

Q.P. CORPORATION

BRIEFING OF THE ACCOUNT

(NON-CONSOLIDATION)

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2002

(Translation)

January 14, 2003

**BRIEFING NOTE OF THE ACCOUNT (NON-CONSOLIDATION)
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2002**

| | |
|--|--|
| Listed corporate name: | KEWPIE KABUSHIKI-KAISHA |
| English corporate name: | Q.P. Corporation |
| Security code number: | 2809 |
| URL: | http://www.kewpie.co.jp/english/ |
| Listed exchange: | Tokyo Stock Exchange |
| Location of head office: | 4-13, Shibuya 1-chome, Shibuya-ku, Tokyo |
| Name and title of representative: | Gohsuke Ohyama President and Representative Director |
| Contact for inquires: | Toshio Sakagami Senior Managing Director and General Manager of Administration Division Tel. (03) 3486-3331 |
| Date of approval by board of directors: | January 14, 2003 |
| Ordinary general meeting of shareholders: | February 20, 2003 |

The Company makes interim dividends.

The unit of shares for one vote is 100 shares.

1. Business results for the fiscal year ended November 30, 2002 (From December 1, 2001 to November 30, 2002):

(1) Operating results

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

| | <u>Year ended November 30, 2002</u> | <u>Year ended November 30, 2001</u> |
|--|---|---|
| Net sales | ¥ 271,208 million (4.1%) | ¥ 260,466 million (-3.5%) |
| Operating income | ¥ 10,457 million (-3.5%) | ¥ 10,836 million (2.4%) |
| Ordinary income | ¥ 10,582 million (-6.6%) | ¥ 11,329 million (8.9%) |
| Net income | ¥ 6,030 million (-3.8%) | ¥ 6,268 million (-%) |
| Net income per share-primary | ¥ 39.11 | ¥ 40.54 |
| Net income per share-diluted | ¥ 35.97 | ¥ 35.82 |
| Return on equity | 5.8% | 6.2% |
| Ordinary income to total assets | 5.7% | 5.9% |
| Ordinary income to net sales | 3.9% | 4.3% |
| (Notes) | | |
| 1. Weighted average number of shares | 154,186 993 shares | 154,618,407 shares |
| 2. Changes in accounting principles in the current fiscal year | None | |
| 3. The percentage (%) of Net sales, Operating income, Ordinary income and Net income is the ratio of the increase or decrease compared with the previous year. | | |

(2) Dividend policy

| | <u>Year ended November 30, 2002</u> | <u>Year ended November 30, 2001</u> |
|----------------------------------|---|---|
| Dividends per share | ¥ 12.00 | ¥ 12.00 |
| Interim | ¥ 6.00 | ¥ 6.00 |
| Year-ended | ¥ 6.00 | ¥ 6.00 |
| Total amount of yearly dividends | ¥ 1,844 million | ¥ 1,851 million |
| Dividend pay-out ratio | 30.6% | 29.5% |
| Dividend to net worth | 1.7% | 1.8% |

(3) Financial conditions

| | <u>Year ended November 30, 2002</u> | <u>Year ended November 30, 2001</u> |
|---------------------------------|---|---|
| Total assets | ¥ 186,656 million | ¥ 185,861 million |
| Net worth | ¥ 105,794 million | ¥ 102,596 million |
| Net worth to gross capital | 56.7% | 55.2% |
| Net worth per share | ¥ 690.46 | ¥ 664.90 |
| (Notes) | | |
| 1. Number of outstanding shares | 155,464,515 shares | 155,463,617 shares |
| 2. Number of treasury stock | 2,240,487 shares | 1,159,451 shares |

2. Estimate of operating results for the fiscal year ending November 30, 2003 (From December 1, 2002 to November 30, 2003):

| | <u>Six months ending May 31, 2003</u> | <u>Year ending November 30, 2003</u> |
|--------------------|---|--|
| Net sales | ¥ 138,100 million | ¥ 282,500 million |
| Ordinary income | ¥ 6,300 million | ¥ 11,800 million |
| Net income | ¥ 3,400 million | ¥ 6,700 million |
| Dividend per share | ¥ 6.00 | ¥ 12.00 |

(Reference) Estimate of yearly net income per share ¥ 43.73

The above estimate information is reported based on available information, conceivable circumstances and uncertain factors which may have an effect on the future operating results on the day of an official announcement of this report.

As a result, the estimate of operating results may differ significantly from the actual operating results due to uncertain various factors.

Q.P. CORPORATION

Non-Consolidated Balance Sheets

NOVEMBER 30, 2002 AND 2001

(Millions of yen)

| ASSETS | 2002 | 2001 |
|------------------------------------|-------------|-------------|
| CURRENT ASSETS: | | |
| Cash and deposits | 9,834 | 14,770 |
| Notes and accounts receivable | 43,519 | 42,800 |
| Securities | - | 97 |
| Inventories | 12,918 | 13,276 |
| Short-term loans receivable | 16,961 | 13,265 |
| Deferred tax assets | 1,027 | 1,193 |
| Other | 2,414 | 2,180 |
| Allowance for doubtful accounts | (64) | (242) |
| Total current assets | 86,612 | 87,339 |
| FIXED ASSETS: | | |
| Tangible fixed assets | | |
| Buildings and structures | 27,388 | 24,184 |
| Machinery and equipment | 16,960 | 14,851 |
| Land | 15,856 | 15,864 |
| Construction in progress | 2,285 | 3,311 |
| Other | 666 | 533 |
| Total tangible fixed assets | 63,156 | 58,745 |
| Intangible fixed assets | 1,394 | 1,367 |
| Investments and other assets | | |
| Investment in securities | 11,709 | 13,330 |
| Shares of subsidiaries | 17,281 | 17,170 |
| Deferred tax assets | 1,703 | 3,469 |
| Other | 5,404 | 4,637 |
| Allowance for doubtful accounts | (606) | (200) |
| Total investments and other assets | 35,493 | 38,407 |
| Total fixed assets | 100,044 | 98,521 |
| Total assets | 186,656 | 185,861 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 2002 | 2001 |
|--|-------------|-------------|
| CURRENT LIABILITIES: | | |
| Notes and accounts payable | 28,598 | 26,022 |
| Short-term loans payable | 4,740 | 3,000 |
| Current portion of convertible bonds | - | 3,648 |
| Accounts payable-other | 10,743 | 13,287 |
| Accrued income taxes | 768 | 1,207 |
| Reserve for sales rebates | 1,763 | 1,787 |
| Reserve for bonuses | 277 | 334 |
| Other | 3,477 | 4,570 |
| Total current liabilities | 50,370 | 53,857 |
| LONG-TERM LIABILITIES: | | |
| Convertible bonds | 18,629 | 18,629 |
| Long-term loans payable | 2,104 | - |
| Reserve for retirement benefits | 1,649 | 6,263 |
| Reserve for directors' and corporate auditors' retirement | 1,264 | 1,059 |
| Other | 6,844 | 3,456 |
| Total long-term liabilities | 30,490 | 29,407 |
| Total liabilities | 80,861 | 83,265 |
| SHAREHOLDERS' EQUITY: | | |
| Capital stock | 24,104 | 24,103 |
| Capital surplus reserve | 29,418 | 29,418 |
| Earned surplus reserve | 3,115 | 3,115 |
| Voluntaly retained earnings | 45,417 | 41,256 |
| Special depreciation reserve | 69 | 86 |
| Reserve for deduction entry of property replaced by purchase | 2,147 | 2,169 |
| General reserve | 43,200 | 39,000 |
| Unappropriated retained earnings | 6,215 | 6,252 |
| Unrealized valuation loss on other securities | (203) | (354) |
| Treasury stock | (2,272) | (1,194) |
| Total shareholders' equity | 105,794 | 102,596 |
| Total liabilities and shareholders' equity | 186,656 | 185,861 |

Q.P. CORPORATION

Non-Consolidated Statements of Income
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2002 AND 2001

(Millions of yen)

| | 2002 | 2001 |
|--|-------------|-------------|
| NET SALES | 271,208 | 260,466 |
| COST OF SALES | 186,953 | 177,434 |
| Gross profit | 84,255 | 83,031 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 73,798 | 72,194 |
| Operating income | 10,457 | 10,836 |
| NON-OPERATING INCOME: | | |
| Interest income and dividend received | 828 | 671 |
| Other | 195 | 520 |
| NON-OPERATING EXPENSES: | | |
| Interest expense | 343 | 402 |
| Other | 555 | 296 |
| Ordinary income | 10,582 | 11,329 |
| EXTRAORDINARY GAINS: | | |
| Gain on the return of the entrusted government's portion of the welfare pension fund | 3,092 | - |
| Gain on establishments in trust to cover retirement benefit obligations | - | 3,611 |
| Effects of the amendments on the application of the new accounting standards for retirement benefits | - | 3,706 |
| Other | 426 | 854 |
| EXTRAORDINARY LOSSES: | | |
| Loss on disposal of fixed assets | 598 | 445 |
| Cost for establishments in trust to cover retirement benefit obligations | - | 7,154 |
| Valuation loss on investment in securities | 2,059 | 1,060 |
| Other | 655 | 65 |
| Net income before income taxes | 10,788 | 10,775 |
| Income taxes | 2,935 | 3,341 |
| Income taxes deferred | 1,821 | 1,165 |
| Net income | 6,030 | 6,268 |
| Retained earnings at beginning of the year | 1,110 | 1,002 |
| Interim dividends | 925 | 925 |
| Transfer to earned surplus reserve with respect to interim dividends | - | 92 |
| Unappropriated retained earnings | 6,215 | 6,252 |

Q.P. CORPORATION

Proposal of Appropriated Retained Earnings

NOVEMBER 30, 2002 AND 2001

(Millions of yen)

| | 2002 | 2001 |
|--|-------------|-------------|
| UNAPPROPRIATED RETAINED EARNINGS | 6,215 | 6,252 |
| REVERSAL OF VOLUNTARY RETAINED EARNINGS: | | |
| Special depreciation reserve | 15 | 36 |
| Reserve for deduction entry of property replaced by purchase | 20 | 21 |
| | 36 | 58 |
| Total | 6,251 | 6,310 |
| APPROPRIATED OF RETAINED EARNINGS: | | |
| Cash dividends (¥ 6 per share) | 919 | 925 |
| Directors' and corporate auditors' bonuses | 54 | 55 |
| Reserve for voluntary retained earnings | | |
| Special depreciation reserve | 9 | 19 |
| General reserve | 4,200 | 4,200 |
| | 4,209 | 4,219 |
| | 5,183 | 5,200 |
| UNAPPROPRIATED RETAINED EARNINGS OF CARRY FORWARD TO NEXT YEAR | 1,068 | 1,110 |

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

a. Valuation basis and valuation methods for significant assets

Securities

1. Held-to-maturity bonds are stated at amortized cost. Discounts and premiums are amortized by the straight-line method.
 2. Shares of subsidiaries and affiliated companies are stated at moving average cost.
 3. Other securities with fair value are stated at fair value based on market price at the closing date. Valuation differences are stated in shareholders' equity as unrealized valuation loss on other securities. When sold, cost of sales is determined by the moving average method.
- Other securities with no fair value are stated at moving average cost.

Derivative financial instruments

Derivative financial instruments are stated at fair value.

Hedge accounting is adopted for derivative financial instruments which conform to the requirements of hedge accounting.

Inventories

Products, purchased goods, raw materials, supplies, and work in progress are principally stated at monthly moving average cost.

Some joint products are stated at retail periodic average cost.

b. Depreciation of fixed assets

Tangible fixed assets

Tangible fixed assets are depreciated by the declining balance method except for the following assets.

Buildings (except for equipment fixed inside buildings) acquired on and after April 1, 1998, are depreciated by the straight-line method.

The same basis with the Corporation Tax Law is adopted for useful life and scrap value.

Intangible fixed assets

Intangible fixed assets are depreciated by the straight-line method.

Computer software purchased for internal use is amortized as no scrap value by the straight-line method for five years based on the estimated useful life for internal use.

Long-term prepaid expenses

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

c. Accounting standards for significant reserves

Allowance for doubtful accounts

Allowance for doubtful accounts is provided for on the amounts calculated by an estimated uncollectible rate to general credits 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.

Reserve for sales rebates

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

Reserve for bonuses

Reserve for bonuses is based on the specific computation period.

Reserve for retirement benefits

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

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

Retirement benefits systems of the Company consist of a tax-qualified pension system and a welfare pension system.

(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, 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 and recognized the differences ¥ 3,092 million between the obligations relinquished and the related pension fund assets as extraordinary gains in the current fiscal year and the amounts of pension fund assets to be returned were ¥ 9,602 million at end of the current fiscal year.

Reserve for directors' and corporate auditors' retirement

Reserve for directors' and corporate auditors' retirement, reserve of Article 287-2 of the Commercial Code, 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 current fiscal year.

d. Accounting for lease transactions

Finance lease transactions other than those which are deemed to transfer the ownership of leased assets to lessees, are accounted for by the same method as that applied to ordinary operating leases.

e. Hedge accounting

1. Deferral hedge is adopted in hedge accounting.

Designation transactions are applied to debts and credits in foreign currency which conform to a certain requirement of hedge accounting.

2. Hedge instruments are forward exchange contracts.

3. Hedge items are purchase transactions in foreign currencies.

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

5. Assessment of the effectiveness of hedge accounting

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

f. Accounting for consumption taxes

Consumption taxes are recorded in separate accounts.

2. NOTES TO BALANCE SHEETS

| | Millions of yen | |
|---|--------------------------|--------------------------|
| | <u>November 30, 2002</u> | <u>November 30, 2001</u> |
| (1) Accumulated depreciation of tangible fixed assets | 81,029 | 77,132 |
| (2) Contingent liabilities (guarantees) | 3,051 | 3,527 |
| (3) Treasury stock | 2,272 | 1,194 |
| (Including treasury stock to be reserved for stock option granted.) | (2,240,487 shares) | (1,159,451 shares) |

3. NOTES TO STATEMENTS OF INCOME

| | Millions of yen | |
|---|--------------------------|--------------------------|
| | <u>November 30, 2002</u> | <u>November 30, 2001</u> |
| (1) Details of extraordinary losses – other | | |
| Allowance for doubtful accounts | 451 | - |
| (2) Research and development costs included in selling, general and administrative expenses | 2,395 | 2,387 |

4. LEASE TRANSACTIONS

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

Year ended November 30, 2002

- a. Acquisition cost, accumulated depreciation and fair value of lease properties
(Millions of yen)

| | Acquisition cost | Accumulated depreciation | Fair value |
|-----------------------------------|------------------|--------------------------|------------|
| Tools, furniture and fixture | 2,427 | 1,639 | 787 |
| Auto and transportation equipment | 917 | 520 | 396 |
| Computer software | 132 | 71 | 61 |
| Total | 3,477 | 2,231 | 1,246 |

- b. Future lease payments

| | | |
|---------------------|--------------|---------|
| Due within one year | 704 | million |
| Due over one year | 561 | million |
| Total | <u>1,265</u> | million |

- c. Lease payments, depreciation and estimated interest expense

| | | |
|----------------------------|-----|---------|
| Lease payment | 888 | million |
| Depreciation expense | 855 | million |
| Estimated interest expense | 29 | million |

- d. Method of depreciation

Depreciation is calculated by the straight-line method by considering lease period to be useful life and scrap value to be zero.

- e. Calculation method of estimated interest expense

Interest which is separated from the aggregate lease amounts, is calculated as the difference between the aggregate lease amounts on contracts and the presumed costs considered to be acquired by lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

Year ended November 30, 2001

a. Acquisition cost, accumulated depreciation and fair value of lease properties
(Millions of yen)

| | Acquisition cost | Accumulated depreciation | Fair value |
|-----------------------------------|------------------|--------------------------|------------|
| Tools, furniture and fixture | 2,257 | 1,219 | 1,037 |
| Auto and transportation equipment | 651 | 315 | 336 |
| Computer software | 132 | 43 | 88 |
| Total | 3,041 | 1,578 | 1,462 |

b. Future lease payments

| | | |
|---------------------|--------------|---------|
| Due within one year | 739 | million |
| Due over one year | 751 | million |
| Total | <u>1,490</u> | million |

c. Lease payments, depreciation and estimated interest expense

| | | |
|----------------------------|-----|---------|
| Lease payment | 929 | million |
| Depreciation expense | 890 | million |
| Estimated interest expense | 34 | million |

d. Method of depreciation

Depreciation is calculated by the straight-line method by considering lease period to be useful life and scrap value to be zero.

e. Calculation method of estimated interest expense

Interest which is separated from the aggregate lease amounts, is calculated as the difference between the aggregate lease amounts on contracts and the presumed costs considered to be acquired by lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

5. SECURITIES

Securities (except for shares of subsidiaries and affiliated companies with fair value) in the previous and current consolidation fiscal year are presented on Notes to the consolidated financial statements.

Current fiscal year (as of November 30, 2002)

Securities

Shares of subsidiaries and affiliated companies with fair value

(Millions of yen)

| Description | Book value | Fair value | Unrealized gain(loss) |
|--------------------------------|------------|------------|-----------------------|
| Shares of subsidiaries | 3,719 | 6,118 | 2,399 |
| Shares of affiliated companies | 290 | 806 | 515 |
| Total | 4,009 | 6,924 | 2,915 |

6. TAX-EFFECT ACCOUNTING

(Millions of yen)

| | Current fiscal year (As of November 30, 2002) | Previous fiscal year (As of November 30, 2001) |
|--|--|---|
| The principal details of deferred tax assets and liabilities are as follows: | | |
| Deferred tax assets | | |
| Current assets | | |
| Reserve for sales rebates | 740 | 750 |
| Accrued enterprise taxes | 70 | 111 |
| Other | 216 | 331 |
| Total | 1,027 | 1,193 |
| Fixed assets | | |
| Reserve for retirement benefits | 691 | 2,628 |
| Trust to cover retirement benefit obligations | 1,488 | 1,488 |
| Reserve for directors' and corporate auditors' retirement | 531 | 444 |
| Other | 574 | 513 |
| Total | 3,284 | 5,075 |
| Total deferred tax assets | 4,312 | 6,268 |
| Deferred tax liabilities | | |
| Long-term liabilities | | |
| Reserve for deduction entry of property replaced by purchase | (1,540) | (1,555) |
| Special depreciation reserve | (40) | (50) |
| Total | (1,581) | (1,605) |
| Total deferred tax liabilities | (1,581) | (1,605) |
| Net deferred tax assets | 2,731 | 4,662 |

7. SIGNIFICANT SUBSEQUENT EVENT

None

Details of Sales

(Millions of yen)

| Products | As of November 30, 2002 | | As of November 30, 2001 | |
|--------------------------|-------------------------|-----------|-------------------------|-----------|
| Mayonnaise and dressings | 101,512 | (37.43%) | 100,038 | (38.41%) |
| Canned and retort foods | 50,937 | (18.78%) | 49,286 | (18.92%) |
| Egg products | 77,221 | (28.47%) | 72,912 | (27.99%) |
| Healthcare products | 13,340 | (4.92%) | 12,087 | (4.64%) |
| Vegetables and salads | 25,112 | (9.26%) | 23,279 | (8.94%) |
| Rental of facilities | 3,083 | (1.14%) | 2,862 | (1.10%) |
| Total | 271,208 | (100.00%) | 260,466 | (100.00%) |