

# Annual Report 2004

*December 1, 2003 to November 30, 2004*



**Q.P. Corporation**

The information contained in this report is derived from the Company's Annual Securities Report in Japanese filed with the Commissioner of the Financial Services Agency on the day of February 23, 2005 in accordance with the Securities and Exchange Law, which has been translated into English for the convenience of readers outside Japan.

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# I. Outline of the Company

## 1. Principal Management Index

(1) Consolidated principal management index for the five years ended November 30, 2004

Term ended		Nov. 2000	Nov. 2001	Nov. 2002	Nov. 2003	Nov. 2004
Net sales	(millions of yen)	384,276	396,697	434,480	437,032	423,727
Ordinary income	(millions of yen)	14,750	17,039	18,262	17,532	15,507
Net income (loss)	(millions of yen)	(1,280)	8,005	9,306	8,675	7,006
Shareholders' equity	(millions of yen)	105,259	107,428	114,015	120,504	126,768
Total assets	(millions of yen)	269,305	257,679	270,181	269,559	262,122
Shareholders' equity per share	(yen)	677.09	696.21	744.11	786.15	827.17
Net income (loss) per share	(yen)	(8.22)	51.78	60.36	56.08	45.18
Net income per share – diluted	(yen)	—	45.46	55.11	51.53	41.63
Net worth to gross capital	(%)	39.1	41.7	42.2	44.7	48.4
Return on equity	(%)	(1.2)	7.5	8.4	7.4	5.7
Price earnings ratio	(times)	—	21.0	16.2	15.5	20.0
Net cash provided by operating activities	(millions of yen)	20,582	19,603	22,829	18,550	17,377
Net cash used in investing activities	(millions of yen)	(14,604)	(15,157)	(25,388)	(13,419)	(12,806)
Net cash used in financing activities	(millions of yen)	(12,655)	(16,592)	(6,897)	(2,116)	(8,109)
Cash and cash equivalents at end of the year	(millions of yen)	36,274	24,128	16,950	19,868	16,451
Number of regular full-time employees, and [in parentheses] average number of temporary employees		6,220 [5,066]	6,115 [5,468]	8,550 [8,136]	8,109 [7,913]	8,529 [8,483]

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

2. Net income per share – diluted, and price earnings ratio for the term ended November 2000 are not available, as the Company registered net loss, due to additional reserves for the shortage of employees' retirement pay resulting from changes in accounting policy.

3. The increase in sales for the term ended November 2002 business term is principally attributable to an increase in the number of consolidated subsidiaries by 11, while the increase in net income for the term was principally the result of the posting of gain on the return of the entrusted government's portion of the welfare pension.

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

## (2) Non-consolidated principal management index for the five years ended November 30, 2004

Term ended	Nov. 2000	Nov. 2001	Nov. 2002	Nov. 2003	Nov. 2004
Net sales (millions of yen)	269,881	260,466	271,208	268,958	230,110
Ordinary income (millions of yen)	10,405	11,329	10,582	11,248	7,663
Net income (loss) (millions of yen)	(1,370)	6,268	6,030	6,805	4,529
Capital stock (millions of yen)	24,102	24,103	24,104	24,104	24,104
Total number of outstanding shares	155,461,941	155,463,617	155,464,515	155,464,515	155,464,515
Shareholders' equity (millions of yen)	100,102	102,596	105,794	111,395	115,012
Total assets (millions of yen)	196,781	185,861	186,656	190,335	188,772
Shareholder's equity per share (yen)	643.90	664.90	690.46	726.74	750.44
Yearly dividend per share, and interim dividend per share in parentheses (yen)	12.00 [—]	12.00 [6.0]	12.00 [6.0]	12.00 [6.0]	13.00 [6.0]
Net income (loss) per share (yen)	(8.79)	40.54	39.11	44.08	29.27
Net income per share – diluted (yen)	—	35.82	35.97	40.64	27.21
Net worth to gross capital (%)	50.9	55.2	56.7	58.5	60.9
Return on equity (%)	(1.3)	6.2	5.8	6.3	4.0
Price earnings ratio (times)	—	26.8	25.1	19.7	30.8
Payout ratio (%)	—	29.54	30.59	27.01	44.41
Number of regular full-time employees, and [in parentheses] average number of temporary employees	2,605 [849]	2,389 [808]	2,259 [802]	2,118 [921]	2,374 [1,110]

- (Notes)
1. Consumption taxes are not included in net sales.
  2. Net income per share – diluted, price earnings ratio and payout ratio for the term ended November 2000, are not available as the Company registered a net loss due to additional reserves for shortage of employees' retirement pay resulting from changes in accounting policy.
  3. With effect from the term ended November 2001, Net assets per share, Net income per share, and Net income per share - diluted are based on the number of outstanding shares which exclude number of treasury stock.
  4. Decrease in the number of regular full-time employees during the term ended November 2001 was mainly attributable to dispatch to consolidated subsidiaries.
  5. To calculate shareholders' equity per share, net income per share and net income per share – diluted; the Company started applying the "Accounting Standards for Net Income per Share" (Accounting Standards No.2) and the Guideline for Accounting Standard Application for Net Income per Share (Accounting Standard Application Guideline No.4) in the term ended November 2003.
  6. The decline in sales in the non-consolidated accounts for the term ended November 2004 is principally attributable to the transfer of sales department of egg materials to consolidated subsidiary Q.P. Egg Corporation.
  7. The per-share dividend for the term ended November 2004 includes a ¥1 special commemorative dividend in celebration of the 85th anniversary of the Company's establishment.

## 2. Nature of Business

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

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

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

### (1) Foodstuffs business

#### a) Mayonnaise and dressings

In Japan, the Company is engaged in the manufacture and sale of mayonnaise and dressings, while consolidated subsidiary Kewpie Jyozo Co., Ltd. is engaged in the manufacture and sale of vinegar, and San-ei Provisions Co., Ltd. in the sale of seasonings.

Overseas, the consolidated subsidiaries, Q&B Foods, Inc., established under the laws of the State of California, Beijing Q.P. Foods Co., Ltd. and Hangzhou Q.P. Foods Co., Ltd. are engaged in the manufacture and sale of mayonnaise and dressings.

b) Fruit applications and cooked foods

Aohata Corporation, an equity-method affiliated Company, and Co-op Food Products Co., Ltd., a consolidated subsidiary, manufacture jams, pasta sauces, and other products in bottled, canned and/or retort form, which are then sold by the Company.

With effect from the reporting period, the “canned and retort foods” operational category has been renamed the “fruit applications and cooked foods” category.

c) Egg products

In Japan, the Company and its consolidated subsidiaries Q.P. Egg Corporation and Zenno Q.P. Egg Station Co., Ltd. are engaged in the manufacture of liquid egg, frozen egg, and dried egg, while Kanae Foods Co., Ltd., also a consolidated subsidiary, manufactures processed egg products including egg spread, egg block, and thin egg film. Most of the foregoing products are sold by the Company.

Overseas, Henningsen Foods, Inc., a consolidated subsidiary established under the laws of the State of New York, is engaged in the manufacture and sale of dried egg and related products.

d) Healthcare products

The Company is engaged in the manufacture and sale of baby foods, health foods, nursing care foods, and conventional soft-bag packaged liquefied foods, with the manufacture of certain products being outsourced.

e) Vegetables and salads

The Company is engaged in the production and sale of salads and other prepared foods, while some of these products are also sold by consolidated subsidiary Deria Foods Co., Ltd. (hereinafter “Deria Foods”).

In addition, the following consolidated subsidiaries are engaged in the activities shown.

Daily Mate Co., Ltd. manufactures salads and boiled and stewed foods, which are sold by Deria Foods; Potato Delica Co., Ltd. manufactures potato croquettes and salads, which are sold by the Company and Deria Foods; Gourmet Delica Co., Ltd. manufactures and sells boxed lunches, rice balls and so on; Family Chef Co., Ltd. is a manufacturer and wholesaler of salads; Saika Co., Ltd. is a manufacturer and wholesaler of pickles; Salad Club Co., Ltd. is a manufacturer and wholesaler of pre-cut vegetables.

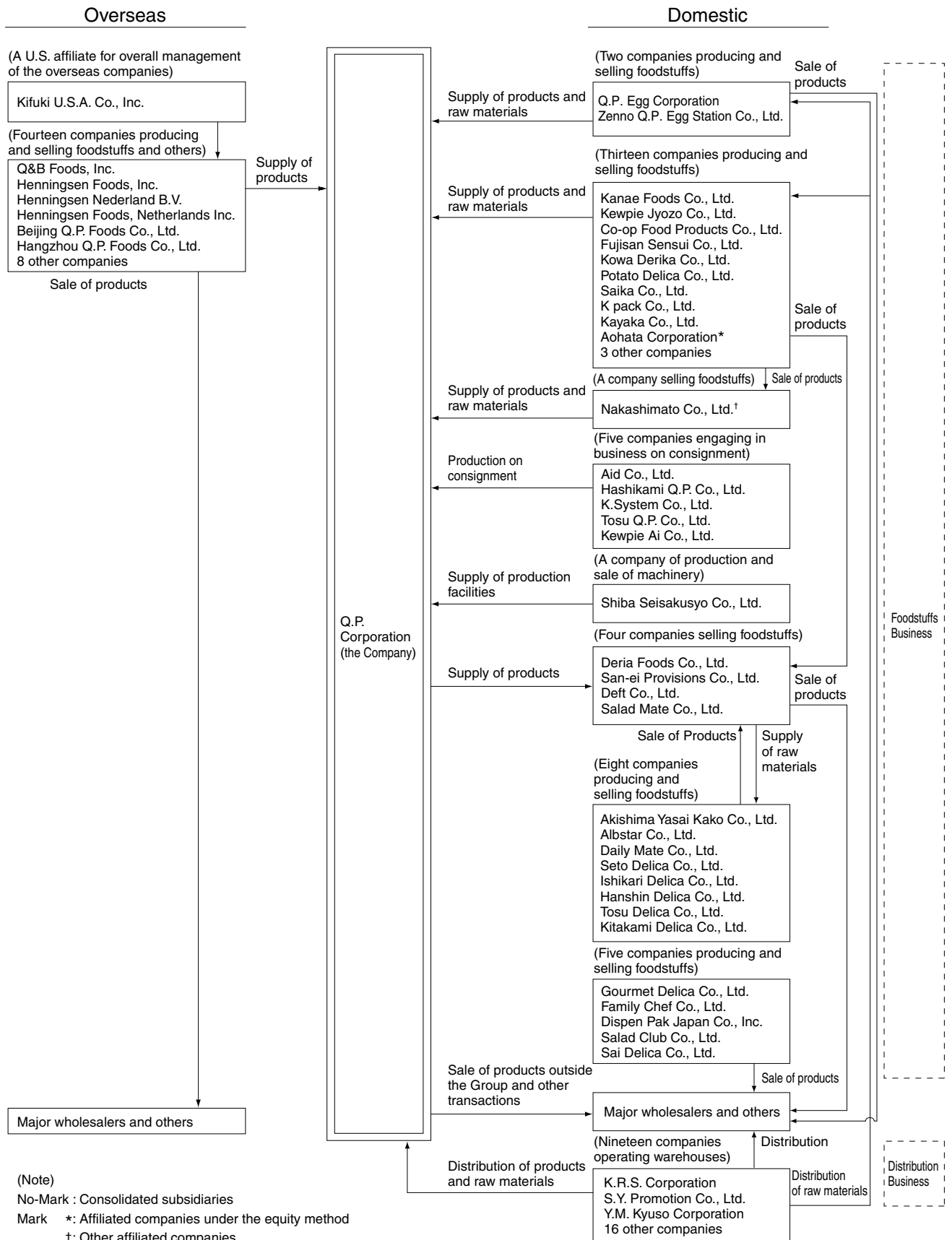
(2) Distribution business

K.R.S. Corporation, a consolidated subsidiary, is engaged in the overland transportation and warehousing of food products. Two other consolidated subsidiaries, S.Y. Promotion Co., Ltd. and Y.M. Kyuso Corporation are solely engaged in the transportation of food products.

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

The shares of consolidated subsidiary K.R.S. Corporation were reclassified for trading from the second section to the first section of the Tokyo Stock Exchange (TSE) on June 1, 2004, while the shares of the equity-method affiliate Aohata Corporation were registered for trading on the second section of the TSE.

### (Group Business Network)



### 3. Outline of Affiliated Companies

#### (1) Parent company

Not applicable

#### (2) Consolidated subsidiaries

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note 1)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
Q.P. Egg Corporation (Note 2)	Chofu, Tokyo	350 million yen	Production and sale of liquid and frozen egg	88.0	D or CA Employees 2 7	4,392 million yen	Purchase of products and raw materials	Leases on offices
Deria Foods Co., Ltd.	Fuchu, Tokyo	50 million yen	Production and sale of salads and other prepared foods	100.0	D or CA Employees 2 6	None	Sale of products	Leases on offices
Kewpie Jyozo Co., Ltd.	Fuchu, Tokyo	450 million yen	Production and sale of vinegar	87.8	D or CA Employees 2 5	1,896 million yen	Purchase of raw materials	Leases on offices
K.R.S. Corporation (Notes 2 & 3)	Chofu, Tokyo	4,063 million yen	Warehousing and transportation	45.3 (0.3) [5.8]	D or CA Employees 3 2	None	Consignment of storage and transportation of products and raw materials of group companies	Leases on land and warehouses
San-ei Provisions Co., Ltd.	Shibuya-ku, Tokyo	57 million yen	Sale of products for commercial use	51.3	D or CA Employees 2 2	None	Sale of products and purchase of raw materials	Leases on offices
Co-op Food Products Co., Ltd.	Shibuya-ku, Tokyo	250 million yen	Production and sale of canned foods	51.0	D or CA Employees 2 3	1,516 million yen	Purchase of products	Leases on offices
Kanae Foods Co., Ltd.	Fuchu, Tokyo	50 million yen	Production and sale of processed egg, including egg spread, egg block, and thin egg film	88.0	D or CA Employees 1 4	1,857 million yen	Purchase of products	Leases on offices and factories
Zenno Q.P. Egg Station Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	105 million yen	Production of dried eggs and other egg products	51.4	D or CA Employees 2 4	106 million yen	Purchase of products	Leases on factories
Kifuki U.S.A. Co., Inc.	Delaware, USA	USD 7.17	Investment in and management of subsidiaries in USA	100.0	D or CA Employee 2 1	None	Overall management of subsidiaries in USA	None
Q&B Foods, Inc.	California, USA	USD 4,800 thousand	Production and sale of mayonnaise and dressings	100.0 (100.0)	D or CA Employees 1 4	None	Purchase of products	None
Henningsen Foods, Inc.	New York, USA	USD 1.92 thousand	Production and sale of egg products and dried meats	100.0 (100.0)	D or CA Employees 3 4	Liabilities for guarantee 1,474 million yen	Purchase of products	None
Henningsen Nederland B.V.	Waalwijk, the Netherlands	Euro 359.39 thousand	Production and sale of dried meats	100.0 (100.0)	Employee 1	None	Purchase of products	None
Henningsen Foods, Netherlands Inc.	Delaware, USA	USD 2 thousand	Investment in subsidiaries in the Netherlands	100.0 (100.0)	None	None	None	None
Aid Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Production of foodstuffs and work on consignment	100.0	D or CA Employees 1 5	26 million yen	Consignment of production	Leases on factories
Akishima Yasai Kako Co., Ltd.	Akishima, Tokyo	20 million yen	Processing and sale of fresh vegetables	100.0 (100.0)	Employees 4	None	Purchase of raw materials	None
Gourmet Delica Co., Ltd.	Tokorozawa, Saitama	98 million yen	Production and sale of prepared food	100.0	D or CA Employees 1 5	1,940 million yen	Sale of raw materials	None
Fujisan Sensui Co., Ltd.	Fujiyoshida, Yamanashi	90 million yen	Production and sale of mineral water	77.7 (15.0)	D or CA Employees 2 2	335 million yen	Purchase of products	Leases on factories
Family Chef Co., Ltd.	Sagamihara, Kanagawa	50 million yen	Production and sale of prepared food	70.0	D or CA Employees 2 4	957 million yen	Sale of raw materials	Leases on factories
Daily Mate Co., Ltd.	Ome, Tokyo	20 million yen	Production and sale of prepared food	100.0 (100.0)	Employees 7	1,572 million yen	Sale of raw materials	None
Kowa Derika Co., Ltd.	Hasaki-machi, Kashima-gun, Ibaraki	10 million yen	Production of canned foods	100.0	D or CA Employees 1 4	667 million yen Liabilities for guarantee 56 million yen	Purchase of products	None
Albstar Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	50 million yen	Production of frozen and chilled foods	100.0 (100.0)	Employees 6	729 million yen	Purchase of products	Leases on factories
Dispen Pak Japan Co., Inc.	Chofu, Tokyo	140 million yen	Production and sale of foodstuffs, and subdividing and packing work	51.0	D or CA Employees 2 5	96 million yen	Purchase of products	Leases on factories
Shiba Seisakusyo Co., Ltd.	Kawasaki, Kanagawa	10 million yen	Production of machinery and equipment	100.0	D or CA Employees 1 5	193 million yen	Purchase of machinery and equipment	None
Potato Delica Co., Ltd.	Hodaka-machi, Minamiazumi-gun, Nagano	200 million yen	Production of frozen and chilled foods	66.6 (0.8)	D or CA Employees 3 5	220 million yen Liabilities for guarantee 319 million yen	Purchase of products	Leases on factories
Saika Co., Ltd.	Ome, Tokyo	50 million yen	Production and sale of pickles	100.0	D or CA Employees 1 3	1,533 million yen	Purchase of products	Leases on land and offices
Deft Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Sale of seasonings, chilled foods and foodstuffs	100.0	Employees 4	None	Sale of products	Leases on offices

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note 1)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
K.System Co., Ltd.	Machida, Tokyo	50 million yen	Consigned clerical work	80.0	D or CA Employees 1 5	381 million yen	Consignment of clerical work	Leases on offices
K pack Co., Ltd.	Goka-machi, Sashimagun, Ibaraki	30 million yen	Production and sale of seasonings	100.0	D or CA Employees 1 6	1,735 million yen	Purchase of products	Leases on offices
Hangzhou Q.P. Foods Co., Ltd.	Hangzhou Economic and Technological Development Zone, Zhejiang Province, China	100 million yuan	Production and sale of foodstuffs	60.0 (5.0)	Employees 4	Liabilities for guarantee 342 million yen	None	None
S.Y. Promotion Co., Ltd.	Koto-ku, Tokyo	200 million yen	Transportation	93.3 (51.0)	Employees 3	None	Transportation services	None
Seto Delica Co., Ltd.	Seto, Aichi	30 million yen	Production and sale of processed food	96.6 (96.6)	Employees 6	769 million yen	None	None
Ishikari Delica Co., Ltd.	Teine-ku, Sapporo, Hokkaido	30 million yen	Production and sale of processed food	100.0 (100.0)	Employees 4	441 million yen	None	None
Hanshin Delica Co., Ltd.	Amagasaki, Hyogo	10 million yen	Production and sale of processed food	100.0 (100.0)	Employees 4	333 million yen	None	Leases on factories
Salad Club Co., Ltd.	Fuchu, Tokyo	300 million yen	Processing and sale of fresh vegetables	51.0	D or CA Employees 3 2	368 million yen	Purchase of products	Leases on factories
Y. M. Kyuso Corporation	Inagi, Tokyo	82 million yen	Warehousing and transportation	52.3 (52.3)	None	None	None	None
Beijing Q.P. Foods Co., Ltd.	Haidian-qu, Beijing, China	685 million yen	Production and sale of foodstuffs	65.0	Employees 6	None	None	None
Kewpie Ai Co., Ltd.	Machida, Tokyo	30 million yen	Consigned clerical work	100.0	D or CA Employees 2 3	None	None	None
7 other companies								

- (Notes) 1. Figures in parentheses under "Voting rights percentage" indicate the proportion of indirect ownership.  
2. Q.P. Egg Corporation and K.R.S. Corporation are classified under Japanese tax law as tokutei kogaisha, a special category of subsidiary.  
3. The following notes apply solely to K.R.S. Corporation:  
a. K.R.S. Corporation submits its own annual securities report to the Commissioner of the Financial Services Agency.  
b. Net sales registered by K.R.S. Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales. As K.R.S. Corp. submits its own annual securities report to the Financial Services Agency, however, specific details regarding its major profit/loss information are not published here.  
c. K.R.S. Corporation is treated as a subsidiary, even though the voting rights held by Q.P. as a percentage of total voting rights are below 50%, in view of the effective control exerted over the subsidiary's management.  
d. In the "Voting rights percentage" column, the figure shown in square brackets indicates the voting rights resulting from indirect shareholdings.

### (3) Affiliated companies applied the equity method

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note 1)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
Summit Oil Mill Co., Ltd.	Chiba, Chiba	97 million yen	Production of vegetable oil	49.0	D or CA Employee 1 1	None	Purchase of products	None
Aohata Corporation (Notes 2 & 3)	Takehara, Hiroshima	644 million yen	Production and sale of canned foods	16.1 (0.3)	D or CA 3	None	Purchase of products	None
Kunimi Nosankako Co., Ltd. (Note 2)	Kunimi-cho, Higashikunisaki-gun, Oita	80 million yen	Production and sale of frozen and chilled foods	17.5	Employee 1	550 million yen	Purchase of products	None
Henningens Van Den Burg B.V.	Waalwijk, the Netherlands	Euro 5,127 thousand	Production and sale of dried eggs	50.0 (50.0)	None	None	Purchase of products	None

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

### (4) Other affiliated company

Trade name	Address	Capital stock/ equity investment	Business lines	Voting rights percentage (Note)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (CA)	Finance	Operating transactions	Lease transactions
Nakashimato Co., Ltd.	Shibuya-ku, Tokyo	119 million yen	Sale of processed food	20.4 (3.1)	D or CA 3	None	Purchase of products etc.	Leases on offices

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

## 4. Employees

### (1) The Company and its consolidated subsidiaries

(as of November 30, 2004)

Business segment	Number of employees	
Foodstuffs	6,454	(7,701)
Distribution	2,075	( 782)
Total	8,529	(8,483)

- (Notes) 1. Employee figures shown outside parentheses indicate registered regular employees and long-term special contract employees, excluding the Group employees dispatched outside the Group but including workers from outside employed within the Group on dispatch. Figures within parentheses indicate short-term contract non-regular employees and workers hired on a daily, weekly or seasonal basis.
2. Figures for employees of consolidated subsidiaries are those as of September 30, 2004, with the exception of K.R.S. Corporation.

### (2) The Company

(as of November 30, 2004)

Number of employees	Average age	Average years of service	Average annual salary
2,374 (1,110)	35.3	11.0	5,634,849 yen

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

### (3) The workers' union

The workers' union of Q.P. Corporation, a single-enterprise union having no affiliation with any larger entity and enjoying friendly relations with the Company, was formed on July 14, 1962. As of November 30, 2004, 107 employees working in the Tokyo district were members of the union.

## **II. Business Operations**

### **1. General**

#### **(1) Business performance (consolidated)**

Aggregate corporate earnings in Japan showed an improvement in the reporting period, led by capital spending and exports. Consumer spending, however, remained slack, and business conditions overall continued to be severe.

Amid this situation, the Q.P. Group (Q.P. Corporation, its consolidated subsidiaries, and affiliates under the equity method) recorded increased revenue in the distribution & logistics business category, but a year-on-year decline in revenue was registered by the foodstuffs operations, largely as a result of intra-Group reorganization and the sell-off of equity in subsidiaries. Net sales for fiscal 2004 came to ¥423,727 million, a decline of ¥13,305 million (3.0%) from the previous business term.

Primarily caused by price rises in our main raw materials, operating income declined by ¥2,593 million (14.2%) year-on-year, to ¥15,662 million, while ordinary income was down by ¥2,025 million (11.6%), at ¥15,507 million. Net income posted a year-on-year decrease of 19.2%, or ¥1,669 million, to ¥7,006 million.

During the term under review, the management of Q.P. drew up ethical behavior guidelines for the entire Group, set up a help line for employees of the Group, and reinforced the corporate governance functions of the Group through the establishment of an auditing office in the parent company.

With regard to environmental matters, we succeeded in reaching the “zero emission” target for the generation of waste by seven plants operated by our subsidiaries, with all waste products generated internally being reused or recycled. This brings to 28 facilities operated by the Group (26 processing plants and 2 offices) that have achieved the zero emission benchmark. Similarly, as of the end of the reporting period, 26 Group facilities (of which 11 were added during the term) had obtained ISO14001 environmental management systems certification.

#### **(2) Business overview by segment**

[Foodstuffs Business]

Against the general background of sluggish consumer spending, the foodstuffs industry in fiscal 2004 was adversely impacted by concerns over BSE and avian influenza, as well as unusual weather, including a record-breaking hot summer and an unusually large number of typhoons.

In these circumstances, the Company made efforts to encourage interest among the public in widening the scope of usage of its products, principally through TV commercials featuring new dishes in which our products are an essential ingredient. We also launched new value-added products to augment our lineup and stimulated new demand. We also put considerable efforts into maintaining fair market prices by narrowing the scope of expenditure for sales promotion.

On the material procurement side, the situation remained difficult during the reporting period, with edible oil prices staying at a high level owing to higher raw materials prices caused by increased demand in China, as well as a tight supply situation in Japan. From the summer on, the price of eggs also rose in response to a decline in the number of hens at egg producers' facilities.

As a result of these factors, as well as the transfer to Q.P. Egg Corporation (a consolidated subsidiary) of sales department of egg materials, which led to an exclusion of revenue corresponding to the last two months of the business term, and the sell-off of equity in Nishifu Meat Co., Ltd. (removing this company from the list of consolidated subsidiaries), sales of the foodstuffs business came to ¥340,713 million, a year-on-year decrease of ¥16,317 million, or 4.6%. The operating income of the foodstuffs business declined by ¥2,972 million, or 15.1%, year-on-year to ¥16,694 million, which is mainly attributable to hikes in raw material prices.

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

a) Mayonnaise and dressings

In addition to the fact that retailers have raised their prices of regular-type mayonnaise back up to non-discounted levels, the prices of the sort of vegetables that consumers put mayonnaise rose, and these factors had a severe impact on the Company's business results. In compensation, however, we continued to actively market Kewpie Half low-calorie mayonnaise, to appeal to the growing consumer preference for healthy foods. We also launched an economy-sized (380ml) bottle of Roasted Sesame Dressing, and marketed new versions of our non-oil dressings. As a result, total sales in this category edged up 0.1% year-on-year, or ¥124 million, to ¥111,558 million.

b) Fruit applications and cooked foods

Good sales were enjoyed in our ultra-low-sugar Super Fruity 35 line of spreads, which has been redesigned, as well as our Salad Club brand of ingredients. Mineral water sales also benefited from the hotter-than-usual summer. On the other hand, our mainstay lines of jams and pasta sauces suffered from a sales decline due to price cuts forced by weakening demand. Sales in this category recorded a year-on-year decline of ¥944 million, or 1.8%, to ¥50,675 million.

c) Eggs products

We enjoyed steady sales of our profitable line of cooked egg products, mainly for sale in convenience stores. Meanwhile, in the field of fine chemicals, an increase was posted in sales of hyaluronic acid and supplements for use in foodstuffs. However, these positive factors were insufficient to offset the negative factor of a loss of sales due to the transfer of sales department of egg materials to Q.P. Egg Corporation with effect from October 1, 2004, thus posting a sales amount for only 10 months for fiscal 2004. Sales consequently recorded a year-on-year decline of ¥6,034 million (7.3%) to ¥76,214 million.

d) Healthcare products

Sales of the Company's healthcare foods are expanding, among them our liquid foods, which have been praised for their nutritional balance as well as being easy to prepare. On the other hand, sales of baby foods fell below the previous term's level partly as a result of price raises in line with the Company's shift of emphasis toward greater profitability. As a result, total sales of the segment declined by ¥180 million (1.2%) to ¥14,291 million.

e) Vegetables and salads

Supermarkets, the Company's principal retail outlet for these products, are diversifying their procurement sources, and in response, Q.P. has created a wide-ranging collaboration system with both supermarket chains that operate on a nationwide scale and smaller companies operating in particular regions. Steady sales were seen in ready-to-eat salads designed to meet retailers' particular needs, as well as cut vegetables, which are now being sold by an increasing number of retailers.

On the other hand, we sold off our shares in Nishifu Meat Co., Ltd., which had been a consolidated subsidiary, and we also cut back drastically on the number of different ready-to-eat dishes handled. These two factors produced a major negative effect on total sales, which fell ¥9,282 million year-on-year, or 9.5%, to ¥87,974 million.

[Distribution Business]

Price competition is fierce in the food distribution business, while transport costs have been rising due to higher vehicle fuel prices and rising freight charges stemming from a shortage of delivery vehicles. Distribution in certain areas of Japan has also been hampered by the damage caused by earthquakes and typhoon-brought floods: the overall business environment is therefore difficult.

In these circumstances, the Group has amalgamated its various distribution-related operations — storage and handing, transportation and distribution, information, mutual purchasing, etc. — to form an asset-type third-party logistics service capable of offering total-package services encompassing

specialist goods distribution, joint deliveries, nationwide delivery, and intermodal transport. In this way, we have begun to expand the scope of our business relations with existing customers and at the same time acquire new customers such as foodstuff wholesalers and restaurant chains.

Additionally, to reinforce the Group's capabilities in low-temperature produce transport, as well as raise the product quality level, we have invested in the installation of a larger number of refrigerators in our warehouses. We also employ a GPS system that gives information on traffic conditions, allowing selection of the optimal route, and the use of digital tachometers ensures that our truck drivers adhere to the optimal speeds laid down for each route.

Thanks to these measures, sales of the Distribution Business increased by ¥3,012 million (3.8%) year-on-year to ¥83,014 million, while operating income came to ¥4,399 million for a year-on-year growth of ¥166 million (3.9%).

The shares of K.R.S. Corporation, the consolidated subsidiary that is the core element in the Q.P. Group's Distribution Business, were upgraded from the second to the first section of the Tokyo Stock Exchange with effect from June 1, 2004.

### (3) Cash flows

Net cash provided by operating activities for the reporting period amounted to ¥17,377 million (down from the figure of ¥18,550 million for the previous business term) as income before income taxes and minority interests came to ¥14,883 million.

Net cash used in investing activities came to ¥12,806 million (down from ¥13,419 million for the previous term). The net outflow is mainly attributable to ¥12,601 million in capital expenditures.

Net cash used in financing activities amounted to ¥8,109 million (up from ¥2,116 million for the previous term), as a result of ¥5,820 million in net short and long-term debt repayment, as well as an outlay of ¥1,300 million for the redemption at maturity of corporate bonds and a disbursement of ¥1,838 million for dividend payments.

In addition to the above, cash and cash equivalents increased by ¥128 million as a result of the merger of subsidiaries. Consequently, the term-end balance of cash and cash equivalents stood at ¥16,451 million, a decrease of ¥3,417 million from the previous term-end.

(Note) Figures shown in "II. Business Operations" are exclusive of consumption tax.

## 2. Market and Order-Based Production, and Sales

### (1) Market production

The production activities of the Group are carried out solely by the Foodstuffs Business, as a consequence of which there is no segmental breakdown. The value of production for the term under review is shown below.

(millions of yen)

Business segments	Term under review	
	(from December 1, 2003 to November 30, 2004)	Year-on-year change (%)
Foodstuffs	201,350	0.9
Total	201,350	0.9

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

## (2) Purchasing

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

(millions of yen)

Business segments	Term under review	
	(from December 1, 2003 to November 30, 2004)	Year-on-year change (%)
Foodstuffs	53,408	(12.0)
Distribution	5,813	(9.1)
Total	59,222	(11.7)

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

## (3) Order-based production

The Group does not engage in order-based production.

## (4) Sales

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

(millions of yen)

Business segments	Line of products	Term under review	
		(from December 1, 2003 to November 30, 2004)	Year-on-year change (%)
Foodstuffs	Mayonnaise and dressings	111,558	0.1
	Fruit applications and cooked foods	50,675	(1.8)
	Egg products	76,214	(7.3)
	Healthcare products	14,291	(1.2)
	Vegetables and salads	87,974	(9.5)
	Sub-total	340,713	(4.6)
Distribution		83,014	3.8
Total		423,727	(3.0)

## 3. Tasks Ahead

The Q.P. Group has formulated a three-year medium-term management plan, covering the period from December 1, 2003 to November 30, 2006.

The plan is aimed at further accelerating the reinforcement of the Group's businesses and the expansion of peripheral businesses, which were also the objectives of the former medium-term management plan. It also focuses on maximizing enterprise value (market competitiveness comprising technical capability, brand strength and cost competitiveness), by creating an increased number of products that are the best in their category or completely unique.

### (1) Basic strategy of the medium-term business plan

The current medium-term management plan calls for further progress toward achieving the goals of the former plan — stability and growth — by clarifying the Group's business areas and concentrating management resources on its areas of specialization. At the same time, the plan focuses on maximizing enterprise value (market competitiveness comprising technical capability, brand strength and cost competitiveness), by creating an increased number of products that are the best in their category or completely unique.

To achieve the above-mentioned objectives of the plan, the Group will bolster its corporate structure by pursuing operations from a customer-centric viewpoint, strengthening its grip on the management of group companies, and putting energy into the training of personnel. Its business strategy focuses on reinforcing its core businesses, expanding peripheral businesses and putting

new businesses on the stable growth path. Furthermore, placing emphasis on social responsibility — which is indispensable for any business corporation — the Group aims to positively contribute to environmental protection and fully implement compliance measures.

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

a) Mayonnaise and dressings

The Q.P. Group, which regards this segment's operations as fundamental, will do its utmost to ensure the segment's stable growth. To this end, it aims to revitalize and expand the market by developing and nurturing new products matching customer tastes. Moreover, it continues to actively introduce new serving suggestions.

Among the fields for nurturing over the medium-term, the Group will launch operations in China, where demand is expected to grow, and it also aims to develop small containers of mayonnaise and dressings, targeting the ready-to-eat food market, which is growing year by year.

b) Fruit applications and cooked foods

This segment will concentrate resources on existing market-leading — or completely unique — products, as well as work to increase its market competitiveness with high value-added, differentiated products born of its proven fruit-processing and sauce-blending technologies, taking advantage of its capabilities in raw materials procurement.

The former Canned and Retort Foods segment has been renamed the Fruit Applications and Cooked Foods segment with effect from the beginning of the reporting fiscal term.

c) Egg products

This segment will strive to expand and create differentiated products using its proprietary technology, and increase sales and profits by boosting market channels for households as well as promoting commercial-use products for restaurants.

As for egg ingredients such as liquid, frozen and dried eggs, the Group has speeded up decision making and become even more price-competitive through reorganization — the integration of manufacturing and marketing operations — in October 2003. We will implement speedy decision-making by better responding to changes in market needs.

d) Healthcare products

Positioning medical foods as its core products, this segment will focus on expanding sales of liquid foods. On top of this, the segment will promote sales of calorie-adjusted meals — which are prepared using special cooking and processing techniques — and increase product lineups for infants and seniors. Through such moves, the segment aims to boost both sales and profits.

The segment will also develop separate marketing channels (by product) such as: hospitals, nursing care facilities for seniors, drugstores, volume retailers, and school lunches.

e) Vegetable and salads

The prepared foods market, in which this segment is involved, is likely to continue growing steadily. In this market, the segment will promote marketing activities with an emphasis on proactive proposals to customers, centering on Deria Foods Co., Ltd. (consolidated subsidiary), in a bid to expand businesses and improve earnings.

The segment will also develop new markets for its core products — prepared foods and cut vegetables — by establishing a production framework that responds to various needs covering a wide area, and taking advantage of fast operations realized through integrated manufacture and marketing, while enabling the segment to more accurately meet the needs of local customers.

f) Distribution system segment

With its strengths in successfully operating a business throughout four temperature zones nationwide, the segment is devising distribution/logistics systems for customers that meet each region's specific market environment, as well as improving operational efficiency by implementing various measures, including group-wide reorganization and revamping of information systems.

## 4. Operational Risks

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

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

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

### (1) Movements in the mayonnaise and dressing markets

The production and sale of mayonnaise and dressings.

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

In view of these risks, the Group is working to decrease its reliance on mayonnaise and dressings by expanding the scale of its other business fields and diversifying into yet more new operational fields. In fact, the proportion of total Group sales and profits accounted for by mayonnaise and dressings is growing gradually smaller: for the reporting period, on a consolidated basis, the figure was 26.3% of total sales.

We make constant efforts to update our mayonnaise and dressing product line to correspond with changes in consumer preferences, developing and advertising new dishes, recipes, and conducting continuous cost-cutting initiatives involving close collaboration among all our business units. In these ways, we aim to stimulate the market by uncovering new areas of latent demand, and at the same time strengthen our competitiveness. We are also investing management resources in the expansion of our business in the promising Chinese market, particularly in mayonnaise and dressings.

### (2) Fluctuations in the prices of principal ingredients

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

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

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

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

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

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

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

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

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

Nakashimato Co., Ltd. an affiliated company, is the largest shareholder (including indirectly) in Q.P. Corporation, holding shares conferring 20.4% of the voting rights of the Company. Nakashimato also occupies an important role in the marketing of the Company's products. Thus, a change in the relationship between the two companies would have a major effect on the business performance and financial position of Q.P. Group.

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

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

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

Revenue of the Group's distribution business, all of which is handled by K.R.S. Corporation (a consolidated subsidiary of Q.P. Corporation) and its subsidiaries, for the reporting term amounted to ¥83,014 million (19.6% of total Group revenues), and operating income came to ¥4,399 million (20.9% of the Group total).

Q.P. Corporation currently holds 45.3% of the total voting rights of K.R.S. Corporation (this figure includes voting rights attendant on shares held indirectly; inclusive of voting rights held by persons with a close relationship to the Company, the total percentage is 51.2%). In the event of a decline in the percentage of the Company's voting rights in the future, or changes in the management of K.R.S. Corporation and/or the trading relationship between the two companies, K.R.S. Corporation may lose the status of consolidated subsidiary of Q.P. Corporation. Such a development would, it is estimated, have a significant effect on the business performance and financial position of Q.P. Group.

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

#### (6) Dilution of earnings

The Company has outstanding convertible bonds issued on June 3, 1994.

The number of potential shares resulting from the conversion of these bonds is 15,619,183 (representing 10.05% of all issued shares of the Company), and in the event of the conversion rights to all the said bonds being exercised, this would have a dilutive effect on the earnings per share of the Company's stock.

The situation with respect to the said convertible bonds as of the time of writing (January 31, 2005) is as follows:

Value at redemption at maturity on November 30, 2005 of No. 4 issue of unsecured convertible bonds (issued June 3, 1994)

Balance of convertible bonds outstanding: ¥18,629 million

Conversion price: ¥1,192.70

Amount to be incorporated in paid-in capital per share: ¥597

## 5. Material Contracts

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

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

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

### (2) The basic purchase contract

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

## 6. Research and Development

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

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

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

The Company Laboratory, the core of the Q.P. Group's R&D activities, develops original technologies and conceives new ideas for the employment of raw materials, striving to create and nurture the best products. During the term under review, the first year of the medium-term management plan, the Company Laboratory led the Group's R&D divisions in creating original and competitive products as part of its product development program.

Under the three-year medium management plan, which started from the reporting term, the Q.P. Group will strengthen its R&D framework, aiming to acquire an R&D capability that will be recognized around the world. The Company Laboratory consists of three centers: the Fundamental Technology Center, which engages in studying fundamental technologies for foods; the Product Development Center; and the Egg R&D Center, which is the core of the egg business, in which the Group aims to be the world's leading company in the future.

In addition to food R&D, the Technical R&D Division, with its in-house information technology, develops production lines and computer software that will raise the level of production efficiency of the Group, and enhance their quality assurance systems. At the Laboratory of Horticulture, staffs are studying the development of a method for the reliable cultivation of vegetables at a low energy cost, and of hygiene control, utilizing the TS Farm cultivation facility.

Total research and development expenses for the Group for the term under review amounted to ¥2,755 million on a consolidated basis.

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

### (1) Foodstuffs business

During the reporting period, the Group's basic technology research efforts focused on: 1) the effects of mayonnaise in promoting the absorption by the body of Beta carotene, a natural fat-soluble dietary pigment found in certain vegetables, which is one of the main dietary sources of vitamin A; 2) the effect on health of oxygen dissolved in mayonnaise; and, 3) the effects of emulsification on quality control in the egg-yolk lecithin production process. The Group's research continues to lay the foundations for the creation of new products.

In product development, in the field of mayonnaise and dressings, in response to growing consumer demand for lower-calorie foods, we launched Kewpie Quarter, which contains only a quarter of the calories of our standard mayonnaise without losing any of its flavor.

We launched new flavors in our Tasty Dressings line, — Thin-Sliced Onion, Basil & Cheese, and Sauteed Garlic — and in our Non-Oil Dressings line — Sesame & Herbs, and Japanese Plum Flavor. In our Pan-Kobo line of bakery products, we launched filled buns including Chili & Beans, Sesame & Burdock, and in our seasonal dishes line, we added the new Pan-Kobo Curry.

In the Fruit Applications and Cooked Foods business, we added to our line of pasta sauces with the new Pasta Dinner series (in five varieties), targeted at the evening meal market. In our "Kewpie Three-Minute Cooking" series, which offers easy-to-prepare dishes with a home-made flavor, we added three new sauces for risottos, as well as three new sauces for sprinkling over fried rice dishes. In addition, in our Verde BOX Series of microwave oven-ready dishes, we

launched Soft-Egg Omelette-with-Rice, Rice with Seaweed & Beans, and Chestnuts with Rice. In sandwich spreads, we newly launched Milk Whip to further bolster our Verde Whip series.

Turning to egg products, for ready-to-eat noodle dishes sold at convenience stores we developed dried egg whites: these products have been adopted by a number of major convenience store chains. In processed egg products, we developed Frozen Soft Egg for use as a topping for noodle or rice-bowl dishes. We also launched Atsuyaki Tamago, a Japanese-style thick sweet egg omelette mix for cooking at home.

In Fine Chemicals, in May 2004 our consolidated subsidiary Kewpie Jyozo Co., Ltd. began production of hyaluronic acid using a fermentation technique, and has been shipping the product to cosmetics manufacturers. Regarding phospholipids, we have developed a technique for extracting sphingomyelin from egg yolks, which contain minute amounts of this substance, and have begun shipments to pharmaceutical companies. We have also obtained approval from the authorities for the production of pravastatin sodium, which is used as a raw material in the manufacture of pharmaceuticals.

In the field of healthcare foods, we launched new items in our Diet Sengen series, including Japanese-style gelatin noodles, thick brown-rice broth with plums, thick brown-rice broth with cod roe, and curry-flavored Japanese-style gelatin noodles. In our Calorie Choice Series, we introduced Gomoku Fried Rice Flavor, and Chestnut & Mushroom Fried Rice Flavor.

In liquid foods, we launched the Janef Hyalo-Care in three flavors — Chinese ramen-noodle flavor, miso soup flavor, and fruit-mix flavor.

In baby foods, we launched four items in our “from 1 year old” series of foods for weaning babies, and five items in the Gourmet Baby series. We also broadened our baby food lineup with the introduction of Pumpkin Chips in our series of non-allergenic foods.

In the vegetables and salad segment, we brought to market an individual-portion salad in a special tray, and have positioned this as the start of a new direction for market expansion. We employed a new sterilization method for Japanese radish products, leading to improvement in product quality. In our Long-Life Salad series, we made further progress in developing methods of ensuring that potato salads can be safely stored for long periods without loss of flavor, and succeeded in developing a potato salad product with a “home-made” flavor.

In addition to the new product developments described above, Q.P. Corporation has also been working in cooperation with two non-profit foundations — Japan Food Industry Center and The Distribution Systems Research Institute — to develop a more effective food traceability system by establishing a standard for two-dimensional bar codes.

As a result of the efforts described above, R&D costs for the Foodstuffs segment for the reporting period amounted to ¥2,755 million.

## (2) Distribution business

All distribution business for the Q.P. Group’s Foodstuff Business is carried out by the three consolidated subsidiaries K.R.S. Corporation (transportation and warehousing of food products), S.Y. Promotion Co., Ltd. (transportation of food products) and Y.M. Kyuso Corporation (transportation of food products).

There is nothing to report regarding R&D of this segment for the term under review.

## 7. Financial Position and Business Performance

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

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

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

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

#### a) Allowance for doubtful accounts

Provision is made for possible losses on receivables in an amount deemed necessary based on individual assessment for specific bad debt and the historical default rates for other receivables. The possibility cannot be ruled out that additional provision is required and that larger losses will be recognized than our current estimate in the event of deterioration in our customers' financial position and payment capabilities.

#### b) Impairment losses on investments in securities

Other securities (including investments in securities) with market quotations are stated at fair market value, and those without market quotations are stated at cost. Based on reasonable criteria, the Company recognizes impairment losses on investment securities, taking into consideration declines in prices of equity shares and the deterioration of the business performance of companies in which the Company has invested.

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

#### c) Deferred tax assets

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

### (2) Analysis of business performance

#### a) Sales

Net sales decreased ¥13,305 million, or 3.0%, from the previous term, to ¥423,727 million on a consolidated basis. By segment, sales of the Foodstuffs Business declined by ¥16,317 million (4.6%) to ¥340,713 million: this is mainly attributable to the transfer of sales department of egg materials to Q.P. Egg Corporation (a consolidated subsidiary) and the sell-off of investments in Nishifu Meat Co., Ltd., which sells chicken products. Due to the alienation, sales in question for a 2-month period are excluded from the total sales amount. Nishifu Meat is no longer within the scope of consolidation. The reduction in the number of items in our ready-to-eat product lineup also contributed to the decline in sales.

Sales of the Distribution Business increased ¥3,012 million, or 3.8%, over the previous term to ¥83,014 million, which is attributable to the acquisition of new customers and the provision of a wider scope of services to existing customers. Our aggressive proposal-based marketing bore fruit.

#### b) Operating income

Operating income decreased ¥2,593 million, or 14.2%, from the previous term, to ¥15,662 million. By segment, the Foodstuffs Business registered a ¥2,972 million (15.1%) fall to ¥16,694 million, which is attributable to a surge in prices of raw materials, i.e. cooking oil and eggs, and an

increase in sales promotion expenses, as well as a decline in sales.

The Distribution Business recorded a ¥166 million (3.9%) increase to ¥4,399 million, mainly due to a decline in selling, general and administrative expenses resulting from reorganization, which more than offset increased fuel costs in line with fuel price hikes.

c) Ordinary income

Ordinary income decreased by ¥2,025 million, or 11.6%, from the previous term, to ¥15,507 million.

Non-operating income increased ¥269 million to ¥1,390 million, due mainly to increased gains on equity-method investments, and non-operating expenses decreased by ¥300 million to ¥1,545 million. As a result, the Company registered net non-operating expenses of ¥155 million on a consolidated basis.

d) Net income

Extraordinary income decreased ¥98 million to ¥934 million, mainly as a result of compensation for shortfall in the settlement of the welfare fund (the return to the entrusted government's portion of the welfare pension) in an amount of ¥610 million. Extraordinary losses increased by ¥192 million over the previous term to ¥1,557 million: this is mainly attributable to a loss on sale of investments in an overseas subsidiary. As a result, the Company registered a net extraordinary loss of ¥623 million.

Income before income taxes and minority interests decreased ¥2,316 million, or 13.5%, from the previous term to ¥14,883 million. Income taxes amounted to ¥5,175 million, deferred income taxes to ¥1,650 million, and minority interests to ¥1,050 million. Consequently, net income decreased by ¥1,669 million, or 19.2%, to ¥7,006 million.

Earnings per share came to ¥45.18 for the reporting period (compared with ¥56.08 for the previous term), and the ratio of dividend to shareholders' equity (dividend as a percentage of shareholders' equity) came to 5.7% for the reporting period (7.4% for the previous term).

### (3) Financial position

a) Assets

Total assets decreased ¥7,437 million during the term to stand at ¥262,122 million at the term-end. Current assets decreased ¥14,727 million to ¥104,195 million: this is mainly attributable to a ¥5,285 million decrease in cash and deposits and a ¥10,255 decrease in trade receivables resulting from exclusion of a sales subsidiary (Nishifu Meat) from the scope of consolidation.

Fixed assets increased ¥6,701 million to ¥157,337 million: this is mainly attributable to a ¥7,893 million increase in investments and other assets resulting from increases in prepaid expenses and long-term deposits in addition to a ¥3,025 million increase in investments in securities reflecting acquisition of trading-purpose bonds and a rise in the value of equity shares. The Company posted a rise in the value of equity shares. The Company recognized ¥587 million in deferred assets under business commence costs required for operation of a new ready-to-eat food processing plant.

b) Liabilities, minority interests and shareholders' equity

Total liabilities decreased ¥16,395 million from the previous term-end to stand at ¥118,812 million: this is mainly attributable to a ¥6,605 million decrease in short-term borrowings and a ¥6,349 million decrease in trade payables. Interest-bearing debt decreased ¥7,123 million to ¥42,787 million, due partly to more efficient and more focused fund operations.

Minority interests increased by ¥2,694 million during the term to stand at ¥16,541 million at the term-end. Shareholders' equity increased ¥6,264 million to ¥126,768 million, which is mainly due to an increase in retained earnings (¥5,152 million) and unrealized valuation gain on other securities (¥1,037 million).

As a result, the equity ratio (shareholders' equity as a percentage of total assets) rose by 3.7 percentage points to 48.4%, and shareholders' equity per share also rose, by ¥41.02 to ¥827.17.

## c) Cash flow analysis

Cash flows from operating activities resulted in a net cash inflow of ¥17,377 million (compared with an ¥18,550 million net inflow for the previous term): this is mainly attributable to the posting of ¥14,883 million under income before income taxes and minority interests.

Cash flows from investing activities resulted in a net cash outflow of ¥12,806 million (compared with a ¥13,419 million net outflow for the previous term) due to capital expenditures in the amount of ¥12,601 million.

Cash flows from financing activities resulted in a net cash outflow of ¥8,109 million (compared with a ¥2,116 million net outflow for the previous term), due mainly to the net repayment of short- and long-term debt in the amount of ¥5,820 million (¥172 million for the previous term), redemption of bonds at maturity in the amount of ¥1,300 million, and dividend payment of ¥1,838 million.

In addition, mergers of consolidated subsidiaries resulted in a ¥128 million increase in cash and cash equivalents. Consequently, the term-end balance of cash and cash equivalents decreased ¥3,417 million from ¥19,868 million at the previous term-end, to ¥16,451 million.

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

Term ended		Nov. 2002	Nov. 2003	Nov. 2004
Equity ratio	(%)	42.2	44.7	48.4
Equity ratio based on market price	(%)	55.6	49.4	52.7
Debt service coverage	(years)	2.2	2.7	2.5
Interest coverage ratio	(times)	25.0	23.7	27.9

## Definition

Each index is calculated based on consolidated financial figures.

Equity ratio = Shareholders' equity / Total assets

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

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

Interest coverage ratio = Operating cash flow / Interest paid

- (Notes) 1. Market value of total stock is calculated by multiplying the final market price by the number of outstanding shares at the end of fiscal year (excluding treasury stock).  
 2. Interest-bearing debt includes all debts whose interest is paid in the consolidated balance sheet.  
 3. 'Operating cash flow' and 'Interest Paid' is the figure of Net cash provided by operating activities and Interest paid reported in the consolidated statements of cash flows, respectively.

## **III. Facilities and Equipment**

### **1. Investments in Facilities and Equipment**

As a result of continuous investments to augment, upgrade and streamline facilities, the Q.P. Group invested a total of ¥13,778 million in facilities and equipment during the term under review. These investments were part of the Company's efforts to preserve the environment and were made for the purpose of improving product safety, reducing production costs, and developing products to meet customers' needs.

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

#### [Foodstuffs Business]

The principal investments in this business segment during the term under review were for the purpose of augmenting and streamlining facilities for the production of mayonnaise and egg products as well as enhancing product quality and preserving the environment. A total of ¥11,121 million was invested in facilities and equipment for the food business segment.

#### [Distribution Business]

The principal investments during the term under review were made for the purpose of streamlining and upgrading warehouse facilities. A total of ¥2,611 million was invested in facilities and equipment for the distribution business segment.

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

Consumption taxes are not included in the above figures.

## 2. Principal Facilities and Equipment

Investments in facilities and equipment, and the number of employees working at each site on November 30, 2004 are as follows:

### (1) The Company

Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and transportation equipment	Land (m <sup>2</sup> )	Other	Total	
Hashikami Factory (Hashikami-cho, Sannohe-gun, Aomori)	Foodstuffs	For frozen, chilled and retort foods	1,132	726	553 (46,365)	13	2,424	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Foodstuffs	For mayonnaise and dressings, egg products	5,049	3,086	2,473 (186,445)	56	10,666	179 (91)
Sengawa Factory (Chofu, Tokyo)	Foodstuffs	For mayonnaise and dressings, frozen and chilled foods	2,210	1,868	24 (16,571)	52	4,157	141 (166)
Nakagawara Factory (Fuchu, Tokyo)	Foodstuffs	For mayonnaise and dressings, frozen and chilled foods, canned foods	5,413	2,443	519 (79,848)	48	8,425	188 (303)
Koromo Factory (Toyota, Aichi)	Foodstuffs	For mayonnaise and dressings, egg products, frozen and chilled foods	1,103	2,085	16 (37,876)	33	3,238	210 (194)
Itami Factory (Itami, Hyogo)	Foodstuffs	For mayonnaise and dressings, egg products, frozen and chilled foods	3,250	3,153	2,113 (36,138)	47	8,565	147 (224)
Izumisano Factory (Izumisano, Osaka)	Foodstuffs	For mayonnaise and dressings, egg products, frozen and chilled foods	1,166	815	663 (18,576)	8	2,653	70 (69)
Tosu Factory (Tosu, Saga)	Foodstuffs	For mayonnaise and dressings, egg products, canned foods, frozen and chilled foods	2,028	1,731	363 (53,958)	23	4,146	1 (—)
Head Office (Shibuya-ku, Tokyo)	General control	For others	522 [6,263]	375	14 (433)	172	1,084	491 (17)
Tokyo Branch and other 10 branches and 22 sales offices	Foodstuffs	For others	49 [16,179]	5	— (—)	35	90	761 (23)
Laboratory (Fuchu, Tokyo)	Foodstuffs	For research and development	981	80	31 (7,261)	125	1,219	182 (2)
Kobe Distribution Center (Kobe, Hyogo)	Foodstuffs and distribution	For warehousing and distribution	1,852	422	4,555 (31,105)	2	6,832	3 (21)

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

## (2) Domestic subsidiaries

Trade name	Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and transportation equipment	Land (m <sup>2</sup> )	Other	Total	
Q.P. Egg Corporation	Niigata Factory (Niigata, Niigata)	Foodstuffs	For foodstuffs	398	29	580 (4,648)	0	1,009	41 (3)
	Kurimoto Center (Kurimoto-cho, Katori-gun, Chiba)	Foodstuffs	For foodstuffs	303	24	623 (10,511)	1	953	35 (18)
	Nishinomiya Office (Nishinomiya, Hyogo)	Foodstuffs	For foodstuffs	141	6	346 (4,007)	0	495	36 (11)
Kewpie Jyozo Co., Ltd.	Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Foodstuffs	For foodstuffs	825	646	1,802 (29,788)	89	3,363	66 (84)
	Shiga Factory (Aichigawa-cho, Aichi-gun, Shiga)	Foodstuffs	For foodstuffs	276	420	88 (20,265)	43	828	45 (49)
K.R.S. Corporation	Hokkaido Bloc (Ishikari, Hokkaido)	Distribution	Trucking and warehousing	1,061	80	706 (20,530)	2	1,851	18 (11)
	Tohoku First Bloc (Miyagino-ku, Sendai, Miyagi)	Distribution	Trucking and warehousing	814	124	275 (25,649)	7	1,222	33 (12)
	Tohoku Second Bloc (Kahoku-cho, Nishimurayama-gun, Yamagata)	Distribution	Trucking and warehousing	746	59	643 (21,777)	1	1,451	18 (12)
	Kanto First Bloc (Goka-machi, Sashima-gun, Ibaraki)	Distribution	Trucking and warehousing	988	61	2,415 (40,754)	5	3,470	38 (23)
	Kanto Second Bloc (Goka-machi, Sashima-gun, Ibaraki)	Distribution	Trucking and warehousing	1,089	94	3,734 (39,720)	14	4,932	35 (18)
	Osaka First Bloc (Itami, Hyogo)	Distribution	Trucking and warehousing	724	99	383 (3,119)	6	1,214	49 (38)
	Chugoku Bloc (Higashi-Hiroshima, Hiroshima)	Distribution	Trucking and warehousing	570	91	580 (15,348)	3	1,246	21 (9)
Kanae Foods Co., Ltd.	Owari Factory (Kasugai, Aichi)	Foodstuffs	For foodstuffs	1,687	263	1,013 (22,084)	5	2,971	34 (104)
	Tsukuba Factory (Mitsukaido, Ibaraki)	Foodstuffs	For foodstuffs	1,532	756	796 (16,946)	10	3,095	43 (98)
	Tama Factory (Tama, Tokyo)	Foodstuffs	For foodstuffs	134	26	154 (934)	3	319	15 (33)
	Kasugai Factory (Kasugai, Aichi)	Foodstuffs	For foodstuffs	219	144	42 (486)	5	411	27 (75)
	Fujiyoshida Factory (Fujiyoshida, Yamanashi)	Foodstuffs	For foodstuffs	142	156	152 (5,447)	2	453	30 (90)
Gourmet Delica Co., Ltd.	Soka Factory (Soka, Saitama)	Foodstuffs	For foodstuffs	787	141	964 (5,643)	3	1,896	27 (252)

Trade name	Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and transportation equipment	Land (m <sup>2</sup> )	Other	Total	
Daily Mate Co., Ltd.	Head Office and Factory (Ome, Tokyo)	Foodstuffs	For foodstuffs	458	76	798 (10,364)	3	1,336	51 (347)
	Ome Factory (Ome, Tokyo)	Foodstuffs	For foodstuffs	570	29	200 (4,761)	0	801	8 (90)
Co-op Food Products Co., Ltd.	Tohoku Factory (Fukushima, Fukushima)	Foodstuffs	For foodstuffs	868	583	84 (35,593)	5	1,541	67 (136)
	Kyushu Factory (Kumamoto, Kumamoto)	Foodstuffs	For foodstuffs	405	426	172 (35,689)	14	1,018	78 (178)
Dispen Pak Japan Co., Inc.	Minami-Ashigara Factory (Minami-Ashigara, Kanagawa)	Foodstuffs	For foodstuffs	500	504	836 (7,697)	4	1,846	29 (32)

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

### (3) Foreign subsidiaries

Trade name	Site	Business segment	Facilities and equipment	Book value (millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and transportation equipment	Land (m <sup>2</sup> )	Other	Total	
Q&B Foods, Inc.	California, USA	Foodstuffs	For foodstuffs	181	203	90 (13,152)	0	476	84 (10)
Henningsen Nederland B.V.	Waalwijk, the Netherlands	Foodstuffs	For foodstuffs	330	58	30 (9,915)	17	437	35 (—)
Henningsen Foods, Inc.	New York, USA	Foodstuffs	For foodstuffs	473	457	36 (45,163)	28	996	244 (1)

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

## IV. The Company

### 1. Shares

#### (1) Number of authorized and outstanding shares

##### a) Authorized shares

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

(Note) The Articles of Incorporation state that when shares are cancelled, the same number must be deducted from the number of authorized shares.

##### b) Outstanding shares

Class	Number of shares issued		Stock exchange	Remarks
	End of term (Nov. 30, 2004)	Filing date (Feb. 23, 2005)		
Common stock	155,464,515	155,464,515	Tokyo Stock Exchange (First Section)	Refers to ordinary shares of Company stock with no voting right restrictions
Total	155,464,515	155,464,515	—	—

(Note) The number of shares issued as of the filing date of the annual securities report, was posted assuming no conversion from convertible bonds into common shares had been made after February 1, 2005.

#### (2) Share subscription rights

a) Matters regarding share subscription rights and corporate bonds with share subscription rights  
No information available

b) Matters regarding convertible bonds under stipulations later deleted from the Commercial Code

The Company issued convertible bonds in accordance with Japan's Commercial Code, which has since changed. The current balance of the convertible bonds in question, the conversion price and the total Capitalized amount per share are stated below.

Status of 4th Unsecured Convertible Bond Issue (issued on June 3, 1994) with maturity of November 30, 2005

	As of the end of the term under review (Nov. 30, 2004)	As of the end of the month prior to the date of submission (Jan. 31, 2005)
Balance of convertible bonds (millions of yen)	18,629	Same as left
Conversion price (yen)	1,192.70	Same as left
Capitalized amount per share (yen)	597	Same as left

## (3) Principal shareholders

(as of November 30, 2004)

Trade name	Address	Number of the Company's shares held (A) (thousand)	Ratio of (A) to the total number of outstanding shares (%)
Nakashimato Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	26,371	16.96
Japan Trustee Service Bank, Ltd.	8-11, Harumi 1-chome, Chuo-ku, Tokyo	6,583	4.23
The Master Trust Bank of Japan, Ltd.	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	5,701	3.67
Touka Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,872	3.13
Mizuho Trust & Banking Co., Ltd., employee pension trust, asset management service trust for beneficiary of the retrust	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,585	2.95
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	2.73
National Mutual Insurance Federation of Agricultural Co-operatives (Zenkoyoren)	7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo	3,954	2.54
Sumitomo Mitsui Banking Corp.	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo	3,208	2.06
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,132	2.02
The Dai-ichi Mutual Life Insurance Company	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	3,012	1.94
Total		65,669	42.23

## (4) Stock options

Date resolution passed	February 23, 2001
Qualified beneficiaries	21 directors 669 employees of section chief or higher rank
Type of shares for which new subscription rights offered	Common stock
Maximum number of shares	1,141,000
Exercise price	¥1,089 (Notes 1, 2)
Subscription rights exercise period	From Dec. 1, 2003 to Nov. 30, 2006
Conditions for exercising subscription rights	(Note 3)
Details regarding transfer of share subscription rights	Share subscription rights cannot be transferred or altered.

(Notes) 1. The figure listed is the share transfer price.

2. When the Company makes a stock split or issues shares at a price lower than fair value (except for conversions from convertible bonds or when exercising the right to purchase shares), the transfer price is adjusted using the following formula and fractions of less than 1 yen are rounded up to the next yen.

$$\text{Adjusted transfer price} = \text{Transfer price before adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of newly issued shares} \times \text{Amount paid in per share}}{\text{Market price before stock split or share issuance}}}{\text{Number of outstanding shares} + \text{Number of shares increased by stock split or share issuance}}$$

3. Subscription rights may still be exercised even if the beneficiary is no longer a director or employee of the Company. If the original beneficiary is dead, subscription rights may still be exercised by the designated successor of the subscription rights in question. In all cases, however, the exercise of subscription rights is prefaced on the proper completion of all necessary procedures pertaining to the inheritance of said subscription rights in accordance with the stock option contract between the original beneficiary and the Company. Other details regarding this matter can be found in the abovementioned contract.

## 2. Acquisition of the Company's Own Shares

### (1) Acquisition of the Company's own shares in accordance with resolutions at a regular general meeting of shareholders or of the Board of Directors

- a) Acquisition of the Company's own shares during the period approved by general meetings of shareholders or Board of Directors meetings in the past

Type of shares: Common shares

Acquisition based on a resolution at the previous regular general meeting of shareholders:

Nothing to report

Purchase from subsidiaries: Nothing to report

Acquisition based on a resolution at the Board of Directors

(as of February 22, 2005)

	Number of shares acquired	Acquisition cost (yen)
Details of resolution at the Board of Directors (held on January 11, 2005)	600,000	600,000,000
Number of shares acquired during the period up to the latest regular general meeting of shareholders	205,000	184,073,100
Number of shares to be acquired in the future and corresponding acquisition cost	394,500	415,926,900
Remaining portion (as a percentage of authorized number of shares to be acquired)	65.75	69.32

(Notes) 1. Authorized number of shares to be acquired mentioned above was 0.39% of total number of shares outstanding as of the date of the previous regular general meeting of shareholders.

2. A portion equivalent to 65.75% of the authorized number of shares to be acquired has not yet been acquired, which reflects the management's decisions on acquisition, taking into account movements of the Company's share price.

### Disposition of the Company's own shares acquired

(as of February 22, 2005)

	Number of shares acquired	Acquisition cost (yen)
Number of shares subject to disposition, retirement and transfer	—	—
Retirement of own shares acquired	—	—
Transfer resulting from merger, share exchange and corporate split	—	—

### Treasury stock

(as of February 22, 2005)

	Number of shares
Number of shares held in treasury	1,242,200

- b) Resolution for acquisition of the Company's own shares at the regular general meeting of shareholders for the reporting term: Nothing to be reported

### (2) Capital decrease, cancellation of ordinary shares utilizing retained earnings in accordance with stipulations in the Articles of Incorporation, and acquisition of the Company's own shares with the aim of cancellation of retired shares

- a) Acquisition of the Company's own shares since the previous general meeting of shareholders  
Nothing to report

- b) Resolutions at the general meeting of shareholders for the reporting term concerning the acquisition of the Company's own shares

Nothing to report

## 3. Dividend Policy

Placing great importance on shareholder ROI (return on investment), the Company has consistently paid stable dividends, and has carried out stock split and cancellation of shares in treasury as necessary. The Company plans to consistently pay a dividend, giving full consideration to the results of the Company's term performance, its overall financial position, and the overall corporate climate.

We will give the top priority to dividend payment and maintain, in principle, a minimum payout ratio of 20% (based on net income on a consolidated basis). Furthermore, we intend to steadily increase dividend per share through a combination of increased net income amount and a higher payout ratio.

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

In line with the above objectives, and mindful of forecasts expecting a continued harsh business climate, the Company paid a ¥13 per share dividend for the term under review (¥6 of which was distributed as an interim dividend). As a result, the Company's payout ratio came to 28.8% for the reporting period (on a consolidated basis).

Issues concerning the payment of interim dividends were settled by resolution of the Board of Directors on July 13, 2004.

#### 4. Stock Price Movements

Highest and lowest price for the most recent five terms ended November 30, 2004	Term ended	Nov. 2000	Nov. 2001	Nov. 2002	Nov. 2003	Nov. 2004	
	Highest (yen)	990	1,192	1,110	989	955	
	Lowest (yen)	670	924	950	835	846	
Highest and lowest price for the most recent six months ended November 30, 2004	Month in 2004	June	July	August	September	October	November
	Highest (yen)	950	953	948	936	949	935
	Lowest (yen)	893	920	900	910	905	901

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

#### 5. Directors and Corporate Auditors

Name	Title	Installation date	Date of birth
Yutaka Suzuki	President and Representative Director	February 2001	December 6, 1949
Shizuo Hatanaka	Managing Director	February 1995	April 13, 1944
Amane Nakashima	Managing Director	February 1997	September 26, 1959
Toshimasa Tatebe	Managing Director	February 2001	October 31, 1944
Kuniaki Ishikawa	Director	February 1999	June 6, 1946
Hide Nobu Yamagami	Director	February 2001	October 15, 1945
Ietoki Shima	Director	February 2001	March 22, 1947
Mineo Hasegawa	Director	February 2001	July 29, 1947
Mitsugu Endo	Director	February 2001	March 19, 1948
Minesaburo Miyake	Director	February 2003	July 22, 1952
Katsuhiko Sasaki	Director	February 2004	March 8, 1946
Akio Okumura	Director	February 2005	January 14, 1951
Hidefumi Tachibana	Director	February 2005	February 15, 1951
Osamu Muranaka	Standing Corporate Auditor	February 1998	March 22, 1945
Yasuo Hirakuri	Standing Corporate Auditor	February 2004	November 18, 1948
Kazuo Kawakami	Corporate Auditor	February 1998	April 26, 1933
Shunichiro Ishiguro	Corporate Auditor	February 2004	June 22, 1954

(Note) Kazuo Kawakami, Shunichiro Ishiguro are the external auditors stipulated in Clause 1, Article 18, of the Law for Special Exceptions to the Commercial Code concerning Audits, etc. of Joint Stock Corporations.

## 6. Corporate Governance

### (1) Basic stance on corporate governance

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

Regarding compliance, all the directors and other employees of the Company fully recognize that proper compliance with legal requirements and generally accepted ethical standards is indispensable to the continued existence and further growth of a business company. For these reasons, Q.P. Corporation has drafted, and is implementing, compliance programs aimed at ensuring not only that the Company itself fully complies with all legal statutes and directives, but that all employees of the Company conduct themselves in accordance with high ethical standards.

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

(information contained in sections a) and b) below is correct as of the date of submission to the authorities of the 2004 Securities Report of Q.P. Corporation)

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

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

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

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

#### Management system

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

#### Outside directors & auditors

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

#### Lawyers, auditing companies, and other third parties

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

In addition, the Company's auditing company — Shin Nihon & Co. — as part of its normal duties as an auditing company, provides Q.P. Corporation with advice relating to problems in the sphere of the Company's accounts and general management. Neither Shin Nihon & Co. as a

corporate entity, nor its employees as individuals, have any particular material interests in Q.P. Corporation such as would cause a conflict of interest in the performance of their contractual duties.

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

Mr. Shunichiro Ishiguro, who serves as the Company's "outside auditor" (as defined in the Japanese Commercial Code), is a director of Nakashimato Co., Ltd., an affiliate of the Company and the largest shareholder in the Company, possessing shares of the Company conferring (directly and indirectly) 20.4% of total voting rights (17.2% of the voting rights are held directly). Nakashimato Co., Ltd. has long had a continuous trading relationship with the Company. Four of the directors of Q.P. Corporation concurrently holds posts at Nakashimato Co., Ltd., three as directors and one as a corporate auditor.

Mr. Kazuo Kawakami, a lawyer and a member of the Daiichi Tokyo Bar Association, has no material interests in the Company.

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

The reinforcement of the auditing capabilities of the Board of Corporate Auditors is believed to be an effective method of bringing the level of a company's corporate governance and legal compliance up to the standards expected of a modern corporation. For this reason, the decision was taken to increase the number of corporate auditors by one, to five, a majority (three) of whom would be outside auditors. This new system came into effect from the start of the reporting period. However, Mr. Yohji Wakui, an outside auditor, resigned as corporate auditor with effect from the end of the Regular General Meeting of Shareholders for the settlement of accounts for the reporting period. As a result, the Company has four corporate auditors as of the date of submission of this Securities Report, of whom two are outside auditors.

To further enhance the Company's legal compliance functions, we drew up the Ethical Conduct Guidelines for the Group, in which the ethical standards and behavior expected of the Q.P. Group companies are clearly stated. We also conducted a survey (utilizing a questionnaire) of attitudes among the Group to compliance issues, and set up a Helpline Desk for employees of Group companies. In July 2004, an in-house Compliance Supervision Office was set up to act as the central control organ for compliance-related activities throughout the whole Group.

(3) Compensation of directors and corporate auditors

(millions of yen)

	Directors		Auditors		Total	
	Number of directors	Compensation	Number of auditors	Compensation	Number of directors & auditors	Total compensation
Compensation authorized by Articles of Incorporation and/or resolution of general meeting of shareholders	18	250	7	56	25	307
Bonuses paid out of unappropriated retained earnings	17	45	4	6	21	52
Retirement lump-sum payments approved by general meetings of shareholders	—	—	2	27	2	27
Total	—	296	—	91	—	387

- (Notes) 1. By decision of the general meeting of shareholders, the maximum amount of total annual compensation shall be ¥420 million for all directors and ¥96 million for all corporate auditors.  
 2. In addition to the above provision (1.), directors who also serve concurrently as employees received annual salaries (in addition to their compensation as directors) in the total aggregate amount of ¥128 million, which figure includes employees' bonuses.  
 3. As of the end of the reporting period, there were 17 directors and five corporate auditors.

(4) Details of payment for services of auditing company

In accordance with contract signed between the Company and its auditing company, Shin Nihon & Co., the amount to be paid for the production of the Independent Auditors' Report is set at ¥48 million, exclusive of consumption tax. No extraordinary payments were made to Shin Nihon & Co.

## **V. Financial Conditions**

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

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

The above Regulations had been revised, but the accompanying consolidated financial statements were compiled in accordance with the Regulations before the revision in the consolidated fiscal year ended on November 30, 2003 and the revised Regulations in the consolidated fiscal year ended on November 30, 2004, respectively.

The Consolidated Financial Statements in the consolidated fiscal year ended on November 30, 2004 were compiled in accordance with the Regulations Concerning the Terminology, Forms and Preparation Methods of the Consolidated Financial Statements before the revision based on the provision of the Clause 2 of the Supplement to the Cabinet Office Ordinance Concerning Partial Revision of the Regulation Concerning the Terminology, Forms, and Preparation Methods of the Financial Statements (Cabinet Office Ordinance No. 5, January 30, 2004).

- (2) The Financial Statements were compiled in accordance with the Regulation Concerning the Terminology, Forms, and Preparation Methods of the Financial Statements (Ministry of Finance Ordinance No. 59, 1963).

The above Regulations had been revised, but the accompanying financial statements were compiled in accordance with the Regulations before the revision in the 91st fiscal year (from December 1, 2002 to November 30, 2003) and the revised Regulations in the 92nd fiscal year (from December 1, 2003 to November 30, 2004), respectively.

The Financial Statements in the 92nd fiscal year (from December 1, 2003 to November 30, 2004) were compiled in accordance with the Regulations Concerning the Terminology, Forms and Preparation Methods of the Financial Statements before the revision based on the provision of the Clause 2 of the Supplement to the Cabinet Office Ordinance Concerning Partial Revision of the Regulation Concerning the Terminology, Forms, and Preparation Methods of the Financial Statements (Cabinet Office Ordinance No. 5, January 30, 2004).

- (3) Basis of Preparation

The accompanying consolidated and non-consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Japanese Commercial Code and other regulations and accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

### **2. Audit**

The audits of the Consolidated Financial Statements for the previous consolidation fiscal year (from December 1, 2002 to November 30, 2003) and for the current consolidation fiscal year (from December 1, 2003 to November 30, 2004) and the Financial Statements for the 91st fiscal year (from December 1, 2002 to November 30, 2003) and for the 92nd fiscal year (from December 1, 2003 to November 30, 2004) are performed by Shin Nihon & Co. in accordance with the Article 193-2 of "The Securities and Exchange Law."

# Independent Auditors' Report

February 22, 2005

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

## Shin Nihon & Co.

Representative and  
Engagement Partner

Kitabayashi Hiroshi

Certified Public Accountant  
(signed and sealed)

Representative and  
Engagement Partner

Takahashi Hidenori

Certified Public Accountant  
(signed and sealed)

Engagement Partner

Takemoto Keisuke

Certified Public Accountant  
(signed and sealed)

Pursuant to Article 193-2 of "The Securities and Exchange Law," we have audited the consolidated financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions" from December 1, 2003 to November 30, 2004, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of retained earnings, the consolidated statement of cash flows and the consolidated supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEWPIE KABUSHIKI-KAISHA and consolidated subsidiaries at November 30, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

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

# Independent Auditors' Report

February 20, 2004

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

## Shin Nihon & Co.

Representative and  
Engagement Partner

Uda Hiromi

Certified Public Accountant  
(signed and sealed)

Representative and  
Engagement Partner

Kitabayashi Hiroshi

Certified Public Accountant  
(signed and sealed)

Representative and  
Engagement Partner

Takahashi Hidenori

Certified Public Accountant  
(signed and sealed)

Pursuant to Article 193-2 of "The Securities and Exchange Law," we have audited the consolidated financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions" from December 1, 2002 to November 30, 2003, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of retained earnings, the consolidated statement of cash flows and the consolidated supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEWPIE KABUSHIKI-KAISHA and consolidated subsidiaries at November 30, 2003, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

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

## 1. Consolidated Financial Statements

### (1) Consolidated financial statements

#### (a) Consolidated Balance Sheets

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2003)		Current fiscal year (As of November 30, 2004)	
		Amount	Component ratio	Amount	Component ratio
	(Assets)		%		%
I. Current assets					
1. Cash and deposits (Note *1)		22,382		17,097	
2. Notes and accounts receivable — trade (Notes *1, 5)		75,920		65,665	
3. Securities		32		27	
4. Inventories (Note *1)		15,692		16,247	
5. Deferred tax assets		2,297		1,967	
6. Other		3,978		3,804	
7. Allowance for doubtful accounts		(1,381)		(614)	
Total current assets		118,922	44.1	104,195	39.8
II. Fixed assets					
(1) Tangible fixed assets					
1. Buildings and structures (Note *1)		106,702		106,980	
Accumulated depreciation		55,691	51,011	58,070	48,909
2. Machinery, equipment and transportation equipment (Note *1)		108,395		110,495	
Accumulated depreciation		80,734	27,661	83,969	26,525
3. Land (Note *1)			38,382		38,750
4. Construction in progress			1,350		2,266
5. Other (Note *1)		6,977		7,794	
Accumulated depreciation		5,609	1,367	5,865	1,928
Total tangible fixed assets			119,773		118,381
(2) Intangible fixed assets					
1. Computer software			2,252		2,401
2. Consolidation adjustment accounts			127		95
3. Other			475		557
Total intangible fixed assets			2,855		3,054
(3) Investments and other assets					
1. Investment in securities (Note *2)			17,248		20,273
2. Long-term loans receivable			373		334
3. Deferred tax assets			2,008		1,338
4. Other (Note *2)			8,595		14,201
5. Allowance for doubtful accounts			(218)		(246)
Total investments and other assets			28,008		35,901
Total fixed assets			150,636		157,337
III. Deferred assets					
1. Business commence costs			—		587
2. Bond discounts			0		0
Total deferred assets			0		588
Total assets			269,559		262,122
			100.0		100.0

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2003)		Current fiscal year (As of November 30, 2004)	
		Amount	Component ratio	Amount	Component ratio
	(Liabilities)		%		%
I. Current liabilities					
1. Notes and accounts payable — trade (Note *1)		43,744		37,395	
2. Short-term loans payable (Note *1)		17,985		11,380	
3. Current portion of bonds (Note *1)		1,300		200	
4. Current portion of convertible bonds		—		18,629	
5. Accounts payable — other		24,384		20,471	
6. Accrued income taxes		2,676		2,598	
7. Accrued expenses		4,365		4,908	
8. Deferred tax liabilities		1		—	
9. Reserve for sales rebates		1,127		968	
10. Reserve for bonuses		1,870		1,637	
11. Other		165		838	
Total current liabilities		97,619	36.2	99,028	37.8
II. Long-term liabilities					
1. Bonds		200		—	
2. Convertible bonds		18,629		—	
3. Long-term loans payable (Note *1)		11,795		12,577	
4. Deferred tax liabilities		19		1,723	
5. Reserve for retirement benefits		3,683		2,423	
6. Reserve for directors' and corporate auditors' retirement pay		1,620		1,609	
7. Other		1,639		1,450	
Total long-term liabilities		37,587	14.0	19,784	7.5
Total liabilities		135,207	50.2	118,812	45.3
(Minority interests)					
Minority interests		13,847	5.1	16,541	6.3
(Shareholders' equity)					
I. Capital stock (Note *3)		24,104	8.9	24,104	9.2
II. Capital surplus		29,418	10.9	29,418	11.2
III. Earned surplus		70,833	26.3	75,985	29.0
IV. Unrealized valuation gain on other securities		793	0.3	1,830	0.7
V. Cumulative foreign currency translation adjustments		(2,349)	(0.9)	(2,263)	(0.8)
VI. Treasury stock (Note *4)		(2,295)	(0.8)	(2,308)	(0.9)
Total shareholders' equity		120,504	44.7	126,768	48.4
Total liabilities, minority interests and shareholders' equity		269,559	100.0	262,122	100.0

## (b) Consolidated Statements of Income

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2002 to November 30, 2003)		Current fiscal year (From December 1, 2003 to November 30, 2004)	
		Amount	Percentage	Amount	Percentage
			%		%
I. Net sales		437,032	100.0	423,727	100.0
II. Cost of sales		325,878	74.6	315,628	74.5
Gross profit		111,154	25.4	108,099	25.5
III. Selling, general and administrative expenses (Notes *1, 2)		92,898	21.2	92,437	21.8
Operating income		18,255	4.2	15,662	3.7
IV. Non-operating income					
1. Interest income		284		302	
2. Dividends receivable		228		224	
3. Equity income		152		268	
4. Other		456	0.2	594	0.3
V. Non-operating expenses					
1. Interest expense		755		620	
2. Loss on scrapped inventories		401		399	
3. Other		687	0.4	525	0.3
Ordinary income		17,532	4.0	15,507	3.7
VI. Extraordinary gains					
1. Prior period adjustments		23		16	
2. Gain on sales of fixed assets (Note *3)		73		95	
3. Gain on sales of investment in securities		192		156	
4. Reversal of reserve for directors' and corporate auditors' retirement pay		115		—	
5. Reversal of allowance for doubtful accounts		468		—	
6. Gain on the return of the entrusted government's portion of the welfare pension		—		610	
7. Other		159	0.2	56	0.2
VII. Extraordinary losses					
1. Prior period adjustments		13		7	
2. Loss on sales of fixed assets (Note *4)		19		64	
3. Loss on disposal of fixed assets (Note *5)		353		377	
4. Loss on sales of investment in securities		—		159	
5. Write-down of investment in securities		96		—	
6. Write-down of golf course memberships		29		—	
7. Effects of the amendments on the application of the new accounting standards for retirement benefits		382		382	
8. Administrative expense to legal affairs		—		200	
9. Other		470	0.3	367	0.4
Net income before income taxes and minority interests		17,199	3.9	14,883	3.5
Income taxes		5,735		5,175	
Income taxes deferred		1,774	1.7	1,650	1.6
Minority interests		1,014	0.2	1,050	0.2
Net income		8,675	2.0	7,006	1.7

## (c) Consolidated Statements of Retained Earnings

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2002 to November 30, 2003)		Current fiscal year (From December 1, 2003 to November 30, 2004)	
		Amount		Amount	
(Capital surplus)					
I. Capital surplus at beginning of the year			29,418		29,418
II. Capital surplus at end of the year			29,418		29,418
(Earned surplus)					
I. Earned surplus at beginning of the year			64,088		70,833
II. Increase of earned surplus					
1. Net income		8,675		7,006	
2. Gain resulting from merger of subsidiaries of each other		35	8,710	85	7,092
III. Decrease of earned surplus					
1. Cash dividends		1,838		1,838	
2. Directors' and corporate auditors' bonuses		125		100	
3. Other		1	1,966	—	1,939
IV. Earned surplus at end of the year			70,833		75,985

## (d) Consolidated Statements of Cash Flow

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
		Amount	Amount
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before income taxes and minority interests		17,199	14,883
Adjustment to reconcile net income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization		13,053	12,614
Amortization of consolidation adjustment accounts		35	32
Equity income		(152)	(268)
Write-down of investment in securities		96	13
Write-down of golf course memberships		29	4
Decrease in reserve for retirement benefits		(2,224)	(4,242)
Decrease in reserve for directors' and corporate auditors' retirement pay		(1,082)	(11)
Decrease in reserve for sales rebates		(636)	(158)
Decrease in reserve for bonuses		(255)	(228)
Increase in allowance for doubtful accounts		269	42
Interest income and dividends receivable		(512)	(527)
Interest expense		755	620
Loss (Gain) on sales of investment in securities		(187)	3
Loss on sales and disposal of fixed assets		300	346
Decrease (Increase) in notes and accounts receivable		(1,542)	5,758
Decrease (Increase) in inventories		2,764	(769)
Decrease in notes and accounts payable		(3,016)	(1,782)
Decrease in accounts payable — other		—	(3,308)
Increase (Decrease) in accrued consumption taxes		608	(771)
Directors' and corporate auditors' bonuses paid		(125)	(100)
Directors' and corporate auditors' bonuses payment charged to minority shareholders		(54)	(34)
Other		(478)	107
Sub total		24,845	22,223
Interest income and dividends received		313	1,032
Interest paid		(781)	(622)
Income taxes paid		(5,826)	(5,255)
Net cash provided by operating activities		18,550	17,377

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
		Amount	Amount
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of securities		(27)	(27)
Sales of securities		27	42
Purchases of tangible fixed assets		(12,820)	(12,601)
Purchases of intangible fixed assets		(1,056)	(1,082)
Purchases of investment in securities		(1,221)	(2,157)
Sales of investment in securities		758	1,827
Loans receivable made		(941)	(799)
Collection of loans receivable		756	1,139
Disbursements for deposit money in bank		(572)	(3,036)
Withdrawal of time deposits		886	2,690
Other		791	1,200
Net cash used in investing activities		(13,419)	(12,806)
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowing on short-term loans		84,647	62,063
Repayment of short-term loans		(83,574)	(66,678)
Borrowing on long-term loans		4,137	4,663
Repayment of long-term loans		(5,382)	(5,868)
Redemption of bonds		—	(1,300)
Paid in from minority shareholders		50	971
Cash dividends paid		(1,838)	(1,838)
Cash dividends paid to minority shareholders		(133)	(114)
Repurchases of treasury stock		(22)	(7)
Net cash used in financing activities		(2,116)	(8,109)
<b>IV. EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		(114)	(6)
<b>V. INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		2,900	(3,545)
<b>VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			
		16,950	19,868
<b>VII. INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF CONSOLIDATED SUBSIDIARY</b>			
		17	128
<b>VIII. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>			
		19,868	16,451

## Basis of preparation for consolidated financial statements

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>1. Consolidated subsidiaries Consolidated subsidiaries comprise forty-four companies and the names of these subsidiaries are omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. The Company newly established Sai Delica Co., Ltd. and Kewpie Ai Co., Ltd as consolidated subsidiaries and Mizushima Kyuso Corporation was merged into Yamamoto Kyuso Corporation, whose name was changed to Y.M. Kyuso Corporation. Non-consolidated subsidiaries comprise sixteen companies, and the main companies of them are QTIS Corporation and Osaka San-Ei Logistics Corporation. These companies are excluded from the consolidation, because their total amounts of assets, sales, net income (equal to the equity share), and earned surplus (equal to the equity share) do not have a significant effect on the total consolidated amounts of assets, sales, net income, and earned surplus.</p> <p>2. Application of the equity method The equity method is applied to the investments in four companies of sixteen non-consolidated subsidiaries and fourteen affiliated companies (20% to 50% owned) since the Company (Q.P. Corporation) has significant effect over them. The names of companies accounted for by the equity method are omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. The investments in sixteen non-consolidated subsidiaries including QTIS Corporation and in ten affiliated companies including Thai Q.P. Co., Ltd. not accounted for by the equity method, are stated at cost, because the amounts calculated by the application of the equity method do not have a significant effect on the total consolidated net income and earned surplus.</p> <p>3. Closing date of consolidated subsidiaries The closing date of the Company and K.R.S. Corporation is November 30, Beijing Q.P. Foods Co., Ltd. and Hangzhou Q.P. Foods Co., Ltd. is December 31, and the others is September 30. The subsidiaries with the closing date of December 31 are consolidated based on their temporary financial statements of November 30. The subsidiaries with the closing date of September 30 are consolidated based on the financial statements at their balance sheet date and significant transactions for the period from October 1 to November 30 are reflected in the consolidated financial statements.</p> <p>4. Accounting standards (1) Valuation basis and valuation methods for significant assets (a) Securities 1. Held-to-maturity bonds are stated at amortized cost. Discounts and premiums are amortized by the straight-line method. 2. Other securities with fair value are stated at fair value based on market price at the closing date. Valuation differences comprise shareholders' equity as unrealized valuation gain (loss) on other securities. When sold, cost of sales is determined by the moving average method. Other securities with no fair value are stated at moving average cost. (b) Derivative financial instruments Derivative financial instruments are stated at fair value. Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.</p>	<p>1. Consolidated subsidiaries Consolidated subsidiaries comprise forty-four companies and the names of these subsidiaries are omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. The Company newly established Kitakami Delica Co., Ltd as a consolidated subsidiary and sold shares of Nishifu Meat Co., Ltd., which was excluded from consolidation. Non-consolidated subsidiaries comprise fifteen companies, and the main companies of them are Kyuso Management Corporation and Osaka San-Ei Logistics Corporation. These companies are excluded from the consolidation, because their total amounts of assets, sales, net income (equal to the equity share), and earned surplus (equal to the equity share) do not have a significant effect on the total consolidated amounts of assets, sales, net income, and earned surplus.</p> <p>2. Application of the equity method The equity method is applied to the investments in four companies of fifteen non-consolidated subsidiaries and thirteen affiliated companies (20% to 50% owned) since the Company (Q.P. Corporation) has significant effect over them. The names of companies accounted for by the equity method are omitted so as to be reported in 4. Summary of Affiliated Companies of I. Summary of the Company. The investments in fifteen non-consolidated subsidiaries including Kyuso Management Corporation and in nine affiliated companies including Thai Q.P. Co., Ltd. not accounted for by the equity method, are stated at cost, because the amounts calculated by the application of the equity method do not have a significant effect on the total consolidated net income and earned surplus.</p> <p>3. Closing date of consolidated subsidiaries The same standards with the previous fiscal year.</p> <p>4. Accounting standards (1) Valuation basis and valuation methods for significant assets (a) Securities 1. The same standards with the previous fiscal year. 2. The same standards with the previous fiscal year. (b) Derivative financial instruments The same standards with the previous fiscal year.</p>

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>(c) Inventories Purchased goods, products, raw materials, supplies and work in progress are principally stated at monthly moving average cost. Some joint products are stated at retail periodic average cost.</p> <p>(2) Depreciation of significant depreciable assets</p> <p>(a) Tangible fixed assets Tangible fixed assets are mainly depreciated by the declining balance method except for the following assets. Buildings (except for equipment fixed inside buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The same basis with the Corporation Tax Law is adopted for useful life and scrap value. The main useful life is as follows. Buildings: 3-50 years Machinery and equipment: 2-22 years</p> <p>(b) Intangible fixed assets Intangible fixed assets are depreciated by the straight-line method. The same basis with the Corporation Tax Law is adopted for useful life. Computer software purchased for internal use is amortized as no scrap value by the straight-line method for five years based on the estimated useful life for internal use.</p> <p>(c) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p> <p>(3) Accounting standards for significant reserves</p> <p>(a) Reserve for sales rebates Reserve for sales rebates is based on the proportion to sales on an accrual basis.</p> <p>(b) Reserve for bonuses Reserve for bonuses is based on the specific computation period.</p> <p>(c) Reserve for retirement benefits Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis considering the estimated retirement benefit obligations and pension fund assets at end of the current fiscal year. Some consolidated subsidiaries adopt other method than the above. As to the effects of the amendments on the application of the new accounting standards for retirement benefits, the consolidated subsidiaries K.R.S. Corporation — which is registered on Second Section of Tokyo Stock Exchange — and Y.M. Kyuso Corporation, amortize equally over five years and account for it as an extraordinary loss, and the Company and other consolidated subsidiaries amortize fully when incurred. Prior service liabilities are amortized by the straight-line method over twelve years except for K.R.S. Corporation (from ten to thirteen years) based on the average remaining employees' service 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 K.R.S. Corporation (from ten to thirteen years) based on the average remaining employees' service years, and their amortizations start in the next year of the respective accrual years.</p>	<p>(c) Inventories The same standards with the previous fiscal year.</p> <p>(2) Depreciation of significant depreciable assets</p> <p>(a) Tangible fixed assets Tangible fixed assets are mainly depreciated by the declining balance method except for the following assets. Buildings (except for equipment fixed inside buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The same basis with the Corporation Tax Law is adopted for useful life and scrap value. The main useful life is as follows. Buildings: 2-50 years Machinery and equipment: 2-22 years</p> <p>(b) Intangible fixed assets The same standards with the previous fiscal year.</p> <p>(c) Long-term prepaid expenses The same standards with the previous fiscal year.</p> <p>(3) Accounting standards for significant reserves</p> <p>(a) Reserve for sales rebates The same standards with the previous fiscal year.</p> <p>(b) Reserve for bonuses The same standards with the previous fiscal year.</p> <p>(c) Reserve for retirement benefits Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis considering the estimated retirement benefit obligations and pension fund assets at end of the current fiscal year. Some consolidated subsidiaries adopt other method than the above. As to the effects of the amendments on the application of the new accounting standards for retirement benefits, the consolidated subsidiaries K.R.S. Corporation — which is registered on First Section of Tokyo Stock Exchange — and Y.M. Kyuso Corporation, amortize equally over five years and account for it as an extraordinary loss, and the Company and other consolidated subsidiaries amortize fully when incurred. Prior service liabilities are amortized by the straight-line method over twelve years except for K.R.S. Corporation (from ten to thirteen years) based on the average remaining employees' service year, and their amortizations start in the respective accrual years. Actuarial gains or losses are amortized by the straight-line method over twelve years except for K.R.S. Corporation (from ten to thirteen years) based on the average remaining employees' service years, and their amortizations start in the next year of the respective accrual years.</p>

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>(Additional information) For the purpose of the return of a role as an agent regarding the operations of welfare pension fund, the relinquishment of the entrusted government's portion of retirement benefit obligations and the exemption of future payment obligations in accordance with the Defined Benefit Corporation Pension Law promulgated on June 15, 2001, the Company and some consolidated subsidiaries applied to the Minister of Health, Labour and Welfare to obtain permission of them and were officially approved on the date of October 1, 2002.</p> <p>Thereby, the Company and some subsidiaries considered the above date to be the returned date according to the transitional measures of Article 47-2 of "Practical Guideline of Accounting for Retirement Benefit (Interim Report)" of Accounting Committee Report No. 13 published by the JICPA on September 14, 1999 (Latest revision on September 2, 2003) and recognized the relinquishment of the obligations and the related pension fund assets. The amounts of pension fund assets to be returned were ¥ 14,018 million at end of the current fiscal year.</p> <p>(d) Reserve for directors' and corporate auditors' retirement pay The Company and consolidated subsidiaries provide a reserve for directors' and corporate auditors' retirement pay at 100% of estimated amounts payable at end of the current fiscal year according to each company's bylaw.</p> <p>(e) Allowance for doubtful accounts Allowance for doubtful accounts is provided for on the amounts calculated by an estimated uncollectible rate to general credits in consideration of the past actual bad debt losses, plus on the estimated uncollectible amounts in consideration of the possibility of collection to specific credits of apprehension credits of bad debt, etc.</p> <p>(4) Deferred assets Bond discounts are deferred, and amortized over seven years by the straight-line method.</p> <p>(5) Accounting for significant lease transactions Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees, are accounted for by the same method as that applied to ordinary operating leases.</p>	<p>(Additional information) For the purpose of the return of a role as an agent regarding the operations of welfare pension fund, the relinquishment of the entrusted government's portion of retirement benefit obligations and the exemption of future payment obligations in accordance with the Defined Benefit Corporation Pension Law promulgated on June 15, 2001, the Company and some consolidated subsidiaries applied to the Minister of Health, Labour and Welfare to obtain permission of them and were officially approved on the date of October 1, 2002.</p> <p>Thereby, the Company and some subsidiaries considered the above date to be the returned date according to the transitional measures of Article 47-2 of "Practical Guideline of Accounting for Retirement Benefit (Interim Report)" of Accounting Committee Report No. 13 published by the JICPA on September 14, 1999 (Latest revision on October 4, 2004) and recognized the relinquishment of the obligations and the related pension fund assets. The Company and some subsidiaries obtained the permission of return of the assets and of exemption of the related payment obligation from the Minister of Health, Labour and Welfare on September 14, 2004, and paid the returning amount, which is equal to ¥ 13,623 million of the minimum actuarial liability, on October 7, 2004.</p> <p>As a result, the difference between the actual amount paid and the reported amount in the prior fiscal year is ¥ 610 million whose amount has an effect on the consolidated financial statements as an extraordinary gain.</p> <p>(d) Reserve for directors' and corporate auditors' retirement pay The same standards with the previous fiscal year.</p> <p>(e) Allowance for doubtful accounts The same standards with the previous fiscal year.</p> <p>(4) Deferred assets Bond discounts and business commencement costs are deferred and amortized by the straight-line method. The amortization period of bond discounts is seven years, and that of business commencement costs is five years, the maximum amortization period allowed by the Commercial Code Enforcement Regulation.</p> <p>(5) Accounting for significant lease transactions The same standards with the previous fiscal year.</p>

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>(6) Significant hedge accounting</p> <p>(a). Hedge accounting Deferral hedge is adopted in the method of hedge accounting. Designation transactions are applied to debts and credits in foreign currency which conform to the requirements of hedge accounting.</p> <p>(b). Hedge instruments Hedge instruments are forward exchange contracts.</p> <p>(c). Hedge items Hedge items are purchase transactions in foreign currencies.</p> <p>(d). Hedge policy The Company enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rate and never makes use of them for the purpose of speculative transactions.</p> <p>(e). Assessment of the effectiveness of hedge accounting Control procedures of hedge transactions are executed according to each company's 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.</p> <p>(7) Accounting for consumption taxes Consumption taxes are recorded in separate accounts.</p> <p>(8) Accounting Standard for Net Income Per Share The Company applies the Accounting Standard for Net Income per Share (Accounting Standard No. 2) and the Guideline for Accounting Standard Application for Net Income per Share (Accounting Standard Application Guideline No. 4). The effect on net income per share resulting from this application is reported in Consolidated Per Share Data.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries The Company adopts the full fair value method that all their assets and liabilities including those of minority interests are valued at fair value when the Company acquired control of the subsidiaries.</p> <p>6. Consolidation adjustment accounts Consolidation adjustment accounts are amortized by the straight-line method over five years and small amounts are charged to expense.</p> <p>7. Unappropriated retained earnings Consolidated statement of retained earnings is based on appropriation approved by the shareholders' meeting held during the current accounting period.</p> <p>8. Cash and cash equivalents Cash and cash equivalents consist of cash in hand, bank deposits which can be withdrawn freely and easily converted into money, and short-term investments which have an original maturity of three months or less and are not exposed to significant valuation risks.</p>	<p>(6) Significant hedge accounting</p> <p>(a). Hedge accounting The same standards with the previous fiscal year.</p> <p>(b). Hedge instruments The same standards with the previous fiscal year.</p> <p>(c). Hedge items The same standards with the previous fiscal year.</p> <p>(d). Hedge policy The same standards with the previous fiscal year.</p> <p>(e). Assessment of the effectiveness of hedge accounting The same standards with the previous fiscal year.</p> <p>(7) Accounting for consumption taxes The same standards with the previous fiscal year.</p> <p>(8) _____</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries The same standards with the previous fiscal year.</p> <p>6. Consolidation adjustment accounts The same standards with the previous fiscal year.</p> <p>7. Unappropriated retained earnings The same standards with the previous fiscal year.</p> <p>8. Cash and cash equivalents The same standards with the previous fiscal year.</p>

## Reclassification

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>(Consolidated Statements of Income)</p> <p>1. As reversal profit of reserve for directors' and corporate auditors' retirement pay included in Extraordinary gains — other in the prior fiscal year, exceeded 10% of the aggregate amount of Extraordinary gains in the current fiscal year, the Company changed to the method reporting as an independent account by reclassifying other accounts, and its reversal profit included in Extraordinary gains — other in the previous fiscal year was ¥ 103 million.</p>	<p>(Consolidated Statements of Income)</p> <p>1. As loss on sales of investment in securities included in Extraordinary losses — other in the previous fiscal year, exceeded 10% of the aggregate amount of Extraordinary losses in the current fiscal year, the Company changed to the method reporting as an independent account by reclassifying other accounts, and loss on sales of investment in securities included in Extraordinary losses — other in the previous fiscal year was ¥ 4 million.</p> <p>2. As write-down of investment in securities reported as an independent account in the previous fiscal year, is not more than 10% of the aggregate amount of Extraordinary loss in the current fiscal year, the Company changed to the method included in Extraordinary loss — other, and write-down of investment in securities included in Extraordinary loss-other in the current fiscal year is ¥ 13 million.</p> <p>3. As write-down of golf course memberships reported as an independent account in the previous fiscal year, is not more than 10% of the aggregate amount of Extraordinary loss in the current fiscal year, the Company changed to the method included in Extraordinary loss — other, and write-down of golf course memberships included in Extraordinary loss — other in the current fiscal year is ¥ 4 million.</p> <p>(Consolidated Statements of Cash Flows)</p> <p>As decrease in accounts payable — other included in Cash flows from operating activities — other in the previous fiscal year, have a significant effect on the cash flows from operating activities in the current fiscal year, the Company changed to the method reporting as an independent account by reclassifying other accounts, and increase in accounts payable included in Cash flows from operating activities-other in the previous fiscal year was ¥ 485 million.</p>



## Notes

## Consolidated Balance Sheets

Previous fiscal year (As of November 30, 2003)	Current fiscal year (As of November 30, 2004)																																																
<p>1. *1. Pledged assets and secured debts (Millions of yen)</p> <p>Pledged assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Time deposits</td><td style="text-align: right;">150</td></tr> <tr><td>Accounts receivable-trade</td><td style="text-align: right;">109</td></tr> <tr><td>Inventories</td><td style="text-align: right;">230</td></tr> <tr><td>Buildings and structures</td><td style="text-align: right;">5,687</td></tr> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">73</td></tr> <tr><td>Land</td><td style="text-align: right;">8,592</td></tr> <tr><td>Other (Tangible fixed assets)</td><td style="text-align: right;">187</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">15,031</td></tr> </table> <p>Secured debts:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Accounts payable</td><td style="text-align: right;">34</td></tr> <tr><td>Short-term loans payable</td><td style="text-align: right;">2,989</td></tr> <tr><td>Bonds</td><td style="text-align: right;">300</td></tr> <tr><td>Long-term loans payable</td><td style="text-align: right;">5,711</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">9,035</td></tr> </table>	Time deposits	150	Accounts receivable-trade	109	Inventories	230	Buildings and structures	5,687	Machinery, equipment and transportation equipment	73	Land	8,592	Other (Tangible fixed assets)	187	Total	15,031	Accounts payable	34	Short-term loans payable	2,989	Bonds	300	Long-term loans payable	5,711	Total	9,035	<p>1. *1. Pledged assets and secured debts (Millions of yen)</p> <p>Pledged assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Time deposits</td><td style="text-align: right;">150</td></tr> <tr><td>Buildings and structures</td><td style="text-align: right;">4,539</td></tr> <tr><td>Machinery, equipment and transportation equipment</td><td style="text-align: right;">64</td></tr> <tr><td>Land</td><td style="text-align: right;">8,009</td></tr> <tr><td>Other (Tangible fixed assets)</td><td style="text-align: right;">143</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">12,907</td></tr> </table> <p>Secured debts:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Accounts payable</td><td style="text-align: right;">34</td></tr> <tr><td>Short-term loans payable</td><td style="text-align: right;">2,541</td></tr> <tr><td>Bonds</td><td style="text-align: right;">200</td></tr> <tr><td>Long-term loans payable</td><td style="text-align: right;">3,837</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">6,612</td></tr> </table>	Time deposits	150	Buildings and structures	4,539	Machinery, equipment and transportation equipment	64	Land	8,009	Other (Tangible fixed assets)	143	Total	12,907	Accounts payable	34	Short-term loans payable	2,541	Bonds	200	Long-term loans payable	3,837	Total	6,612
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<p>6. (Additional information)</p> <p>*5. Regarding the accounting method of the matured notes holding at the balance sheet date, the companies adopt the method considering a clearing date to be a settlement date. The clearing of notes was not made because the balance sheet date was the holiday of banking facilities. Consequently, such notes ¥ 113 million which the companies held, are included in the balance of notes receivable.</p>	<p>6. _____</p>																																																

## Consolidated Statements of Income

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>1. *1. Main components of selling, general and administrative expenses are as follows;</p> <p>Warehousing and carrying charges      ¥ 24,864 million</p> <p>Sales promotion expense                    ¥ 21,889 million</p> <p>Research and development expense      ¥ 2,753 million</p> <p>Advertising and general publicity expense                                            ¥ 9,085 million</p> <p>Payroll expense                                ¥ 14,575 million</p> <p>Depreciation expense                        ¥ 1,712 million</p> <p>Reserve for bonuses                         ¥ 507 million</p> <p>Reserve for directors' and corporate auditors' retirement pay                    ¥ 482 million</p> <p>Reserve for retirement benefits          ¥ 1,444 million</p>	<p>1. *1. Main components of selling, general and administrative expenses are as follows;</p> <p>Warehousing and carrying charges      ¥ 24,485 million</p> <p>Sales promotion expense                    ¥ 22,430 million</p> <p>Research and development expense      ¥ 2,755 million</p> <p>Advertising and general publicity expense                                            ¥ 8,977 million</p> <p>Payroll expense                                ¥ 14,036 million</p> <p>Depreciation expense                        ¥ 1,692 million</p> <p>Reserve for bonuses                         ¥ 777 million</p> <p>Reserve for directors' and corporate auditors' retirement pay                    ¥ 264 million</p> <p>Reserve for retirement benefits          ¥ 1,392 million</p>
<p>2. *2. The total amounts of research and development cost are ¥2,753 million and all of them are included in general and administrative expense.</p>	<p>2. *2. The total amounts of research and development cost are ¥2,755 million and all of them are included in general and administrative expense.</p>
<p>3. *3. Gains on sales of fixed assets are as follows;</p> <p>Machinery, equipment and transportation equipment                    ¥ 17 million</p> <p>Land                                                ¥ 55 million</p> <p style="text-align: right;">Total                                                ¥ 73 million</p>	<p>3. *3. Gains on sales of fixed assets are as follows;</p> <p>Buildings and structures                    ¥ 18 million</p> <p>Machinery, equipment and transportation equipment                    ¥ 76 million</p> <p>Other                                                ¥ 0 million</p> <p style="text-align: right;">Total                                                ¥ 95 million</p>
<p>4. *4. Losses on sales of fixed assets are as follows:</p> <p>Machinery, equipment and transportation equipment                    ¥ 18 million</p> <p>Land                                                ¥ 1 million</p> <p style="text-align: right;">Total                                                ¥ 19 million</p>	<p>4. *4. Losses on sales of fixed assets are as follows:</p> <p>Buildings and structures                    ¥ 17 million</p> <p>Machinery, equipment and transportation equipment                    ¥ 22 million</p> <p>Land                                                ¥ 23 million</p> <p>Other                                                ¥ 0 million</p> <p style="text-align: right;">Total                                                ¥ 64 million</p>
<p>5. *5. Losses on disposal of fixed assets are as follows:</p> <p>Buildings and structures                    ¥ 40 million</p> <p>Machinery, equipment and transportation equipment                    ¥ 262 million</p> <p>Other                                                ¥ 50 million</p> <p style="text-align: right;">Total                                                ¥ 353 million</p>	<p>5. *5. Losses on disposal of fixed assets are as follows:</p> <p>Buildings and structures                    ¥ 118 million</p> <p>Machinery, equipment and transportation equipment                    ¥ 235 million</p> <p>Other                                                ¥ 23 million</p> <p style="text-align: right;">Total                                                ¥ 377 million</p>

## Consolidated Statements of Cash Flow

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>1. Cash and cash equivalents comprise as follows: (As of November 30, 2003)</p> <p>Cash and deposits                            ¥ 22,382 million</p> <p>(Deduction)</p> <p>Time deposits with maturity over three months                                ¥ (2,513 million)</p> <p style="text-align: right;">Cash and cash equivalents                ¥ 19,868 million</p>	<p>1. Cash and cash equivalents comprise as follows: (As of November 30, 2004)</p> <p>Cash and deposits                            ¥ 17,097 million</p> <p>(Deduction)</p> <p>Time deposits with maturity over three months                                ¥ (646 million)</p> <p style="text-align: right;">Cash and cash equivalents                ¥ 16,451 million</p>
<p>2. _____</p>	<p>2. Description of assets and liabilities of a company excluded from consolidation resulting from the sale of stock in the current fiscal year</p> <p>Assets and liabilities of a company (Nishifu Meat Co., Ltd.) excluded from consolidation resulting from the sales of stock are as follows;</p> <p>Current assets                                ¥ 5,166 million</p> <p>Fixed assets                                    ¥ 40 million</p> <p>Current liabilities                            ¥ (5,114 million)</p> <p>Long-term liabilities                        ¥ (34 million)</p> <p>Loss on sales of investment in securities ¥ (7 million)</p> <p>Sales amount of stock                        ¥ 50 million</p> <p style="text-align: right;">Cash and cash equivalents                ¥ (183 million)</p> <p>Cash flow from investing activities (Other)                            ¥ (133 million)</p>



## Securities

## Securities

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

(Millions of yen)

	Description	Previous fiscal year (As of November 30, 2003)			Current fiscal year (As of November 30, 2004)		
		Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
Bonds whose fair value exceeds their book value	(1) Government and local bonds	—	—	—	—	—	—
	(2) Debentures	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Sub-total	—	—	—	—	—	—
Bonds whose book value exceeds their fair value	(1) Government and local bonds	—	—	—	—	—	—
	(2) Debentures	—	—	—	—	—	—
	(3) Other	—	—	—	2,000	1,904	(95)
	Sub-total	—	—	—	2,000	1,904	(95)
Total	—	—	—	2,000	1,904	(95)	

## 2. Other securities with fair value

(Millions of yen)

	Description	Previous fiscal year (As of November 30, 2003)			Current fiscal year (As of November 30, 2004)		
		Acquisition cost	Book value	Unrealized gain (loss)	Acquisition cost	Book value	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost	(1) Stocks	4,081	6,347	2,265	4,178	7,581	3,403
	(2) Bonds						
	(a) Government and local bonds	—	—	—	—	—	—
	(b) Debentures	—	—	—	—	—	—
	(c) Other	—	—	—	388	397	8
(3) Other	11	13	1	12	16	4	
	Sub-total	4,093	6,360	2,267	4,579	7,995	3,416
Securities whose acquisition cost exceeds their book value	(1) Stocks	5,047	4,148	(898)	4,404	4,086	(317)
	(2) Bonds						
	(a) Government and local bonds	—	—	—	—	—	—
	(b) Debentures	—	—	—	—	—	—
	(c) Other	—	—	—	—	—	—
(3) Other	31	28	(3)	30	28	(2)	
	Sub-total	5,078	4,177	(901)	4,434	4,115	(319)
Total		9,171	10,537	1,366	9,014	12,110	3,096

(Note) The Company wrote down by ¥ 96 million (including ¥ 58 million of other securities with fair value) in the previous fiscal year and ¥ 13 million (including ¥ 5 million of other securities with fair value) in the current fiscal year against securities with a remarkable decline in the value of investment, respectively.

## 3. Sales of held-to-maturity bonds in the previous fiscal year and the current fiscal year

(Millions of yen)

	Previous fiscal year (From December 1, 2002 to November 30, 2003)			Current fiscal year (From December 1, 2003 to November 30, 2004)		
	Cost of sales	Aggregate sales amount	Gain	Cost of sales	Aggregate sales amount	Gain
Other	—	—	—	—	—	—
Reason for sales	_____			_____		

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

(Millions of yen)

Previous fiscal year (From December 1, 2002 to November 30, 2003)			Current fiscal year (From December 1, 2003 to November 30, 2004)		
Aggregate sales amount	Gain	Loss	Aggregate sales amount	Gain	Loss
776	192	4	952	156	0

## 5. Principal securities with no fair value

(Millions of yen)

Description	Previous fiscal year (As of November 30, 2003)		Current fiscal year (As of November 30, 2004)	
	Book value		Book value	
(1) Held-to-maturity bonds Domestic bonds of private placement	40		27	
(2) Other securities Unlisted stocks (except for over-the-counter securities) Other	3,093 19		3,095 —	

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

(Millions of yen)

Description	Previous fiscal year (As of November 30, 2003)				Current fiscal year (As of November 30, 2004)			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Bonds								
(1) Government and local bonds	—	—	—	—	—	—	—	—
(2) Debentures	5	10	—	—	—	—	—	—
(3) Other	27	—	—	—	27	—	—	2,000
Total	32	10	—	—	27	—	—	2,000

## Derivative Financial Transactions

### 1. Matters concerning derivative financial transactions

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>(1) Types of derivative financial transactions The Company and four consolidated subsidiaries, Nishifu Meat Co., Ltd., Dispen Pak Japan Co., Inc., Gourmet Delika Co., Ltd., and Y.M. Kyuso Corporation enter into the forward exchange contracts, option contracts, currency swap agreements, and interest rate swap agreements.</p> <p>(2) Policies of derivative financial transactions The Company and four consolidated subsidiaries never conduct speculative transactions.</p> <p>(3) Purposes of derivative financial transactions The Company and four consolidated subsidiaries enter into derivative agreements to hedge risks from fluctuations in foreign exchange rates and from fluctuating of interest rates and never make use of them for the purpose of speculative transactions.</p> <p>(4) Risk in derivative financial transactions Derivative financial transactions' contracts involve risks of fluctuation in foreign exchange rates and from fluctuating of interest rate. Those risks are offset by the mutual risks of assets and liabilities of hedge items. The Company and four consolidated subsidiaries recognize that there are little credit risks from non-fulfillment of contract, because the business connections are creditable domestic banks.</p> <p>(5) Risk management The Company executes derivative financial transactions according to the internal regulations by Production Division and Treasury Division and all the results of derivative financial transaction are reported to the head of Treasury Division. And the general control division mainly controls derivative financial transactions of four consolidated subsidiaries and all the results of them are reported to the director in charge of its division.</p>	<p>(1) Types of derivative financial transactions The Company and three consolidated subsidiaries, Dispen Pak Japan Co., Inc., Gourmet Delika Co., Ltd., and Y.M. Kyuso Corporation enter into the forward exchange contracts, option contracts, currency swap agreements, and interest rate swap agreements.</p> <p>(2) Policies of derivative financial transactions The Company and three consolidated subsidiaries never conduct speculative transactions.</p> <p>(3) Purposes of derivative financial transactions The Company and three consolidated subsidiaries enter into derivative agreements to hedge risks from fluctuations in foreign exchange rates and from fluctuating of interest rates and never make use of them for the purpose of speculative transactions.</p> <p>(4) Risk in derivative financial transactions Derivative financial transactions' contracts involve risks of fluctuation in foreign exchange rates and from fluctuating of interest rate. Those risks are offset by the mutual risks of assets and liabilities of hedge items. The Company and three consolidated subsidiaries recognize that there are little credit risks from non-fulfillment of contract, because the business connections are creditable domestic banks.</p> <p>(5) Risk management The Company executes derivative financial transactions according to the internal regulations by Production Division and Treasury Division and all the results of derivative financial transaction are reported to the head of Treasury Division. And the general control division mainly controls derivative financial transactions of three consolidated subsidiaries and all the results of them are reported to the director in charge of its division.</p>

## 2. Matters concerning fair value

## Contract amount, fair value, and unrealized gain (loss) on derivative instruments

## (1) Forward exchange contracts, option contracts and currency swap agreements

(Millions of yen)

Classification	Description	Previous fiscal year (As of November 30, 2003)				Current fiscal year (As of November 30, 2004)			
		Contract amount	Contract amount over one year	Fair value	Unrealized gain(loss)	Contract amount	Contract amount over one year	Fair value	Unrealized gain(loss)
Non-market transactions	Forward exchange contracts Purchase USD	2,400	1,557	2,424	24	—	—	—	—
	Option contracts Sell Put USD	3,980	2,894	(208)	(208)	—	—	—	—
	Purchase Call USD	1,326	964	67	67	—	—	—	—
	Currency swap agreements Purchase USD	5,853	—	3	3	—	—	—	—
Total		13,561	5,417	2,286	(113)	—	—	—	—

(Notes) 1. Basis of fair value

(1) Fair value of forward exchange contracts is based on the future rate quoted by financial institutions.

(2) Fair value of option contracts is based on the price quoted by financial institutions.

(3) Fair value of currency swaps is based on the price quoted by financial institutions.

2. Derivative financial transactions, for which hedge accounting is applied, are excluded from the above table.

## (2) Interest rate swap agreements

(Millions of yen)

Classification	Description	Previous fiscal year (As of November 30, 2003)				Current fiscal year (As of November 30, 2004)			
		Contract amount	Contract amount over one year	Fair value	Unrealized gain(loss)	Contract amount	Contract amount over one year	Fair value	Unrealized gain(loss)
Non-market transactions	Interest rate swap Floating rate receipt, fixed rate payment	1,400	1,400	(20)	(20)	100	—	(1)	(1)
Total		1,400	1,400	(20)	(20)	100	—	(1)	(1)

(Notes) 1. Fair value is based on the price quoted by financial institutions.

2. Derivative financial transactions, for which hedge accounting is applied, are excluded from the above table.

## Retirement Benefits

### 1. Summary of retirement benefit system

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

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

As a result, twenty companies — the Company and 19 consolidated subsidiaries — have a lump-sum grants system, one company has a defined benefit system (fund-type), two companies have the defined benefits system (contract-type), two companies have established the employees' welfare pension funds, and seven companies have adopted the tax-qualified pension system.

The Company and some subsidiaries have obtained permission to return the assets and exemption of the related payment obligation from the Minister of Health, Labour and Welfare on September 14, 2004, and returned the amount to the nation which is equal to ¥13,623 million of the minimum actuarial liability, on October 7, 2004. As a result, the difference between the actual amount paid and the reported amount in the prior fiscal year is ¥610 million' whose amount has an effect on the consolidated financial statements as an extraordinary gain.

### 2. Retirement benefit obligations

(Millions of yen)

	Previous fiscal year (As of November 30, 2003)	Current fiscal year (As of November 30, 2004)
(1) Retirement benefit obligations	(58,823)	(56,893)
(2) Pension fund assets	45,085	51,171
(3) Unrecognized retirement benefit obligations	(13,737)	(5,722)
(4) Unrecognized effects of the amendments on the application of the new accounting standards for retirement benefits	764	382
(5) Unrecognized actuarial losses	18,067	16,565
(6) Unrecognized prior service liabilities	(8,777)	(10,024)
(7) Gain on the return of the entrusted government's portion of the welfare pension	—	(610)
(8) Net retirement benefit obligation recognized in the consolidated balance sheet	(3,683)	590
(9) Reserve for retirement benefits	(3,683)	(2,423)
(10) Prepaid pension cost	—	3,014

### 3. Retirement benefit costs

(Millions of yen)

	Previous fiscal year (From November 30, 2002 to November 30, 2003)	Current fiscal year (From November 30, 2003 to November 30, 2004)
(1) Service costs	2,667	2,137
(2) Interest costs	1,270	1,181
(3) Expected return on pension fund assets	(1,518)	(1,484)
(4) Recognition of prior service liabilities	(801)	(919)
(5) Amortization of actuarial losses	1,963	1,655
(6) Amortization of effects of the amendments on the application of the new accounting standards for retirement benefits	382	382
Retirement benefit costs	3,963	2,952

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

## 4. Calculation basis of retirement benefit obligations

	Previous fiscal year (As of November 30, 2003)	Current fiscal year (As of November 30, 2004)
(1) Discount rate	2.3%	2.3%
(2) Expected return rate on pension fund assets	4.0%	4.0%
(3) Recognition method of the projected retirement benefit obligations	Straight-line method	Straight-line method
(4) Recognition term of prior service liabilities	Twelve years except for K.R.S. Corporation (from ten to thirteen years)	Twelve years except for K.R.S. Corporation (from ten to thirteen years)
(5) Amortization term of actuarial gains or losses	Twelve years except for K.R.S. Corporation (from ten to thirteen years) Actuarial gains or losses are amortized by the straight-line method over a certain period within the 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 the average remaining service period of employees from the next year of the respective accrual years.
(6) Amortization term of effects of the amendments on the application of the new accounting standards for retirement benefits	_____	_____
	(The effects of K.R.S. Corporation and Y.M. Kyuso Corporation are amortized by the straight-line method over five years.)	(The effects of K.R.S. Corporation and Y.M. Kyuso Corporation are amortized by the straight-line method over five years.)

## Tax-Effect Accounting

(Millions of yen)

	Previous fiscal year (As of November 30, 2003)	Current fiscal year (As of November 30, 2004)
1. The principal details of deferred tax assets and liabilities are as follows:		
Deferred tax assets		
Unrealized gains	1,275	1,265
Reserve for sales rebates	474	425
Reserve for bonuses	838	948
Accrued enterprise taxes	238	219
Reserve for directors' and corporate auditors' retirement pay	671	664
Reserve for retirement benefits	1,668	1,237
Trust to cover retirement benefit obligations	1,442	1,442
Allowance for doubtful accounts	440	116
Write-down of golf course memberships	368	363
Other	413	315
Sub-total deferred tax assets	7,831	6,997
Valuation reserve	(203)	(115)
Total deferred tax assets	7,627	6,881
Deferred tax liabilities		
Prepaid pension costs	(344)	(1,560)
Valuation difference of fixed assets	(965)	(965)
Reserve for deduction entry of property by purchase	(1,570)	(1,576)
Unrealized valuation gain on other securities	(394)	(1,141)
Other	(67)	(53)
Total deferred tax liabilities	(3,341)	(5,299)
Net deferred tax assets	4,285	1,582
Net deferred tax assets included in the consolidated balance sheets are as follows:		
Current assets — deferred tax assets	2,297	1,967
Fixed assets — deferred tax assets	2,008	1,338
Current liabilities — deferred tax liabilities	(1)	—
Long-term liabilities — deferred tax liabilities	(19)	(1,723)
2. The principal details of the material differences between the statutory effective tax rate and the actual burden tax rate after application of tax-effect accounting		
The statutory effective tax rate	42.0 %	42.0 %
(Adjustments)		
Loss carry forward of consolidated subsidiaries not to have recognized tax-effect	(0.1 %)	1.6 %
Permanent exclusion from expenses	1.1 %	1.3 %
Tax free income	(0.2 %)	(0.5 %)
Capita levy on inhabitant tax	1.0 %	1.2 %
Reduction adjustment on deferred tax assets resulting from change in the statutory effective tax rate	0.5 %	— %
Other	(0.6 %)	0.3 %
Actual burden tax rate after the application of tax effect accounting	43.7 %	45.9 %
3. The effective tax rate used in the calculation of deferred tax assets and liabilities.	(Additional Information)	
	Enterprise tax which is imposed on the basis of an outward form of enterprises as a part of objects of taxation is introduced newly by the revision of local tax law (2003, Law No. 9) and enforced from the fiscal year beginning at April 1, 2004, and thereby enterprise tax rate imposed on earnings is reduced. As a result, the statutory effective tax rate applied to objects of tax effect which continue as undeductible expenses on taxation on and after December 1, 2004, is changed from the previous rate 42.0% to 40.7%. The effect which this change has on the current consolidated financial statement, is immaterial.	

## Segment Information

## 1. Segment information of business line

Previous fiscal year (From December 1, 2002 to November 30, 2003)

(Millions of yen)

	Foodstuffs	Distribution	Total	Elimination and/or addition	Consolidated
1. Sales and operating income					
Sales					
(1) Sales to customers	357,030	80,002	437,032	—	437,032
(2) Internal sales or transfers to/from segments	8	24,233	24,242	(24,242)	—
Total	357,039	104,235	461,275	(24,242)	437,032
Operating expenses	337,372	100,001	437,374	(18,597)	418,776
Operating income	19,666	4,233	23,900	(5,644)	18,255
2. Allocated assets, depreciation expense, and capital expenditure					
Assets	179,454	66,589	246,043	23,515	269,559
Depreciation expense	10,663	2,303	12,966	86	13,053
Capital expenditure	11,675	1,766	13,441	63	13,504

(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, Canned and retort foods, Egg products, Healthcare products, Vegetables and salads
Distribution	Storage and transportation

c. Operating expenses that cannot be allocated to particular segments mainly belong to the general control division in the head office of the Company and K. System Co., Ltd. Those amounts included in Elimination and/or addition on the column of the above table, are ¥5,839 million.

d. Assets that cannot be allocated to segments consist mainly of spare working funds and investment capital (cash, deposits and investment in securities), and belong to the general control division in the head office of the Company and K. System Co., Ltd. Those amounts included in Elimination and/or addition on the column of the above table, are ¥33,136 million.

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

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

(Millions of yen)

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

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

## b. Main products of each business segment

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

c. Operating expenses that cannot be allocated to particular segments mainly belong to the general control division in the head office of the Company, K. System Co., Ltd. and Kewpie Ai Co., Ltd. Those amounts included in Elimination and/or addition on the column of the above table, are ¥5,673 million.

d. Assets that cannot be allocated to particular segments consists mainly of spare working funds and investment capital (cash, deposits and investment in securities), and belong to the general control division in the head office of the Company, K. System Co., Ltd. and Kewpie Ai Co., Ltd. Those amounts included in Elimination and/or addition on the column of the above table, are ¥30,957 million.

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, 2003 and 2004, exceeds 90% to the total amounts of segment sales and segment assets, respectively.

## 3. Overseas sales amounts

Segment information of overseas sales amounts is not disclosed since the overseas sales amounts in the fiscal years ended November 30, 2003 and 2004, is less than 10% of consolidated sales, respectively.

## Related Party Transactions

Previous fiscal year (From December 1, 2002 to November 30, 2003)

Parent company, principal corporate shareholders, and other

(Millions of yen)

Attribution	Corporate name	Address	Capital stock	Principal business	Percentage of voting rights	Relationship		Transaction	Amount	Account	Ending of year	
						Number of interlocking directors and corporate auditors	On business					
Principal corporate shareholders and other affiliated companies	Nakashimoto Co., Ltd.	Shibuya-ku, Tokyo	119	Sales of processed foodstuffs	Direct 17.2% Indirect 3.1%	3 persons	Purchase of products	Operating	Purchase of products	43,046	Account payable - trade	7,282
								Non-operating	Consignment calculation office work	2,251	Account payable - other	201

### Transaction's term and policy

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

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

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

Parent company, principal corporate shareholders, and other

(Millions of yen)

Attribution	Corporate name	Address	Capital stock	Principal business	Percentage of voting rights	Relationship		Transaction	Amount	Account	Ending of year	
						Number of interlocking directors and corporate auditors	On business					
Principal corporate shareholders and other affiliated companies	Nakashimoto Co., Ltd.	Shibuya-ku, Tokyo	119	Sales of processed foodstuffs	Direct 17.2% Indirect 3.1%	3 persons	Purchase of products	Operating	Purchase of products	40,178	Account payable - trade	6,662
								Non-operating	Consignment calculation office work	2,113	Account payable - other	290

### Transaction's term and policy

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

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

## Consolidated Per Share Data

	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)						
Shareholders' equity per share	¥ 786.15	¥ 827.17						
Net income per share — primary	¥ 56.08	¥ 45.18						
Net income per share — diluted	¥ 51.53	¥ 41.63						
	<p>The Company applies the Accounting Standard for Net Income per Share (Accounting Standard No. 2) and the Guideline for Accounting Standard Application for Net Income per Share (Accounting Standard Application Guideline No. 4).</p> <p>The data in the case where the above account standard is adopted in the previous fiscal year is as follows:</p> <table style="margin-left: 40px;"> <tr> <td>Shareholders' equity per share</td> <td>¥ 743.29</td> </tr> <tr> <td>Net income per share</td> <td>¥ 59.54</td> </tr> <tr> <td>Net income per share-diluted</td> <td>¥ 54.37</td> </tr> </table>		Shareholders' equity per share	¥ 743.29	Net income per share	¥ 59.54	Net income per share-diluted	¥ 54.37
Shareholders' equity per share	¥ 743.29							
Net income per share	¥ 59.54							
Net income per share-diluted	¥ 54.37							

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

## Consolidated Per Share Data

(Millions of yen)

	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
Net income per share		
Net income	8,675	7,006
Amounts not attributable to common share	85	87
(Including directors' and corporate auditors' bonuses)	(85)	(87)
Net income attributable to common share	8,589	6,919
Weighted average number of common share	153,177 thousand shares	153,154 thousand shares
Net income per share — diluted		
Adjustments to net income	108	107
(Including interest expense after tax adjustment)	(108)	(108)
Increase in common share	15,619 thousand shares	15,619 thousand shares
(Including convertible bonds)	(15,619 thousand shares)	(15,619 thousand shares)
Summary of potential shares which were not included in calculation basis of net income per share — diluted because they do not have dilutive effects	(For stock option granted of total treasury stock number regulated article 210, No. 2 of Commercial Code before revision)  1,118,000 shares	(For stock option granted of total treasury stock number regulated article 210, No. 2 of Commercial Code before revision)  1,111,000 shares  In addition, the above stock option is stated in "IV. The Company, 1. Shares, (4) Stock options."

## Significant Subsequent Events

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
None	<p>Purchase of treasury stock</p> <p>For the purpose of executing a flexible capital policy, while responding to changes in business circumstances, the Company received the approval for purchase of shares of its own common stock by the resolution at the Board of Directors held on January 11, 2005, as allowed for in the Articles of Incorporation (Article 211-3 Paragraph 1 Item 2 of the Commercial Code).</p> <p><u>The terms of purchase</u></p> <p>The Company can purchase its own shares up to a maximum of 600,000 shares at a maximum cost of ¥600 million by the ending of the 92nd General Shareholders' Meeting on February 22, 2005.</p> <p><u>The execution</u></p> <p>1. Method of purchase: Purchase on Tokyo Stock Exchange  2. Number of shares to be purchased: 205,500 shares  3. Purchase cost: ¥184 million  4. Period for purchase: January 18, 2005 through January 25, 2005</p>

## (e) Consolidated Supplementary Statements

## 1. Description of bonds

Corporate name	Issue	Issue date	Beginning balance	Ending balance	Interest rate/per annum	Pledged	Maturity
*1	The 4th unsecured convertible bonds	June 3, 1994	18,629 (—)	18,629 (18,629)	1.0%	—	November 30, 2005
*2	Bonds	From July 10, 1997 to August 26, 1998	300 (100)	200 (200)	From 2.2% to 2.6%	Pledged	From July 9, 2004 to August 26, 2005
*3	Bonds	From March 5, 1997 to July 17, 1997	1,200 (1,200)	— (—)	From 2.5% to 2.74%	—	From March 5, 2004 to July 16, 2004
	Total		20,129 (1,300)	18,829 (18,829)			

(Notes) 1. The figure in parentheses under Ending balance indicates the amounts redeemed within one year.

2. Terms for conversion of the convertible bonds are as follows:

Issue	Term of validity for conversion	Conversion price	Shares to be issued	Capitalized amount per share
The 4th unsecured convertible bonds	From July 1, 1994 to November 29, 2005	¥ 1,192.70	Common share	¥ 597

\*1: Issued by the Company

\*2: Issued by the domestic subsidiaries, Q.P. Egg Corporation and Kewpie Jyozo Co., Ltd..

\*3: Issued by the domestic subsidiary, K.R.S. Corporation.

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

(Millions of yen)

Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
18,829	—	—	—	—

## 2. Description of bank loans and other

(Millions of yen)

Item	Beginning balance	Ending balance	Average interest rate per annum	Maturity
Short-term loans payable	12,886	7,915	1.703%	—
Current portion of long-term loans payable	5,099	3,465	1.690%	—
Long-term loans payable	11,795	12,577	1.203%	From December 2005 to January 2014
Other interest-bearing debt	537	298	5.750%	From December 2004 to September 2010
Total	30,318	24,256	—	—

- (Notes) 1. Average interest rates are calculated by using interest rates and balance of loans payable at the balance sheet date.  
2. The annual aggregate amounts to be repaid to banks over the next five years are as follows:

(Millions of yen)

	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within Five years
Long-term loans payable and other	2,720	2,984	1,878	4,245

- (2) Other  
None

# Independent Auditors' Report

February 22, 2005

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

## Shin Nihon & Co.

Representative and  
Engagement Partner

Kitabayashi Hiroshi

Certified Public Accountant  
(signed and sealed)

Representative and  
Engagement Partner

Takahashi Hidenori

Certified Public Accountant  
(signed and sealed)

Engagement Partner

Takemoto Keisuke

Certified Public Accountant  
(signed and sealed)

Pursuant to Article 193-2 of "The Securities and Exchange Law," we have audited the financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions," of the 92nd fiscal year from December 1, 2003 to November 30, 2004, namely, the balance sheet, the statement of income, the statement of appropriated retained earnings, and the supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KEWPIE KABUSHIKI-KAISHA at November 30, 2004, and the results of their operations for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

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

# Independent Auditors' Report

February 20, 2004

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

## Shin Nihon & Co.

Representative and  
Engagement Partner

Uda Hiromi

Certified Public Accountant  
(signed and sealed)

Representative and  
Engagement Partner

Kitabayashi Hiroshi

Certified Public Accountant  
(signed and sealed)

Representative and  
Engagement Partner

Takahashi Hidenori

Certified Public Accountant  
(signed and sealed)

Pursuant to Article 193-2 of "The Securities and Exchange Law," we have audited the financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Conditions," of the 91st fiscal year from December 1, 2002 to November 30, 2003, namely, the balance sheet, the statement of income, the statement of appropriated retained earnings, and the supplementary statements, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KEWPIE KABUSHIKI-KAISHA at November 30, 2003, and the results of their operations for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

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

## 2. Financial Statements (Non-Consolidated)

### (1) Financial Statements

#### (a) Balance Sheets

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2003)		Current fiscal year (As of November 30, 2004)	
		Amount	Component ratio	Amount	Component ratio
	(Assets)		%		%
I. Current assets					
1. Cash and deposits		16,460		10,832	
2. Notes receivable (Note *4)		1,097		663	
3. Accounts receivable — trade (Note *1)		43,505		35,395	
4. Purchased goods		3,539		2,700	
5. Products		2,857		2,988	
6. Raw materials		1,966		1,925	
7. Work in progress		84		92	
8. Supplies		445		427	
9. Advance payments		904		483	
10. Prepaid expenses		154		112	
11. Deferred tax assets		901		660	
12. Short-term loans receivable to employees		55		37	
13. Short-term loans receivable to subsidiaries and affiliated companies		17,645		25,531	
14. Accounts receivable — other (Note *1)		930		1,199	
15. Other (Note *1)		1,246		1,591	
16. Allowance for doubtful accounts		(238)		(212)	
Total current assets		91,555	48.1	84,430	44.7
II. Fixed assets					
(1) Tangible fixed assets					
1. Buildings		53,155		54,518	
Accumulated depreciation		28,164	24,991	29,888	24,630
2. Structures		6,281		6,439	
Accumulated depreciation		4,287	1,993	4,471	1,968
3. Machinery and equipment		67,804		70,660	
Accumulated depreciation		50,981	16,823	53,779	16,881
4. Auto and transportation equipment		59		57	
Accumulated depreciation		54	4	54	3
5. Tools, furniture, and fixtures		3,930		4,028	
Accumulated depreciation		3,287	642	3,401	627
6. Land			15,822		15,822
7. Construction in progress			1,032		1,314
Total tangible fixed assets		61,311	32.2	61,249	32.5

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2003)		Current fiscal year (As of November 30, 2004)	
		Amount	Component ratio	Amount	Component ratio
(2) Intangible fixed assets			%		%
1. Patent rights		15		4	
2. Leasehold rights		37		87	
3. Trademark		10		5	
4. Computer software		1,345		1,344	
5. Telephone rights and other		89		90	
Total intangible fixed assets		1,499	0.8	1,533	0.8
(3) Investments and other assets					
1. Investment in securities		11,097		14,379	
2. Shares of subsidiaries and affiliated companies		19,636		19,258	
3. Sundry investments in companies		10		10	
4. Sundry investments in subsidiaries		1,286		1,286	
5. Long-term loans receivable		16		14	
6. Long-term loans receivable to employees		44		45	
7. Prepaid pension costs		956		3,834	
8. Long-term prepaid expenses		306		382	
9. Guarantee deposit		1,542		1,503	
10. Other		1,479		1,459	
11. Allowance for doubtful accounts		(405)		(613)	
Total investments and other assets		35,970	18.9	41,559	22.0
Total fixed assets		98,780	51.9	104,342	55.3
Total assets		190,335	100.0	188,772	100.0
(Liabilities)					
I. Current liabilities					
1. Accounts payable — trade (Note *1)		26,937		22,206	
2. Short-term loans payable		6,428		4,905	
3. Current portion of convertible bonds		—		18,629	
4. Accounts payable — other (Note *1)		10,313		8,075	
5. Accrued expenses		3,191		3,178	
6. Accrued income taxes		1,554		474	
7. Advance received		601		564	
8. Deposits received		153		157	
9. Reserve for sales rebates		1,127		968	
10. Reserve for bonuses		298		245	
11. Other		84		42	
Total current liabilities		50,691	26.6	59,447	31.5

(Millions of yen)

Account	Term	Previous fiscal year (As of November 30, 2003)		Current fiscal year (As of November 30, 2004)	
		Amount	Component ratio	Amount	Component ratio
II. Long-term liabilities			%		%
1. Convertible bonds		18,629		—	
2. Long-term loans payable		1,840		4,576	
3. Reserve for directors' and corporate auditors' retirement pay		845		948	
4. Deferred tax liabilities		86		1,859	
5. Deposits on contract (Note *1)		6,844		6,881	
6. Other		4		47	
Total long-term liabilities		28,249	14.9	14,312	7.6
Total liabilities		78,940	41.5	73,760	39.1
(Shareholders' equity)					
I. Capital stock (Note *2)		24,104	12.7	24,104	12.7
II. Capital surplus					
(1) Capital surplus reserve	29,418			29,418	
Total capital surplus		29,418	15.4	29,418	15.6
III. Earned surplus					
(1) Earned surplus reserve	3,115			3,115	
(2) Voluntary retained earnings					
1. Special depreciation reserve	63			61	
2. Reserve for deduction entry of property replaced by purchase	2,127			2,126	
3. Special account reserve for deduction entry of property replaced by purchase	—			59	
4. General reserve	47,400			52,200	
(3) Unappropriated retained earnings	6,954			4,736	
Total earned surplus		59,660	31.3	62,299	33.0
IV. Unrealized valuation gain on other securities		498	0.3	1,484	0.8
V. Treasury stock (Note *3)		(2,287)	(1.2)	(2,294)	(1.2)
Total shareholders' equity		111,395	58.5	115,012	60.9
Total liabilities and shareholders' equity		190,335	100.0	188,772	100.0

## (b) Statements of Income

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2002 to November 30, 2003)		Current fiscal year (From December 1, 2003 to November 30, 2004)	
		Amount	Percentage	Amount	Percentage
I. Net sales		268,958	100.0	230,110	100.0
II. Cost of sales					
1. Products and purchased goods at beginning of the year		9,953		6,396	
2. Cost of products manufactured		69,999		70,348	
3. Purchases of goods (Note *2)		115,735		88,314	
Total		195,689		165,059	
4. Products and purchased goods at end of the year		6,396		5,688	
5. Transfer to other title of accounts (Note *1)		4,136	185,156	1,141	158,229
Gross profit			83,801		71,880
III. Selling, general and administrative expenses (Notes *3, 4)			73,184		64,607
Operating income			10,617		7,273
IV. Non-operating income					
1. Interest income (Note *2)		182		223	
2. Dividends receivable (Note *2)		1,044		544	
3. Interest income on securities		33		93	
4. Other (Note *2)		187	1,447	224	1,086
V. Non-operating expenses					
1. Interest expense		116		92	
2. Interest expense on bonds		186		186	
3. Loss on scrapped inventories		347		273	
4. Other		167	817	142	695
Ordinary income			11,248		7,663
VI. Extraordinary gains					
1. Gain on sales of fixed assets (Note *5)		56		—	
2. Gain on sales of investment in securities		191		153	
3. Reversal profit of allowance for doubtful accounts		116		2	
4. Gain on the return of the entrusted government's portion of the welfare pension		—		412	
5. Gain on sales of shares of subsidiaries and affiliated companies		—		409	
6. Other		110	475	32	1,010
VII. Extraordinary losses					
1. Loss on disposal of fixed assets (Note *6)		244		295	
2. Write-down of investment in securities		82		10	
3. Allowance for doubtful accounts		—		208	
4. Write-down of golf course memberships		4		0	
5. Administrative expense to legal affairs		—		200	
6. Loss on sales of shares of subsidiaries and affiliated companies		—		152	
7. Other		167	500	118	985
Net income before income taxes			11,223		7,689
Income taxes		3,009		1,805	
Income taxes deferred		1,407	4,417	1,354	3,160
Net income			6,805		4,529
Retained earnings at beginning of the year			1,068		1,126
Interim dividends			919		919
Unappropriated retained earnings			6,954		4,736

## Cost Reports

(Millions of yen)

Account	Term	Previous fiscal year (From December 1, 2002 to November 30, 2003)		Current fiscal year (From December 1, 2003 to November 30, 2004)	
		Amount	Component ratio	Amount	Component ratio
Material costs		49,745	71.1%	50,370	71.6%
Labor costs		6,994	10.0	7,152	10.2
Manufacturing expenses		13,254	18.9	12,832	18.2
Total manufacturing costs		69,994	100.0	70,356	100.0
Work in progress at beginning of the year		90		84	
Total		70,084		70,441	
Work in progress at end of the year		84		92	
Cost of products manufactured		69,999		70,348	

<Notes>	Previous fiscal year	<Notes>	Current fiscal year																
1. The method of cost accounting	The method of cost accounting applied in all factories is the standard cost accounting. Product costs are decided by multiplying output quantities of each product line by standard product cost per unit which consists of material cost (calculated by multiplying standard used quantities by a predetermined price), standard labor cost, and standard manufacturing expenses. Comparatively large cost variance (over 1% of total manufacturing cost during the period) incurring in the current period are allocated to cost of sales and inventories at end of the year.	1. The method of cost accounting	The same method with the previous term.																
2. Principal manufacturing expenses are as follows;	<table> <tr> <td>Depreciation expense</td> <td>¥ 4,982 million</td> </tr> <tr> <td>Taxes and public dues</td> <td>¥ 455 million</td> </tr> <tr> <td>Carrying charges</td> <td>¥ 1,206 million</td> </tr> <tr> <td>Consignment processing costs</td> <td>¥ 2,788 million</td> </tr> </table>	Depreciation expense	¥ 4,982 million	Taxes and public dues	¥ 455 million	Carrying charges	¥ 1,206 million	Consignment processing costs	¥ 2,788 million	2. Principal manufacturing expenses are as follows;	<table> <tr> <td>Depreciation expense</td> <td>¥ 4,840 million</td> </tr> <tr> <td>Taxes and public dues</td> <td>¥ 443 million</td> </tr> <tr> <td>Carrying charges</td> <td>¥ 1,137 million</td> </tr> <tr> <td>Consignment processing costs</td> <td>¥ 2,559 million</td> </tr> </table>	Depreciation expense	¥ 4,840 million	Taxes and public dues	¥ 443 million	Carrying charges	¥ 1,137 million	Consignment processing costs	¥ 2,559 million
Depreciation expense	¥ 4,982 million																		
Taxes and public dues	¥ 455 million																		
Carrying charges	¥ 1,206 million																		
Consignment processing costs	¥ 2,788 million																		
Depreciation expense	¥ 4,840 million																		
Taxes and public dues	¥ 443 million																		
Carrying charges	¥ 1,137 million																		
Consignment processing costs	¥ 2,559 million																		
3. Reserve for bonuses, ¥ 78 million and reserve for retirement benefits, ¥ 190 million are included in labor costs.		3. Reserve for bonuses, ¥ 75 million and reserve for retirement benefits, ¥ 161 million are included in labor costs.																	

## (c) Statements of Appropriated Retained Earnings

(Millions of yen)

Account	Term	Previous fiscal year (The date of an approval of shareholders' meeting February 20, 2004)		Current fiscal year (The date of an approval of shareholders' meeting February 22, 2005)	
		Amount		Amount	
I. Unappropriated retained earnings			6,954		4,736
II. Reversal of voluntary retained earnings					
1. Special depreciation reserve		19		18	
2. Reserve for deduction entry of property replaced by purchase		1	20	20	38
Total			6,975		4,775
III. Appropriation of retained earnings					
1. Cash dividends		919		1,072	
(¥6 per share — in common dividend)		(919)		(919)	
(¥1 per share — in celebration of the 85th anniversary of the Company's foundation)		(—)		(153)	
2. Directors' and corporate auditors' bonuses		52		44	
(Including corporate auditors' bonuses)		(6)		(6)	
3. Reserve for voluntary retained earnings					
(1) Special depreciation reserve		16		6	
(2) Special account reserve for deduction entry of property replaced by purchase		59		—	
(3) General reserve		4,800		2,500	
Total			5,848		3,623
IV. Unappropriated retained earnings of carry forward to next year			1,126		1,151

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

## Significant Accounting Policies

	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
1. Securities	<p>(1) Shares of subsidiaries and affiliated companies are stated at moving average cost.</p> <p>(2) Other securities with fair value are stated at fair value based on market price at the closing date. Valuation differences comprise shareholders' equity as unrealized valuation gain (loss) on other securities. When sold, cost of sales is determined by the moving average method.</p> <p>Other securities with no fair value are stated at moving average cost.</p>	<p>(1) The same standards with the previous fiscal year.</p> <p>(2) The same standards with the previous fiscal year.</p>
2. Derivative financial instruments	<p>Derivative financial instruments are stated at fair value.</p> <p>Hedge accounting is adopted for derivative financial instruments which conform to the requirements of hedge accounting.</p>	The same standards with the previous fiscal year.
3. Inventories	<p>(Valuation basis)</p> <p>Purchased goods, products, raw materials, work in progress and supplies are stated at cost.</p> <p>(Valuation method)</p> <p>(a) Purchased goods, products (except for the following (b)), raw materials, work in progress and supplies are determined by the monthly moving average method.</p> <p>(b) Some joint products are determined by the retail periodic average method.</p>	<p>(Valuation basis)</p> <p>The same standards with the previous fiscal year.</p> <p>(Valuation method)</p> <p>The same standards with the previous fiscal year.</p>
4. Depreciation of fixed assets	<p>(1) Tangible fixed assets are depreciated by the declining balance method except for the following assets.</p> <p>Buildings (except for equipment fixed inside buildings) acquired on and after April 1, 1998, are depreciated by the straight-line method.</p> <p>The same basis with the Corporation Tax Law is adopted for useful life and scrap value.</p> <p>The main useful life is as follows.</p> <p>Buildings 3-50 years</p> <p>Machinery and equipment 2-17 years</p> <p>(2) Intangible fixed assets are depreciated by the straight-line method.</p> <p>The same basis with the Corporation Tax Law is adopted for useful life.</p> <p>Computer software is amortized as no scrap value by the straight-line method for five years based on the estimated useful life for internal use.</p> <p>(3) Long-term prepaid expenses are amortized by the straight-line method.</p>	<p>(1) The same standards with the previous fiscal year.</p> <p>(2) The same standards with the previous fiscal year.</p> <p>(3) The same standards with the previous fiscal year.</p>
5. Reserve	<p>(1) Allowance for doubtful accounts</p> <p>Allowance for doubtful accounts is provided for on the amounts calculated by an estimated uncollectible rate to general credits considering the past actual bad debt losses, plus on the estimated uncollectible amounts in consideration of the possibility of collection to specific credits of apprehension credits of bad debt, etc.</p> <p>(2) Reserve for sales rebates</p> <p>Reserve for sales rebates is based on a proportion to sales on an accrual basis.</p> <p>(3) Reserve for bonuses</p> <p>Reserve for bonuses is based on the specific computation period.</p>	<p>(1) Allowance for doubtful accounts</p> <p>The same standards with the previous fiscal year.</p> <p>(2) Reserve for sales rebates</p> <p>The same standards with the previous fiscal year.</p> <p>(3) Reserve for bonuses</p> <p>The same standards with the previous fiscal year.</p>

	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
	<p>(4) Reserve for retirement benefits Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis considering the estimated retirement benefit obligations and pension fund assets at end of the current fiscal year. Prior service liabilities are amortized by the straight-line method over a certain period (twelve years) within an average remaining service period of employees, and their amortization starts in the respective accrual years. Actuarial gains or losses are amortized by the straight-line method over a certain period (twelve years) within an average remaining service period of employees, and their amortizations start in the next year of the respective accrual years. As the pension fund assets exceeded retirement benefit obligations in the current fiscal year, its excess amounts were accounted for as prepaid pension costs in investments and other assets.</p> <p>(Additional information) For the purpose of the return of a role as an agent regarding the operations of welfare pension fund, the relinquishment of the entrusted government's portion of retirement benefit obligations and the exemption of future payment obligations in accordance with the Defined Benefit Corporation Law promulgated on June 15, 2001, the Company applied to the Minister of Health, Labour and Welfare to obtain permission of them and was officially approved on the date of October 1, 2002. Thereby, the Company considered the above date to be the returned date, according to the transitional measures of Article 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" of Accounting Committee Report No. 13 published by the JICPA on September 14, 1999 (Latest revision on September 2, 2003) and recognized the relinquishment of the obligations and the related pension fund assets. The amounts of pension fund assets to be returned were ¥9,446 million at end of the current fiscal year.</p>	<p>(4) Reserve for retirement benefits Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis considering the estimated retirement benefit obligations and pension fund assets at end of the current fiscal year. Prior service liabilities are amortized by the straight-line method over a certain period (twelve years) within an average remaining service period of employees, and their amortization starts in the respective accrual years. Actuarial gains or losses are amortized by the straight-line method over a certain period (twelve years) within an average remaining service period of employees, and their amortizations start in the next year of the respective accrual years. As the pension fund assets exceeded retirement benefit obligations in the current fiscal year, its excess amounts were accounted for as prepaid pension costs in investments and other assets. Retirement benefit systems of the Company consist of a defined benefit corporate pension plan (Fund-type and Contract-type).</p> <p>(Additional information) For the purpose of the return of a role as an agent regarding the operations of welfare pension fund, the relinquishment of the entrusted government's portion of retirement benefit obligations and the exemption of future payment obligations in accordance with the Defined Benefit Corporation Law promulgated on June 15, 2001, the Company applied to the Minister of Health, Labour and Welfare to obtain permission of them and was officially approved on the date of October 1, 2002. Thereby, the Company considered the above date to be the returned date, according to the transitional measures of Article 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" of Accounting Committee Report No. 13 published by the JICPA on September 14, 1999 (Latest revision on October 4, 2004) and recognized the relinquishment of the obligations and the related pension fund assets. The Company obtained the permission of return of the assets and of exemption of the related payment obligation from the Minister of Health, Labour and Welfare on September 14, 2004, and paid the returning amount, which is equal to ¥9,212 million of the minimum actuarial liability, on October 7, 2004. As a result, the difference between the actual amount paid and the reported amount in the prior fiscal year is ¥412 million whose amount has an effect on the financial statements as an extraordinary gain.</p>

	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
6. Lease transactions	<p>(5) Reserve for directors' and corporate auditors' retirement pay Reserve for directors' and corporate auditors' retirement pay is accounted for by amounts payable which will be required in accordance with the Company's bylaw if all directors and corporate auditors terminate their services with the Company at end of the year.</p> <p>Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees, are accounted for by the same method applied to ordinary operating leases.</p>	<p>(5) Reserve for directors' and corporate auditors' retirement pay The same standards with the previous fiscal year.</p> <p>The same standards with the previous fiscal year.</p>
7. Hedge accounting	<p>(1) Hedge accounting Deferral hedge is adopted in the method of hedge accounting. Designation transactions are applied to debts and credits in foreign currency which conform to the requirements of hedge accounting.</p> <p>(2) Hedge instruments and hedge items Hedge instruments are forward exchange contracts. Hedge items are purchase transactions in foreign currencies.</p> <p>(3) Hedge policy The Company enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rate and never makes use of them for the purpose of speculative transactions.</p> <p>(4) Assessment of the effectiveness of hedge accounting Control procedures of hedge transactions are executed according to the Company's bylaw. The effectiveness of hedge is measured by comparing movements in the fair value of hedge items with those of hedge instruments. Hedge transactions are strictly controlled, analyzed and assessed.</p>	<p>(1) Hedge accounting The same standards with the previous fiscal year.</p> <p>(2) Hedge instruments and hedge items The same standards with the previous fiscal year.</p> <p>(3) Hedge policy The same standards with the previous fiscal year.</p> <p>(4) Assessment of the effectiveness of hedge accounting The same standards with the previous fiscal year.</p>
8. Other	<p>(1) Accounting for consumption taxes Consumption taxes are recorded in separate accounts. Accrued consumption taxes are included in accounts payable — other.</p> <p>(2) Accounting Standard for Net Income per Share The Company applied the Accounting Standard for Net Income per Share (Accounting Standard No. 2) and the Guideline for Accounting Standard Application for Net Income per Share (Accounting Standard Application Guideline No. 4). The effect on net income per share is reported in Per Share Data.</p>	<p>(1) Accounting for consumption taxes The same standards with the previous fiscal year.</p> <p>_____</p>

## Reclassification

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>(Statements of Income)</p> <p>1. As gain on sales of investment in securities included in Extraordinary gains — other in the prior fiscal year, exceeded 10% of the aggregate amount of Extraordinary gains in the current fiscal year, the Company changed to the method reporting as an independent account by reclassifying other accounts, and its gain- included in Extraordinary gains — other in the previous fiscal year- was ¥ 208 million.</p> <p>2. As reversal profit of allowance for doubtful accounts included in Extraordinary gains — other in the prior fiscal year, exceeded 10% of the aggregate amount of Extraordinary gains in the current fiscal year, the Company changed to the method reporting as an independent account by reclassifying other accounts, and its profit included in Extraordinary gains — other in the previous fiscal year was ¥ 208 million.</p>	<hr style="width: 20%; margin: auto;"/>

## Additional Information

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
<p>1. Business transfer of sales department of egg materials The Company separated the sales department of egg materials and transferred its department to the subsidiary Q.P. Egg Corporation on October 1, 2003. The amounts of inventories transferred totaled ¥2,849 million.</p> <p>2. Non-consolidated balance sheet The Regulations concerning the Terminology, Forms and Presentation Methods of the Non-Consolidated Financial Statements were revised, and consequently the shareholders' equity of non-consolidated balance sheet is compiled in accordance with the revised regulations as follows. (1) Capital surplus include capital surplus reserve in the current fiscal year. (2) Earned surplus include earned surplus reserve, voluntary retained earnings and unappropriated retained earnings in the current fiscal year.</p>	<hr style="width: 20%; margin: auto;"/>







## Securities

## Securities

## Shares of subsidiaries and affiliated companies with fair value

(Millions of yen)

Description	Previous fiscal year (As of November 30, 2003)			Current fiscal year (As of November 30, 2004)		
	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
Shares of subsidiaries	3,719	6,806	3,087	3,472	8,467	4,995
Shares of affiliated companies	290	1,088	797	290	1,338	1,047
Total	4,009	7,894	3,884	3,763	9,806	6,043

## Tax-Effect Accounting

(Millions of yen)

	Previous fiscal year (As of November 30, 2003)	Current fiscal year (As of November 30, 2004)
1. The principal details of deferred tax assets and liabilities are as follows:		
Deferred tax assets		
Current assets		
Reserve for sales rebates	473	394
Reserve for bonuses	111	99
Accrued enterprise taxes	155	38
Other	161	127
Total current assets — deferred tax assets	901	660
Fixed assets		
Trust to cover retirement benefit obligations	1,442	1,442
Reserve for directors' and corporate auditors' retirement pay	343	385
Write-down of golf course memberships	136	134
Other	217	341
Sub-total fixed assets — deferred tax assets	2,139	2,303
Valuation reserve	—	(62)
Total fixed assets — deferred tax assets	2,139	2,241
Total deferred tax assets	3,040	2,902
Deferred tax liabilities		
Long-term liabilities		
Prepaid pension costs	(344)	(1,560)
Reserve for deduction entry of property replaced by purchase	(1,478)	(1,486)
Special depreciation reserve	(42)	(34)
Unrealized valuation gain on other securities	(360)	(1,019)
Total long-term liabilities — deferred tax liabilities	(2,225)	(4,100)
Total deferred tax liabilities	(2,225)	(4,100)
Net deferred tax assets (liabilities)	815	(1,198)

	Previous fiscal year (As of November 30, 2003)	Current fiscal year (As of November 30, 2004)
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	42.0 %	42.0 %
(Adjustments)		
Permanent exclusion from expenses of entertainment expense and other	0.7%	1.2%
Tax free income of dividends receivable and other	(3.4) %	(2.5) %
Capita levy on inhabitant tax	0.7 %	1.0 %
Reduction adjustment on deferred tax assets resulting from change in the statutory effective tax rate	0.2%	—
Prior taxes and other	(0.8) %	(0.6) %
Actual burden tax rate after the application of tax effect accounting	39.4 %	41.1 %
3. The effective tax rate used in the calculation of deferred tax assets and liabilities	Enterprise tax which is imposed on the basis of our outward form of enterprises as a part of objects of taxation was introduced newly by the revision of local tax law (2003, Law No. 9) announced officially on March 31, 2003, and thereby the enterprise tax rate imposed on earning is reduced. As a result, the statutory effective tax rate applied to objects of tax effect which continue as undeductible expenses on taxation on and after December 1, 2004, is changed from the previous rate 42.0% to 40.7%. The effect which this change has on the current fiscal statement, is immaterial.	

## Per Share Data

	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)						
Shareholders' equity per share	¥ 726.74	¥ 750.44						
Net income per share — primary	¥ 44.08	¥ 29.27						
Net income per share — diluted	¥ 40.64	¥ 27.21						
	<p>The Company applies the Accounting Standard for Net Income per Share (Accounting Standard No. 2) and the Guideline for Accounting Standard Application for Net Income per Share (Accounting Standard Application Guideline No. 4).</p> <p>The data in the case where the above account standards were adopted in the previous fiscal year is as follows:</p> <table> <tr> <td>Shareholders' equity per share</td> <td>¥ 690.10</td> </tr> <tr> <td>Net income per share</td> <td>¥ 38.76</td> </tr> <tr> <td>Net income per share — diluted</td> <td>¥ 35.65</td> </tr> </table>		Shareholders' equity per share	¥ 690.10	Net income per share	¥ 38.76	Net income per share — diluted	¥ 35.65
Shareholders' equity per share	¥ 690.10							
Net income per share	¥ 38.76							
Net income per share — diluted	¥ 35.65							

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

(Millions of yen)

	Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
Net income per share		
Net income	6,805	4,529
Amounts not attributable to common share	52	44
(Including directors' and corporate auditors' bonuses)	(52)	(44)
Net income attributable to common share	6,753	4,484
Weighted average number of common share	153,210 thousand shares	153,204 thousand shares
Net income per share — diluted		
Adjustments to net income	108	108
(Including interest expense after tax adjustment)	(108)	(108)
Increase of common share	15,619 thousand shares	15,619 thousand shares
(Including convertible bonds)	(15,619 thousand shares)	(15,619 thousand shares)
Summary of potential shares which were not included in calculation basis of net income per share — diluted because they do not have dilutive effects	(For stock option granted of total treasury stock number regulated article 210, No. 2 of Commercial Code before revision)  1,118,000 shares	(For stock option granted of total treasury stock number regulated article 210, No. 2 of Commercial Code before revision)  1,111,000 shares  In addition, above stock option is stated in "IV. The Company, 1. Shares, (4) Stock Option"

## Significant Subsequent Events

Previous fiscal year (From December 1, 2002 to November 30, 2003)	Current fiscal year (From December 1, 2003 to November 30, 2004)
None	<p>Purchase of treasury stock</p> <p>For the purpose of executing the mobile capital policy, while complying with changes of the management circumstances, the Company received the approval for purchase of its own common shares by the resolution at the Board of Directors held on January 11, 2005 on the authorization of the Articles of Incorporation (the provision of Article 211-3 Paragraph 1 Item 2 of the Commercial Code).</p> <p><u>The terms of purchase</u></p> <p>The Company can purchase its own shares up to the maximum quantity 600,000 shares with the maximum amount ¥ 600 million by the ending of the 92nd General Shareholders' Meeting on February 22, 2005.</p> <p><u>The execution</u></p> <p>1. Method of purchase: Purchase on Tokyo Stock Exchange  2. Number of shares purchased: 205,500 shares  3. Purchase amount: ¥ 184 million  4. Purchase term: January 18, 2005 through January 25, 2005</p>

## (d) Supplementary Statements

## 1. Description of securities

(Shares)

(Millions of yen)

Investment in securities	Other securities	Issue	Number of shares	Book value
		Mizuho Financial Group, Inc.	2,307	1,309
Mitsubishi Tokyo Financial Group, Inc.	1,277	1,245		
Nichirei Corporation	3,109,000	1,193		
Kato Sangyo Co., Ltd.	840,329	1,130		
Sumitomo Mitsui Financial Group, Inc.	1,216	869		
Kirin Brewery Co., Ltd.	814,500	803		
Yoshinoya D&C Co., Ltd.	2,804	448		
Ono Pharmaceutical Co., Ltd.	77,000	416		
147 issues including Inageya Co., Ltd.	6,214,448	4,564		
Total		11,062,881	11,981	

## (Bonds)

(Millions of yen)

Investment in securities	Other securities	Name	Face value	Book value
			DKB Finance (Aruba)	400
	Held-to-maturity bonds	Euroyen bond issued by The Royal Bank of Scotland	1,000	1,000
		Euroyen bond issued by The Business Development Bank of Canada	1,000	1,000
Total			2,400	2,397

## 2. Description of fixed assets

(Millions of yen)

Item		Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation	Depreciation expense	Book value
Tangible fixed assets	Buildings	53,155	1,604	241	54,518	29,888	1,899	24,630
	Structures	6,281	214	56	6,439	4,471	231	1,968
	Machinery and equipment	67,804	4,545	1,689	70,660	53,779	4,292	16,881
	Auto and transportation equipment	59	0	1	57	54	0	3
	Tools, furniture and fixtures	3,930	180	81	4,028	3,401	188	627
	Land	15,822	—	—	15,822	—	—	15,822
	Construction in progress	1,032	2,837	2,555	1,314	—	—	1,314
Total		148,086	9,383	4,626	152,843	91,594	6,613	61,249
Intangible fixed assets	Patent rights	—	—	—	88	84	11	4
	Leasehold rights	—	—	—	87	—	—	87
	Trademark	—	—	—	49	44	4	5
	Computer software	—	—	—	2,827	1,482	484	1,344
	Telephone rights and other	—	—	—	94	3	0	90
Total		—	—	—	3,148	1,615	500	1,533
Long-term prepaid expenses		3,934	348	17	4,266	3,883	257	382
Deferred assets	—	—	—	—	—	—	—	—
	Total	—	—	—	—	—	—	—

(Notes) 1. Principal fixed assets increasing in the current year are as follows;

(Millions of yen)

Classification	Amount	Contents
Buildings	474	Expansion of rental equipment in the head office
	332	Expansion of facilities of Itami factory
Machinery and equipment	1,358	Manufacturing facilities of Itami factory
	664	Manufacturing facilities of Koromo factory
Construction in progress	707	Rental equipment in the head office

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

(Millions of yen)

Classification	Amount	Contents
Machinery and equipment	448	Manufacturing facilities of Nakagawara factory
	222	Manufacturing facilities of Goka factory
	204	Manufacturing facilities of Sengawa factory

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

## 3. Description of capital stock and other

(Millions of yen)

Classification		Beginning balance	Increase	Decrease	Ending balance
Capital stock		24,104	—	—	24,104
Outstanding shares	Common shares (Note 2)	(155,464,515 shares)	(—)	(—)	(155,464,515 shares)
		24,104	—	—	24,104
	Total	(155,464,515 shares)	(—)	(—)	(155,464,515 shares)
		24,104	—	—	24,104
Capital surplus reserve and other capital surplus	(Capital surplus reserve)				
	Paid in surplus	28,268	—	—	28,268
	Profit from merger	1,134	—	—	1,134
	Reserve of revaluation	16	—	—	16
	Total	29,418	—	—	29,418
Earned surplus reserve and Voluntary retained earnings	(Earned surplus reserve)	3,115	—	—	3,115
	(Voluntary retained earnings)				
	Special depreciation reserve (Note 1)	63	16	19	61
	Reserve for deduction entry of property replaced by purchase (Note 1)	2,127	—	1	2,126
	Special account reserve for deduction entry of property replaced by purchase (Note 1)	—	59	—	59
	General reserve (Note 1)	47,400	4,800	—	52,200
	Total	52,706	4,876	20	57,562

(Notes) 1. Increase and decrease of voluntary retained earnings are caused by appropriation of retained earnings concerning the previous closing of accounts.

2. Number of treasury stock at end of the previous fiscal year was 2,255,833 shares, and that of the current fiscal year is 2,264,343 shares.

## 4. Description of reserve

(Millions of yen)

Classification	Beginning balance	Increase	Decrease		Ending balance
			Used with purpose	Other	
Allowance for doubtful accounts	644	246	42	(Note) 21	826
Reserve for sales rebates	1,127	968	1,127	—	968
Reserve for bonuses	298	245	298	—	245
Reserve for directors' and corporate auditors' retirement pay	845	131	27	—	948

(Note) Decrease — Other on the column of allowance for doubtful accounts consists of reversal of allowance prepared for individual accounts ¥ 2 million and for general credits ¥ 19 million.

## (2) Principal Assets and Liabilities

Description of the principal titles of accounts in the balance sheet as of November 30, 2004 is as follows:

**Assets**

## Current assets

## 1. Cash and deposits

(Millions of yen)

Account	Amount
Cash on hand	2
Type of deposits	
Current deposits	10,829
Ordinary deposits	—
Notice deposits	—
Time deposits	—
Special deposits	0
Sub-total	10,830
Total	10,832

## 2. Notes receivable

## (1) Customer

(Millions of yen)

Customer	Amount
Takase Bussan Co., Ltd.	177
Nipro Pharma Corporation	125
Daito Corporation	69
Fujikawa & Co., Ltd.	50
Morishita Jintan Co., Ltd.	30
Other	208
Total	663

## (2) Monthly maturity

(Millions of yen)

Item	Maturity				
	December 2004	January 2005	February	On and after March	Total
Notes receivable	398	101	95	67	663

## 3. Accounts receivable — trade

## (1) Customer

(Millions of yen)

Customer	Amount
Mitsubishi Corporation	3,067
Q.P. Egg Corporation	2,918
Kato Sangyo Co., Ltd.	2,469
Kokubu Co., Ltd.	1,777
Itochu Corporation	1,430
Other	23,732
Total	35,395

## (2) Turnover of accounts receivable — trade

(Millions of yen)

Item	Amount
A. Beginning balance	43,505
B. Turnover	241,615
C. Ending balance	35,395
D. Collection	249,725
E. Collection ratio ( $D \div (A + B) \times 100$ )	87.59 %
F. Turnover ratio ( $B \div \{ (A + C) \div 2 \}$ )	6.12 times
G. Turnover period ( $366 \div F$ )	59.80 days

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

## 4. Inventories

(Millions of yen)

Item	Amount
Purchased goods	
Canned foods	1,162
Egg products and other	1,537
Sub-total	2,700
Products	
Mayonnaise, dressings and other	1,590
Egg products	1,398
Sub-total	2,988
Raw materials	
Eggs and the yolk	523
Cooking oil and other	1,402
Sub-total	1,925
Work in progress	
Mayonnaise and other	92
Supplies	
Machine parts	264
Expendables for sale and other	163
Sub-total	427
Total	8,135

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

(Millions of yen)

Corporate name	Amount
Q.P. Egg Corporation	4,392
Gourmet Delica Co., Ltd.	1,940
Kewpie Jyozo Co., Ltd.	1,896
Kanae Foods Co., Ltd.	1,821
K pack Co., Ltd.	1,735
Other	13,744
Total	25,531

Fixed assets  
Shares of subsidiaries and affiliated companies

(Millions of yen)

Issue	Amount
Kifuki U.S.A. Co., Inc.	9,207
K.R.S. Corporation	3,472
Nakashimato Co., Ltd.	1,448
Kewpie Jyozo Co., Ltd.	797
Potato Delica Co., Ltd.	543
Other	3,789
Total	19,258

**Liabilities**

## Current liabilities

## 1. Accounts payable — trade

(Millions of yen)

Supplier	Amount
Nakashimato Co., Ltd.	6,662
Toshoku Ltd.	1,307
Aohata Corporation	1,182
Kewpie Jyozo Co., Ltd.	1,104
Mitsui & Co., Ltd.	923
Other	11,025
Total	22,206

## 2. Current portion of convertible bonds

(Millions of yen)

Name	Amount
The 4th unsecured convertible bonds	18,629
Total	18,629

## (3) Other

None

## VI. Stock Information of Reporting Company

End of fiscal year	November 30
The General Shareholders' Meeting	Held in February
Record Date	November 30
Stock certificate denominations	6 denominations, including 100,000-share, 10,000-share, 1,000-share, 500-share, 100-share, and less than 100-share certificates
Interim dividend record date	May 31
Shares per trading unit	100
Stock transfer agency:	
Handling office	Stock Transfer Agency Dept., The Sumitomo Trust & Banking Co., Ltd. 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka
Customer contact	The Sumitomo Trust & Banking Co., Ltd. (head office and branches nationwide)
Stock transfer fee	Free
Stock certificate issuance fee	Revenue stamp in equivalent amount plus ¥100
Purchase of stock in less than the minimum trading unit:	
Handling office	Stock Transfer Agency Dept., The Sumitomo Trust & Banking Co., Ltd. 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka
Customer contact	The Sumitomo Trust & Banking Co., Ltd. (head office and branches nationwide)
Stock transfer fee	(Note 1)
Newspaper for announcements	The Nihon Keizai Shimbun (Note 2)
Shareholder privileges	Shareholders receive an annual gift of the Company's product(s), of a value determined by the number of shares in their possession as of November 30 of each year. More than 1,000 shares: Company product(s) valued at ¥3,000 More than 100 shares (but less than 1,000): Company product(s) valued at ¥1,000

(Notes) 1. The calculating method below shall be used to determine fees for purchase of stock in less than the minimum trading unit on the basis of the method below, in which total purchase fees per trading unit are divided by the total number of shares purchased and multiplied by the number of shares held by the shareholder in question.

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

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

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

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

2. Announcement of earnings results: the Balance Sheet and the Statement of Income are posted on the Company's Web site (<http://www.kewpie.co.jp/>).

American Depositary Receipts:

Ratio (ADR : ORD): 1 : 2

Exchange: OTC (Over-the-Counter)

Symbol: QPCPY

CUSIP: 746941103

Depository:

The Bank of New York

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

Tel: (212) 815-2042

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