

**Q.P. CORPORATION**

**BRIEFING OF THE ACCOUNT**

**(NON-CONSOLIDATION)**

**FOR THE INTERIM PERIOD ENDED MAY 31, 2004**

(Translation)

July 13, 2004

**BRIEFING OF THE ACCOUNT  
(NON-CONSOLIDATED)  
FOR THE INTERIM PERIOD ENDED MAY 31, 2004**

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:	Yutaka Suzuki President and Representative Director
Contact for inquiries:	Katsuhiko Sasaki Director and General Manager of Administration Division Tel.(03)3486-3331
Board of directors held for the interim closing:	July 13, 2004
The Company makes interim dividends	
Beginning date on payment of interim dividend:	August 3, 2004
The unit of shares for one vote is 100 shares.	

1. Business results for the interim period ended May 31, 2004 (From December 1, 2003 to May 31, 2004):

(1) Operating results

	Interim period ended <u>May 31, 2004</u>	Interim period ended <u>May 31, 2003</u>	Year ended <u>November 30, 2003</u>
Net sales	¥ 117,345 million (-13.2%)	¥ 135,145 million (0.6%)	¥ 268,958million
Operating income	¥ 4,619million (-22.7%)	¥ 5,972 million (-1.3%)	¥ 10,617million
Ordinary income	¥ 4,913million (-26.2%)	¥ 6,658 million (6.2%)	¥ 11,248 million
Net income	¥ 2,679million (-20.3%)	¥ 3,362 million (9.3%)	¥ 6,805million
Net income per share	¥ 17.49	¥ 21.95	¥ 44.08

(Notes)

1. Weighted average number of shares
 

	153,206,187 shares	153,212,045 shares	153,210,860shares
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2. Changes in accounting principles in the current interim period
 

	None
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3. The percentage (%) of Net sales, Operating income, Ordinary income and Net income is the ratio of the increase or decrease compared with the previous interim period.

(2) Dividend per share

	Interim period ended <u>May 31, 2004</u>	Interim period ended <u>May 31, 2003</u>	Year ended <u>November 30, 2003</u>
Interim dividend	¥ 6.00	¥ 6.00	-
Annual dividend	-	-	¥ 12.00

(3) Financial conditions

	Interim period ended <u>May 31, 2004</u>	Interim period ended <u>May 31, 2003</u>	Year ended <u>November 30, 2003</u>
Total assets	¥ 188,790 million	¥ 188,401 million	¥ 190,335 million
Net worth	¥ 114,202 million	¥ 108,481 million	¥ 111,395 million
Net worth to gross capital	60.5%	57.6%	58.5%
Net worth per share	¥ 745.43	¥ 708.05	¥ 726.74
(Notes)			
Number of outstanding shares	153,205,129 shares	153,211,575 shares	153,208,682 shares
Number of treasury stock	2,259,386 shares	2,252,940 shares	2,255,833 shares

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

	<u>Year ending November 30, 2004</u>
Net sales	¥ 231,000 million
Ordinary income	¥ 8,850 million
Net income	¥ 4,770 million
Dividend per share for the year	¥ 13.00
(at end of the year)	¥ 7.00
(Reference) Estimate of yearly net income per share	¥ 31.13

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**

(Millions of yen)

<b>ASSETS</b>	<b>May 31, 2004</b>	<b>May 31, 2003</b>	<b>November 30, 2003</b>
<b>CURRENT ASSETS:</b>			
Cash and deposits	8,074	9,934	16,460
Notes	756	1,088	1,097
Accounts receivable	40,792	43,673	43,505
Inventories	8,108	11,052	8,892
Short-term loans receivable	25,369	19,405	17,700
Deferred tax assets	901	1,027	901
Other	2,091	2,763	3,236
Allowance for doubtful accounts	(215)	(65)	(238)
Total current assets	85,879	88,881	91,555
<b>FIXED ASSETS:</b>			
Tangible fixed assets			
Buildings	24,747	25,569	24,991
Machinery and equipment	16,190	17,016	16,823
Land	15,822	15,859	15,822
Construction in progress	2,326	1,840	1,032
Other	2,602	2,735	2,640
Total tangible fixed assets	61,689	63,020	61,311
Intangible fixed assets	1,453	1,412	1,499
Investments and other assets			
Investment in securities	15,352	10,658	11,097
Stocks of subsidiaries and affiliated companies	18,057	18,559	19,636
Deferred tax assets	-	1,480	-
Prepaid pension costs	2,194	-	956
Other	4,673	4,881	4,685
Allowance for doubtful accounts	(508)	(492)	(405)
Total investments and other assets	39,768	35,087	35,970
Total fixed assets	102,911	99,520	98,780
Total assets	188,790	188,401	190,335

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	May 31, 2004	May 31, 2003	November 30, 2003
<b>CURRENT LIABILITIES:</b>			
Accounts payable	24,211	28,432	26,937
Short-term loans payable	5,199	4,981	6,428
Accounts payable-other	9,441	10,155	10,313
Accrued income taxes	1,819	2,050	1,554
Reserve for sales rebates	2,088	2,036	1,127
Reserve for bonuses	950	653	298
Other	1,999	3,115	4,030
Total current liabilities	45,710	51,426	50,691
<b>LONG-TERM LIABILITIES:</b>			
Convertible bonds	18,629	18,629	18,629
Long-term loans payable	1,708	1,972	1,840
Reserve for retirement benefits	-	369	-
Reserve for directors' and corporate auditors' retirement pay	882	674	845
Deferred tax liabilities	884	-	86
Other	6,773	6,848	6,849
Total long-term liabilities	28,877	28,493	28,249
Total liabilities	74,587	79,920	78,940
<b>SHAREHOLDERS' EQUITY:</b>			
Capital stock	24,104	24,104	24,104
Capital surplus	29,418	29,418	29,418
Capital surplus reserve	29,418	29,418	29,418
Earned surplus	61,369	57,137	59,660
Earned surplus reserve	3,115	3,115	3,115
Voluntary retained earnings	54,447	49,590	49,590
Unappropriated retained earnings	3,806	4,431	6,954
Unrealized valuation gain on other securities – net	1,600	105	498
Treasury stock	(2,290)	(2,284)	(2,287)
Total shareholders' equity	114,202	108,481	111,395
Total liabilities and shareholders' equity	188,790	188,401	190,335

Q.P. Corporation

**Non-Consolidated Statements of Income**

(Millions of yen)

	Interim period ended May 31, 2004	Interim period ended May 31, 2003	Year ended November 30, 2003
NET SALES	117,345	135,145	268,958
COST OF SALES	79,949	93,689	185,156
Gross profit	37,395	41,456	83,801
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	32,776	35,483	73,184
Operating income	4,619	5,972	10,617
NON-OPERATING INCOME:			
Interest income and dividend receivable	556	1,001	1,259
Other	88	101	187
NON-OPERATING EXPENSES:			
Interest expense	144	150	302
Other	206	265	514
Ordinary income	4,913	6,658	11,248
EXTRAORDINARY GAINS:			
Gain on sales of investment in securities	156	7	191
Other	3	106	283
EXTRAORDINARY LOSSES:			
Loss on disposal of fixed assets	188	150	244
Loss on sales of investment in securities	152	0	4
Write-down of investment in securities	-	974	82
Other	275	68	167
Net income before income taxes	4,457	5,578	11,223
Income taxes	1,777	2,215	3,009
Income taxes deferred	-	-	1,407
Net income	2,679	3,362	6,805
Retained earnings at beginning of the year	1,126	1,068	1,068
Interim dividends	-	-	919
Unappropriated retained earnings	3,806	4,431	6,954

## 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 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.

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

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

#### Long-term prepaid expenses

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

c. Accounting standards for reserves

Allowance for doubtful accounts

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

Reserve for sales rebates

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

Reserve for bonuses

Reserve for bonuses is based on the specific computation period.

Reserve for retirement benefits

Reserve for retirement benefits is provided for at the necessary amounts on an accrual basis at end of the current interim period 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 a certain period twelve years within an average remaining service period of employees, and their amortization starts in the respective accrual years.

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

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

Retirement benefit systems of the Company consist of a defined benefit pension plan (Fund type and Bylaw type).

(Additional information)

On October 1, 2003, the Company obtained the permission of the exemption of the future payment obligations regarding the entrusted government's portion of retirement benefit obligations from the Minister of Health, Labour and Welfare, thereby the Company applied the transitional measure of Article 47-2 of "Practical Guideline of Accounting for Retirement Benefit (Interim Report)" of Accounting Committee Report No.13 published by JICPA and on that day, recognized the relinquishment of obligations and the related pension assets on the accounting treatment. The amounts of pension fund assets to be returned were ¥ 9,469 million at end of the current interim period.

April 1 2004, the Company changed an employees' welfare pension plan except for the entrusted government's portion of an employees' welfare pension fund into a defined benefit pension plan. This change brought about prior service liabilities.

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

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

#### d. Accounting for lease transactions

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

#### e. Hedge accounting

##### 1. Deferral hedge is adopted in hedge accounting.

Designation transactions are applied to debts and credits in foreign currency which conform to the requirements of hedge accounting.

##### 2. Hedge instruments are forward exchange contracts.

##### 3. Hedge items are purchase transactions in foreign currencies.

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

##### 5. Assessment of the effectiveness of hedge accounting

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

#### f. Accounting for consumption tax

Consumption taxes are recorded in separate accounts.

#### g. Tax effect accounting

The Company adopts a tax effect accounting, a so called the simple method that the company used the effective tax rate gotten by dividing yearly estimated tax expenses by yearly estimated net income before taxes and calculated by multiplying interim net income before taxes by the above tax rate, as a result, tax adjustment amounts calculated like that are included in income taxes.

## NOTES TO BALANCE SHEETS

	Millions of yen		
	May 31, 2004	May 31, 2003	November 30, 2003
(1) Accumulated depreciation of tangible fixed assets	88,673	83,345	86,775
(2) Contingent liabilities (guarantees)	2,763	3,524	3,352
(3) Treasury stock	2,290	2,284	2,287
(Including treasury stock for stock option granted)	(2,259,386 shares)	(2,252,940 shares)	(2,255,833 shares)

## NOTES TO STATEMENTS OF INCOME

	Millions of yen		
	Interim period ended May 31, 2004	Interim period ended May 31, 2003	Year ended November 30, 2003
Depreciation expense			
Tangible fixed assets	3,099	3,241	6,838
Intangible fixed assets	246	217	452
Long-term prepaid expenses	137	191	361

## LEASE TRANSACTIONS

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

Interim period ended May 31, 2004

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

(Millions of yen)

	Estimated acquisition cost	Accumulated depreciation	Estimated value
Tools, furniture and fixtures	1,419	846	573
Auto and transportation equipment	859	500	358
Computer software	158	92	66
Total	2,437	1,439	998

- b. Future lease payments

Due within one year	¥ 523 million
Due over one year	¥ 486 million
Total	¥ 1,009 million

- c. Lease payments, depreciation and estimated interest expense

Lease payments	¥ 343 million
Depreciation expense	¥ 333 million
Estimated interest expense	¥ 9 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.

Interim period ended May 31, 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 fixtures	2,429	1,679	750
Auto and transportation equipment	855	528	327
Computer software	160	86	74
Total	3,445	2,293	1,151

b. Future lease payments

Due within one year	¥ 628 million
Due over one year	¥ 540 million
Total	<u>¥ 1,168 million</u>

c. Lease payments, depreciation and estimated interest expense

Lease payments	¥ 448 million
Depreciation expense	¥ 433 million
Estimated interest expense	¥ 11 million

d. Method of depreciation

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

e. Calculation method of estimated interest expense

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

Year ended November 30, 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 fixtures	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 million</u>

c. Lease payments, depreciation and estimated interest expense

Lease payments	¥ 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. The calculation method of estimated interest expense

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

## SECURITIES

Stocks of subsidiaries and affiliated companies with fair value

Interim period ended May 31, 2004

(Millions of yen)

Description	Book value	Fair value	Unrealized gain (loss)
Stocks of subsidiaries	3,719	12,249	8,529
Stocks of affiliated companies	290	1,305	1,015
Total	4,009	13,554	9,545

Interim period ended May 31, 2003

(Millions of yen)

Description	Book value	Fair value	Unrealized gain (loss)
Stocks of subsidiaries	3,719	6,655	2,936
Stocks of affiliated companies	290	941	650
Total	4,009	7,596	3,587

Year ended November 30, 2003

(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	1,008	797
Total	4,009	7,894	3,884

## SIGNIFICANT SUBSEQUENT EVENT

None

## Details of Sales

(Millions of yen)

	Interim period ended May 31, 2004		Interim period ended May 31, 2003		Year ended November 30, 2003	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
Mayonnaise and dressings	50,414	42.96 %	50,489	37.36 %	100,240	37.27 %
Fruit applications and cooked foods	24,393	20.79	26,025	19.26	50,597	18.81
Egg products	21,190	18.06	38,378	28.40	77,042	28.64
Healthcare products	7,829	6.67	6,306	4.67	14,471	5.38
Vegetables and salads	11,762	10.02	12,302	9.10	23,279	8.66
Rental of facilities	1,754	1.50	1,643	1.21	3,326	1.24
Total	117,345	100.00	135,145	100.00	268,958	100.00