



The Fine Flavors of Nature

FY2006 Financial Results

May 17, 2006



ARIAKE JAPAN Co.,Ltd.

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FY2006 Consolidated Financial Summary

In million yen

	FY2006	FY2005	Changes	I/D (%)	FY2007(E)
Net Sales	21,761	20,171	1,590	7.9	23,500
Operating Income	5,781	5,289	492	9.3	5,570
Operating Income Ratio (%)	26.6	26.2	-	0.4	23.7
Ordinary Income	5,871	5,342	529	9.9	5,370
Ordinary Income Ratio (%)	27.0	26.5	-	0.5	22.8
Net Income	3,499	3,123	376	12.0	3,150
EPS (YEN)	105.52	94.92	-	-	94.54

FY2006 Non-Consolidated Financial Summary

In million yen

	FY2006	FY2005	Changes	I/D (%)	FY2007(E)
Net Sales	19,762	18,811	951	5.1	20,800
Operating Income	5,333	5,154	179	3.5	5,060
Operating Income Ratio (%)	27.0	27.4	-	(0.4)	24.3
Ordinary Income	5,426	5,218	208	4.0	4,860
Ordinary Income Ratio (%)	27.5	27.7	-	(0.2)	23.4
Net Income	3,178	3,077	101	3.3	2,790
EPS (YEN)	95.71	93.51	-	-	83.56

Operating Results – Net Sales

➤ **Consolidated – a year-on-year increase of 7.9% (¥1.59 billion)**

[Ariake Japan] Sales increased 950 million yen

Sales for processed food and restaurant industry increased due to successful sales plans. However, sales in the processed food sector showed a slight slowdown in the fourth quarter. As a result, sales in the processed food sector increased 7.0% year on year, in the restaurant sector rose 7.3% year on year and sales in the instant noodle sector was flat. Therefore, overall net sales rose 5.1%.

[Consolidated Subsidiaries] Sales increased 640 million yen

A strategy to increase sales to process food and instant noodle manufacturers resulted a sales increase of 46% year on year

➤ **FY2007 forecast – a year-on-year increase of 8.0% (sales target ¥23.5 billion, an increase of ¥1.74 billion)**

[Ariake Japan]

Sales increase of 5.3% a year (Sales target of ¥20.8 billion, an increase of ¥1 billion)

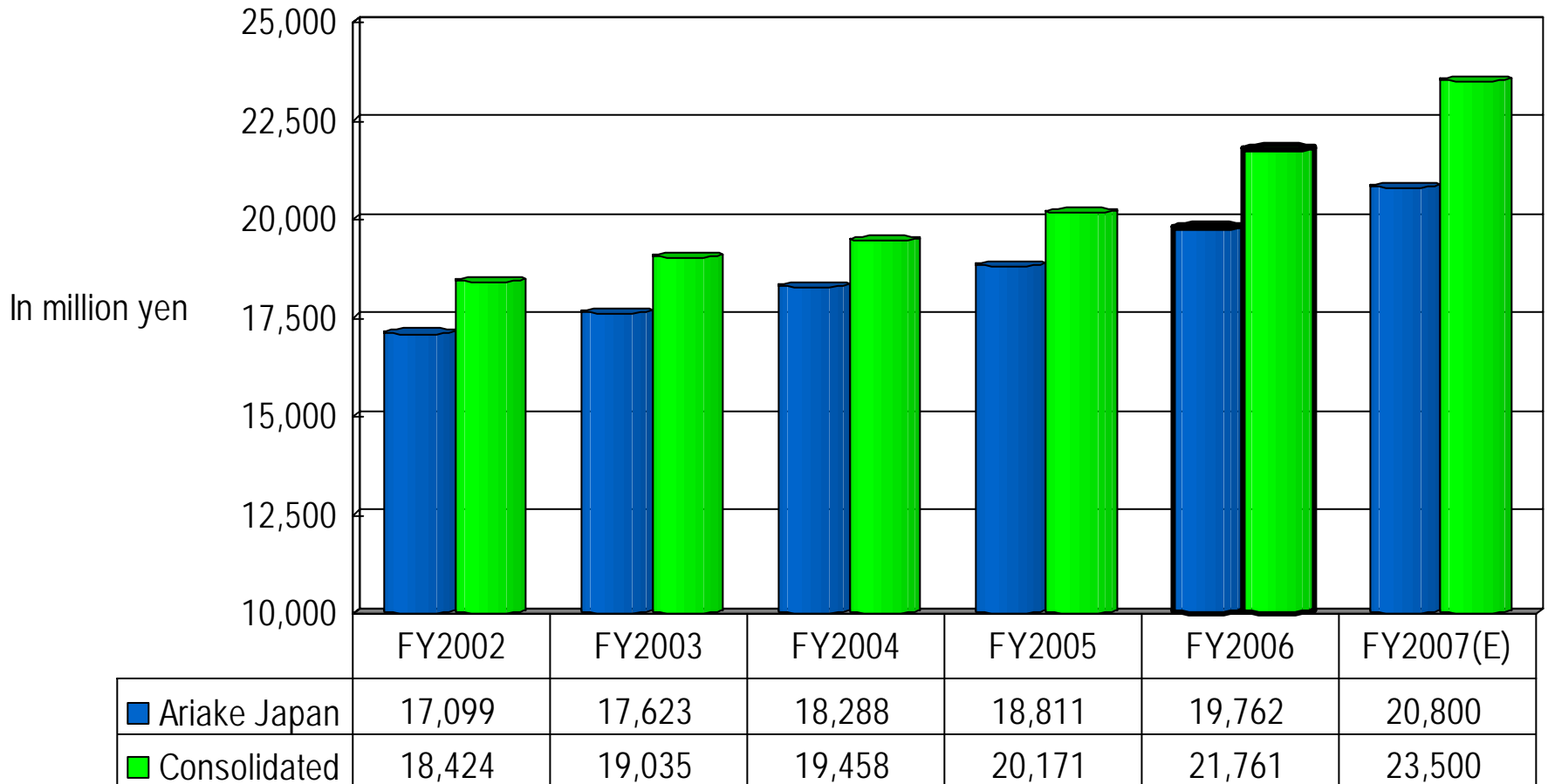
With high-value added products, promote an aggressive sales strategy towards processed food and restaurant industry

[Consolidated Subsidiaries]

Sales increase of 14% a year in the processed food and instant noodles businesses

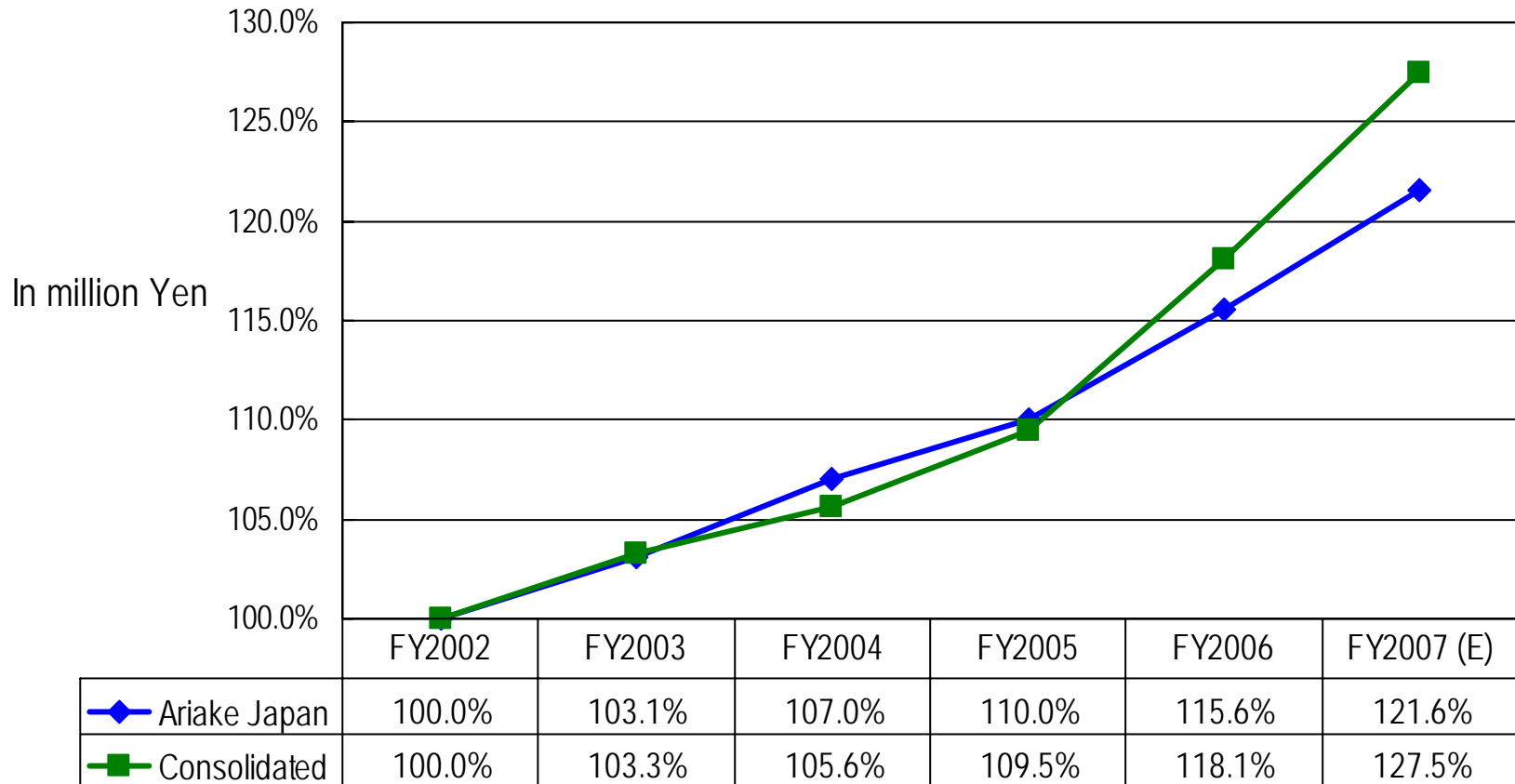
(Sales target of ¥2.7 billion, increase of ¥0.7 billion)

Net Sales



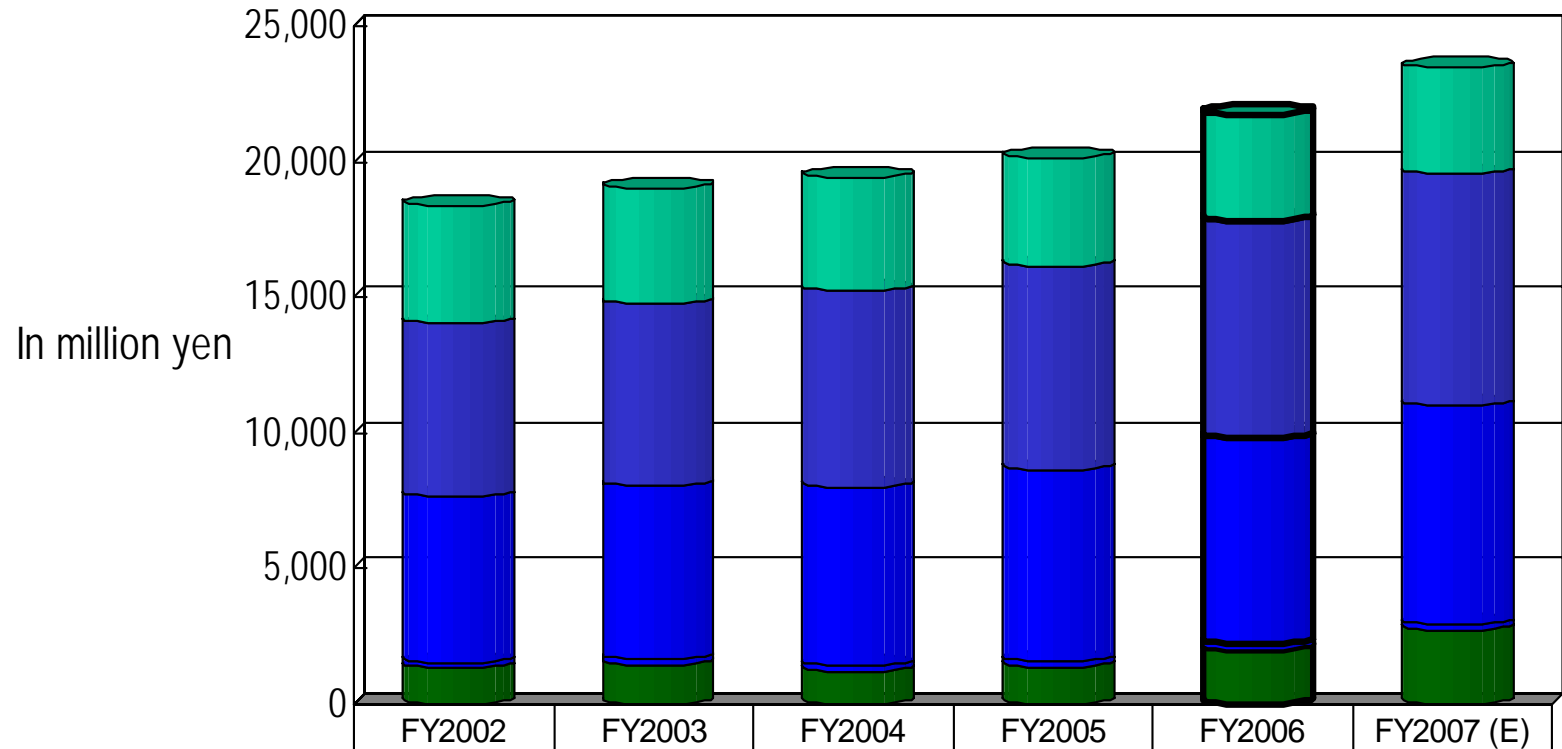
*Figures for FY2007 are projected

Net Sales Growth Rate



*Figures for FY2007 are projected

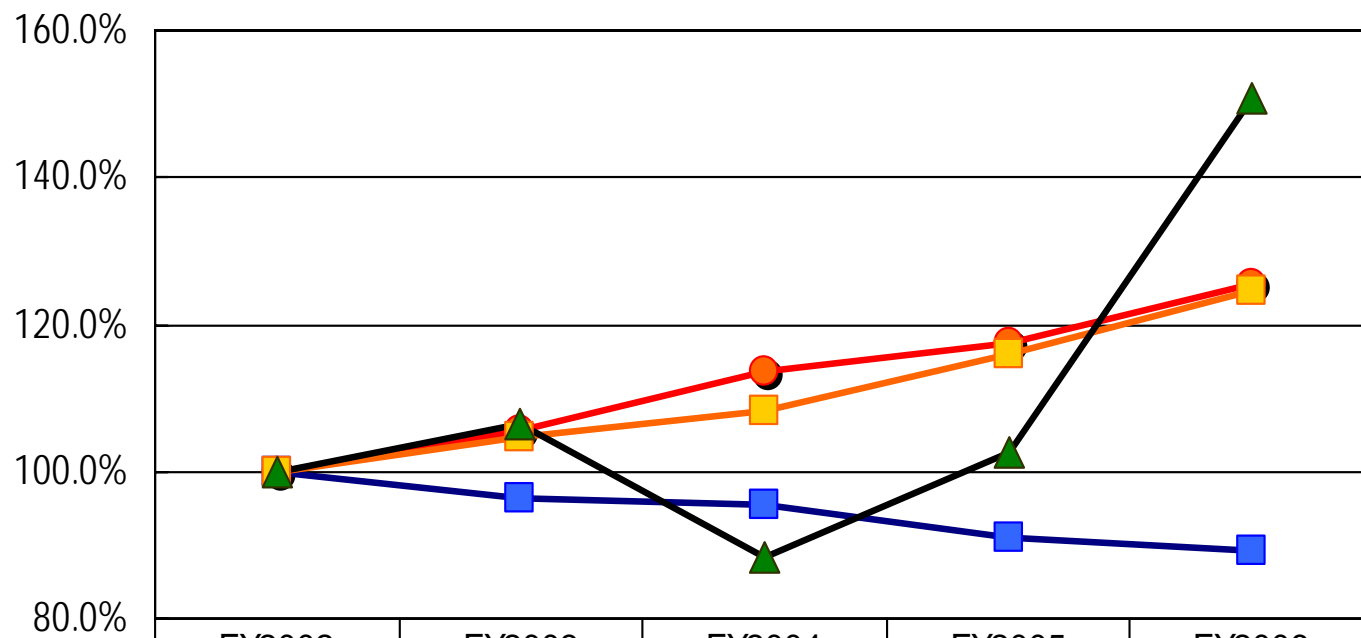
Net Sales by Industry Segment



	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 (E)
Chinese noodle soup	4,404	4,253	4,206	4,005	3,923	3,950
Processed food	6,401	6,756	7,266	7,517	8,040	8,550
Restaurant Ind.	6,107	6,391	6,609	7,087	7,606	8,100
Export	187	223	208	202	193	200
Consolidated subsidiaries	1,325	1,412	1,170	1,360	2,000	2,700

*Figures for FY2007 are projected

Net Sales Growth Rate by Industry Segment



	FY2002	FY2003	FY2004	FY2005	FY2006
Chinese noodles soup	100.0%	96.5%	95.5%	90.9%	89.1%
Processed food	100.0%	105.5%	113.5%	117.4%	125.6%
Restaurant ind.	100.0%	104.7%	108.2%	116.0%	124.5%
Consolidated subsidiaries	100.0%	106.5%	88.3%	102.6%	150.9%

*Growth rate based on FY2002

Operating Results – Operating Income

➤ **Consolidated – a year-on-year increase of 9.3%**

(Achieved record-high operating income)

[Ariake Japan] Increased 3.5% year-on-year

Plus factor - Improved 2.1% by cost reduction (Profit ratio increased from 40.5% to 42.6%)

*After absorbing approx. 0.5% increase of energy cost

Minus factor - Increase in distribution cost 0.7%

Increase in engineering development cost 1.6%

[Consolidated Subsidiaries] Due to growth in sales, profit increased drastically approx. 330%

(FY2005 10.7% → FY2006 22.4%)

➤ **FY2007 forecast – expecting a profit drop due to implementation of various measures (FY2006 26.6% → FY2007E 23.7%)**

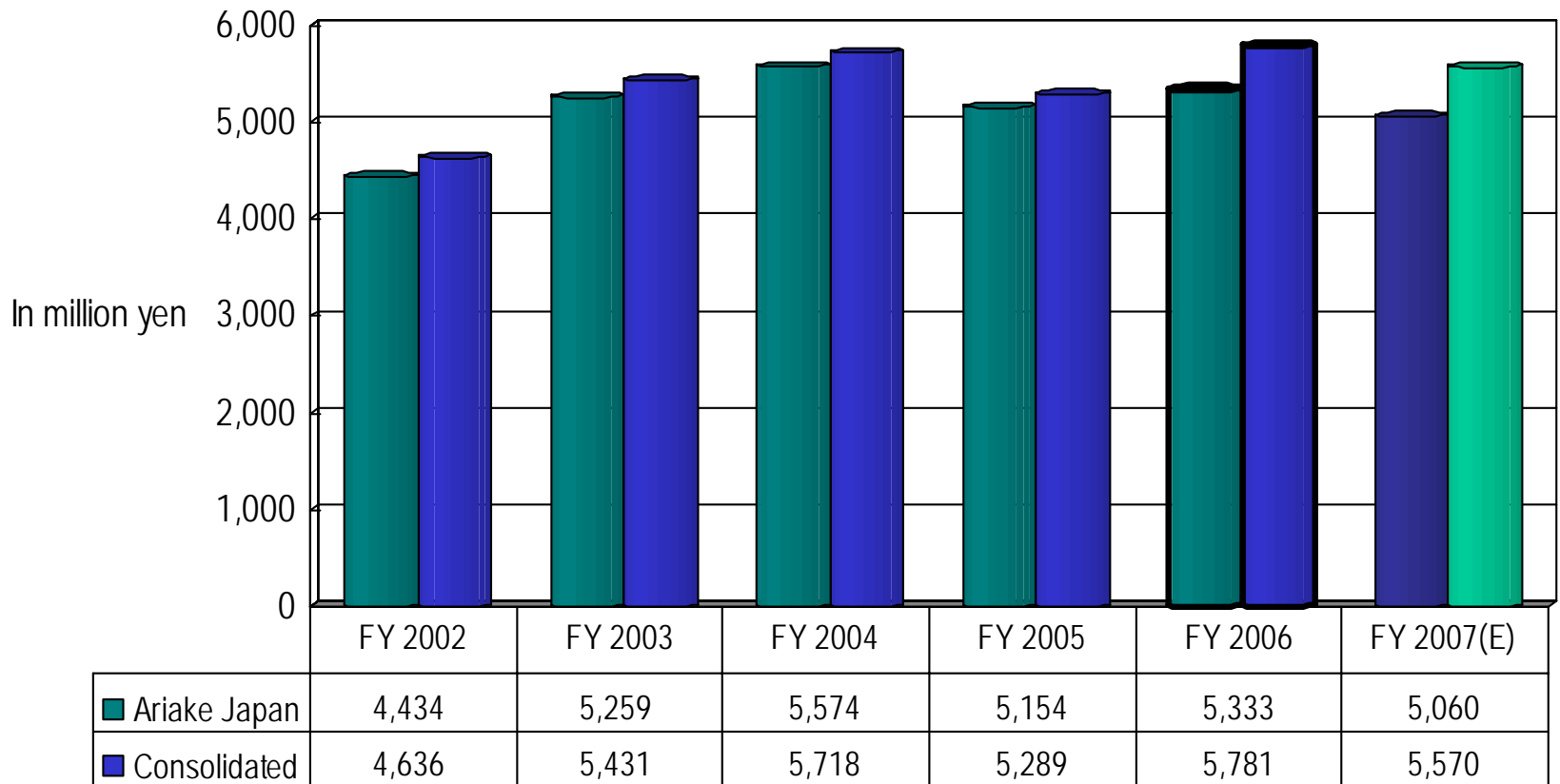
[Ariake Japan] Profit ratio –5.1% (FY2006 27.0% → FY2007E 24.3%)

Plus factor - Cost reduction and effective usage of “right products in the right site” system, among the Japan-US-China trilateral

Minus factor - Increase in depreciation expenses derived from starting up newly extended facilities, strengthening sales and enhancement in technical abilities (opening of overseas branches)

[Consolidated Subsidiaries] Expecting to stay at the same level as FY2005 due to increase in sales in US and China (profit ratio approx. 20%)

Operating Income



*Figures for FY2007 are projected

Operating Results – Ordinary Income

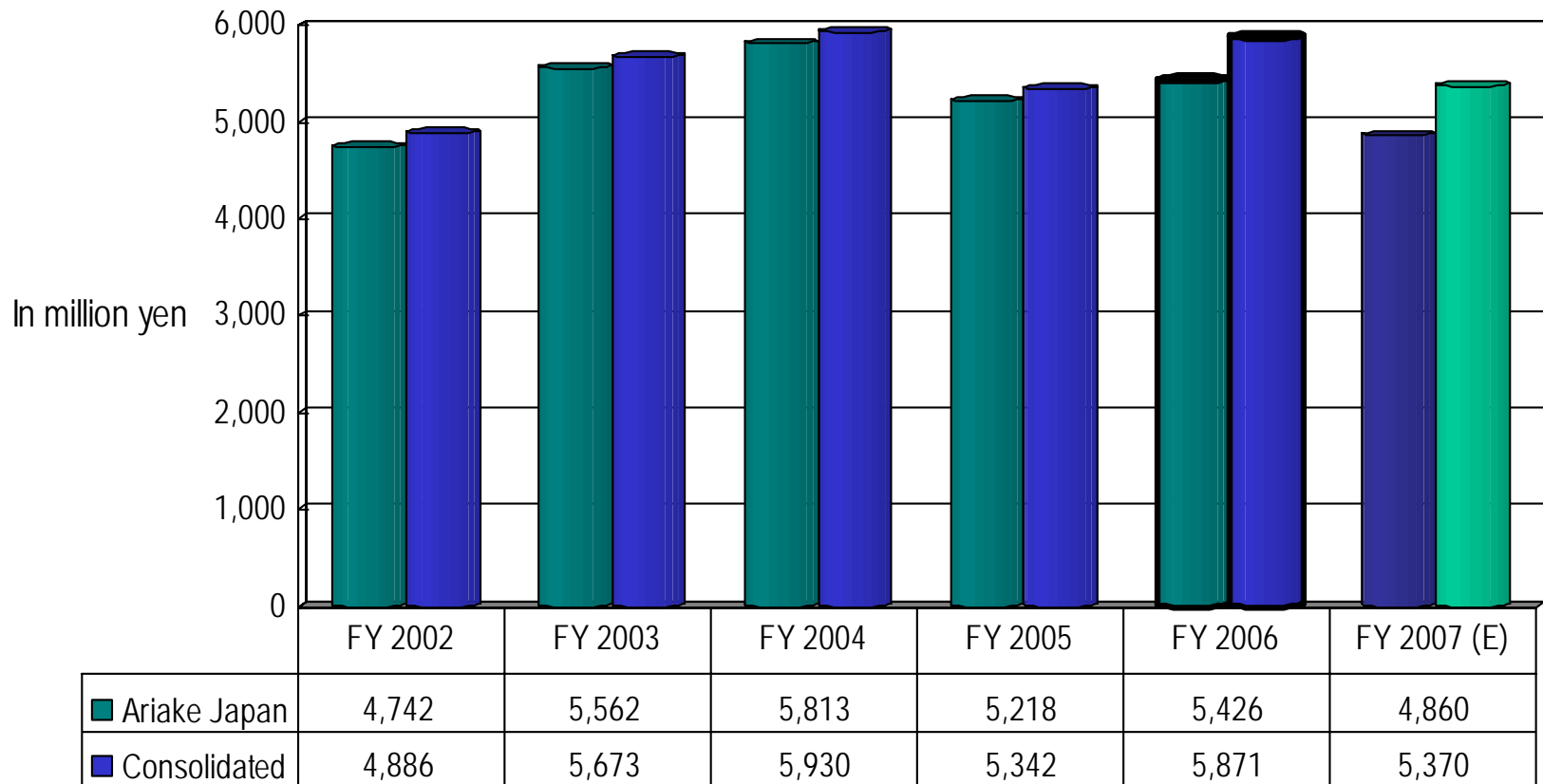
- **Consolidated – a year-on-year increase of 9.9%**
(FY2004 26.5% → FY2005 27.0%)
- **Ariake Japan – a year-on-year increase of 4.0%**
(FY2004 27.7% → FY2005 27.5%)
- **FY2007 forecast – Expecting a drop of year-on-year 8.5% due to promotion of forward-looking measures**

[Ariake Japan] Profit ratio -10.4% (FY2005 27.5% → FY2006E 23.4%)

Due to decline in operating income and increase in expenses for overseas branches

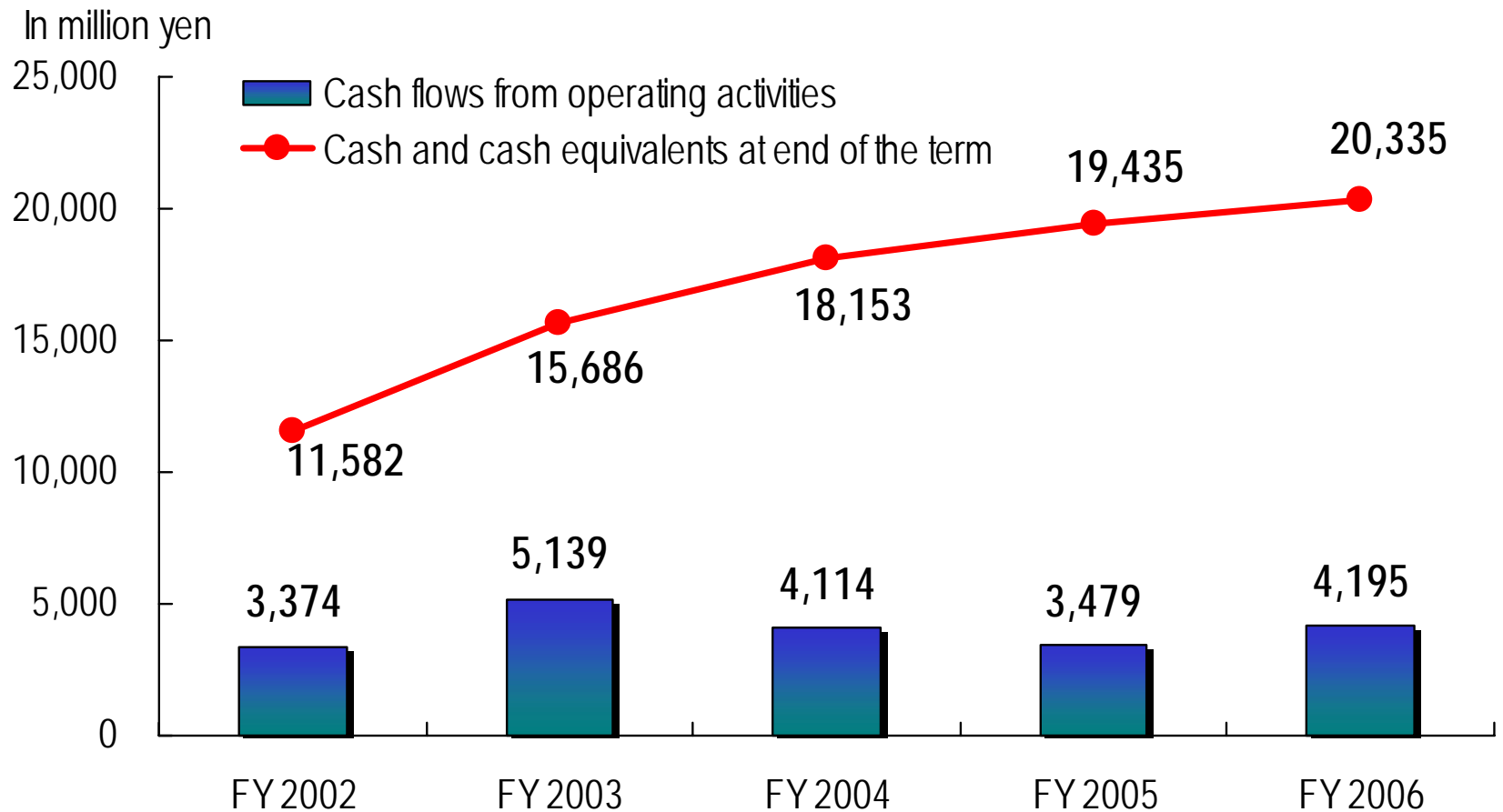
[Consolidated Subsidiaries] Projecting to stay at the same level as FY2005

Ordinary Income

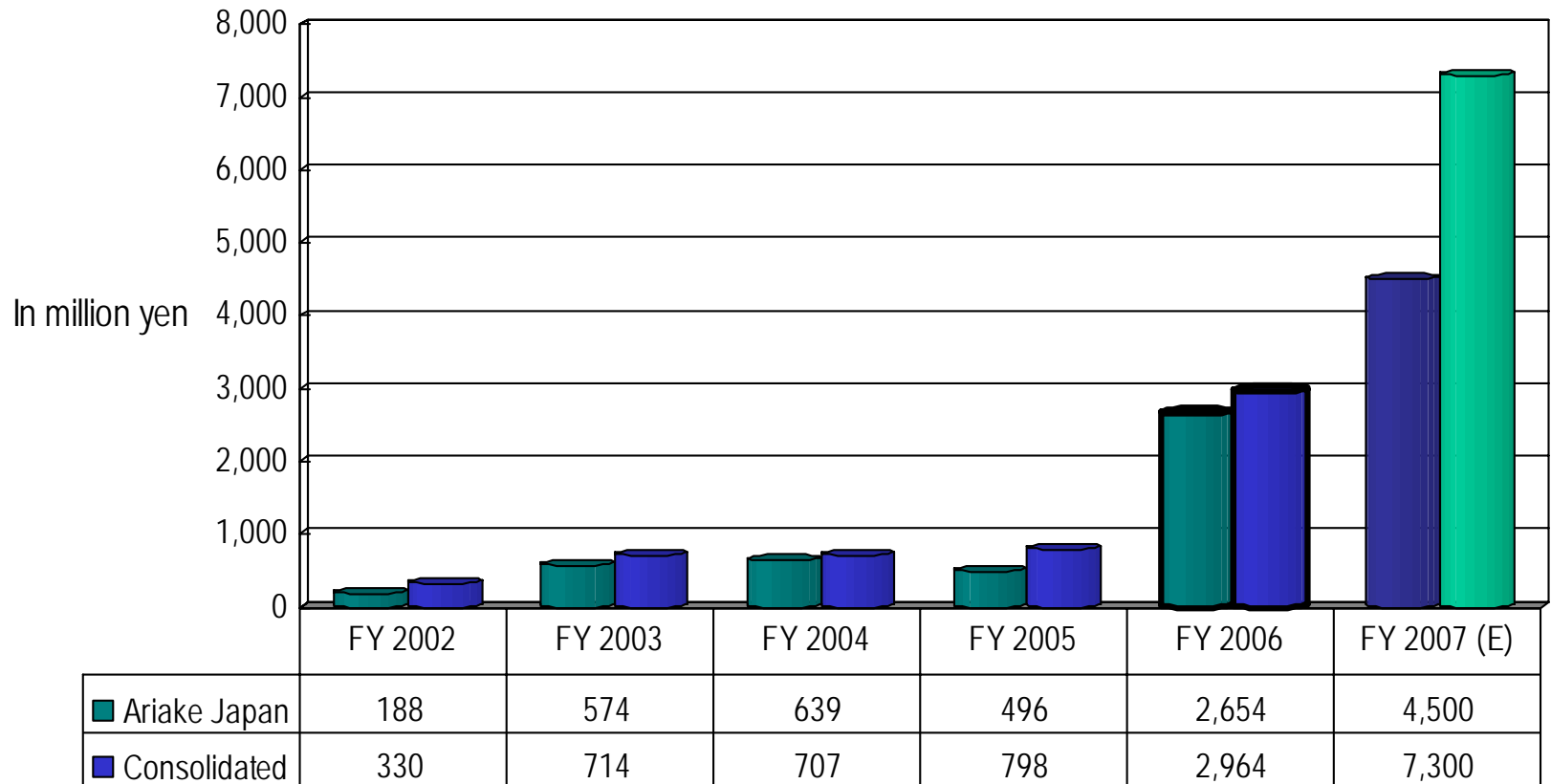


*Figures for FY2007 are projected

Consolidated Cash Flows

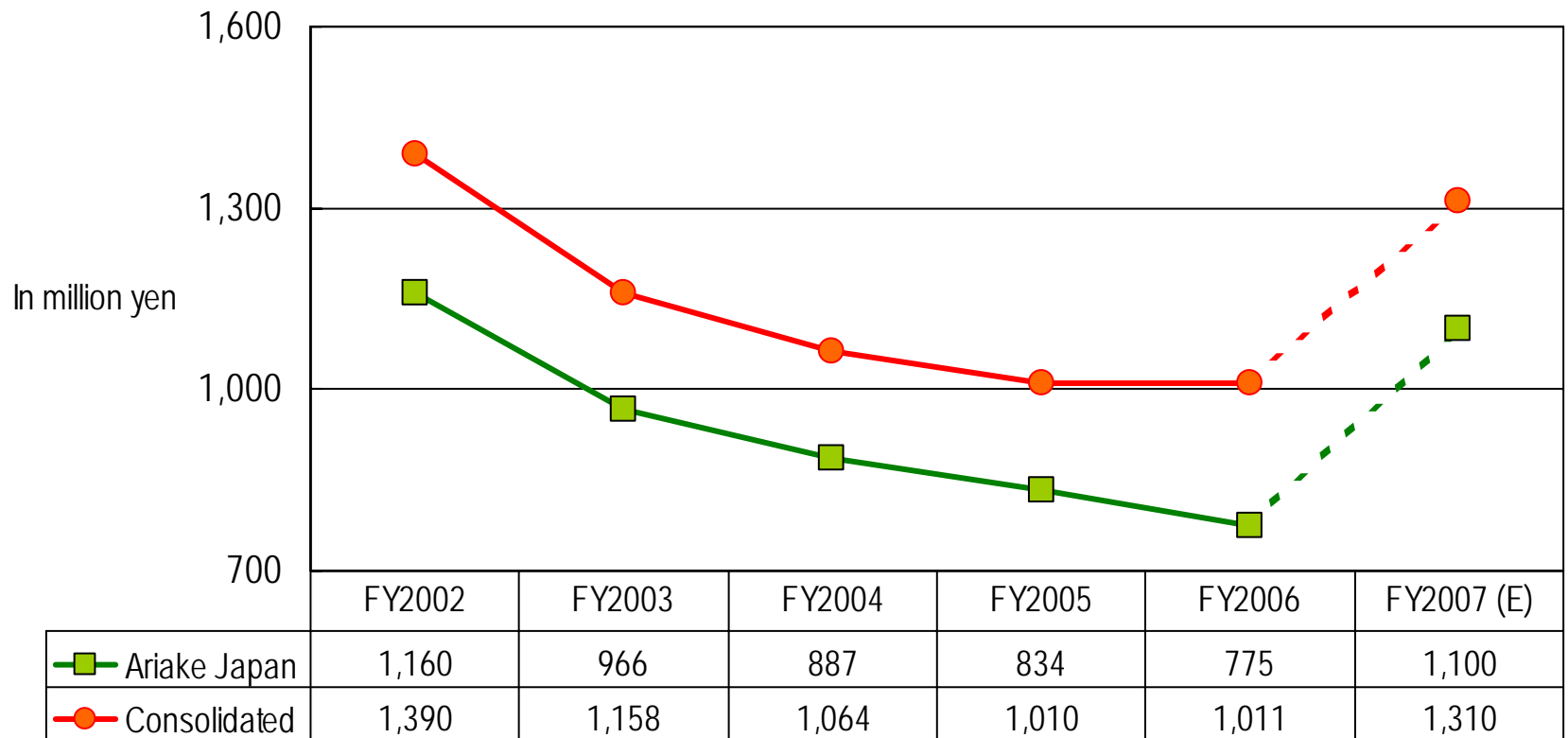


Capital Investment



*Figures for FY2007 are projected

Depreciation Cost

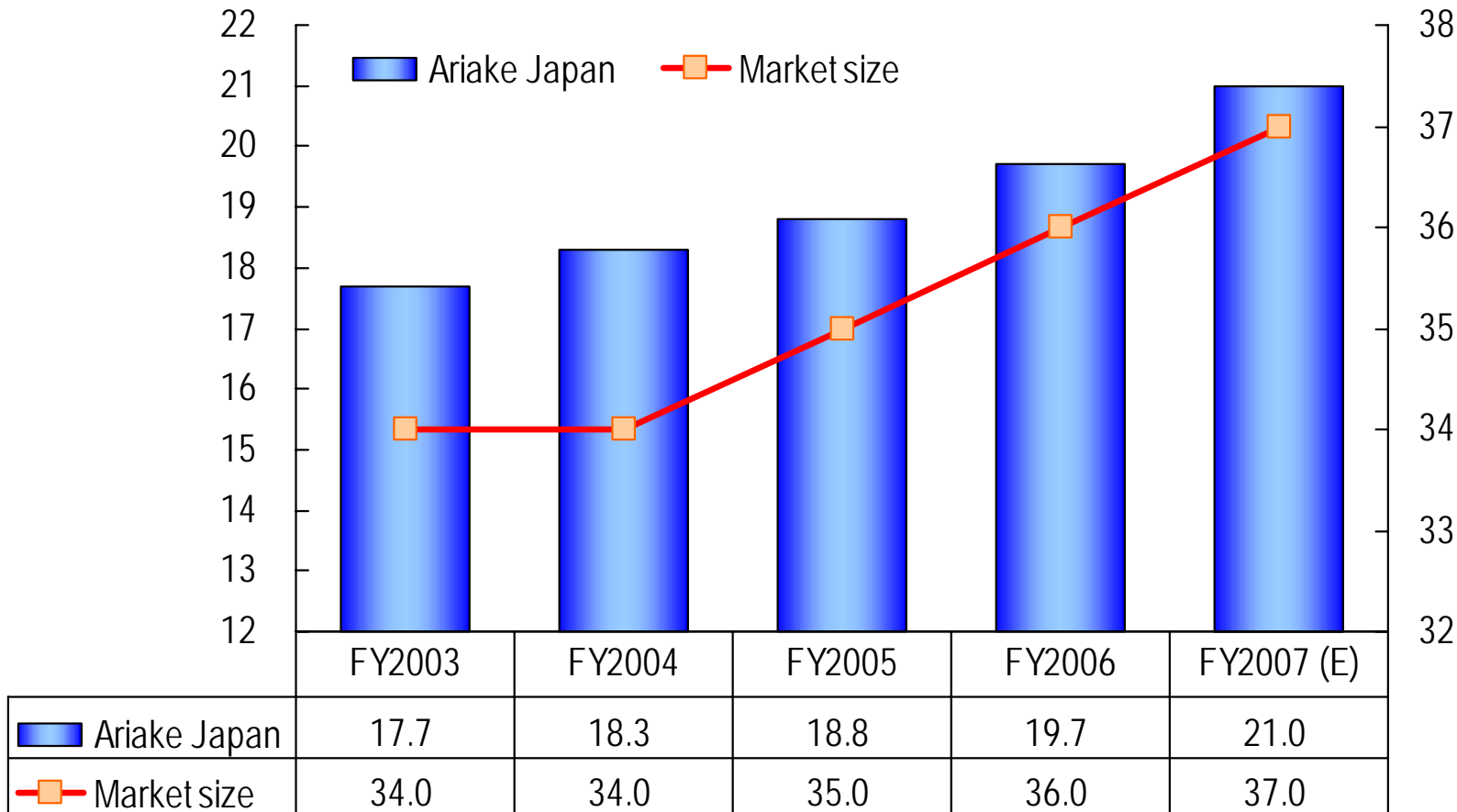


*Figures for FY2007 are projected

Animal-Derived Natural Seasoning Market

Net sales: Ariake Japan (in billion yen)

Market size (in billion yen)



*The figures for FY2007 are projected



The Fine Flavors of Nature

Long-Term Business Plan



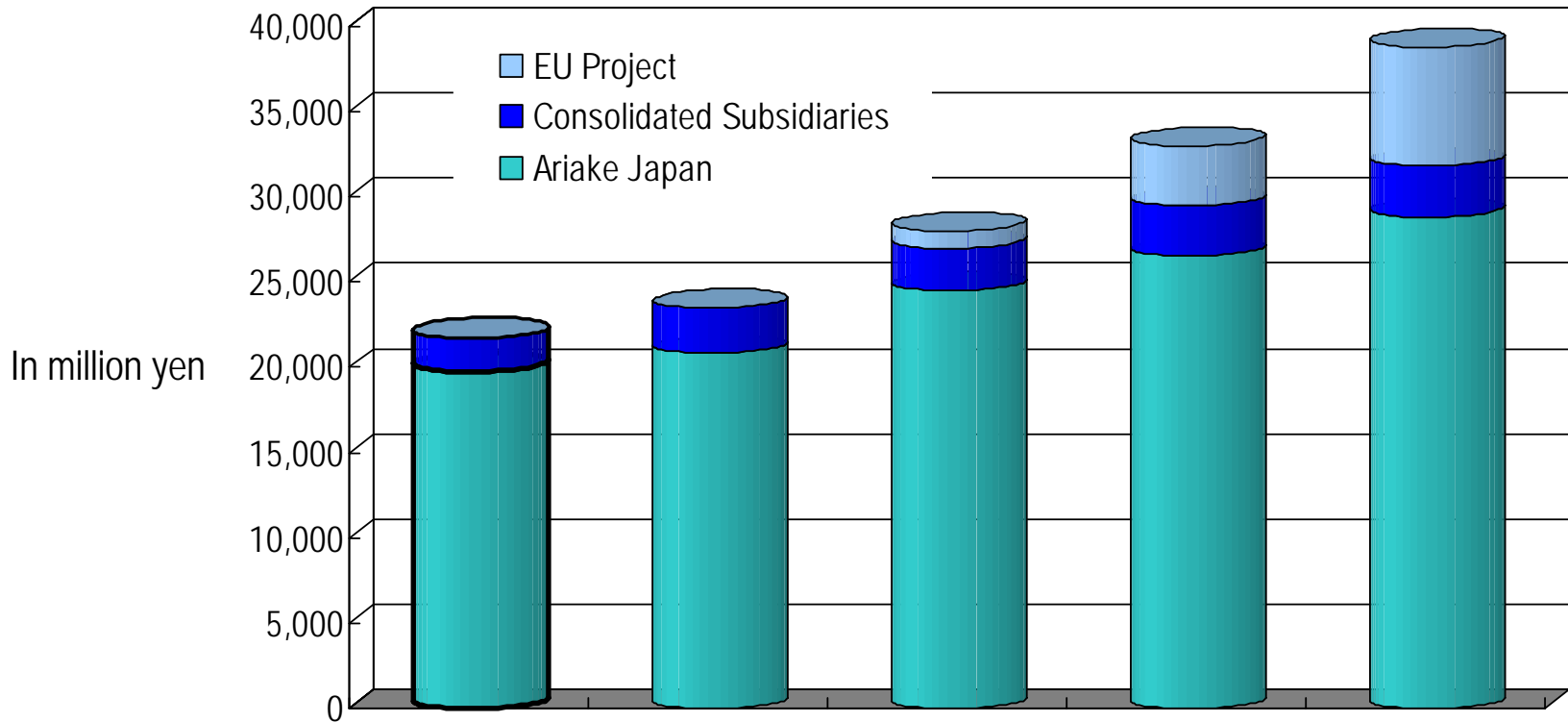
ARIAKE JAPAN Co.,Ltd.

Long-Term Business Plan (Target Index of FY2010)

- Net Sales ¥38.8 billion
- Ordinary Income ¥11.4 billion

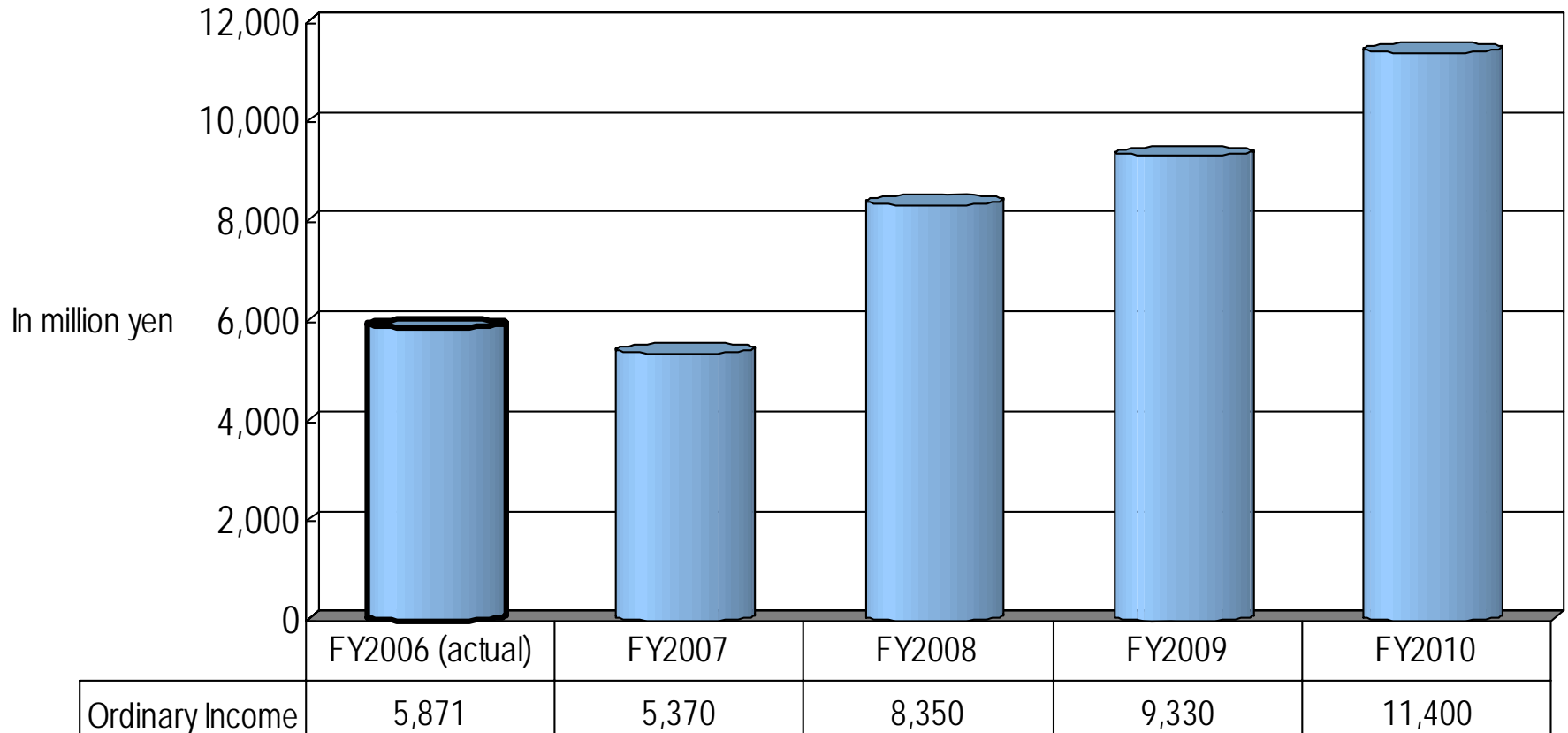
[Growth Rate for Five Years] From Mar.2006 to Mar.2010	
Net Sales	192%
Ordinary Income	213%

Long-Term Business Plan – Net Sales



	FY2006 (actual)	FY2007	FY2008	FY2009	FY2010
Ariake Japan	19,762	20,800	24,500	26,500	28,800
Consolidated Subsidiaries	1,999	2,700	2,500	3,000	3,000
EU Project	-	-	1,000	3,500	7,000
Total	21,761	23,500	28,000	33,000	38,800

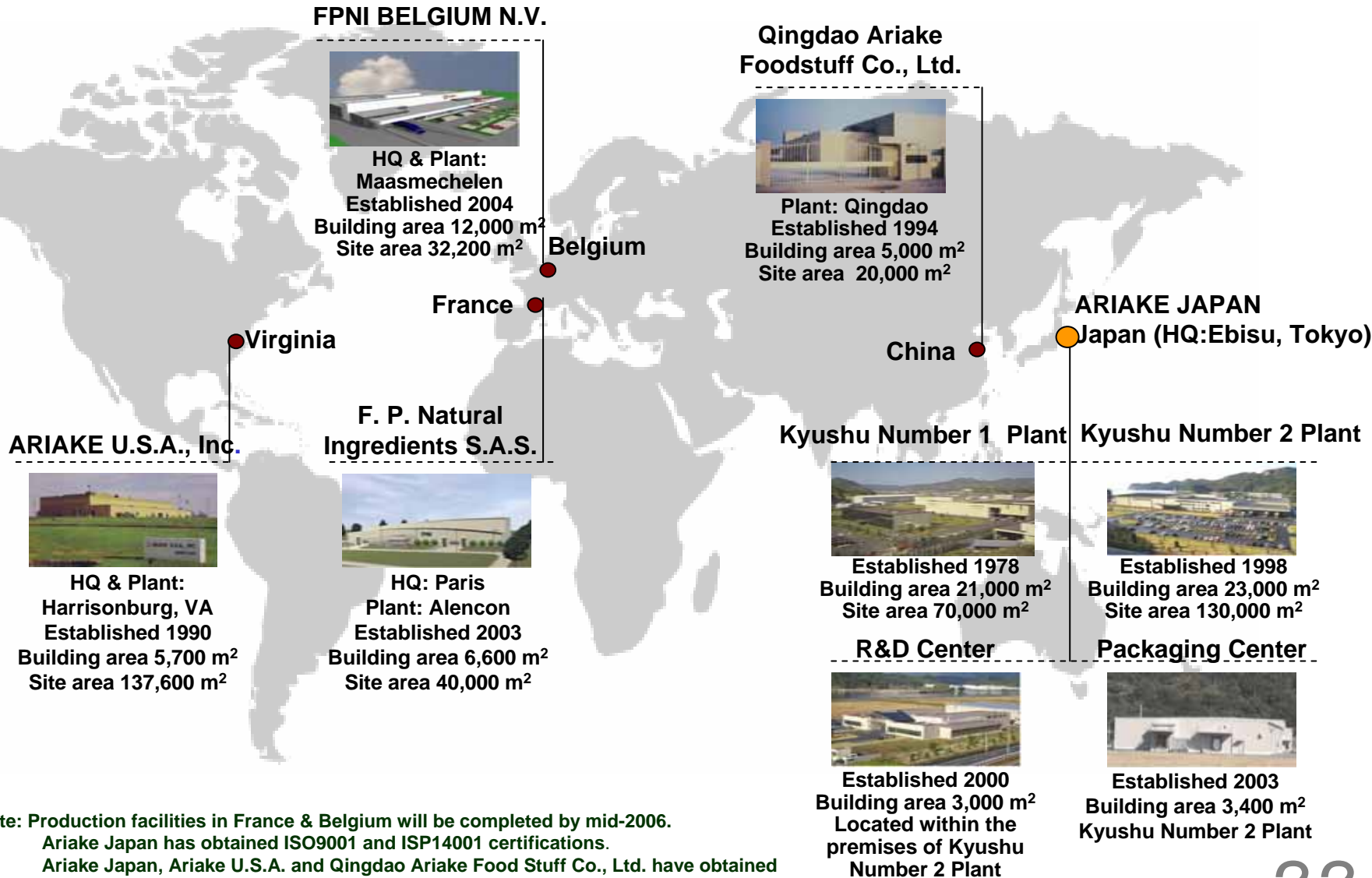
Long-Term Business Plan – Ordinary Income



Long-Term Business Plan – Basic Principles

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 develop the global market
3. Grow into being a world class leading company through technical innovation
(Business growth through new technology)

Ariake Japan Global Network



Note: Production facilities in France & Belgium will be completed by mid-2006.
 Ariake Japan has obtained ISO9001 and ISP14001 certifications.
 Ariake Japan, Ariake U.S.A. and Qingdao Ariake Food Stuff Co., Ltd. have obtained HACCP certification.

Kyushu Number 2 Plant

<Ariake Japan Co., Ltd.>

[Project purpose] Increase production capacity (up 1.5 times)

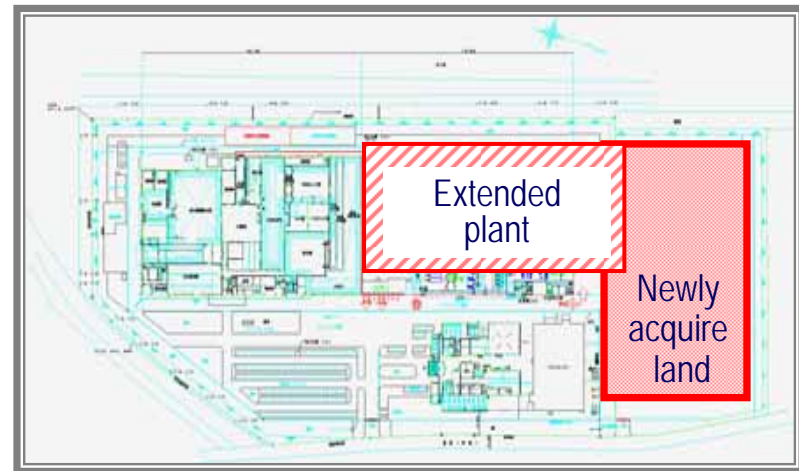
[Total investment] ¥7.5 billion

[Scheduled operation] November 2006

[Extended area] 30,000 m²
(newly purchased to extend)

[Factory area] 32,000 m² (total floor space)

[Products] Broth extraction, sauce base cooking,
powder drying, blending, granulation,
filling and packing operation



Belgium Plant

<F.P.N.I. BELGIUM N.V.>

[Size]

Site area	32,170 m ²
Building area	Approx. 12,000 m ²
Investment for the first term	24.0 million EUR (Approx. ¥3.3 billion)

[Scheduled operation year] 2006

[Location] Maasmechelen, Flanders, Belgium
Located near the border with Netherlands,
an hour from Brussels by car

[Products] Production and sales of liquid
natural seasonings mainly such as broth,
stock and sauce base



France Plant

<F. P. Natural Ingredients S.A.S.>

[Size]

Site area	40,000 m ²
Building area	6,600 m ²
Investment for the first term	12.6 million EUR (Approx. ¥1.7 billion)

[Scheduled operation year] 2006

[Location] Alençon City, Normandy, France
2.5 hours from Paris












[Products] Production and sales of
vacuum-dried soup powders



Practice of Effective Capital Measures

- In addition to business expansion, totally ¥16.0 billion of capital investment was implemented in five years
 - ARIAKE JAPAN implemented large-scale capital investment due to expanding domestic demand
 - Extension of Kyushu Number 2 Plant and replacement of the Number 1 Plant [¥7.5 billion]
 - Capital investment along with execution of overseas strategy [¥6.0 billion]
 - Other ordinary capital expenditure [¥2.5 billion]
- Strategic investments (including M&A) towards effective new and peripheral businesses
- Maximization of corporate value and shareholder benefits over the long term

Capital Expenditure

	Investment	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Ariake Japan	(In million yen)					
Kyushu Number 2 Plant	7,500			(Scheduled completion: end of 2006)		
Ordinary C. Expenditure	2,500					
Europe (2 Companies)						
Belgium	4,500			(Scheduled completion: end of 2006)		
France				(Scheduled completion: end of 2006)		
Quindao						
New Plant	900			(Scheduled completion: end of 2006)		
Ordinary C. Expenditure	50					
ARIAKE U.S.A.						
New Plant	1,500			(Scheduled completion: September 2007)		
Ordinary C. Expenditure	50					
Total	17,000					

Key Management Indicator

✧ **ROE** (Return On Equity) **12.0%**
(FY2006: 8.91%)

✧ **DOE** (Dividends On Equity) **2.5%**
(FY2006: 2.38%)

Cash Planning - Consolidated Basis

	FY2006 (actual)	FY2007	FY2008	FY2009	FY2010
Income					
Net Income	3,499	3,150	4,870	5,960	7,600
Depreciation	1,011	1,310	2,102	1,911	1,695
Total Income	4,510	4,460	6,972	7,871	9,295
Expenses					
Ariake Japan					
Kyushu Number 2 Plant	2,437	4,500	0	0	0
Ordinary C. Expenditure	217	280	280	500	500
Europe 2 Companies					
Ordinary C. Expenditure	285	1,500	2,700	0	0
Qingdao Ariake Foodstuff					
New plant	0	900	0	0	0
Ordinary C. Expenditure	10	10	10	10	10
Ariake U.S.A.					
New Plant	0	100	1,400	0	0
Ordinary C. Expenditure	15	10	10	10	10
Total C. Expenditure	2,964	7,300	4,400	520	520
Distributed Income (dividends)	1,056	1,000	1,000	1,000	1,000
Other Expenses	(410)	945	600	280	280
Total Expenses	3,610	9,245	6,000	1,800	1,800
Balance	900	(4,785)	972	6,071	7,495
Balance of the previous	19,435	20,335	15,550	16,522	22,593
Cash and equivalents at the end of term	20,335	15,550	16,522	22,593	30,088

FY2006 Gift to Shareholders

- Assorted canned curries of:
 - Beef curry of Kyushu Wagyu beef,
 - Chicken curry of Hyuga chicken,
 - Pork curry of Kagoshima black hog

