rate Differences on Translation of Overseas Subsidiaries' Financial Statements (Continued)

		Business Segment Information				(Millions of yen, %)						
		FY2007		FY2006		Increase /Decrease			Translation difference	Increase /Decrease except translation difference		
		4.1.06 – 3.31.07		4.1.05 – 3.31.06						Amount	YoY	%
		Amount	%	Amount	%	Amount	YoY	%		Amount	YoY	
Foods-manufacturing and sales	Net Sales	¥204,169	100.0	178,588	100.0	¥25,580	114.3	-	¥ 1,093	¥24,486	113.7	
	Operating Income	15,095	7.4	12,256	6.9	2,838	123.2	0.5	204	2,633	121.5	
Foods- wholesale	Net Sales	65,810	100.0	59,617	100.0	6,193	110.4	-	1,154	5,039	108.5	
	Operating Income	2,948	4.5	2,341	3.9	606	125.9	0.6	44	561	124.0	
Coca-Cola	Net Sales	116,400	100.0	117,886	100.0	(1,486)	98.7	-	-	(1,486)	98.7	
	Operating Income	2,400	2.1	2,736	2.3	(336)	87.7	(0.2)	-	(336)	87.7	
Others	Net Sales	7,469	100.0	4,804	100.0	2,664	155.5	-	21	2,643	155.0	
	Operating Income	1,056	14.1	1,214	25.3	(158)	87.0	(11.2)	(0)	(157)	87.0	
Eliminations	Net Sales	(949)	100.0	(991)	100.0	42	95.7	-	(3)	45	95.4	
	Operating Income	-	-	7	-	(7)	-	-	-	(7)	-	
Consolidated total	Net Sales	392,900	100.0	359,906	100.0	32,993	109.2	-	2,266	30,727	108.5	
	Operating Income	21,500	5.5	18,557	5.2	2,942	115.9	0.3	248	2,694	114.5	
Exchange Rate (¥/US\$)		115.30		113.42		1.88						

8. Supplementary Schedules (continued)

(3) Major Consolidated Performance Indicators

<i>Consolidated Results</i>		Interim 2004.9	Interim 2005.9	Interim 2006.9	2005.3	2006.3	2007.3
		Actual	Actual	Actual	Actual	Actual	Forecast
Net Sales	millions of yen	169,685	173,000	189,710	344,625	359,906	392,900
YoY Change	%	3.0	2.0	9.7	3.0	4.4	9.2
Operating Income	millions of yen	7,922	8,087	9,239	17,847	18,557	21,500
(Operating Income Ratio to Net Sales)	%	4.7	4.7	4.9	5.2	5.2	5.5
YoY Change	%	15.3	2.1	14.2	4.6	4.0	15.9
Recurring Income	millions of yen	7,689	8,191	9,073	16,649	17,350	20,800
(Recurring Income Ratio to Net Sales)	%	4.5	4.7	4.8	4.8	4.8	5.3
YoY Change	%	24.4	6.5	10.8	7.9	4.2	19.9
Net Income	millions of yen	4,756	4,631	5,026	9,487	10,125	10,500
(Net Income Ratio to Net Sales)	%	2.8	2.7	2.6	2.8	2.8	2.7
YoY Change	%	32.9	(2.6)	8.5	2.2	6.7	3.7
Shareholders' Equity per Share	yen	736.90	813.18	875.61	760.33	870.82	-
Net Income per Share	yen	24.39	23.91	25.97	48.16	51.80	54.25
Diluted Net Income per Share	yen	-	23.91	25.95	-	51.79	-
Total Net Assets	millions of yen	143,707	157,457	201,541	147,370	168,676	-
Tangible Net Worth	millions of yen	-	-	169,477	-	-	-
Total Assets	millions of yen	277,476	307,983	345,916	295,802	331,781	-
Shareholders' Equity Ratio	%	51.8	51.1	49.0	49.8	50.8	-
ROE	%	3.3	3.0	3.0	6.6	6.4	-
Recurring Income to Total Assets	%	2.8	2.7	2.7	5.8	5.5	-
Share Price as of Term-end	yen	971	1,090	1,377	1,075	1,324	-
PER	Times	-	-	-	22.3	25.6	-
Cash Flows From Operating Activities	millions of yen	8,183	9,864	10,333	20,405	20,646	-
Cash Flows From Investing Activities	millions of yen	(7,266)	(5,626)	(12,206)	(31,224)	(17,270)	-
Cash Flows From Financing Activities	millions of yen	(1,723)	(644)	(8,303)	4,456	11,240	-
Term-end Cash and Cash Equivalents	millions of yen	24,427	24,223	25,197	18,815	35,642	-
Free Cash Flows	millions of yen	1,022	1,673	1,398	6,562	4,090	-
Free Cash Flows per Share	yen	5.24	8.64	7.22	33.67	21.12	-
Interest-bearing Debt	millions of yen	47,120	57,005	71,802	54,853	69,396	-
Capital Expenditures	millions of yen	5,904	8,209	7,630	13,663	17,156	16,400
(For Property, Plant and Equipment)	millions of yen	5,118	7,804	7,331	12,355	15,964	15,400
Depreciation and Amortization	millions of yen	6,477	6,694	7,703	13,622	14,223	15,700
(On Property, Plant and Equipment)	millions of yen	5,722	5,833	6,730	12,092	12,506	13,800
R&D Costs	millions of yen	1,702	1,669	1,793	3,453	3,439	-
Net Financial Income (Loss)	millions of yen	205	281	53	229	191	-
Average Term Exchange Rate	yen/US\$	108.20	109.93	115.63	108.00	113.42	115.30
No. of Employees	people	6,235	6,383	7,149	6,350	6,422	-
No. of Shares Issued and Outstanding at Term-end	Thousand	195,016	193,632	193,553	193,692	193,589	-

(Notes) 1. Net sales do not include consumption and other taxes.

2. Total net assets prior to and including March 31, 2006 represent shareholders' equity as previously classified.

3. Tangible net worth is computed by subtracting stock acquisition rights and minority interests from net assets.

4. Free cash flows = cash flows from operating activities - acquisition of property, plant, equipment and intangible assets

5. Interest-bearing debt refers to all liabilities on the consolidated balance sheet on which interest is paid.

6. Net financial income = interest and dividend income - interest expense