

Q.P. CORPORATION

BRIEFING OF THE ACCOUNT

(NON-CONSOLIDATION)

FOR THE INTERIM PERIOD ENDED MAY 31, 2006

(Translation)

July 10, 2006

**BRIEFING OF THE ACCOUNT (NON-CONSOLIDATED)
FOR THE INTERIM PERIOD ENDED MAY 31, 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 held for the interim closing:	July 10, 2006
Beginning date on payment of interim dividend:	August 8, 2006

The unit of shares for one vote is 100 shares.

1. Business results for the interim period ended May 31, 2006 (From December 1, 2005 to May 31, 2006):

(1) Operating results

	Interim period ended <u>May 31, 2006</u>	Interim period ended <u>May 31, 2005</u>	Year ended <u>November 30, 2005</u>
Net sales	¥ 114,368 million (-1.3%)	¥ 115,830 million (-1.3%)	¥ 232,668 million
Operating income	¥ 3,825 million (12.0%)	¥ 3,416 million (-26.0%)	¥ 6,074 million
Ordinary income	¥ 4,144 million (13.9%)	¥ 3,639 million (-25.9%)	¥ 6,453 million
Net income	¥ 2,101 million (0.8%)	¥ 2,084 million (-22.2%)	¥ 3,769 million
Net income per share	¥ 13.73	¥ 13.62	¥ 24.44

(Notes)

1. Weighted average number of shares 153,066,678 shares 153,025,638 shares 153,006,803 shares

2. Changes in accounting principles in the current interim period None

3. The percentage (%) of Net sales, Operating income, Ordinary income, and Net income is the ratio of the increase or decrease compared with the previous interim period.

(2) Financial conditions

	Interim period ended <u>May 31, 2006</u>	Interim period ended <u>May 31, 2005</u>	Year ended <u>November 30, 2005</u>
Total assets	¥ 198,488 million	¥ 192,012 million	¥ 189,865 million
Net assets	¥ 120,856 million	¥ 116,331 million	¥ 118,987 million
Equity ratio	60.9%	60.6%	62.7%
Net assets per share	¥ 788.88	¥ 760.39	¥ 777.57

(Notes)

1. Number of outstanding shares 153,199,206 shares 152,989,863 shares 152,986,058 shares

2. Number of treasury stock 2,265,309 shares 2,474,652 shares 2,478,457 shares

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

	Year ending November 30, 2006
	<u>¥ 231,000 million</u>
Net sales	¥ 231,000 million
Ordinary income	¥ 7,000 million
Net income	¥ 3,650 million
 (Reference) Estimate of yearly net income per share	 ¥ 23.83

3. Dividend status

Cash dividend

	Year ending November 30, <u>2006</u> (Actual)	Year ending November 30, <u>2006</u> (Estimate)	Year ended November 30, <u>2005 (Actual)</u>
Dividend paid per share at the end of:			
Interim period	¥ 6.50	—	¥ 6.50
Year	—	¥ 6.50	¥ 6.50
Annual Dividend per share		¥ 13.00	¥ 13.00

(Note)

Dividend paid per share at the interim period ended May 31, 2006 includes:

Commemorative dividend	—
Special dividend	—

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

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.

Q.P. CORPORATION

Non-Consolidated Balance Sheets

(Millions of yen)

	May 31, 2006	May 31, 2005	November 30, 2005
ASSETS:			
CURRENT ASSETS:			
Cash and deposits	10,428	6,358	10,182
Notes	450	943	587
Accounts receivable	40,731	40,017	34,294
Inventories	8,973	9,578	7,832
Short-term loans receivable	22,639	26,740	25,301
Deferred tax assets	621	660	621
Other	1,709	2,460	2,796
Allowance for doubtful accounts	(1,049)	(224)	(208)
Total current assets	84,506	86,537	81,407
FIXED ASSETS:			
Tangible fixed assets			
Buildings	23,059	23,980	23,609
Machinery and equipment	15,454	16,220	16,325
Land	17,245	15,822	16,171
Construction in progress	3,736	1,071	1,369
Other	2,449	2,521	2,520
Total tangible fixed assets	61,945	59,617	59,996
Intangible fixed assets			
	1,357	1,402	1,511
Investments and other assets			
Investment in securities	18,147	15,350	16,501
Stocks of subsidiaries and affiliated companies	19,259	19,324	19,249
Prepaid pension costs	8,294	5,127	6,625
Other	5,124	5,331	5,178
Allowance for doubtful accounts	(146)	(677)	(603)
Total investments and other assets	50,679	44,456	46,951
Total fixed assets	113,981	105,475	108,458
Total assets	198,488	192,012	189,865

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	22,773	24,167	21,114
Short-term loans payable	5,626	6,027	10,358
Current portion of convertible bonds	—	18,629	—
Accounts payable-other	8,188	7,042	8,388
Accrued income taxes	1,468	1,451	447
Reserve for sales rebates	789	1,253	726
Reserve for bonuses	903	831	258
Reserve for directors' and corporate auditors' bonuses	15	—	—
Other	1,755	2,860	3,613
Total current liabilities	41,520	62,262	44,906

LONG-TERM LIABILITIES:

Bonds	10,000	—	10,000
Long-term loans payable	14,180	4,444	4,312
Reserve for directors' and corporate auditors' retirement pay	500	399	455
Deferred tax liabilities	5,303	2,229	4,852
Other	6,126	6,345	6,352
Total long-term liabilities	36,111	13,418	25,971
Total liabilities	77,632	75,681	70,878

SHAREHOLDERS' EQUITY:

Capital stock	—	24,104	24,104
Capital surplus	—	29,418	29,418
Capital surplus reserve	—	29,418	29,418
Earned surplus	—	63,266	63,957
Earned surplus reserve	—	3,115	3,115
Voluntary retained earnings	—	56,915	56,915
Unappropriated retained earnings	—	3,235	3,927
Unrealized valuation gain on other securities – net	—	2,024	3,994
Treasury stock	—	(2,483)	(2,487)
Total shareholders' equity	—	116,331	118,987
Total liabilities and shareholders' equity	—	192,012	189,865

	May 31, 2006	May 31, 2005	November 30, 2005
NET ASSETS:			
Owners' equity			
Paid-in capital	24,104	—	—
Capital surplus			
Capital legal reserve	29,418	—	—
Other capital surplus	13	—	—
Total capital surplus	29,431	—	—
Earned surplus			
Earned legal reserve	3,115	—	—
Other earned surplus	61,918	—	—
Special depreciation reserve	39	—	—
Reserve for deduction entry of property replaced by purchase	2,136	—	—
General reserve	56,500	—	—
Earned surplus brought forward	3,242	—	—
Total earned surplus	65,033	—	—
Treasury Stock	(2,268)	—	—
Total owners' equity	116,301	—	—
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	4,554	—	—
Total valuation and translation adjustments	4,554	—	—
Total net assets	120,856	—	—
Total liabilities and net assets	198,488	—	—

Q.P. Corporation

Non-Consolidated Statements of Income

(Millions of yen)

	Interim period ended May 31, 2006	Interim period ended May 31, 2005	Year ended November 30, 2005
NET SALES	114,368	115,830	232,668
COST OF SALES	77,708	80,237	160,486
Gross profit	36,659	35,593	72,181
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	32,834	32,177	66,106
Operating income	3,825	3,416	6,074
NON-OPERATING INCOME:			
Interest income and dividend receivable	473	451	745
Other	94	117	359
NON-OPERATING EXPENSES:			
Interest expense	102	138	283
Other	146	207	444
Ordinary income	4,144	3,639	6,453
EXTRAORDINARY GAINS:			
Gain on sales of investment in securities	—	—	139
Reversal of allowance for doubtful accounts	29	—	82
Other	34	0	0
EXTRAORDINARY LOSSES:			
Loss on disposal of fixed assets	256	182	363
Write-down of investment in securities	—	—	6
Other	559	167	294
Net income before income taxes	3,392	3,290	6,011
Income taxes	1,291	1,206	930
Income taxes deferred	—	—	1,310
Net income	2,101	2,084	3,769
Retained earnings at the beginning of year	—	1,151	1,151
Interim dividends	—	—	994
Unappropriated retained earnings	—	3,235	3,927

Statement of Changes in Net Assets

(Millions of yen)

Interim period ended May 31, 2006

	Owners' equity										
	Paid-in capital	Capital surplus			Earned legal reserve	Earned surplus					Total earned surplus
		Capital legal reserve	Other capital surplus	Total capital surplus		Other earned surplus					
						Special depreciation reserve	Reserve for deduction entry of property replaced by purchase	Special account reserve for deduction entry of property replaced by purchase	General reserve	Earned surplus brought forward	
Balance at November 30, 2005	24,104	29,418	—	29,418	3,115	49	2,105	59	54,700	3,927	63,957
Changes of items during the interim period											
Dividends from surplus										(994)	(994)
Net income										2,101	2,101
Repurchase of treasury stock											
Disposal of treasury stock				13	13						
Transfer to reserve						5	60		1,800	(1,866)	—
Transfer from reserve						(15)	(29)	(59)		105	—
Directors' and corporate auditors' bonuses										(30)	(30)
Net changes of items other than owners' equity											
Total changes of items during the interim period	—	—	13	13	—	(9)	30	(59)	1,800	(684)	1,075
Balance at May 31, 2006	24,104	29,418	13	29,431	3,115	39	2,136	—	56,500	3,242	65,033

	Owners' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total owners' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at November 30, 2005	(2,487)	114,993	3,994	3,994	118,987
Changes of items during the interim period					
Dividends from surplus		(994)			(994)
Net income		2,101			2,101
Repurchase of treasury stock	(4)	(4)			(4)
Disposal of treasury stock	223	236			236
Transfer to reserve		—			—
Transfer from reserve		—			—
Directors' and corporate auditors' bonuses		(30)			(30)
Net changes of items other than owners' equity			560	560	560
Total changes of items during the interim period	218	1,308	560	560	1,868
Balance at May 31, 2006	(2,268)	116,301	4,554	4,554	120,856

SIGNIFICANT ACCOUNTING POLICIES

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

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 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 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 the 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 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 a 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 on an accrual basis at the end of current interim period based on the estimated amounts payable at the end of current fiscal year.

(Change in accounting standard)

The Company 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 interim period. The standard is to be applied for the interim period of annual periods ending on or after May 1, 2006, on which the Corporate Law takes effective.

As a result, selling, general and administrative expense increased by ¥ 15 million and operating income, ordinary income, and net income before income taxes decreased by the same amount, compared to those accounted for based on the prior standard, respectively.

Reserve for retirement benefits

Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis at the end of current interim period based on the estimated retirement benefit obligations and pension fund assets at the end of current fiscal year.

Prior service liabilities are amortized by the straight-line method over a certain period twelve years within an average remaining service period of employees and their amortization starts in the respective accrual years.

Actuarial gains or losses are amortized by the straight-line method over twelve years based on the average remaining employees' service years, and their amortizations will start in the next year of the respective accrual years.

As the pension funds assets exceeded retirement benefit obligations in the current interim period, its excess amounts were accounted for as prepaid pension costs in investments and other assets.

Retirement benefit systems of the Company consist of a defined benefit pension plan (Fund-type and

Contract-type).

(Change in accounting standard)

The Company 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 period. The standard is to be applied for the fiscal year beginning on or after April 1, 2005.

As a result, operating income, ordinary income, and net income before income taxes increased by ¥ 169 million, compared to those accounted for based on the prior standard, respectively.

Reserve for directors' and corporate auditors' retirement pay

The Company provides a reserve for directors' and corporate auditors' retirement pay at 100% of estimated amounts payable at end of the current interim period according to the Company's bylaw.

d. Accounting for 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.

e. 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.

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 the 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.

f. Other

1. Accounting for consumption tax

Consumption taxes are recorded in separate accounts.

2. Tax effect accounting

The Company adopts a tax effect accounting, a so called the simple method that the company used the effective tax rate gotten by dividing yearly estimated tax expenses by yearly estimated net income before

taxes and calculated by multiplying interim net income before taxes by the above tax rate, as a result, tax adjustment amounts calculated like that are included in income taxes.

CHANGES IN ACCOUNTING POLICY

(Accounting Standard for Impairment of Fixed Assets)

The Company adopted the Accounting Standard for Impairment of Fixed Assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets “issued by the Business Accounting Council on August 9, 2002) and the Guidance on Accounting for Impairment of Fixed Assets (Accounting Standard Board of Japan Guidance No.6 issued by Accounting Standard Board of Japan on October 31, 2003) from current interim period. The standard is to be applied for the fiscal year beginning on or after April 1, 2005.

As a result, net income before income taxes decreased by ¥ 112 million.

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

(Accounting Standard for Presentation of Net Assets in the Balance Sheet)

The Company adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard Board of Japan Statement No.5 issued by Accounting Standard Board of Japan on December 9, 2005) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard Board of Japan Guidance No.8 issued by Accounting Standard Board of Japan on December 9, 2005) from current interim period.

The equivalent amount of the total shareholders' equity regulated formerly is ¥ 120,856 million.

NOTES TO BALANCE SHEETS

	Millions of yen		
	May 31, 2006	May 31, 2005	November 30, 2005
(1) Accumulated depreciation of tangible fixed assets	97,689	93,682	95,899
(2) Contingent liabilities (guarantees)	3,391	2,904	3,290
(3) Treasury stock	—	2,483	2,487
(Including treasury stock for stock option granted)	(—)	(2,474,652 shares)	(2,478,457 shares)

NOTES TO STATEMENTS OF INCOME

1. Depreciation expense

	Millions of yen		
	Interim period ended May 31, 2006	Interim period ended May 31, 2005	Year ended November 30, 2005
Tangible fixed assets	2,951	3,090	6,468
Intangible fixed assets	264	267	533
Long-term prepaid expenses	120	113	236

2. Loss on impairment of fixed assets

Interim period ended May 31, 2006

The Company recognized loss on impairment on the following group of assets in the current interim period.

Location	Use	Item	Loss on impairment (Millions of yen)
Tochigi	Idol properties (2 properties)	Land	112

The Company classified in principle fixed assets into groups by the type of respective operation and business place based on the management accounting units on which revenue and expenditure continuously are taken in.

In the current interim period, the book value of the idol properties was written down to the recoverable amount by ¥ 112 million, accounted for as an extraordinary loss, due to decline of their land prices.

Recoverable amount is measured by net sales amounts based on the estimated sales amounts.

NOTES TO STATEMENTS OF CHANGES IN NET ASSETS

Total numbers and periodic changes of treasury stock by class

Treasury stock by class	Common stock
Number of shares at the end of previous fiscal year	2,478,457 shares
Increase in number of shares	3,852 shares
Decrease in number of shares	217,000 shares
Number of shares at the end of current interim period	2,265,309 shares

(Notes)

1. Increase in number of common shares of treasury stock is due to acquisition of the odd stock
2. Decrease in number of common shares of treasury stock is due to exercise of the former stock subscription rights in accordance with the Article 210-2 of the pre commercial code revision.

LEASE TRANSACTIONS

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

Interim period ended May 31, 2006

- a. Estimated acquisition cost, accumulated depreciation and estimated value of lease properties

(Millions of yen)

	Estimated acquisition cost	Accumulated depreciation	Estimated value
Tools, furniture and fixtures	1,115	515	599
Auto and transportation equipment	733	388	344
Machinery equipment	182	126	56
Computer software	87	34	53
Total	2,118	1,065	1,053

- b. Future lease payments

Due within one year	¥ 526 million
Due over one year	¥ 540 million
Total	¥ 1,067 million

- c. Lease payments, depreciation and estimated interest expense

Lease payments	¥ 318 million
Depreciation expense	¥ 307 million
Estimated interest expense	¥ 10 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 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.

Interim period ended May 31, 2005

a. Estimated acquisition cost, accumulated depreciation and estimated value of lease properties

(Millions of yen)

	Estimated acquisition cost	Accumulated depreciation	Estimated value
Tools, furniture and fixtures	1,412	820	592
Auto and transportation equipment	737	449	288
Machinery equipment	310	137	173
Computer software	136	85	50
Total	2,597	1,492	1,104

b. Future lease payments

Due within one year	¥ 550 million
Due over one year	¥ 569 million
Total	¥ 1,119 million

c. Lease payments, depreciation and estimated interest expense

Lease payments	¥ 358 million
Depreciation expense	¥ 346 million
Estimated interest expense	¥ 11 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 lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

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
Tools, furniture and fixtures	1,131	532	599
Auto and transportation equipment	739	337	401
Computer software	190	118	71
Machinery equipment	90	53	37
Total	2,152	1,041	1,110

b. Future lease payments

Due within one year	¥ 538 million
Due over one year	¥ 586 million
Total	¥ 1,124 million

c. Lease payments, depreciation and estimated interest expense

Lease payments	¥ 663 million
Depreciation expense	¥ 640 million
Estimated interest expense	¥ 21 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 lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

SECURITIES

Stocks of subsidiaries and affiliated companies with fair value

Interim period ended May 31, 2006

(Millions of yen)

Description	Book value	Fair value	Unrealized gain (loss)
Stocks of subsidiaries	3,472	9,386	5,913
Stocks of affiliated companies	290	1,947	1,657
Total	3,763	11,333	7,570

Interim period ended May 31, 2005

(Millions of yen)

Description	Book value	Fair value	Unrealized gain (loss)
Stocks of subsidiaries	3,472	8,845	5,372
Stocks of affiliated companies	290	1,511	1,220
Total	3,763	10,356	6,593

Year ended November 30, 2005

(Millions of yen)

Description	Book value	Fair value	Unrealized gain (loss)
Stocks of subsidiaries	3,472	9,921	6,448
Stocks of affiliated companies	290	1,871	1,580
Total	3,763	11,792	8,029

SIGNIFICANT SUBSEQUENT EVENT

None