

Consolidated Financial Report for Year Ending March 31, 2005

Listed company name: Ariake Japan Co., Ltd.
 Code No.: 2815
 Listing Exchanges: Tokyo, 1st Section
 Head office: 3-2-17 Ebisu-Minami, Shibuya-ku, Tokyo, Japan
 URL: <http://www.net-ir.ne.jp/ariake/>
 Representative: Kineo Okada, President and Chief Executive Officer
 Contact: Sueo Kikushima, Director and Manager of the Management Coordination Department
 TEL: 03-3791-3301
 Date of board meeting for consolidated settlement: May 16, 2005
 Adoption of US GAAP: No

1. Results for the Year Ending March 31, 2005 (April 1, 2004 to March 31, 2005)

(1) Consolidated business results * Amounts under one million yen have been rounded down.

	Net sales		Operating income		Ordinary income	
	MY	%	MY	%	MY	%
FY2005	20,171	3.7	5,289	(7.5)	5,342	(9.9)
FY2004	19,458	2.2	5,718	5.3	5,930	4.5

	Net income		Net income per share	Net income per share/diluted	Return on shareholders' equity	Ordinary income to total assets	Ordinary income to sales
	MY	%	Yen 1/100 yen	Yen 1/100 yen	%	%	%
FY 2005	3,123	(8.7)	94.92	—	8.7	13.1	26.5
FY 2004	3,419	4.7	114.29	—	10.1	15.1	30.5

Note ① Investment profit and loss arising from equity method: FY2005 MY- FY2004 MY-
 ② Average number of shares outstanding during the term (consolidated): FY2005 32,387,346 shares
 FY2004 29,530,872 shares
 ③ Changes to accounting policies: None
 ④ Changes in Net sales, Operating income, Ordinary income and Net income from previous fiscal year are shown in percentage on a year-on-year basis.

(2) Consolidated financial position * Amounts under one million yen have been rounded down.

	Total assets		Shareholders' equity	Equity ratio	Shareholders' equity per share
	MY		MY	%	Yen 1/100 yen
FY2005	41,361		37,010	89.5	1,144.94
FY2004	40,080		35,103	87.6	1,187.40

Note: Number of share outstanding at term end (consolidated): FY2005 32,282,205 shares FY2004 29,525,362 shares

(3) Consolidated cash flows * Amounts under one million yen have been rounded down.

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and Cash equivalents at the fiscal year end
	MY	MY	MY	MY
FY2005	3,479	(671)	(1,737)	19,435
FY2004	4,114	(723)	(989)	18,153

(4) Number of consolidated subsidiaries, and subsidiaries and affiliates accounted for the equity method

Consolidated subsidiaries: 6 Unconsolidated subsidiaries accounted for the equity method: 0

Affiliated companies accounted for the equity method: 0

(5) Changes in the number of consolidated subsidiaries and affiliates accounted for the equity method

Newly-added consolidated subsidiaries: 0 Subsidiaries excluded from consolidation: 0

Newly-added equity method companies: 0 Companies excluded from equity method: 0

2. Forecast consolidated business results for the Year Ending March 31, 2006 (April 1, 2005 to March 31, 2006)

	Net sales		Ordinary income	Net income
	MY		MY	MY
Mid-term	10,300		2,860	1,680
Full-year	22,000		6,300	3,700

Reference: Expected net income per share (full-year) 114.61 (Yen 1/100 yen)

* Forecasts described above have been made based on information available as of the date of announcement and likely include factors which are uncertain. Actual results may be different from these forecasts due to various factors. For more information regarding the forecasts, see page 12.

1. Outline of the Business Group

Outline of the Business Group

The Ariake Group (the "Group") is comprised of Ariake Japan Co., Ltd. (the "Company") and six consolidated subsidiaries. Its main business is the manufacture and sale of natural seasoning products. The Company and two of its subsidiaries are located in Japan, and the four remaining subsidiaries, overseas. Following is an outline of the business operations of the various Group companies.

Ariake Japan Co., Ltd. (The company issuing the consolidated financial statements)

The Company manufactures natural seasoning products and sells them, along with products obtained from one domestic subsidiary and two overseas subsidiaries, primarily to customers in Japan. F. P. Natural Ingredients (SAS), a French subsidiary established in March, 2003 and F.P.N.I. BELGIUM (N.V.), a Belgian subsidiary established in January, 2004 plan to manufacture natural soup stocks and sell them mainly to customers in Europe.

Domestic Subsidiaries

Ariake Food Systems Co., Ltd. processes raw materials supplied by the parent company and delivers all of its processed output to the parent company.

A.C.C. Co., Ltd. leases portions of building owned by the parent company and operates convenience stores.

Overseas Subsidiaries

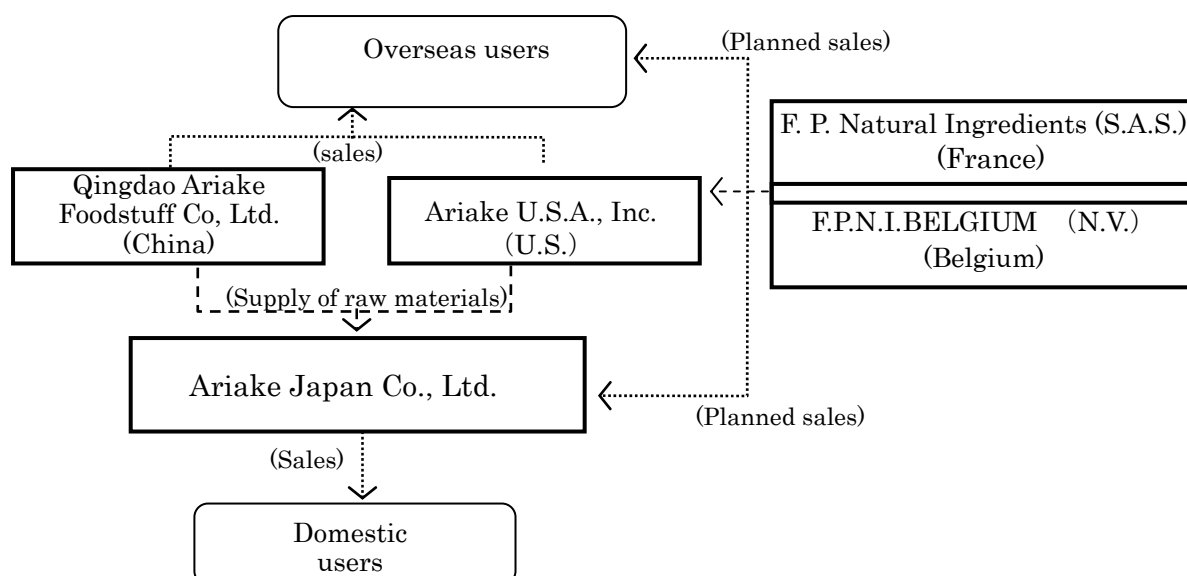
ARIAKE U.S., Inc. manufactures natural seasonings and sells them to customers in the U.S. and other countries. It also supplies these seasonings to the parent company.

Qingdao Ariake Foodstuff Co., Ltd. manufactures natural seasonings and sells them to customers in China and other countries. It also supplies these seasonings to the parent company.

F. P. Natural Ingredients (SAS) plans to manufacture natural soup stocks and sell them mainly to customers in European regions.

F.P.N.I. BELGIUM (N.V.) plans to manufacture natural soup stocks and sell them mainly to customers in European regions.

The major companies of the Group and the relationships among them are shown in the diagram below.



2. Business Strategy

1. Basic business policy

As a leader in the field of natural seasonings, the Group bases its activities on the following three management concepts:

1. The Group will contribute to the world by supporting healthy and enjoyable food culture through the production of natural seasonings.
2. The Group will quickly develop businesses that cater to the needs of the times, based on the concept of the customer coming first.
3. The Group will aim to optimize shareholders' value and is always attractive to shareholders.

The Group will endeavor to develop and foster the growth of products that take full advantage of the characteristic of natural seasonings, "excellent taste, good for health, ease to use" and strive to produce high quality products and increase profitability by achieving technological breakthroughs while ensuring food safety, which is achieved through meticulous safety and hygiene management. In this way, the Group will advance resolutely toward the goal of increasing profitability.

2. Basic policy regarding distribution of earnings

The Company considers that appropriate distribution of earnings to the shareholders is one of the Company's most important management priorities. Therefore, the Company is based on the principle of paying dividends more consistent with its business performance. Also, the Company has pursued a policy of paying substantial stable dividends by implementing various measures such as a stock split in keeping with the growth of the business while bearing in mind the dividend payout ratio. At the same time, the Company has maintained ample internal reserves to strengthen the Company's financial position taking into account the anticipated future business environment and long-term business development.

Concretely, as a strategy for returning earnings to the shareholders, the Company has adopted earnings per share (EPS) as a management indicator of shareholder returns. Management has set the EPS indicator at 100 yen, and implements a stock split when EPS has exceeded 100 yen for a length of time. In accordance with this policy, the Company has implemented consecutive stock splits over a five year period up to the fiscal year ending March 2004. As a result, the number of shares has increased by approximately 1.83 times, which has also allowed the Company to, in effect, increase dividends. The increase in the number of shares has, in particular, greatly contributed to an increase in the creation of a stable shareholder base and we believe that we have achieved the desired result through the policy continuous stock splits.

In line with the policy of sharing profits with shareholders, the Company has established a long-term stable policy of distributing profits to shareholders since FY2006. Specifically, with the objective of achieving a stable distribution of profits the Company has been issuing dividends in relation to shareholders' investment capital based on DOE (Dividend on Equity).

By comparison with the following standard DOE in the capital market, our company's DOE is set at a very high percentage.

Tokyo Stock Exchange 1st Section average of all listed companies	1.72% *(Quarterly Corporate Report 2005 Spring Edition)
Tokyo Stock Exchange 1st Section Foods Companies	1.64% *(Quarterly Corporate Report 2005 Spring Edition)
Ariake Japan Co., Ltd. (Year Ending March, 2005)	2.19%

We have determined that DOE is an effective means of directly ensuring a high dividend rate for our shareholders. The Company has established a long-term goal of a DOE of 2.5% and management is endeavoring to achieve this objective.

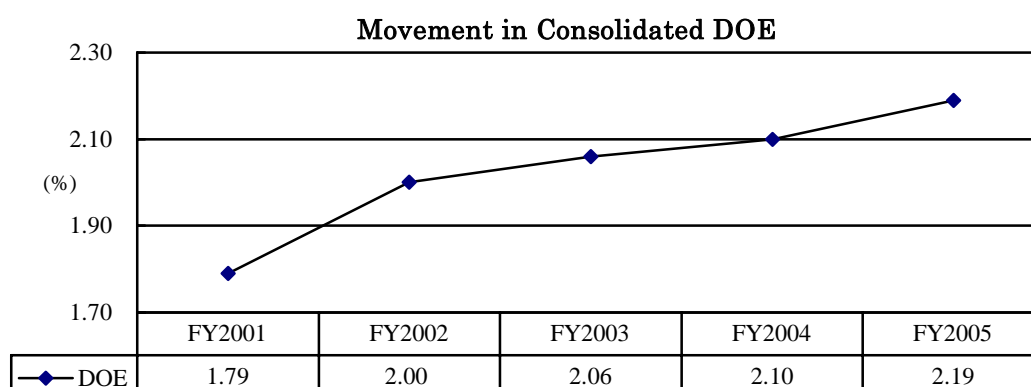
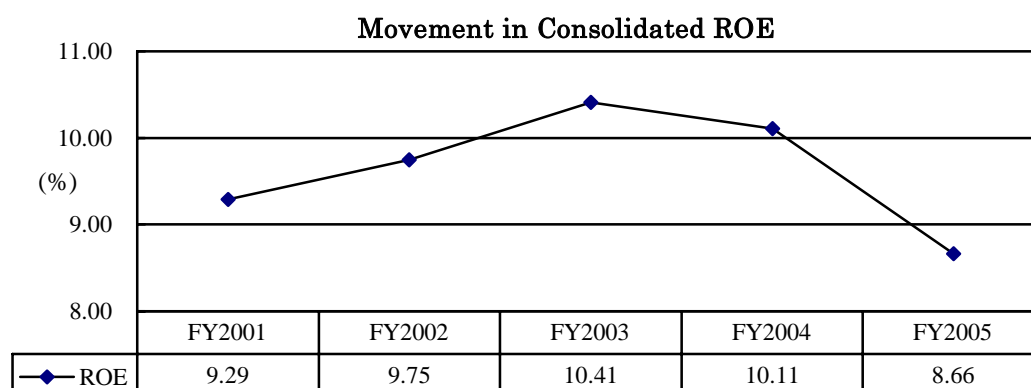
Additionally, with regard to internal reserves, based on the Company's "New Five Year Long-Term Management Plan" which starts in FY2006, we will endeavor to expand upon corporate activities by applying these reserves to strategic investments and loans aimed at developing the natural seasonings business and increasing profits, and, to improving stock value through flexible and agile operation of treasury stock acquisition which was implemented in FY2005.

3. Viewpoints and policies on reducing the size of stock trading unit

The Company recognizes that promoting stable, long-term holdings of the company's stock on the part of investors while broadening the shareholder base is an important issue related to capital strategy. Accordingly, in 1998 we lowered the size of the minimum stock trading unit from 1,000 shares to 100 shares. At the same time, as a result of undertaking aggressive IR activities, we have increased the number of our shareholders - principally individual investors, which have resulted in an increase in the number of shareholders of more than 15,600 as of this book closing (end of March 2005). The Company will decide future policy based on the principle of maximizing shareholder benefits, carefully considering issues of cost and effectiveness and taking into account business performance.

4. Key management indicator

In order to ensure corporate management that is attractive to shareholders by maximizing return on capital invested, the Company uses return on equity (ROE) and Dividend on Equity (DOE) as its main management indicator for the medium term. For this reason, the Group will execute stable management based on the "New Five-year Long-term Management Plan", and has set a long-term target of 12.0% for ROE and 2.5% for DOE.



5. Mid- and Long-term business plan and management issues

The Group conducts management based on a continued mid- to long-term view. The domestic Japanese food industry is a mature market, but the natural seasonings market can be expected to expand through the Company's various measures; furthermore, there will be an insufficient supply of raw materials in Japan due to this expansion, and there is a great potential for global

development of this business. Incorporating these factors into the foundation of the management plans, we established the Kyushu Number 2 Plant in 1995, applying expertise acquired over time in both the hardware and software aspects of the business, as well as maintain natural seasoning production and sales companies in the U.S. (Ariake U.S., Inc.) and China (Qingdao Ariake Foodstuff Co., Ltd.). We have also turned our attention to the European market, making the decision to make inroads into the manufacture and sales of natural soup stock, and in March 2003 we established the 100% subsidiary F. P. Natural Ingredients (SAS) in France. In January 2004, we established another 100% subsidiary F.P.N.I.BELGIUM (N.V.) in Belgium to pursue the same business. We are currently planning steady development of our business, and are promoting efforts targeting the concrete realization of these goals.

In this backdrop, the Group has established at the beginning of FY2004, “Five-year Long-term Management Plan – for the period from FY2004 (i.e., the fiscal year ending March 2004) to FY2008 (i.e., the fiscal year ending March 2008)” up to the present. This year saw the passage of 2 years and during this period a divergence has arisen between the changes in the foods market and business environment and the plan. A review of this plan was undertaken and a “New Five-year Long-term Management Plan” was formulated which started its first year in FY2006 and finish its last year as FY2010.

The main points of this New Five-year Long-term Management Plan are as follows:

1. Extend our operations from a natural seasonings-specialized manufacturer to a comprehensive seasonings maker in order to increase corporate value
2. Expand demand by thoroughly exploiting the domestic market as well as developing the global market
3. Grow into being a world class leading company through technical innovation.

Specifically, this plan involves the following four items.

- 1) Stimulate domestic demand as a comprehensive seasonings manufacturer in which the foods market is contracting due to an aging population combined with the diminishing number of children
- 2) Through aggressive capital investment related to technical innovation, achieve low cost high quality products
- 3) Aggressively promote our foreign strategy
- 4) Implement effective capital policies which increase corporate value

With this framework, the targets for FY2010 (ending March 2010), the final year of the New Five-year Long-term Management Plan, are as follows.

Consolidated net sales:	38.8 billion yen;	Ordinary income:	11.4 billion yen
Non-consolidated net sales:	28.8 billion yen;	Ordinary income:	9.0 billion yen

(Reference) Growth rate for FY2006 – FY2010 plan

	Consolidated	Non-consolidated
Net Sales	192%	153%
Ordinary income	213%	172%

We believe that our responsibility to the investors that have invested in the Company is to increase shareholders’ value with long-term stability by ensuring stable performance through yearly plans based on this long-term vision, thus establishing a firm profit foundation. This approach represents the essence of our management policies.

6. Issues which the Company needs to address

The Group, based on the recognition that the natural seasonings business is an industry which will see major growth both domestically as well as internationally, formulated the “New Five-year Long-Term Management Plan” which kicked off in FY2006. In order to promote this long-term management plan, the Company requires total funds of 15.7 billion yen. Although we will undertake a thorough investigation in response to circumstances, the required funds will be procured from, among other sources, the capital markets and from the company’s own funds. We believe success of

the plan will contribute to a wider foods market and the stable growth of the company's profit base. Accordingly, while temporarily putting pressure on the Company's funds in hand, the Company has placed the maintenance of its stock value at a high level as an important management issue and we plan to diligently work towards the achievement of this goal.

Also, in order to increase corporate value at the same time as operating a stable enterprise, the Company has drawn up and implemented capital policies to continuously develop a large number of friendly investors.

7. Basic thoughts on corporate governance and the implementation of policy

(Basic thoughts on corporate governance)

The Group recognizes corporate governance as a major management issue and is promoting management efficiency based on sufficient debate and speedy decision-making. By having a continuously functioning check and audit of the day to day status of management, the Company has created a structure under which fair and effective management can be undertaken.

The Company's management philosophy is based on being a responsible corporate citizen. We strive to ensure sufficient transparency in everyday organizational matters and are engaged in further enhancement of corporate governance.

(The status of the implementation of policy)

Specifically, the Board of Directors, which is comprised of 8 Directors, holds meetings each month or as required, to promote efficient management and resolve matters essential to the company's operation, such as the establishment of company-wide management strategies.

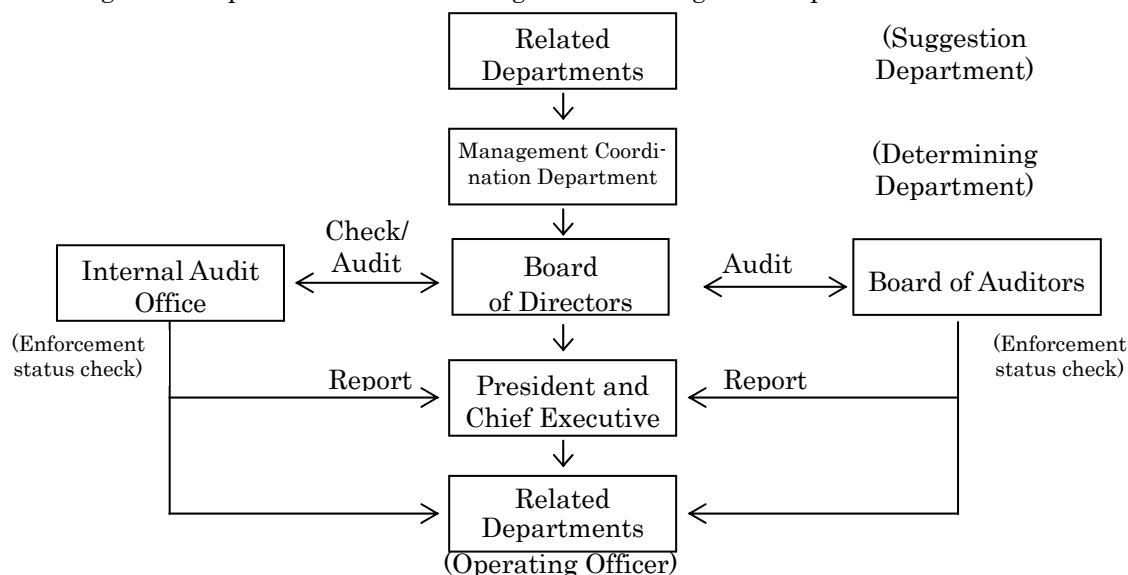
The Company established an "internal audit office" to function as an internal check and audit. The office implements internal audits relating daily management issues and the status of the conduct of business. As required, the office reports and proposes regarding results of them to the Board of Directors and the Board of Auditors

Also, the Company has adopted an audit system. Under this system, the Board of Auditors consisting of 3 auditors (including 2 outside commercial auditors) attends Board of Directors and other important meetings, provides objective and fair opinions on overall management and individual matters, and oversees the activities of directors to ensure their legal compliance.

An auditor contract has been completed with Chuo Aoyama Audit Corp., which acts as our accounting auditor. From 1990, the Company has undergone continuous audits by 2 employee representatives (Shigeyuki Kudo and Kenji Komoto), 3 certified public accountants and 3 assistants. Note that the auditing firm and the Company have no special vested interests.

The Company has also established a system by which advisor contracts have been entered with several lawyers and tax accountants to receive advice as required for reference in making management judgments related to the Company's corporate management and daily operations.

The following is a "Corporate Governance Diagram" outlining the compliance matters noted above:



Concerning the timely release of information, in order to increase the transparency in management, the company works toward active and appropriate information disclosure, and makes efforts to ensure smooth communications with shareholders and investors through vigorous IR activities (reports to shareholders and investors). Notably, with regard to the “Quarterly performance outline” which became obligatory as of June 2003 (the first quarter), we provide information to investors appropriately and quickly through information disclosure based on financial results for the interim period and for the full year.

Directors’ compensation and audit fees in the current fiscal year are as follows:

Directors’ compensation

1) Compensation for the Company’s directors and auditors

10 Directors 76 million yen

3 Auditors 32 million yen

2) Equivalent employee salaries for directors having duties in an employee’s capacity

26 million yen

3) Directors bonuses through net profit distribution

9 Directors 39 million yen

1 Auditors 5 million yen

4) Directors’ retirement benefits paid in accordance with a shareholders meeting’s resolution during the current fiscal year

2 Directors 11 million yen

Compensation

In accordance with the auditing agreement the Company entered into with ChuoAoyama PricewaterhouseCopper the fees relating to audit certification is 15 million yen.

8. Matters relating to the parent company

The Company does not have a parent company and therefore this is not applicable.

9. Other important matters relating to the business of the Company

There are no matters applicable to this category.

3. Business Results and Financial Condition

I. Business results

1. Business conditions for the year ending March 2005

(Consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2005	20,171	5,289	5,342	3,123	94.92
FY2004	19,458	5,718	5,930	3,419	114.29
Growth Rate	3.7%	(7.5%)	(9.9%)	(8.7%)	—

(Non-consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2005	18,811	5,154	5,218	3,077	93.51
FY2004	18,288	5,574	5,813	3,343	111.70
Growth Rate	2.9%	(7.5%)	(10.2%)	(7.9%)	—

(1) Overall performance for the year ending March 2005

During this period, the Japanese economy has shown signs of recovery for the first half backed by improvements in corporate earnings due to strong exports and increased capital investments in some manufacturing industries. On the other hand, the recovery was only temporary with the difficult employment situation caused by the protracted deflationary recession continuing and unemployment hovering at high levels. Additionally, the lackluster economic situation continued caused by a number of factors such as a record heat wave, the high yen/low dollar in the second half of the year, numerous natural disasters, and sharply rising oil prices. Personal consumption remained depressed resulting in continued subdued economic growth.

Impacted by this general economic climate, the foods industry was hit by the double punch of lessening demand combined with failing prices caused by the deflationary cycle in addition to subdued personal consumption. Furthermore, a large reduction in demand was brought forth by stalled demand due to the heat wave and by the intractable BSE problem in the U.S. The company has thus been faced with an extremely difficult business environment for which there is no precedent in the past.

In this environment, as a leader in the field of natural seasoning, the Group is working to expand on existing businesses and actively developing new business fields. In addition, it has established a strict quality, safety, and health management system to ensure “food safety” and “high quality,” and has devoted the efforts of the entire Group to increase profits so as to achieve stable growth despite the current deflation.

Concretely, the Company built natural soup stock production facilities through the introduction of new technologies at its Number 2 Kyushu plant. This will be the model plant for the Company’s planned European expansion and we intend to enter into full production from FY2006 following test production runs.

In respect to our subsidiary companies, in our European operations we decided to initially enter the French and Belgian markets and established F.P. Natural Ingredients (S.A.S.) in France in March 2003 and F.P.N.I. BELGIUM (N.V.) in Belgium in January 2004 as fully owned subsidiaries. In this fiscal year we increased the firms’ capital to 3 million euros at F.P. Natural Ingredients (S.A.S.) in France and 4.5 million euros at F.P.N.I. BELGIUM (N.V.) in Belgium. We have already acquired industrial sites in the French city of Alencon and the Belgium city of Massmechelen. We have begun ordering equipment and are aiming to complete the projects during FY2007.

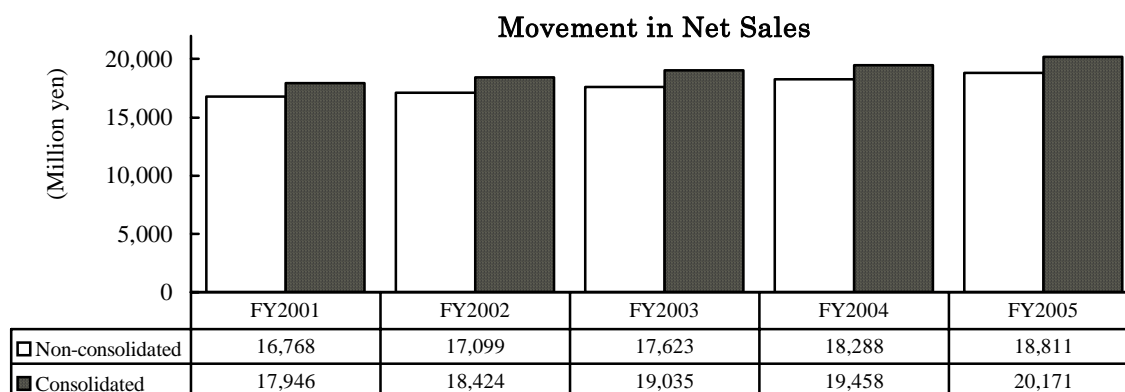
Concerning our operations in China, on the back of the rapidly expanding seasonings business in China, our Chinese subsidiary (Qingdao Ariake Foodstuff Co, Ltd.) decided to construct a new plant,

in addition to its current plant, which we anticipate will be completed in 2006 to respond to the increase in demand.

In respect to our U.S. operations, our American subsidiary, ARIAKE U.S.A., Inc., achieved a substantial increase in profits through a rationalization of its operations in the previous fiscal year. In order to be able to respond to future increases in demand, we have decided to build a new plant and have begun formulating plans for this expansion.

Through the implementation of these plans, we will be able to firmly advance along the “New Five-year Long-term Management Plan” making a new start in FY2006, the first year of the plan.

Net Sales



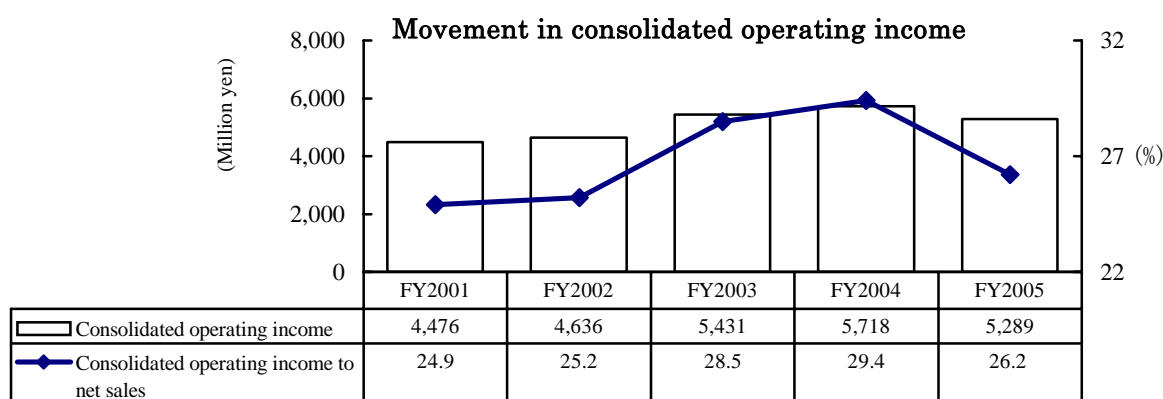
The above results show that, in Japan (Ariake Japan Co., Ltd.), we have, in the processed food field, undertaken active expansion into the take out / home delivery and joint development sales targeting the restaurant industry, and increased sales through new projects such as cooperating with companies in the same industry having differing business structures. However, due to sharply lower consumption following the emergence of BSE in the U.S. at the end of 2003 and the impact of the record heat wave, non-consolidated sales were 18,811 million yen (an increase of 522 million yen compared to the previous fiscal year), representing a year-on-year growth rate of 2.9%

Specifically, the processed foods sector saw a year-on-year increase of 3.4%, restaurant industry sector 7.2% year-on-year increase, the instant noodle sector saw flat year-on-year sales resulting in a 2.9% overall increase in sales.

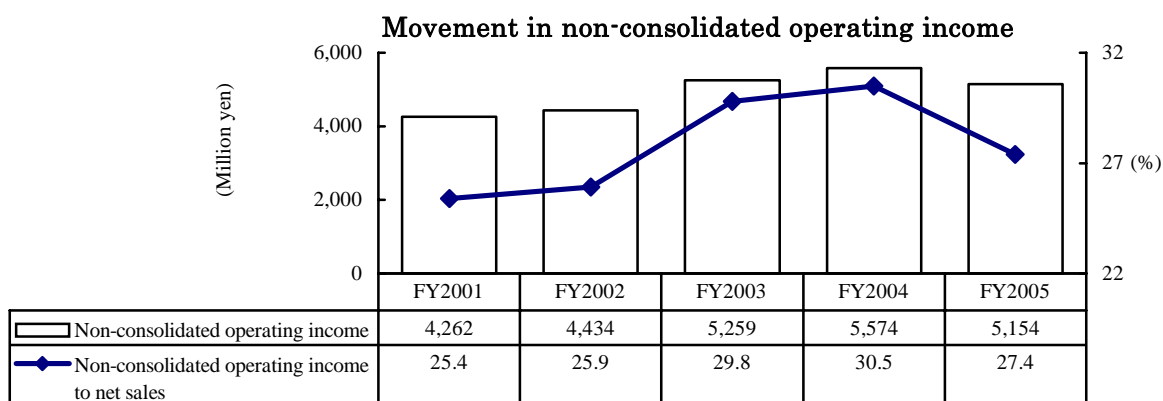
Regarding the sales performance of our overseas subsidiaries, streamlining implemented at the end of 2003 bore fruit for the local net sales of our American subsidiary (Ariake U.S., Inc.), which actively worked to increase sales to processed food manufacturers, and it recorded net sales of 6,996,000 dollars, a year-on-year increase of 35.6%. Local net sales of our Chinese subsidiary (Qingdao Ariake Foodstuff Co., Ltd.) were roughly equal to results for the same period last year, at CN24,573,000 yuan, despite that company's bid to emphasize exports to Japan by increasing sales to local instant noodle makers and processed food manufacturers.

As a result, consolidated net sales for the current fiscal year were 20,171 million yen (an increase of 713 million yen compared to the previous fiscal year), representing a year-on-year growth rate of 3.7%.

Operating Income



(Figures for year ending March 2005 are projected)

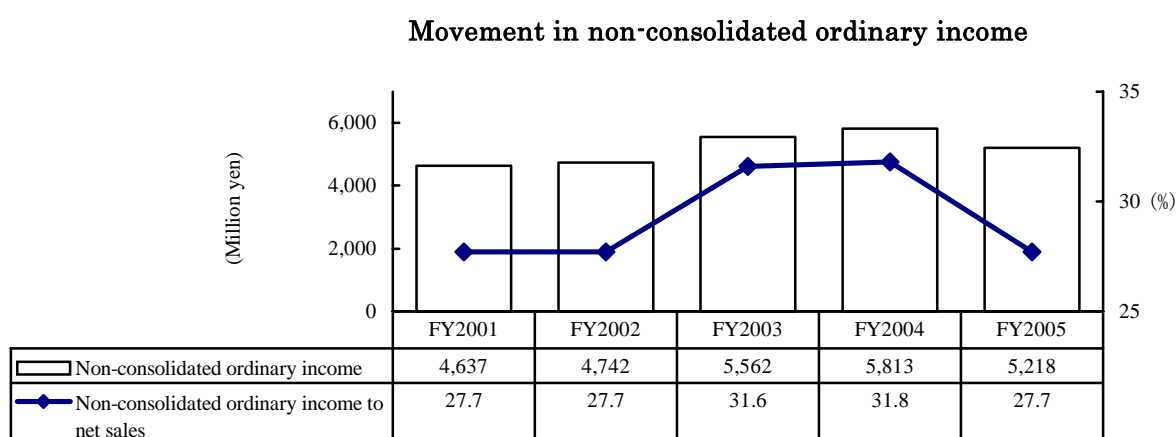
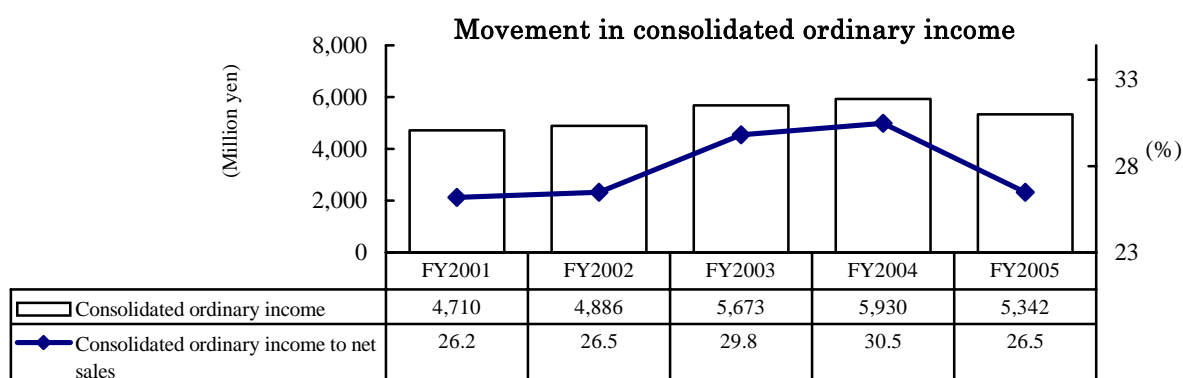


Consolidated operating income was 5,289 million yen, a decrease of 428 million yen compared to the previous fiscal year.

Through our aggressive capital investments aimed towards increasing added value and our cost reduction efforts, the Company has endeavored to improve profitability. Nevertheless, the negative impact of a write-down of the Company's BSE related stocks caused by the outbreak of the BSE problem in the U.S. a year before last and increasing energy costs caused by the spiraling oil market combined to yield unconsolidated operating income of 5,154 million yen, declined by 7.5% year-on-year, and operating income to net sales of 27.4%.

Regarding our subsidiary companies, at our Chinese subsidiary (Qingdao Ariake Foodstuff Co., Ltd.), we increased production of products for Japan and implemented improvements to the production system, and in the United States, we achieved significant increases in sales and profits due to effect of our rationalization policy. Despite increased revenues at related companies, on a consolidated basis consolidated operating income was, due to the impact of the Company's reduced profits, 5,289 million yen, declined by 7.5% year-on-year, and consolidated operating income to net sales of 26.2%..

Ordinary income



Consolidated ordinary income was 5,342 million yen (a decrease of 588 million yen compared to the previous fiscal year).

The Company reported lower operating income because of the BSE problem in the U.S., unusual weather, steep rise of oil market price, and other extraordinary conditions, which led lower ordinary income, while its non-consolidated ordinary income decreased 10.2%, to 5,218 million yen.

Overseas subsidiaries saw increased profits due to the impact of the implementation of rationalization policies at our American subsidiary and due to positive results at our Chinese subsidiary, nevertheless consolidated ordinary income came to 5,342 million yen, decreased by 9.9% year-on-year, due to the impact of reduced profits at the Company.

Consolidated net income was 3,123 million yen (a decrease of 296 million yen compared to the previous fiscal year). The profit ratio was 15.5%, declined by 2.1% year-on-year.

Non-consolidated net income was 3,077 million yen (a decrease of 265 million yen compared to the previous fiscal year), and the profit ratio was 16.4%, declined by 1.9% year-on-year.

Regarding the dividend, while the environment surrounding the Company during this period was extremely harsh, as a result of determined efforts by the Group, from the second half of the period, company results began to reflect the achievement of the Company's various initiatives. Also, while steadfastly working towards the achievement of the New Long-term Management Plan, the Company on the 40th anniversary plans to propose at the general shareholders meeting to be held in June this year that an expression of the Company's appreciation for the warm and continuing support of its shareholders be made by instituting a commemorative dividend of 5 yen per share in addition to an ordinary dividend of 12.5 yen per share for a total dividend of 17.5 yen

Accordingly, dividend payments for the full year will be 30 yen per share.

2. Forecast for the year ending March 2006

(Forecast for consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2006	22,000	6,300	6,300	3,700	114.61
FY2005	20,171	5,289	5,342	3,123	94.92
Growth Rate	9.1%	19.1%	17.9%	18.5%	—

(Forecast for non-consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2006	20,500	6,140	6,150	3,580	110.90
FY2005	18,811	5,154	5,218	3,077	93.51
Growth Rate	9.0%	19.1%	17.9%	16.3%	—

(1) Forecast for business results for the year ending March 2006

We believe economic outlook for the next fiscal year will see a continuation of the recession with a number of negative factors mounting up such as a steep rise in the oil market, a high yen/low dollar from the beginning of the year, the uncertain Chinese situation and aging of one's society and falling birthrates along with continued uncertainty over the employment situation, an increased public tax burden including a reduction in the temporary tax cut combined with subdued personal consumption.

In an environment in which there is an overall trend towards falling consumption, we believe the foods industry, despite efforts to stimulate demand by strongly appealing to concerns over "food safety and health," will also be confronted with a harsh environment and the current situation of almost no growth will continue.

In this situation, the Group will promote a firm growth strategy by steadfastly implementing the newly formulated "New Five-year Long-term Management Plan (from FY2006 to FY2010)". We will put our full efforts into creation of a corporate structure which will be able to produce stable revenues even in an era of low growth and we plan to achieve sales and profits in accordance with the plan.

For the Group, the outlook for the year ending March 2006 is 22,000 million yen in consolidated net sales (an increase of 9.1% compared to the current fiscal year) and 6,300 million yen in consolidated ordinary income (an increase of 17.9% compared to the current fiscal year)

On non-consolidated basis, the outlook is 20,500 million in net sales (an increase of 9.0% compared to the current fiscal year) and 6,150 million yen in ordinary income (an increase of 17.9% compared to the current fiscal year).

(2) Dividends

In respect to next fiscal year's dividend, considering that ordinary income would exceed 60 billion yen by achieving various policies of the Company, we intend to continue our current ordinary dividend of 25 yen per share and we will endeavor to maintain the 5 yen commemorative dividend issued in the fiscal year ending in March 2005 as part of future ordinary dividends.

(3) Management indicators

The Company's Return on Equity (ROE) target for the next fiscal year is 9.52%. Over the medium-term, however, we have set our sites on a 12.0% ROE and will work to achieve further increases in asset value for our investors.

Regarding Dividend on Equity (DOE), one of the Company's indicators, the outlook is 2.38% for the next fiscal year. Over the medium-term, we have set our sites on a 2.5% DOE.

II. Financial Condition

(1) Overview of the year ending March 2005

(In million yen)

	Previous fiscal year	Current fiscal year	Difference
Total assets	40,080	41,361	1,281
Shareholders' equity	35,103	37,010	1,907
Shareholders' equity ratio	87.6%	89.5%	1.9%

(In million yen)

	Previous fiscal year	Current fiscal year	Difference
Cash flows from operating activities	4,114	3,479	(634)
Cash flows from investing activities	(723)	(671)	51
Cash flows from financing activities	(989)	(1,737)	(748)
Increase/decrease in cash and cash equivalents	2,466	1,281	(1,184)
Balance of cash and cash equivalents at beginning of term	15,686	18,153	
Balance of cash and cash equivalents at end of term	18,153	19,435	

- Regarding financial conditions at the end of the current fiscal year, as a result of an increase of 1,281 million yen in cash on hand and at banks and a decrease of 995 million yen in depreciable assets compared to the end of the previous fiscal year, total assets were 41,361 million yen. Shareholders' equity was 37,010 million yen due to a 2,303 million yen increase in retained earnings. As a result, the shareholders' equity ratio was 89.5%, an increase of 1.9% compared to the previous fiscal year.
- Operating activities generated net cash inflows of 3,479 million yen (a decrease of 634 million yen compared to the previous fiscal year).
It is influenced by the decrease in the current fiscal year's net income compared to the previous fiscal year.
- Cash flows from investing activities
For the current fiscal year, outlays of 902 million yen for capital investments and revenues of 269 million yen from sale of fixed assets resulted in 671 million yen in net cash outflows from investing activities (a 51 million yen decrease in net outflows compared to the previous fiscal year).
- Cash flows from financing activities
For the current fiscal year, financing activities generated net cash outflows of 1,737 million yen (a 748 million yen increase in net outflows compared to the previous fiscal year) due to outlays of 774 million yen for dividend payments and to outlays of 550 million yen for acquisition of 225 thousand treasury stocks.

(2) Outlook for the year ending March 2006

— Cash flows from operating activities

Despite the harsh business environment, we expect to achieve target sales and profits for the next fiscal year, and to see an increase in income as well.

— Cash flows from investing activities

We are planning domestic capital investments of 1,310 million yen for the year. Also, with regard to overseas subsidiaries, in the European plan (2 companies) approximately 1,000 million yen is earmarked for construction expenses. In China (Qingdao Ariake Foodstuff Co., Ltd.,) 900 million yen is earmarked for use as construction expenses for a new plant. In respect to ARIAKE U.S.A., Inc. investments for maintenance and updates will be made.

— Cash flows from financing activities

At the 26th General Shareholders' Meeting held on June 18, 2004, we proposed and received approval for the active acquisition and retirement of treasury stocks. This measure aims to allow for the active acquisition and retirement of capital stock to increase capital efficiency and provide returns to shareholders. Implementation of this measure began in October 2004. We will continue to acquire and retire treasury stocks in consideration of the business environment and other factors.

Also, based on our forecast that company results are well on course to being achieved, the Company intends to continue the current ordinary dividend of 25 yen per share. The Company will additionally endeavor to make the 5 yen commemorative dividend per share issued in March 2005 into an ordinary dividend.

As a result of the above, the amount of cash and cash equivalents at the end of the next fiscal year should increase slightly over the level at the end of the current fiscal year.

(3) Trends in cash flow indexes

	FY2001	FY2002	FY2003	FY2004	FY2005
Capital-to-asset ratio (%)	85.1	83.1	84.5	87.6	89.5
Capital-to-asset ratio based on current value (%)	423.7	266.4	220.1	249.6	209.2
Amortization term (years)	0.0	0.4	0.2	0.2	0.1
Interest coverage ratio	145.0	74.6	129.9	170.3	203.3

Notes:

Capital-to-asset ratio: equity capital / total assets

Capital-to-asset ratio based on current value : total current stock value / total assets

Amortization term: interest-bearing debts / operating cash flow

Interest coverage ratio: operating cash flow / interest payments

* All indexes are calculated using financial figures on a consolidated base.

* Total current stock value is calculated as final stock price at end of term x number of share outstanding at term end (after deduction of treasury stock)

“Operating cash flow” uses cash flow from operating activities shown in Consolidated Statements of Cash Flows. “Interest-bearing debts” refers to all debts posted in consolidated balance sheets for which interest is paid.

III. Important matters which arose in the company's situation following the accounting period

The Company is aiming at greater efficiency and at establishing an even firmer Group business base. In order to further expand and develop our operations, a resolution was passed by the Board of Directors on May 11 2005 to absorb the Company's wholly owned Ariake Food Systems Co., Ltd. Based on this resolution, a merger agreement was concluded on May 11 , 2005 in accordance with the methods prescribed in Article 413.3.1 of the Commercial Code.

The follow is an overview of the merger agreement:

(1) Merger Date

July 1, 2005

(2) Merger Method

The Company will be the surviving company and Ariake Food Systems Co., Ltd. will be dissolved and absorbed. No new shares will be issued nor will there be an increase in capital due to the merger.

(3) Transfer of Assets

On the merger date all Ariake Food Systems' assets, liabilities, rights and obligations will be transferred to the Company.

The assets, liabilities and net assets as of March 31, 2005 which are intended to be transferred from Ariake Food Systems Co., Ltd. on July 1, 2005 are as follows:

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	356,402	Current liabilities	24,278
Cash and time deposits	330,803	Accrued expenses	7,055
Accounts receivable	24,043	Allowance for employee bonuses	10,898
Others	1,555	Others	6,324
Fixed assets	96,065	Long-term liabilities	37,347
Tangible fixed assets	92,194	Allowance for employee retirement benefits	37,347
Intangible fixed assets	195		
Investments and other assets	3,675	Total liabilities	61,626
Total assets	452,468	Net assets	390,841

Note that the above noted matters concerning Ariake Food Systems Co., Ltd. are conditioned on the approval and acceptance of the "Approval for Merger Agreement with Ariake Japan Co., Ltd." to be tabled at an extraordinary general meeting of shareholders to be held on May 26, 2005.

4. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(In thousand yen)

Account	Annotation	FY2004 (As of Mar. 31, 2004)			FY2005 (As of Mar. 31, 2005)			Difference from previous year end
		Amount	Amount	Ratio (%)	Amount	Amount	Ratio (%)	
(Assets)								
I. Current assets								
1. Cash and time deposits			18,153,378		19,435,209		1,281,830	
2. Notes and accounts receivable			4,356,435		4,550,319		193,883	
3. Inventories			2,184,910		2,703,526		518,615	
4. Deferred tax assets			150,801		105,897		(44,903)	
5. Other current assets			165,550		137,456		(28,094)	
6. Allowance for doubtful accounts			(1,991)		(2,016)		(24)	
Total current assets			25,009,085	62.4	26,930,392	65.1	1,921,306	
II. Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structure		10,333,711			9,926,594			
Cumulative amount of depreciation		4,361,444	5,972,267		4,639,128	5,287,465	(684,801)	
(2) Machines, devices, and delivery equipment		12,301,606			12,495,683			
Cumulative amount of depreciation		9,205,043	3,096,563		9,666,827	2,828,855	(267,707)	
(3) Land			3,999,572			3,863,517	(136,054)	
(4) Construction in progress			31,071			165,527	134,455	
(5) Other fixed assets		755,325			769,635			
Cumulative amount of depreciation		653,058	102,267		668,410	101,225	(1,041)	
Total tangible fixed assets			13,201,741	32.9	12,246,592	29.6	(955,149)	
2. Intangible fixed assets			44,768	0.1	104,215	0.3	59,447	
3. Investments and other assets								
(1) Investments in securities			368,209		395,212		27,002	
(2) Long-term loans receivable			101,249		76,601		(24,648)	
(3) Deferred tax assets			57,597		92,597		34,999	
(4) Investments in real estates	*1		454,068		813,107		359,039	
(5) Other investments			852,342		711,513		(140,828)	
(6) Allowance for doubtful accounts			(8,355)		(8,379)		(23)	
Total investments and other assets			1,825,112	4.6	2,080,652	5.0	255,539	
Total fixed assets			15,071,623	37.6	14,431,461	34.9	(640,161)	
Total assets			40,080,709	100.0	41,361,854	100.0	1,281,144	

(In thousand yen)

Account	Annotation	FY2004 (As of Mar. 31, 2004)			FY2005 (As of Mar. 31, 2005)			Difference from previous year end
		Amount	Amount	Ratio (%)	Amount	Amount	Ratio (%)	
(Liabilities)								
I. Current liabilities								
1. Notes and accounts payable			1,317,153		1,569,731		252,577	
2. Short-term loans payable			739,197		307,419		(431,777)	
3. Income taxes payable			1,309,397		972,907		(336,490)	
4. Allowance for employee bonuses			142,405		140,502		(1,903)	
5. Other current liabilities			706,622		625,034		(81,587)	
Total current liabilities			4,214,775	10.5	3,615,595	8.7	(599,180)	
II. Long-term liabilities								
1. Allowance for employee retirement benefits			407,818		503,707		95,889	
2. Other long-term liabilities			249,561		124,451		(125,109)	
Total long-term liabilities			657,379	1.6	628,159	1.5	(29,220)	
Total liabilities			4,872,155	12.1	4,243,754	10.2	(628,401)	
(Minority interests)								
Minority interest			105,447	0.3	107,829	0.3	2,382	
(Shareholders' equity)								
I. Common stock	*2		7,095,096	17.7	7,095,096	17.2	—	
II. Capital surplus			7,833,869	19.5	7,833,869	18.9	—	
III. Retained earnings			22,301,749	55.6	24,605,411	59.5	2,303,661	
IV. Differences in valuation of other securities			64,433	0.2	80,688	0.2	16,255	
V. Adjustment account for currency conversion			(780,249)	(1.9)	(642,192)	(1.6)	138,056	
VI. Treasury stocks	*3		(1,411,792)	(3.5)	(1,962,602)	(4.7)	(550,810)	
Total shareholders' equity			35,103,106	87.6	37,010,269	89.5	1,907,163	
Total liabilities, minority interest and shareholders' equity			40,080,709	100.0	41,361,854	100.0	1,281,144	

(2) Consolidated Statements of Income

(In thousand yen)

Account	Annotation	FY2004 (From April 1, 2003 to March 31, 2004)			FY2005 (From April 1, 2004 to March 31, 2005)			Difference from previous year end
		Amount	Amount	Ratio (%)	Amount	Amount	Ratio (%)	
I. Net sales			19,458,014	100.0		20,171,280	100.0	713,266
II. Cost of sales	*2		10,933,923	56.2		11,918,293	59.1	984,369
Gross profit			8,524,090	43.8		8,252,987	40.9	(271,103)
III. Selling, general and administrative expenses	*1&2		2,805,423	14.4		2,963,092	14.7	157,668
Operating income			5,718,667	29.4		5,289,895	26.2	(428,772)
IV. Non-operating income								
1. Interest income and dividends		13,229				14,250		
2. Foreign exchange gains		178,173				38,728		
3. House-rent received		39,034				38,249		
4. Other non-operating income		74,517	304,954	1.6	72,170	163,399	0.8	(141,555)
V. Non-operating expenses								
1. Interest paid		24,168				17,119		
2. Stock issuing costs		6,410				1,292		
3. Other non-operating expenses		62,096	92,675	0.5	92,518	110,931	0.5	18,255
Ordinary income			5,930,946	30.5		5,342,363	26.5	(588,583)
VI. Extraordinary income								
1. Amortization of difference caused by change of accounting principle for employee retirement benefits		5,321	5,321	0.0	5,323	5,323	0.0	2
VII. Extraordinary losses								
1. Losses on retirement of fixed assets		5,010				20,496		
2. Losses on sales of fixed assets		—				46,875		
3. Losses on valuation of investment securities		3,899				—		
4. Allowance for retirement benefits for directors and auditors		20,730	29,640	0.1	11,150	78,521	0.4	48,881
Income before income tax			5,906,626	30.4		5,269,165	26.1	(637,461)
Income, inhabitant and business taxes		2,507,957			2,139,916			
Adjustments for income and other taxes		(38,773)	2,469,183	12.7	(842)	2,139,073	10.6	(330,109)
Minority interest in net income			17,671	0.1		6,890	0.0	(10,781)
Net income			3,419,771	17.6		3,123,200	15.5	296,570

(3) Consolidated Statements of Retained Earnings

(In thousand yen)

Account	Annotation	FY2004 (From April 1, 2003 to March 31, 2004)		FY2005 (From April 1, 2004 to March 31, 2005)	
		Amount		Amount	
(Capital surplus)					
I Capital surplus at beginning of term			7,833,869		7,833,869
II Capital surplus at end of term			7,833,869		7,833,869
(Retained earnings)					
I Retained earnings at beginning of term			19,626,265		22,301,749
II Increase in retained earnings					
1. Net income		3,419,771	3,419,771	3,123,200	3,123,200
III Decrease in retained earnings					
1. Dividends		704,687		774,939	
2. Bonus for directors and auditors		39,600	744,287	44,600	819,539
IV Retained earnings at end of term			22,301,749		24,605,411

(4) Consolidated Statements of Cash Flows

(In thousand yen)

Account	Annotation	FY2004	FY2005
		(From April 1, 2003 to March 31, 2004)	(From April 1, 2004 to March 31, 2005)
		Amount	Amount
I. Cash flows from operating activities			
Net income before income tax		5,906,626	5,269,165
Depreciation and amortization		1,064,003	1,009,746
Increase in allowance for doubtful accounts		9,943	48
Increase in allowance for employee retirement benefits		88,289	95,889
Increase or decrease in allowance for employee bonus		2,756	(1,903)
Interest and dividends received		(13,229)	(14,250)
Interest paid		24,168	17,119
Gains/losses on foreign exchanges		(104,154)	(32,134)
Losses on sales of fixed assets		—	41,606
Losses on disposal of fixed assets		7,240	20,496
Losses on valuation of investment securities		3,899	—
Increase or decrease in accounts receivable-trade		(54,619)	(203,167)
Increase or decrease in inventories		(190,377)	(526,175)
Increase in accounts payable		14,139	294,448
Increase or decrease in consumption tax and other taxes payable		15,503	(47,586)
Increase or decrease in other assets		(32,131)	15,212
Increase in other liabilities		32,433	65,097
Payments of bonuses to directors and auditors		(39,600)	(44,600)
Subtotal		6,734,891	5,959,012
Interest and dividend income received		13,229	14,250
Interest expenses paid		(24,168)	(17,119)
Income tax and other taxed paid		(2,609,298)	(2,476,406)
Cash flows provided by operating activities		4,114,654	3,479,737
II. Cash flows from investing activities			
Payments for additions to tangible fixed assets		(705,752)	(902,122)
Payments for additions to intangible fixed assets		(2,794)	(65,191)
Proceeds from sales of fixed assets		—	269,831
Payments for purchase of investment securities		(12,900)	—
Payments for purchase of stocks of affiliated companies		(21,420)	—
Payment for loans receivable		—	(1,518)
Proceeds from collection of loans receivable		24,427	27,493
Others		(5,007)	—
Cash flows used in investing activities		(723,447)	(671,508)
III. Cash flows from financing activities			
Net decrease in short-term loans payable		(256,979)	(411,629)
Payment for acquisition of treasury stocks		(25,964)	(550,810)
Payments for dividends		(706,228)	(774,904)
Cash flows used in financing activities		(989,172)	(1,737,344)
IV. Conversion differential of cash and cash equivalents		64,406	210,946
V. Increase in cash and cash equivalents		2,466,440	1,281,830
VI. Cash and cash equivalents at beginning of term		15,686,938	18,153,378
VII. Cash and cash equivalents at end of term		18,153,378	19,435,209

Basic conditions to prepare Consolidated Financial Statements

Term	Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
1. Matters relating to the scope of consolidation	<p>Consolidated subsidiary companies are the following six.</p> <p>Ariake Food System Co., Ltd. A.C.C. Co., Ltd. Ariake U.S., Inc. Qingdao Ariake Foodstuff Co., Ltd. F. P. Natural Ingredients (SAS) F. P. N. BELGIUM (N.V.)</p> <p>Since F. P. N. BELGIUM (N.V.) was newly launched on January 26, 2004, it was added as a consolidated subsidiary company from FY2005.</p>	<p>Consolidated subsidiary companies are the following six.</p> <p>Ariake Food System Co., Ltd. A.C.C. Co., Ltd. Ariake U.S., Inc. Qingdao Ariake Foodstuff Co., Ltd. F. P. Natural Ingredients (SAS) F. P. N. BELGIUM (N.V.)</p>
2. Matters related to subsidiaries and affiliates accounted the equity method	There is nothing to report.	Same as left
3. Matters relating to business year of consolidated subsidiaries	<p>The closing day of Ariake U.S., Inc., Qingdao Ariake Foodstuff Co., Ltd., F. P. Natural Ingredients (SAS) and F. P. N. BELGIUM (N.V.) is December 31.</p> <p>Although the Company uses the above-mentioned subsidiaries' financial statements as of December 31 to prepare the consolidated financial statements, any significant transactions accrued from that day to the consolidated book closing day are adjusted according to consolidation requirements.</p>	Same as left
4. Matters relating to accounting standards	<p>(1) Standard and method of valuating important assets</p> <p>(i) Securities</p> <p>Other Securities</p> <p>(a) Securities with any market price Mark-to-market method based on the market price as of the closing day of accounts (all the valuation differences are incorporated directly into the capital stock and costs for sale are computed with the moving average method)</p> <p>(b) Securities without any market price Cost method under the moving average method</p> <p>(ii) Derivatives Mark-to-market method</p> <p>(iii) Major inventories</p> <p>(a) Products Mainly cost method under the identified cost method</p> <p>(b) Materials Mainly cost method under the moving average method</p> <p>(c) Work in progress Mainly cost method under the identified cost method</p>	<p>(1) Standard and method of valuating important assets</p> <p>(i) Securities</p> <p>Other Securities</p> <p>(a) Securities with any market price Same as left</p> <p>(b) Securities without any market price Same as the left</p> <p>(ii) Derivatives Same as left</p> <p>(iii) Major inventories</p> <p>(a) Products Same as left</p> <p>(b) Materials Same as left</p> <p>(c) Work in progress Same as left</p>

Term	Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
	<p>(2) Important depreciation method for depreciable assets</p> <p>(i) Tangible fixed assets</p> <p>(a) Domestic corporations Declining balance method As for buildings (except incidental equipment) acquired or put into business use after April 1, 1998, however, straight-line method is available. Small-amount depreciable assets of which the acquisition price is 100,000 yen or more and less than 200,000 yen are depreciated evenly over 3 years. Useful lives of major assets are as follows: Buildings and structures: 7-50 years Machines, devices and delivery equipment 4-9 years</p> <p>(b) Overseas subsidiaries : Primarily straight-line method based on the estimated useful life</p> <p>(ii) Intangible fixed assets Straight-line method As for software for own use, straight-line method for internally available period (5 years) is applied</p> <p>(iii) Investments in real estates Declining balance method</p> <p>(3) Accounting of deferred assets (i) New shares issuing expenses All expenses are posted at payment.</p> <p>(4) Standards for additions to allowances (i) Allowance for doubtful accounts To prepare against losses from bad debts, the amount estimated based on the actual loss ratio is reserved for ordinary receivables, and the amount of possible losses is included in the reserve based on consideration of the collectibility of individual doubtful accounts</p> <p>(ii) Allowance for employee bonus The Company reserves the estimated amount of the bonuses to prepare for payment to employees.</p> <p>(iii) Allowance for employee retirement benefits To prepare for payment of benefits to retiring employees, the amount of actual payment is reserved based on estimation of retirement benefit liabilities and pension assets regarded as existing at the end of the consolidated fiscal year. As for the difference (26,607 thousand yen) due to changes to the accounting standards, the five-year proportionally-divided amount is posted in extraordinary profits as amortization expense of difference at change to standard for retirement benefits. For the difference in actuarial calculation, the five-year proportionally-divided amount with the straight-line method based on a fixed number of years (five years) within the average remaining service periods of employees at occurrence in each fiscal year shall be expensed from the following fiscal year.</p>	<p>(2) Important depreciation method for depreciable assets</p> <p>(i) Tangible fixed assets</p> <p>(a) Domestic corporations Declining balance method Same as left</p> <p>(b) Overseas subsidiaries : Same as left</p> <p>(ii) Intangible fixed assets Same as left</p> <p>(iii) Investments in real estates Same as left</p> <p>(3) Accounting of deferred assets (i) New shares issuing expenses Same as left</p> <p>(4) Standards for additions to allowances (i) Allowance for doubtful accounts Same as left</p> <p>(ii) Allowance for employee bonuses Same as left</p> <p>(iii) Allowance for employee retirement benefits Same as left</p>

Term	Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
	<p>(5)Standards for converting significant foreign currency denominated assets and liabilities into Japanese yen which is applied when preparing Consolidated Financial Statements Receivables and payables denominated in foreign currencies were converted to Japanese yen using the closing spot exchange rate for the closing day of the consolidated period, and differences were recorded as gains or losses. The assets and liabilities, as well as income and expenses, of overseas subsidiaries were converted to Japanese yen using the spot exchange rate for the closing day of the consolidated period and differences were included in the adjustment account for currency conversion under Minority interests and Shareholders' equity.</p> <p>(6)Accounting of lease Finance lease transactions are accounted by the method similar to operating lease transactions, excluding financial lease transactions where ownership of the leased property may be transferred to the lessee.</p> <p>(7)Hedge accounting methods (i) Methods of hedge accounting Deferred hedge accounting is used. Allocation accounting is applied to foreign-currency-denominated liabilities with exchange contracts (ii) Measures of hedging and targets of hedging Measures of hedging Currency swaps Targets of hedging Purchase liabilities following imports of materials from subsidiaries overseas with possible losses due to currency fluctuations (iii) Policies on hedging Based on the basic policies approved by the Management Committee of the Company, the Management Administration Department is in charge of controlling and executing trading, and regularly reporting to the Management Committee. Counter-parties of trading are limited to high-quality financial institutions. (iv) Methods to assess effectiveness of hedging The accumulated total of price fluctuations or cash flow fluctuations of the targets of hedging is compared with the accumulated total of price fluctuations or cashflow fluctuations of the measures of hedging, and the effectiveness is assessed according to these fluctuations</p> <p>(8)Other important matters to prepare Financial Statements Accounting of the consumption tax The Company applies the tax-exclusion accounting method.</p>	<p>(5)Standards for converting significant foreign currency denominated assets and liabilities into Japanese yen which is applied when preparing Consolidated Financial Statements Same as left</p> <p>(6)Accounting of lease transactions Same as left</p> <p>(7)Hedge accounting methods (i) Methods of hedge accounting Same as left</p> <p>(ii) Measures of hedging and targets of hedging Measures of hedging Same as left Targets of hedging Same as left</p> <p>(iii) Policies on hedging Same as left</p> <p>(iv) Methods to assess effectiveness of hedging Same as left</p> <p>(8)Other important matters to prepare Financial Statements Accounting of the consumption tax Same as left</p>
5 Matters relating to the assessment of the assets and liabilities of consolidated subsidiaries	With regard to the assessment of the assets and liabilities of consolidated subsidiaries, the Company adopts the overall market value assessment method.	Same as left

6 Matters concerning the amortization of consolidation account adjustment	With regard to the amortization of consolidation account adjustment, equal amortization has been carried out of a five year period. Note that in respect minor matters, full amortization is taken at the time incurred.	Same as left
7 Matters relating to the handling of profit appropriation	The consolidated retained earnings statement is prepared based on the profit appropriation finalized during the consolidated accounting period relating to the consolidated profit appropriation.	Same as left
8.Scope of cash in consolidated statements of cash flows	Cash (cash and cash equivalents) in consolidated statements of cash flows consist of cash on hand, deposit which are at any time available for withdrawal, and short-term investments convertible easily into cash and repayable within 3 months after acquisition, with little risk for price fluctuation.	

Change in Notation Method

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
<p>(Consolidated Statement of Income)</p> <p>Until the last consolidated accounting period, "rent received" was recorded as "others" within non-operating income. In current consolidated accounting period this income has been separately categorized as it exceeds 10% of the total non-operating income.</p> <p>Note that "rent received" was 20,296 thousand yen in the previous consolidated accounting period.</p>	<p>(Consolidated Statement of Income)</p> <hr/>

Notes

On the Consolidated Balance Sheets

Previous Consolidated Fiscal Year (As of March 31, 2004)	Current Consolidated Fiscal Year (As of March 31, 2005)
*1. Accumulated amount of depreciation of investments in real estates 48,930 thousand yen	*1. Accumulated amount of depreciation of investments in real estates 72,614 thousand yen
*2. The Company's total shares outstanding 29,826,076 common shares	*2. The Company's total shares outstanding 32,808,683 common shares
*3. The total treasury stock held by the Company 300,714 common shares	*3. The total treasury stock held by the Company 526,478 common shares

On the Consolidated Statements of Income

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
*1. Major items accounted in selling, general and administrative expenses are as follows: Salary, benefits and bonuses 545,784 thousand yen Packing and transportation expenses 878,505 thousand yen Depreciation costs 108,451 thousand yen Additions to allowance for employee bonuses 36,475 thousand yen Additions to allowance for employee retirement benefits 28,678 thousand yen	*1. Major items accounted in selling, general and administrative expenses are as follows: Salary, benefits and bonuses 520,943 thousand yen Packing and transportation expenses 935,610 thousand yen Depreciation costs 95,279 thousand yen Additions to allowance for employee bonuses 35,469 thousand yen Additions to allowance for employee retirement benefits 31,799 thousand yen
*2. Research and development expenses including general administrative expenses and manufacturing expenses for current period 283,915 thousand yen	*2. Research and development expenses including general administrative expenses and manufacturing expenses for current period 309,643 thousand yen

On the Statements of Cash Flows

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
Relation between the ending balance of cash and cash equivalents and the accounts on the Consolidated Balance Sheets (As of March 31, 2004) Cash and time deposits 18,153,378 thousand yen Time deposits with a deposit term exceeding 3 months — Cash and cash equivalents 18,153,378 thousand yen	Relation between the ending balance of cash and cash equivalents and the accounts on the Consolidated Balance Sheets (As of March 31, 2005) Cash and time deposits 19,435,209 thousand yen Time deposits with a deposit term exceeding 3 months — Cash and cash equivalents 19,435,209 thousand yen

1. (Lease Transactions)

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)				Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)			
1. Finance lease transactions except those transactions where ownership of the leased property may be transferred to the lessee				1. Finance lease transactions except those transactions where ownership of the leased property may be transferred to the lessee			
(1) Amounts equal to purchase price, accumulated depreciation costs, and balance at end of term				(1) Amounts equal to purchase price, accumulated depreciation costs, and balance at end of term			
(In thousand yen)				(In thousand yen)			
	Amount equal to purchase price	Amount equal to accumulated depreciation costs	Amount equal to balance at end of term		Amount equal to purchase price	Amount equal to accumulated depreciation costs	Amount equal to balance at end of term
Machines, devices, and delivery equipment	21,000	20,750	250	Other tangible fixed assets	42,650	19,284	23,366
Other tangible fixed assets	29,538	13,628	15,909	Total	42,650	19,284	23,366
Total	50,538	34,378	16,159				
(2) Amount equal to balance of unexpired lease charges at end of term				(2) Amount equal to balance of unexpired lease charges at end of term			
(In thousand yen)				(In thousand yen)			
Within 1 year		7,156		Within 1 year		7,732	
<u>More than 1 year</u>		<u>10,158</u>		<u>More than 1 year</u>		<u>16,101</u>	
Total		17,315		Total		23,834	
(3) Lease charges paid, amount equal to depreciation cost and amount equal to interest expense				(3) Lease charges paid, amount equal to depreciation cost and amount equal to interest expense			
(In thousand yen)				(In thousand yen)			
Lease charges paid		13,199		Lease charges paid		7,693	
Amount equal to depreciation cost		11,438		Amount equal to depreciation cost		6,514	
Amount equal to interest expense		870		Amount equal to interest expense		535	
(4) Calculation of the amount equal to depreciation cost				(4) Calculation of the amount equal to depreciation cost			
The straight-line method is applied by assuming the lease period as the useful life, and setting the residual value to 0.				Same as left			
(5) Calculation of the amount equal to interest expense				(5) Calculation of the amount equal to interest expense			
The difference between the total of lease charges and the amount equal to the purchase price is regarded as the amount equal to interest expense, and the interest method is applied to allocation to each term.				Same as left			

2. (Securities)

1. Other securities with market price

(In thousand yen)

Category	Item	Previous Consolidated Fiscal Year (As of March 31, 2004)			Current Consolidated Fiscal Year (As of March 31, 2005)		
		Acquisition prices	Amount Recorded on Consolidated Balance Sheets	Difference	Acquisition prices	Amount Recorded on Consolidated Balance Sheets	Difference
Securities of which the amount recorded on the Consolidated Balance Sheets exceeds acquisition cost	(1)Stocks	120,813	266,121	145,308	144,568	312,458	167,890
	(2)Bonds	—	—	—	—	—	—
	(3)Others	—	—	—	—	—	—
	Sub Total	120,813	266,121	145,308	144,568	312,458	167,890
Securities of which the amount recorded on the Consolidated Balance Sheet is less than acquisition cost	(1)Stocks	125,364	87,088	(38,276)	101,608	67,753	(33,855)
	(2)Bonds	—	—	—	—	—	—
	(3)Others	—	—	—	—	—	—
	Sub Total	125,364	87,088	(38,276)	101,608	67,753	(33,855)
Total		246,177	353,209	107,032	246,177	380,212	134,034

2. Securities without any market price

(In thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2004)	Current Consolidated Fiscal Year (As of March 31, 2005)
	Amount Recorded on Consolidated Balance Sheet	Amount Recorded on Consolidated Balance Sheet
(1) Other securities Unlisted stocks (excluding OTC stocks)	15,000	15,000

3. (Derivative Transactions)

1. Matters concerning the status of transactions

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
<p>1. Transaction details Currency swaps undertaken</p> <p>2. Trading Policy The Company has introduced derivative trading to efficiently carry out risk management while hedging the interest rate and foreign exchange risks that arise financially.</p> <p>3. Objective of Using Trading The Company utilizes derivative trading with the objective to stabilize raw material costs and to improve the yield on financial assets. Derivative trading is not used for speculative purposes.</p> <p>4. Nature of the Risks Relating to Trading In order to avoid credit risks to the greatest extent possible, the Company only trades with financial institutions that have high credit ratings. There is a market risk relating to future currency fluctuations with regard to the currency swaps utilized by the Company. However, all of these transactions aim to hedge risks and the Company does not have any transactions which will have a major impact on the Company's business.</p> <p>5. Risk Management System relating to Trading The Company has internal rules relating to decision making and reporting on derivative trading. Operations are strictly undertaken in accordance with these rules.</p> <p>6. Supplemental Explanation concerning Transaction Market Value As the contract price does not necessarily reflect the derivative transaction risk, the notional principle in currency swap transactions does not express the market risk or credit risk.</p>	<p>1. Transaction details Same as left</p> <p>2. Trading Policy Same as left</p> <p>3. Objective of Using Trading Same as left</p> <p>4. Nature of the Risks Relating to Trading Same as left</p> <p>5. Risk Management System relating to Trading Same as left</p> <p>6. Supplemental Explanation concerning Transaction Market Value Same as left</p>

2. Matters concerning the Transaction Market Value

Hedge accounting is applied to all derivative transactions during previous and current fiscal year, so reporting has been omitted.

4. Retirement Benefits

1. Outline of the retirement benefits system employed by the Company

The Company and its domestic subsidiaries use a lump sum retirement system in combination with a qualified pension plan.

Note that from the third quarter the company has adopted a qualified pension plan applicable only to retirees with more than 3 years of continuous employment.

2. Retirement allowance payments and their breakdown

(In thousand yen)

	Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
(1) Retirement benefit obligations	(976,460)	(1,080,927)
(2) Pension Assets	473,073	491,066
(3) Unfunded Retirement Benefit Obligations (1)+(2)	(503,387)	(589,860)
(4) Unrecognized Difference Arising from the Application of New Accounting Standards	(5,323)	-
(5) Unrecognized Actuarial Gain or Loss	100,892	86,153
(6) Unrecognized Past Employment Obligations (obligation write down)	-	-
(7) Consolidated Balance Sheet Net Base (3)+(4)+(5)+(6)	(407,818)	(503,707)
(8) Prepaid Retirement Expenses	-	-
(9) Accrued Retirement Costs (7)-(8)	(407,818)	(503,707)

3. Breakdown of Retirement Benefits Expenses

(In thousand yen)

	Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
(1) Employment Expenses	82,150	83,097
(2) Interest Expenses	18,033	19,529
(3) Expected Return on Plan Assets	(6,842)	(7,096)
(4) Net Difference arising from the Application of New Accounting Standards	(5,321)	(5,323)
(5) Net Actuarial Gain or Loss	32,157	31,440
(6) Retirement Benefits Expenses (1)+(2)+(3)+(4)+(5)	120,178	121,647

4. Matters relating to the Accounting Foundations of Retirement Benefits Obligations

(In thousand yen)

	Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
(1) Discount Rate (%)	2.0	2.0
(2) Expected Return on Plan Assets (%)	1.5	1.5
(3) Distribution Method and Fixed Amount Standard of Anticipated Retirement Benefits	Periodically fixed amount	Periodically fixed amount
(4) Years over which Past Employment Obligations are Amortized (Years)	-	-
(5) Years over which Actuarial Gains or Losses are Amortized (Years)	5	5
(6) Years over which Difference arising from the Application of New Accounting Standards is Amortized (Years)	5	5

5. Tax Effect Accounting

1. Breakdown of the primary causes for deferred tax assets and liabilities

Previous Consolidated Fiscal Year (As of March 31, 2004)		Current Consolidated Fiscal Year (As of March 31, 2005)	
Deferred tax assets (current)	(thousand Yen)	Deferred tax assets (current)	(thousand Yen)
Disallowed accrued income tax	107,913	Disallowed accrued income tax	37,435
Excess allowance for employee bonuses	62,361	Excess allowance for employee bonuses	62,108
Amount of loss carried forward	6,766	Amount of loss carried forward	24,035
	<u>177,040</u>		<u>123,580</u>
Deferred tax assets (fixed)		Deferred tax assets (fixed)	
Amount of loss carried forward	403,032	Amount of loss carried forward	338,447
Excess allowance for employee retirement benefits	141,632	Excess allowance for employee retirement benefits	188,900
Unrealized gain from sale of fixed asset	4,667	Unrealized gain from sale of fixed asset	3,532
Other	8,577	Other	8,682
Subtotal	<u>557,911</u>	Subtotal	<u>539,562</u>
Allowance account	<u>(414,600)</u>	Allowance account	<u>(352,075)</u>
	143,310		187,486
Deferred tax liabilities (current)		Deferred tax liabilities (current)	
Special depreciation reserve	(26,238)	Special depreciation reserve	(17,682)
	<u>(26,238)</u>		<u>(17,682)</u>
Deferred tax liabilities (long-term)		Deferred tax liabilities (long-term)	
Special depreciation reserve	(41,558)	Special depreciation reserve	(40,218)
Differences in valuation of other securities	(42,598)	Differences in valuation of other securities	(53,345)
Others	(1,555)	Others	(1,324)
	<u>(85,712)</u>		<u>(94,889)</u>
Net deferred tax assets (current)	150,801	Net deferred tax assets (current)	105,897
Net deferred tax assets (fixed)	57,597	Net deferred tax assets (fixed)	92,597

6. (Information by segment)

a.. Information by business segment

Previous Consolidated Fiscal Year (April 1, 2003 - March 31, 2004), Current Consolidated Fiscal Year (April 1, 2004 - March 31, 2005)

Business segment information has been omitted because net sales and operating income and assets from the manufacturing and sales of natural seasonings account for more than 90% of total net sales and operating income for the assets of all segments.

b. Information by geographic segment

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)

(In thousand yen)

	Japan	Other areas	Total	Elimination or entire company	Consolidation
I Net sales and Operating income and losses					
Net sales					
(1) Sales to external customers	18,575,196	882,818	19,458,014	-	19,458,014
(2) Internal sales or transfers between segments	56,648	1,383,370	1,440,019	(1,440,019)	-
Total	18,631,844	2,266,188	20,898,033	(1,440,019)	19,458,014
Operating expenses	13,034,972	2,172,359	15,207,332	(1,467,985)	13,739,347
Operating income	5,596,872	93,828	5,690,700	27,966	5,718,667
(1) Sales to external customers	40,462,025	2,865,577	43,327,603	(3,246,893)	40,080,709

Note 1: Nations or regions are distinguished based on the similarity of economic activities.

2: Main nations and regions other than Japan Other areas: U.S., People's Republic of China and France

Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)

(In thousand yen)

	Japan	Other areas	Total	Elimination or entire company	Consolidation
I Net sales and Operating income and losses					
Net sales					
(1) Sales to external customers	19,109,909	1,061,371	20,171,280	-	20,171,280
(2) Internal sales or transfers between segments	50,865	1,342,657	1,393,523	(1,393,523)	-
Total	19,160,774	2,404,029	21,564,804	(1,393,523)	20,171,280
Operating expenses	13,980,329	2,265,367	16,245,697	(1,364,311)	14,881,385
Operating income	5,180,445	138,661	5,319,106	(29,211)	5,289,895
(1) Sales to external customers	41,481,750	3,078,153	44,559,903	(3,198,049)	41,361,854

Note 1: Nations or regions are distinguished based on the similarity of economic activities.

2: Main nations and regions other than Japan Other areas: U.S., People's Republic of China, France and Belgium

c. Overseas sales

Since the ratios of sales overseas at the previous fiscal year (April 1, 2003 to March 31, 2004) and the current fiscal year (April 1, 2004 to March 31, 2005) are less than 10% of consolidated sales, description is omitted.

7. Transactions with related parties

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)
There is nothing to report.

Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)
There is nothing to report.

(Per share data)

(In yen)

Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (April 1, 2004 to September 30, 2005)
Net assets per share 1,187.40	Net assets per share 1,144.94
Net income per share 114.29	Net income per share 94.92
Due to absence of residual shares with dilution effects, here is not indicated the net income after residual share adjustment .	Due to absence of residual shares with dilution effects, here is not indicated the net income after residual share adjustment.
The Company made a 1.1-for-1 share split on May 20, 2003. Assuming that this share split was made at the beginning of the previous fiscal year, the per-share information would be as follows: Net assets per share 1,101.82	The Company made a 1.1-for-1 share split on May 20, 2003. Assuming that this share split was made at the beginning of the previous fiscal year, the per-share information would be as follows: Net assets per share 1,078.46
Net income per share 109.21	Net income per share 103.91

- Note:
1. The net income per share in the current consolidated accounting period (from April 1, 2004 to March 31, 2005) is calculated as though a stock split took place at the beginning of the term.
 2. The amounts of the net income per share are based on the following data:

(In thousand yen)

	Previous Consolidated Fiscal Year (From April 1, 2003 to March 31, 2004)	Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
Net income	3,419,771	3,123,200
Amount not attributable to common shareholders	44,600	49,000
(Bonuses to directors and auditors through surplus appropriation, included)	(44,600)	(49,000)
Net income available to common shares	3,375,171	3,074,200
Average number of shares outstanding during the term (in thousand shares)	29,530	32,387
Outlines of the residual shares not taken into calculation of after residual share adjustment due to absence of dilution effects	Stock option resolved at the regular general meeting of shareholders held on June 21, 2001 (Treasury stock acquisition method) Common shares 276,000 shares	Stock option resolved at the regular general meeting of shareholders held on June 21, 2001 (Treasury stock acquisition method) Common shares 290,000 shares

(Important Subsequent Events)

Previous Consolidated Fiscal Year (From April 1, 2004 to March 31, 2004)	Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
_____	_____

5. Breakdown of Sales by Product

(In thousand yen)

Classification		Term Category	Previous Consolidated Fiscal Year (April 1, 2003 to March 31, 2004)		Current Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	
			Amount	Ratio %	Amount	Ratio %
Product	Liquid soup		3,714,692	19.1	4,456,798	22.1
	Liquid natural seasonings		10,567,862	54.3	10,327,096	51.2
	Powdered natural seasonings		3,195,220	16.4	3,161,966	15.7
	Others		925,001	4.8	921,024	4.
	Subtotal		18,402,777	94.6	18,866,885	93.5
Merchandise	Liquid natural seasonings		969,431	5.0	1,228,852	6.1
	Powdered natural seasonings		85,804	0.4	75,542	0.4
	Subtotal		1,055,236	5.4	1,304,395	6.5
Total			19,458,014	100.0	20,171,280	100.0
(Export value out of the above amount of sales performance)			(960,484)		(1,154,119)	

Note 1: Amounts under one thousand yen have been rounded down.

2: Amounts do not include the consumption tax.

6. Amount of orders received during the term and backlog of major products

The Company does not apply any production-to-order system, but planned production according to statistical data.