

**Q.P. CORPORATION**

**BRIEFING OF THE ACCOUNT**

**(NON-CONSOLIDATION)**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2003**

(Translation)

January 13, 2004

**BRIEFING OF THE ACCOUNT (NON-CONSOLIDATION)  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2003**

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Listed corporate name:	KEWPIE KABUSHIKI-KAISHA
English corporate name:	Q.P. Corporation
Security code number:	2809
URL:	<a href="http://www.kewpie.co.jp/english/">http://www.kewpie.co.jp/english/</a>
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 inquiries:	Katsuhiko Sasaki General Manager of Administration Division Tel. (03)3486-3331
Board of directors for approval of the account:	January 13, 2004
Ordinary general meeting of shareholders:	February 20, 2004
Interim dividends:	Adoption
Trading unit share:	Adoption (100 shares per trading unit share)

1. Business results for the fiscal year ended November 30, 2003 (From December 1, 2002 to November 30, 2003):

(1) Operating results

	<u>Year ended November 30, 2003</u>	<u>Year ended November 30, 2002</u>
Net sales	¥ 268,958 million (-0.8%)	¥ 271,208 million (4.1%)
Operating income	¥ 10,617 million (1.5%)	¥ 10,457 million (-3.5%)
Ordinary income	¥ 11,248 million (6.3%)	¥ 10,582 million (-6.6%)
Net income	¥ 6,805 million (12.9%)	¥ 6,030 million (-3.8%)
Net income per share-primary	¥ 44.08	¥ 39.11
Net income per share-diluted	¥ 40.64	¥ 35.97
Return on equity	6.3%	5.8%
Ordinary income to total assets	6.0%	5.7%
Ordinary income to net sales	4.2%	3.9%
(Notes)		
1. Weighted average number of shares	153,210,860 shares	154,186,993 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 increase or decrease compared with the previous year.		

(2) Dividend policy

	<u>Year ended November 30, 2003</u>	<u>Year ended November 30, 2002</u>
Dividends per share	¥ 12.00	¥ 12.00
Interim	¥ 6.00	¥ 6.00
Year-ended	¥ 6.00	¥ 6.00
Total amount of yearly dividends	¥ 1,838 million	¥ 1,844 million
Dividend pay-out ratio	27.0%	30.6%
Dividend to net worth	1.7%	1.7%

### (3) Financial conditions

	<u>Year ended November 30, 2003</u>	<u>Year ended November 30, 2002</u>
Total assets	¥ 190,335 million	¥ 186,656 million
Net worth	¥ 111,395 million	¥ 105,794 million
Net worth to gross capital	58.5%	56.7%
Net worth per share	¥ 726.74	¥ 690.46
(Notes)		
1. Number of outstanding shares	153,208,682 shares	153,224,028 shares
2. Number of treasury stock	2,255,833 shares	2,240,487 shares

### 2. Estimate of operating results for the fiscal year ended November 30, 2004 (From December 1, 2003 to November 30, 2004):

	<u>Interim period</u>	<u>Yearly period</u>
Net sales	¥ 118,000 million	¥ 235,000 million
Ordinary income	¥ 4,870 million	¥ 8,850 million
Net income	¥ 2,540 million	¥ 4,770 million
Dividends per share		
Interim	¥ 6.00	-
Yearly	-	¥ 6.00
(Reference) Estimate of yearly net income per share	¥ 30.79	

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

The above estimate information is reported based on available information and uncertain factors which may have an effect on the future operating results.

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, 2003 AND 2002**

(Millions of yen)

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
<b>CURRENT ASSETS:</b>		
Cash and deposits	16,460	9,834
Notes	1,097	1,029
Accounts receivable	43,505	42,489
Inventories	8,892	12,918
Short-term loans receivable	17,700	16,961
Deferred tax assets	901	1,027
Other	3,236	2,414
Allowance for doubtful accounts	(238)	(64)
Total current assets	91,555	86,612
<b>FIXED ASSETS:</b>		
Tangible fixed assets		
Buildings	24,991	25,301
Machinery and equipment	16,823	16,960
Land	15,822	15,856
Construction in progress	1,032	2,285
Other	2,640	2,753
Total tangible fixed assets	61,311	63,156
Intangible fixed assets	1,499	1,394
Investments and other assets		
Investment in securities	11,097	9,547
Stocks of subsidiaries	19,636	19,443
Deferred tax assets	-	1,703
Prepaid pension costs	956	-
Other	4,685	5,404
Allowance for doubtful accounts	(405)	(606)
Total investment and other assets	35,970	35,493
Total fixed assets	98,780	100,044
Total assets	190,335	186,656

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2003</b>	<b>2002</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	26,937	28,598
Short-term loans payable	6,428	4,740
Accounts payable-other	10,313	10,743
Accrued income taxes	1,554	768
Reserve for sales rebates	1,127	1,763
Reserve for bonuses	298	277
Other	4,030	3,477
Total current liabilities	50,691	50,370
<b>LONG-TERM LIABILITIES:</b>		
Convertible bonds	18,629	18,629
Long-term loans payable	1,840	2,104
Reserve for retirement benefits	-	1,649
Reserve for directors' and corporate auditors' retirement pay	845	1,264
Deferred tax liabilities	86	-
Other	6,849	6,844
Total long-term liabilities	28,249	30,490
Total liabilities	78,940	80,861
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock	-	24,104
Capital surplus reserve	-	29,418
Earned surplus reserve	-	3,115
Voluntary retained earnings	-	45,417
Special depreciation reserve	-	69
Reserve for deduction entry of property replaced by purchase	-	2,147
General reserve	-	43,200
Unappropriated retained earnings	-	6,215
Unrealized valuation loss on other securities – net	-	(203)
Treasury stock	-	(2,272)
Capital stock	24,104	-
Capital surplus	29,418	-
Capital surplus reserve	29,418	-
Earned surplus	59,660	-
Earned surplus reserve	3,115	-
Voluntary retained earnings	49,590	-
Special depreciation reserve	63	-
Reserve for deduction entry of property replaced by purchase	2,127	-
General reserve	47,400	-
Unappropriated retained earnings	6,954	-
Unrealized valuation gain on other securities – net	498	-
Treasury stock	(2,287)	-
Total shareholders' equity	111,395	105,794
Total liabilities and shareholders' equity	190,335	186,656

Q.P. CORPORATION

**Non-Consolidated Statements of Income**  
**FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2003 AND 2002**

(Millions of yen)

	<b>2003</b>	<b>2002</b>
NET SALES	268,958	271,208
COST OF SALES	185,156	186,953
Gross profit	83,801	84,255
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	73,184	73,798
Operating income	10,617	10,457
NON-OPERATING INCOME:		
Interest income and dividend receivable	1,259	828
Other	187	195
NON-OPERATING EXPENSES:		
Interest expense	302	343
Other	514	555
Ordinary income	11,248	10,582
EXTRAORDINARY GAINS:		
Gain on return of the entrusted government's portion of the welfare pension fund	-	3,092
Gain on sales of investment in securities	191	-
Other	283	426
EXTRAORDINARY LOSSES:		
Loss on disposal of fixed assets	244	598
Write-down of investment in securities	82	2,059
Other	172	655
Net income before income taxes	11,223	10,788
Income taxes	3,009	2,935
Income taxes deferred	1,407	1,821
Net income	6,805	6,030
Retained earnings at beginning of the year	1,068	1,110
Interim dividends	919	925
Unappropriated retained earnings	6,954	6,215

Q.P. CORPORATION

**Proposal of Appropriated Retained Earnings**

(Millions of yen)

	<b>2003</b>	<b>2002</b>
UNAPPROPRIATED RETAINED EARNINGS	6,954	6,215
REVERSAL OF VOLUNTARY RETAINED EARNINGS:		
Special depreciation reserve	19	15
Reserve for deduction entry of property replaced by purchase	1	20
	<u>20</u>	<u>36</u>
Total	<u>6,975</u>	<u>6,251</u>
APPROPRIATED RETAINED EARNINGS:		
Cash dividends (¥ 6 per share)	919	919
Directors' and corporate auditors' bonuses	52	54
Reserve for voluntary retained earnings		
Special depreciation reserve	16	9
Special account reserve for deduction entry of property replaced by purchase	59	-
General reserve	4,800	4,200
	<u>4,876</u>	<u>4,209</u>
	<u>5,848</u>	<u>5,183</u>
UNAPPROPRIATED RETAINED EARNINGS OF CARRY FORWARD TO NEXT YEAR	1,126	1,068

(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 Income 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. Stocks of subsidiaries and affiliated companies are stated at moving average cost.
  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.

#### Derivative financial instruments

Derivative financial instruments are stated at fair value.

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

#### Inventories

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

Some joint products are stated at retail periodic average cost.

### b. Depreciation for 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.

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

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

#### Long-term prepaid expenses

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

c. Accounting standards for significant reserves

Allowance for doubtful accounts

Allowance for doubtful accounts is provided for on the amounts calculated by an estimated uncollectible rate to general credits in consideration of the past actual bad debt losses, plus on the estimated uncollectible amounts in consideration of the possibility of collection to specific credits of apprehension credits of bad debt, etc.

Reserve for sales rebates

Reserve for sales rebates is based on 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 at the necessary amounts on an accrual basis based on 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 twelve years based on the average remaining employees' service years and their amortization starts in the respective accrual years.

Actuarial gains or losses are amortized by the straight-line method over twelve years based on the average remaining employees' service years and their amortizations 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 benefits systems of the Company consist of a welfare pension system and a tax-qualified pension system.

(Additional information)

For the purpose of 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 were 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 Guideline of Accounting for Retirement Benefit (Interim Report)" of Accounting Committee Report No.13 published by the JICPA 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.

#### Reserve for directors' and corporate auditors' retirement pay

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

#### d. Accounting for lease transactions

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

#### e. Hedge accounting

1. Deferral hedge is adopted in the method of hedge accounting.

Designation transactions are applied to debts and credits in foreign currency which conform to the 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 tax

Consumption taxes are recorded in separate accounts.

#### g. 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 immaterial.

h. The Regulations concerning the Terminology, Forms and Preparation Methods of the Financial Statements were revised, and consequently the shareholders' equity of balance sheet is complied in accordance with the revised regulations.

(Additional Information)

1. 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 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 prior rate 42.0% to 40.7%.

The effect which this change has on the current fiscal statement, is immaterial.

2. Business transfer of sales department of egg materials

The Company separated the sales department of egg materials and transferred its department to the subsidiary QP egg corporation on October 1, 2003.

The amounts of inventories transferred totaled ¥2,849 millions.

## 2. NOTES TO BALANCE SHEETS

	Millions of yen	
	<u>November 30, 2003</u>	<u>November 30, 2002</u>
(1) Accumulated depreciation of tangible fixed assets	86,775	81,029
(2) Contingent liabilities (guarantees)	3,352	3,051
(3) Treasury stock	2,287	2,272
(Including treasury stock for stock option granted)	(2,255,833 shares)	(2,240,487 shares)

## 3. NOTES TO STATEMENTS OF INCOME

	Millions of yen	
	<u>November 30, 2003</u>	<u>November 30, 2002</u>
(1) Details of extraordinary losses – other		
Allowance for doubtful accounts	-	451
(2) Research and development costs included in selling, general and administrative expenses	2,479	2,395

#### 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, 2003

- a. Estimated acquisition cost, accumulated depreciation and estimated value of lease properties  
(Millions of yen)

	Estimated acquisition cost	Accumulated depreciation	Estimated value
Tools, furniture and fixture	2,337	1,743	594
Auto and transportation equipment	1,057	677	380
Computer software	156	101	54
Total	3,552	2,522	1,029

- b. Future lease payments

Due within one year	550	million
Due over one year	491	million
Total	<u>1,042</u>	million

- c. Lease payments, depreciation and estimated interest expense

Lease payment	802	million
Depreciation expense	775	million
Estimated interest expense	20	million

- d. Method of depreciation

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

- e. Calculation method of estimated interest expense

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

Year ended November 30, 2002

- a. Estimated acquisition cost, accumulated depreciation and estimated value of lease properties  
(Millions of yen)

	Estimated acquisition cost	Accumulated depreciation	Estimated value
Tools, furniture and 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 expense is calculated by the straight-line method by considering lease period to be useful life and scrap value to be zero.

- e. Calculation method of estimated interest expense

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

## 5. SECURITIES

Securities (except for stocks 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, 2003)

### Securities

Stocks of subsidiaries and affiliated companies with fair value

(Millions of yen)

Description	Book value	Fair value	Unrealized gain(loss)
Stocks of subsidiaries	3,719	6,806	3,087
Stocks of affiliated companies	290	1,088	797
Total	4,009	7,894	3,884

## 6. TAX-EFFECT ACCOUNTING

(Millions of yen)

	Current fiscal year (As of November 30, 2003)	Previous fiscal year (As of November 30, 2002)
The principal details of deferred tax assets and liabilities are as follows:		
Deferred tax assets		
Current assets		
Reserve for sales rebates	473	740
Accrued enterprise taxes	155	70
Other	272	216
Total	901	1,027
Fixed assets		
Reserve for retirement benefits	-	691
Trust to cover retirement benefit obligations	1,442	1,488
Reserve for directors' and corporate auditors' retirement pay	343	531
Other	354	574
Total	2,139	3,284
Total deferred tax assets	3,040	4,312
Deferred tax liabilities		
Long-term liabilities		
Prepaid pension costs	(344)	-
Reserve for deduction entry of property replaced by purchase	(1,478)	(1,540)
Special depreciation reserve	(42)	(40)
Unrealized valuation gain on other securities – net	(360)	-
Total	(2,225)	(1,581)
Total deferred tax liabilities	(2,225)	(1,581)
Net deferred tax assets	815	2,731

## 7. SIGNIFICANT SUBSEQUENT EVENT

None

## Details of Sales

(Millions of yen)

	Year ended November 30, 2003		Year ended November 30, 2002	
	Amount	Component ratio	Amount	Component ratio
Mayonnaise and dressings	100,240	% 37.27	101,512	% 37.43
Canned and retort foods	50,597	18.81	50,937	18.78
Egg products	77,042	28.64	77,221	28.47
Healthcare products	14,471	5.38	13,340	4.92
Vegetables and salads	23,279	8.66	25,112	9.26
Rental of facilities	3,326	1.24	3,083	1.14
Total	268,958	100.00	271,208	100.00