

January 26, 2006

Brief Third-Quarter Consolidated Financial Report for the Year Ending March 31, 2006

Listed company name: Ariake Japan Co., Ltd.
 Code No.: 2815
 Listing Exchanges: Tokyo, 1st Section
 URL: <http://www.net-ir.ne.jp/ariake/>
 Representative: Kineo Okada, President and Chief Executive Officer
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1. Items relating to the preparation of the quarterly consolidated financial statements

* Adoption of the simplified accounting method None
 * Changes in accounting methods from the most recent fiscal year None
 * Changes in scope of consolidation and equity method None

2. Third-quarter results for the year ending March 31, 2006 (April 1, 2005 – December 31, 2005)

(1) Consolidated business results

Note: Amounts under one million yen have been rounded down.

	Net sales		Operating income		Ordinary income	
	MY	%	MY	%	MY	%
Third Quarter of FY2006	16,653	9.1	4,492	10.1	4,550	11.1
Third Quarter of FY2005	15,266	2.5	4,080	(7.6)	4,095	(9.2)
[Reference] FY2005	20,171		5,289		5,342	

	Net income		Net income per share		Net income per share/diluted	
	MY	%	Yen		Yen	
Third Quarter of FY2006	2,724	15.4	83.37		-	
Third Quarter of FY2005	2,360	(8.8)	72.87		-	
[Reference] FY2005	3,123		96.43		-	

Note: 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

	Total assets		Shareholders' equity		Equity ratio		Shareholders' equity per share	
	MY		MY		%		Yen	
Third Quarter of FY2006	45,326		40,337		89.0		1,230.55	
Third Quarter of FY2005	40,906		36,330		88.8		1,125.38	
[Reference] FY2005	41,361		37,010		89.5		1,144.94	

Note: Number of share outstanding at term end (consolidated):

Third Quarter of FY2006 32,779,951 shares Third Quarter of FY2005 32,282,988 shares FY2005 32,282,205 shares

【Consolidated cash flows】

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities		Cash and equivalents at the fiscal year end	
	MY		MY		MY		MY	
Third Quarter of FY2006	1,590		(3,802)		125		17,674	
Third Quarter of FY2005	1,057		(202)		(1,652)		17,531	
[Reference] FY2005	3,479		(671)		(1,737)		19,435	

【Reference】

Consolidated results forecasts for the Year Ending March 31, 2006 (April 1, 2005- March 31, 2006)

	Net sales		Operating income		Ordinary income		Net income	
	MY		MY		MY		MY	
Full-year	22,000		6,200		6,300		3,700	

Reference: Expected net income per share (full-year) ¥113.23

* Since forecasts described above have been made based on information available as of the date of announcement, actual results may be different from these forecasts due to various factors. For more information regarding the forecasts, see pages 3-4.

Outline of Business Results

1. Outline of Results

(Consolidated business results)

(In million yen, except growth rate)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Third Quarter of FY2006	16,653	4,492	4,550	2,724	83.37
Third Quarter of FY2005	15,266	4,080	4,095	2,360	72.87
Growth Rate (%)	9.1	10.1	11.1	15.4	-

(Non-consolidated business results)

(In million yen, except growth rate)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Third Quarter of FY2006	15,259	4,173	4,233	2,472	75.66
Third Quarter of FY2005	14,201	3,968	4,004	2,335	72.12
Growth Rate (%)	7.5	5.2	5.7	5.8	-

【Overall Performance】

Through first three quarters (April 2005 to December 2005), the Japanese economy showed signs of a mild recovery brought about by factors such as second-half increases in corporate revenues and capital investments. However, as a result of a sudden spike in oil prices and continuing increases in prices of related products, unstable market conditions continued.

Adding to this, an ongoing deflationary mood blunted the recovery in consumption of food products and, with no prospect of higher demand, the food products industry continued to suffer under difficult conditions.

Under these circumstances, the Company and the Group, as leaders in the field of natural seasonings, worked to expand their existing business and conduct active development of new business in order to steadily implement the “New Five-year Long-term Management Plan”. The Company and the Group will also make maximum efforts for the “food safety” and “high quality” by establishing the surest system for “quality, safety and sanitary management,” and strive to improve the entire Group’s revenue in order to achieve stable growth even in the deflationary recession.

【Net Sales】

In the third quarter (from October 2005 to December 2005), net sales at the Company (Ariake Japan Co., Ltd.) increased 9.4% compared to the same period of the previous year, to 5,761 million yen. Factoring into this positive result were the success of an aggressive marketing strategy and ongoing demand growth in the processed and prepared foods fields and the mainstay restaurant industry. As a result, the Company’s cumulative net sales through the third quarter (from April 2005 to December 2005) grew by 1,058 million yen, or 7.5% compared to the same period of the previous year, to 15,259 million yen.

Net sales at consolidated subsidiaries, primarily those in China and the US, also grew, rising 12.6% compared to the same period of the previous year, to 6,417 million yen. Consolidated cumulative net sales through the third quarter (from April 2005 to December 2005) grew by 1,387 million yen, or 9.1% compared to the same period of the previous year, to 16,653 million yen.

【Operating Income】

The Company’s (Ariake Japan Co., Ltd.) third-quarter (from October 2005 to December 2005) operating income margin improved to 29.4% (26.1% for the first half) as steady cost cutting more than

made up for ongoing increases in energy and other costs. The cumulative operating income margin through the end of the third quarter (from April 2005 to December 2005) came to 27.4%.

At the consolidated level, aggressive efforts to increase sales resulted in significantly higher operating income. Third-quarter (from October 2005 to December 2005) operating income came in 15.0% ahead of results for the same period a year ago, with a third-quarter operating income margin of 28.5% (27.9% for the same period of the previous year) and a cumulative operating income margin (from April 2005 to December 2005) of 27.0% (26.7% for the same period of the previous year).

【Ordinary Income】

Aggressive efforts to boost sales and cut costs increased the Company's (Ariake Japan Co., Ltd.) ordinary income margin to 29.6% for the third quarter (26.6% for the first half) and resulted in a major increase (versus the first-half result) to 27.7% for the first three quarters (from April 2005 to December 2005) of the year (28.2% for the same period of the previous year).

Consolidated ordinary income grew by 15.0% for the third quarter (from October 2005 to December 2005) as mainly overseas consolidated subsidiaries reported significantly higher profits. The cumulative third-quarter ordinary income margin (from April 2005 to December 2005) came to 27.3% (26.8% for the same period of the previous year), reflecting steady improvement.

【Net Income】

As a result of the ordinary results discussed above, cumulative net income through the third quarter (from April 2005 to December 2005) came to 2,724 million yen (2,360 million yen for the same period of the previous year) for the Ariake Group, and 2,472 million yen (2,335 million yen for the same period of the previous year) for the Company.

【Assets, Liabilities and Shareholders' Equity】

At the end of the third quarter (end of December 2005), consolidated assets totaled 45,326 million yen, an increase of 4,419 million yen compared to the figure of 40,906 million yen for the same period of the previous year. An increase in fixed assets was the primary reason for this change.

Consolidated liabilities (at the end of December 2005) came to 4,850 million yen, an increase of 387 million yen versus 4,462 million yen for the same period of the previous year. A rise in current liabilities was the primary reason for this change.

【Cash Flows】

Cash and cash equivalents through the end of the third quarter (from April 2005 to December 2005) totaled 17,674 million yen, an increase of 143 million yen compared to the balance of 17,531 million yen at the end of the third quarter of the previous year. An overview by type of cash flow is given below.

(Cash flows from operating activities)

For the third quarter, cash inflow from operating activities was 1,590 million yen. The main factors leading to this outcome were an increase in profits and the payment of income and other taxes.

(Cash flows from investing activities)

For the third quarter, cash outflow from investing activities was 3,802 million yen. The main factors leading to this outcome were outlays for capital investments and for the acquisition of investment in securities.

(Cash flows from financing activities)

For the third quarter, cash inflow from financing activities was 125 million yen. The main factors leading to this outcome were the sale of treasury stocks and dividend payments.

2. Forecast for full-year business results

With factors like the sudden rise in oil prices pushing prices higher for some related products and continuation of the deflationary trend contributing to greater uncertainty heading into the final part of the year, pessimistic conditions for personal consumption are expected to continue and, though many observers are hopeful that an economic recovery will begin, conditions will likely remain severe.

In the food product industry, there have been broad-based promotional efforts focusing on the ideas of “food safety” and “healthy foods,” but conditions are expected to remain difficult nonetheless.

Responding to these conditions with an aggressive marketing strategy and company-wide cost-cutting, the Company expects to fulfill its plans for the year, which call for consolidated net sales of 22,000 million yen (9.1% increase compared to the same period of the previous year), consolidated ordinary income of 6,300 million yen (17.9% increase compared to the same period of the previous year), non-consolidated net sales of 20,500 million yen (9.0% increase compared to the same period of the previous year), and non-consolidated ordinary income of 6,150 million yen (17.9% increase compared to the same period of the previous year).

Summary of Consolidated Balance Sheets

(In thousand yen, %)

Term Account	Third Quarter of FY2006	Third Quarter of FY2005	Changes		[Reference] FY2005
	Amount	Amount	Amount	Ratio	Amount
(Assets)					
I. Current assets					
1. Cash and time deposits	17,674,931	17,531,911	143,019		19,435,209
2. Notes and accounts receivable	6,297,892	5,592,211	705,680		4,550,319
3. Inventories	3,018,847	2,607,707	411,140		2,703,526
4. Deferred tax assets	133,540	139,321	(5,780)		105,897
5. Other current assets	417,245	314,901	102,343		137,456
6. Allowance for doubtful accounts	(3,283)	(2,174)	(1,109)		(2,016)
Total current assets	27,539,174	26,183,879	1,355,294	5.2	26,930,392
II. Fixed assets					
1. Tangible fixed assets					
(1) Buildings and structures	5,243,259	5,553,058	(309,798)		5,287,465
(2) Machines, devices, and delivery equipment	3,001,481	2,944,805	56,676		2,828,855
(3) Land	4,165,888	3,957,715	208,173		3,863,517
(4) Other fixed assets	1,589,684	296,873	1,292,810		266,753
Total tangible fixed assets	14,000,314	12,752,453	1,247,861	9.8	12,246,592
2. Intangible fixed assets	114,008	49,978	64,029	128.1	104,215
3. Investments and other assets					
(1) Investments in securities	1,888,382	382,746	1,505,635		395,212
(2) Long-term loans	71,736	78,269	(6,533)		76,601
(3) Deferred tax assets	106,744	74,743	32,001		92,597
(4) Investments in real estates	807,458	450,396	357,061		813,107
(5) Other investments	806,653	942,460	(135,807)		711,513
(6) Allowance for doubtful accounts	(8,409)	(8,382)	(27)		(8,379)
Total investments and other assets	3,672,566	1,920,234	1,752,331	91.3	2,080,652
Total fixed assets	17,786,889	14,722,667	3,064,222	20.8	14,431,461
Total assets	45,326,063	40,906,546	4,419,517	10.8	41,361,854

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

(In thousand yen, %)

Term Account	Third Quarter of FY2006	Third Quarter of FY2005	Changes		[Reference] FY2005
	Amount	Amount	Amount	Ratio	Amount
(Liabilities)					
I. Current liabilities					
1. Notes and accounts payable	2,045,130	1,649,159	395,971		1,569,731
2. Short-term loans	220,720	421,990	(201,269)		307,419
3. Income taxes payable	792,537	490,938	301,599		972,907
4. Allowance for employee bonuses	146,650	143,738	2,912		140,502
5. Other current liabilities	879,573	922,877	(43,304)		625,034
Total current liabilities	4,084,612	3,628,703	455,909	12.6	3,615,595
II. Long-term liabilities					
1. Allowance for employee retirement benefits	553,605	483,317	70,287		503,707
2. Other long-term liabilities	212,698	350,930	(138,232)		124,451
Total long-term liabilities	766,303	834,248	(67,944)	(8.1)	628,159
Total liabilities	4,850,916	4,462,951	387,964	8.7	4,243,754
(Minority interest)					
Minority interest	137,928	112,810	25,117	22.3	107,829
(Shareholders' equity)					
I. Common stock					
II. Capital surplus	7,095,096	7,095,096	-	-	7,095,096
III. Retained earnings	7,833,869	7,833,869	-	-	7,833,869
IV. Differences in valuation of other securities	25,630,658	23,842,248	1,788,410	7.5	24,605,411
V. Foreign currency translation adjustments	105,654	73,462	32,191	43.8	80,688
VI. Treasury stocks	(222,840)	(553,323)	330,482	(59.7)	(642,192)
Total shareholders' equity	(105,217)	(1,960,568)	1,855,350	(94.6)	(1,962,602)
Total liabilities, minority interest and shareholders' equity	40,337,219	36,330,784	4,006,434	11.0	37,010,269
Total liabilities, minority interest and shareholders' equity	45,326,063	40,906,546	4,419,517	10.8	41,361,854

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

Summary of Consolidated Statements of Income

(In thousand yen, %)

Term Account	Third Quarter of FY2006	Third Quarter of FY2005	Changes		[Reference] FY2005
	Amount	Amount	Amount	Ratio	Amount
I. Net sales	16,653,368	15,266,133	1,387,235	9.1	20,171,280
II. Cost of net sales	9,435,143	8,964,908	470,235	5.2	11,918,293
Gross profit	7,218,224	6,301,224	917,000	14.6	8,252,987
III. Selling, general and administrative expenses	2,725,308	2,220,478	504,830	22.7	2,963,092
Operating income	4,492,916	4,080,746	412,170	10.1	5,289,895
IV. Non-operating income	120,352	102,178	18,173	17.8	163,399
Interest and dividends received	16,489	8,991	7,498		14,250
V. Non-operating expenses	62,600	87,085	(24,485)	(28.1)	110,931
Interest paid and discounts	10,923	13,973	(3,049)		17,119
Ordinary income	4,550,668	4,095,839	454,829	11.1	5,342,363
VI. Extraordinary income	-	3,782	(3,782)	-	5,323
VII. Extraordinary losses	16,216	77,443	(61,226)	(79.1)	78,521
Income before income tax	4,534,452	4,022,178	512,273	12.7	5,269,165
Income, inhabitant and enterprise taxes	1,852,387	1,670,379	182,007	10.9	2,139,916
Adjustments for income and other taxes	(58,295)	(11,633)	(46,661)	401.1	(842)
Minority interest	(Subtraction) 15,962	(Subtraction) 3,394	12,568	370.3	(Subtraction) 6,890
Net Income	2,724,397	2,360,038	364,359	15.4	3,123,200

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

Summary of Consolidated Statements of Cash Flows

(In thousand yen)

Term	Third Quarter of FY2006	Third Quarter of FY2005	[Reference] FY2005
Account	Amount	Amount	Amount
I. Cash flows from operating activities			
Income before income tax	4,534,452	4,022,178	5,269,165
Depreciation and amortization	736,259	756,773	1,009,746
Interest and dividends received	(16,489)	(8,991)	(14,250)
Interest paid	10,923	13,973	17,119
Increase in accounts receivable-trade	(1,714,595)	(1,224,545)	(203,167)
Increase in inventories	(282,649)	(413,702)	(526,175)
Increase in accounts payable	485,682	389,605	294,448
Payout of bonuses to directors and auditors	(49,000)	(44,600)	(44,600)
Others	(86,305)	60,414	156,726
Subtotal	3,618,277	3,551,106	5,959,012
Interest and dividend income received	15,885	8,991	14,250
Interest expenses paid	(10,923)	(13,973)	(17,119)
Income tax and other taxes paid	(2,032,756)	(2,488,838)	(2,476,406)
Cash flows provided by operating activities	1,590,482	1,057,286	3,479,737
II. Cash flows from investing activities			
Payment for addition to tangible fixed assets	(2,354,879)	(550,900)	(902,122)
Payment for addition to investment in securities	(1,451,700)	-	-
Proceeds from sales of fixed assets	-	331,323	269,831
Proceeds from collection of loans receivable	8,203	25,940	27,493
Others	(4,380)	(9,149)	(66,710)
Cash flows used in investing activities	(3,802,756)	(202,785)	(671,508)
III. Cash flows from financing activities			
Net decrease in short-term loans payable	(113,190)	(346,837)	(411,629)
Proceeds from sale of treasury stocks	1,270,000	-	-
Payment for acquisition of treasury stocks	(6,114)	(548,775)	(550,810)
Payment for dividends	(1,025,278)	(756,450)	(774,904)
Cash flows used in financing activities	125,416	(1,652,064)	(1,737,344)
IV. Conversion differential of cash and cash equivalents	326,579	176,096	210,946
V. Increase or decrease in cash and cash equivalents	(1,760,277)	(621,466)	1,281,830
VI. Cash and cash equivalents at beginning of term	19,435,209	18,153,378	18,153,378
VII. Cash and cash equivalents at the end of term	17,674,931	17,531,911	19,435,209

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