

## 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  
 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 17, 2006  
 Adoption of US GAAP: None

### 1. Results for the Year Ending March 31, 2006 (April 1, 2005 to March 31, 2006)

(1) Consolidated business results \* Amounts under one million yen are rounded down.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2006	21,761	7.9	5,781	9.3	5,871	9.9
FY2005	20,171	3.7	5,289	(7.5)	5,342	(9.9)

	Net income		Net income per share	Net income per share/diluted	Return on shareholders' equity	Ordinary income to total assets	Ordinary income to sales
	Millions of yen	%	Yen	Yen	%	%	%
FY 2006	3,499	12.0	105.52	—	8.9	13.3	27.0
FY 2005	3,123	(8.7)	94.92	—	8.7	13.1	26.5

Note 1) Investment profit/ loss on equity method: FY2006 ¥ million -FY2005 ¥ million  
 2) Average number of shares outstanding (consolidated): FY2006 32,676,574 shares FY2005 32,387,346 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
	Millions of yen	Millions of yen	%	Yen
FY2006	46,905	41,564	88.6	1,266.47
FY2005	41,361	37,010	89.5	1,144.94

Note: Number of shares outstanding at term end (consolidated): FY2006 32,778,777 shares FY2005 32,282,205 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
	Millions of yen	millions of yen	Millions of yen	Millions of yen
FY2006	4,195	(3,670)	(29)	20,335
FY2005	3,479	(671)	(1,737)	19,435

(4) Number of consolidated subsidiaries and companies adopting the equity method

Consolidated subsidiaries: 5 Non-consolidated subsidiaries adopting the equity method: —  
 Affiliates adopting the equity method: —

(5) Changes in the number of consolidated subsidiaries and companies adopting the equity method

Newly consolidated subsidiaries: — Subsidiaries excluded from the consolidation: 1  
 New equity method companies: — Companies excluded from the equity method: —

### 2. Forecast consolidated business results for the Year Ending March 31, 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Mid-term	11,000	2,510	1,470
Full-year	23,500	5,370	3,150

Reference: Expected net income per share (full-year) 94.54 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 10.

# 1. Outline of the Business Group

## Outline of the Business Group

The Ariake Group is comprised of Ariake Japan Co., Ltd. (the "Company"), five consolidated subsidiaries, and one non-consolidated company. 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. The following is an outline of the business operations of the various group companies. Among the domestic subsidiaries in Japan, Ariake Food Systems Co., Ltd. was merged with Ariake Japan on July 1, 2005 and ceased to exist. In addition, on May 17, 2006, all shares of Taiwan Tong Hsing Foods Co., Ltd. were purchased, turning it into a consolidated subsidiary.

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

In addition to the production of natural seasonings, Ariake Japan imports products from its three overseas subsidiaries, and mainly sells these products to domestic customers. F. P. Natural Ingredients S.A.S., 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

A.C.C. Co., Ltd. leases portions of building owned by the parent company and operates convenience stores. Ariake Food Systems Co., Ltd. was absorbed by Ariake Japan Co., Ltd. as of July 1, 2005 and no longer exists as a separate entity.

## Overseas Subsidiaries

ARIAKE U.S.A., 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.

Taiwan Tong Hsing Foods Co., Ltd., which was turned into a consolidated subsidiary on May 17, 2006, produces and sells natural seasonings mainly in Taiwan, China, and Southeast Asia, and also supplies these seasonings to the parent company.

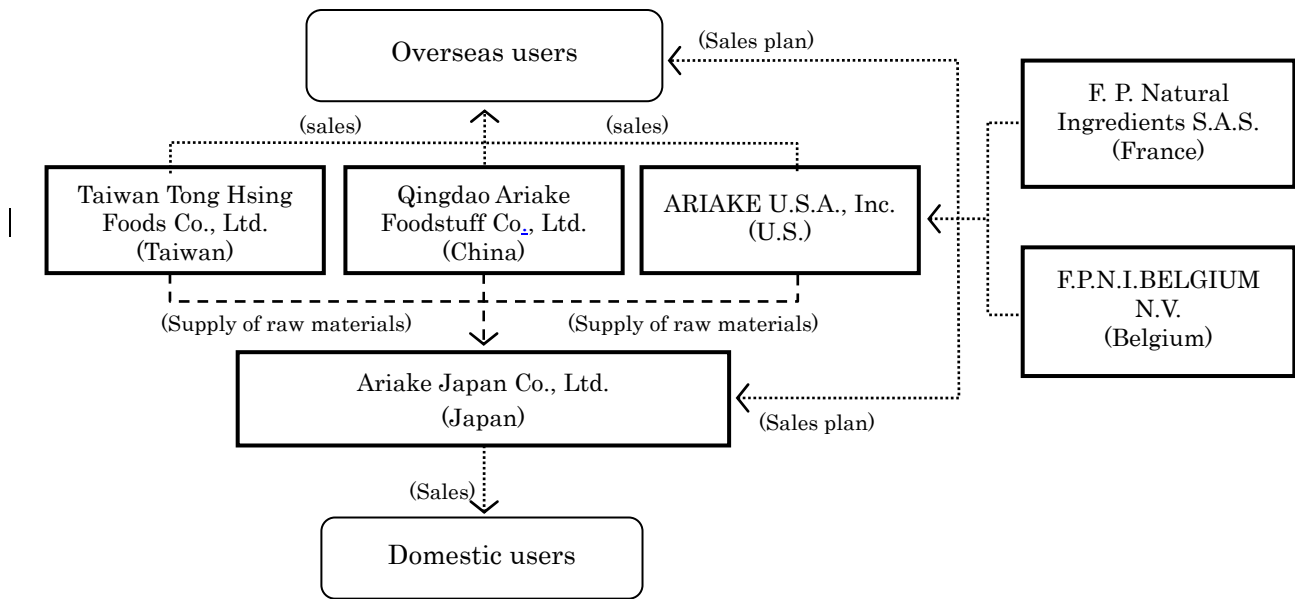
F. P. Natural Ingredients S.A.S. plans to manufacture natural soup stocks and sell them mainly to customers in Europe and the U.S.

F.P.N.I. BELGIUM N.V. plans to manufacture natural soup stocks and sell them mainly to customers in Europe and the U.S.

## Non-consolidated domestic Subsidiaries

The company established Ariake Farm Co., Ltd. with a capital of 15 million yen (of which 9.9% is owned by the parent company) on August 9, 2005, to conduct agricultural business.

As of date that the financial report was submitted(may 17,2006),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 leading company 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 and precisely develop businesses that meet the needs of the times, based on the concept of the customer creed.
3. The Group will aim to maximize shareholders' value through businesses to be 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 and easy to use" and try hard to improve quality of products by achieving technological reform while ensuring food safety by control of safety and hygiene. 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 most important management priorities. Therefore, the Company has been based on the principle of paying dividends consistent with its business performance. The Company has pursued a policy of paying substantial stable dividends by considering various indicators in proportion to the growth of the business. At the same time, the Company has paid attention to the anticipated business environment and long-term business development and maintained ample internal reserves to strengthen the business quality.

Specifically, with the objective of achieving a stable distribution of profits, the Company has been paying dividends based on Dividend on Equity (DOE) for shareholders' capital investments.

We have determined that DOE is an effective method to ensure directly a high dividend rate for our shareholders. The Company will endeavor to increase DOE by 2.5% in the long term with management efforts.

For this fiscal year, the company will change a commemorative dividend of 5 yen per share paid at the end of March 2005 to a common dividend of 30 yen per share annually.

With regard to internal reserves, on the basis of 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 improving stock values through the flexible and agile operations of treasury stock acquisition.

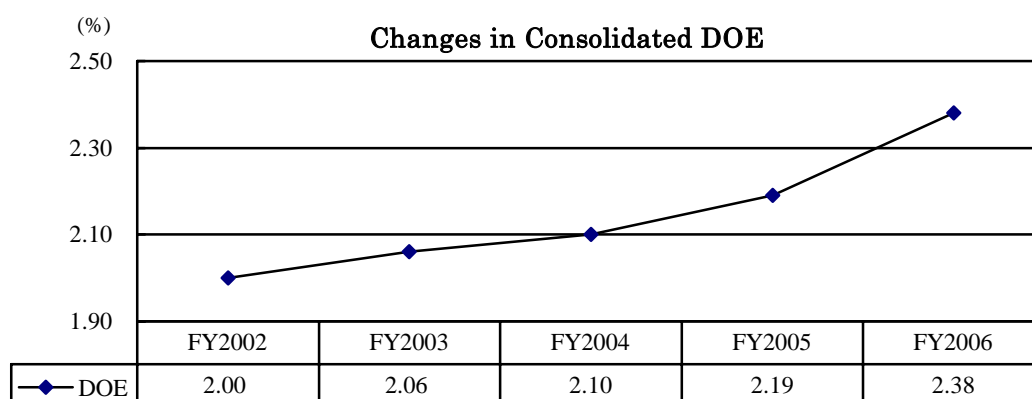
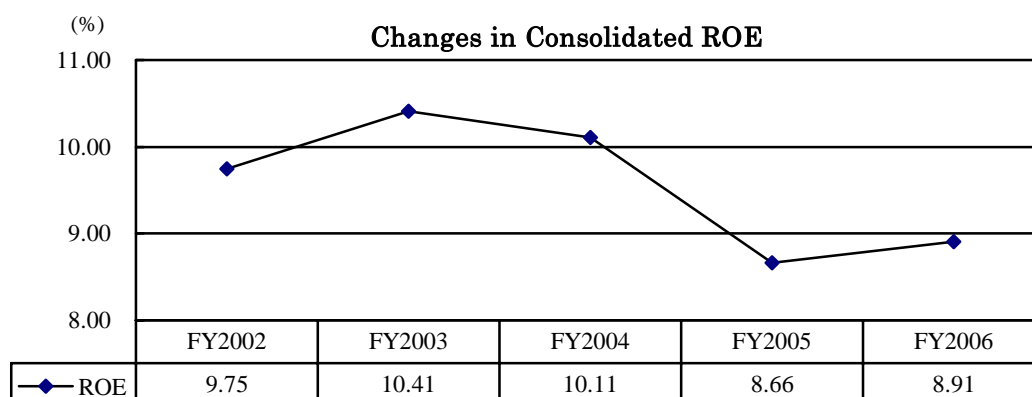
### **3. Viewpoints and policies on reducing the size of stock trading unit**

The Company recognizes that promoting stable and long-term holdings of the company's stock by investors while broadening our shareholder base is an important issue of the capital strategy. 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, long-term IR activities, the number of our shareholders, principally individual investors, increased and finally listed more than 16,400 in this book closing (end of March 2006). The Company will decide future policy based on the principle of maximizing shareholder benefits by carefully considering issues of cost and effectiveness while 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 investments, 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 long term management plan and has set a long-term target of 12.0% for

ROE and 2.5% for DOE achieving “New Five-year Long-term Management Plan”.



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

The Group continues to operate on the basis of a mid- and long-term management plan. While the food industry in Japan is a mature market, the natural seasoning market is expected to expand as a result of various measures taken by the company. In addition, as part of its basic business strategy, which is founded on the assumptions that there is insufficient domestic supply of raw materials to meet the expected increase in demand and there is a high potential of global expansion of the business, the Group decided and is carrying out the construction of new plant next to the No. 2 Kyushu Plant.

In overseas, the Group possesses natural seasonings manufacturing and sales companies in both the U.S. (Ariake U.S.A., Inc.) and China (Qingdao Ariake Foodstuff Co., Ltd.), and with an eye on European markets, has decided to expand into the manufacturing and sales of natural soup stock. Initially, in March 2003, the Group established the wholly-owned subsidiary F.P. Natural Ingredients S.A.S. in France, and in January 2004, created the wholly-owned subsidiary F.P.N.I. BELGIUM N.V. in Belgium. At present, detail business plans are being worked out, and concrete progress is processing. In addition, in order to handle the rapidly expanding Chinese and Southeast Asian markets, a new business base (Taiwan Tong Hsing Foods Co., Ltd.) was established in Taiwan.

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 manufacturer in order to increase corporate value
- 2. Expand demand by thoroughly pursuing the domestic market and develop the global market
- 3. Grow into 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 contracting market due to a declining birthrate and a growing proportion of elderly people
- 2) Achieve high-quality products through aggressive capital investment with technical innovation and low-cost
- 3) Aggressively promote our oversea 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 the steady accumulation of results by yearly plans based on this long-term vision and the establishment of a 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 and internationally, formulated the “New Five-year Long-term Management Plan” which started in FY2006. In order to promote this long-term management plan, the Company requires total funds of 15.5 billion yen. Although we will undertake a thorough investigation depending on circumstances, the required funds will be procured from capital markets and the Company’s own funds. We believe the success of this plan will contribute to the widely foods market and the stable growth of the Company’s profit foundation.

Accordingly, while temporally pressure for the Company’s funds in hand, the Company has placed it as an important management issue to maintain the stock value to be in long-term good quality and high level, and we make efforts to diligently work towards the achievement of this goal.

Also, in order to increase corporate value and simultaneously operate stably, the Company draws up and promotes capital policies to develop continuously a large number of friendly investors.

**7. Matters relating to the parent company**

Not applicable.

**8. Other important matters relating to the business of the Company**

Not applicable.

### 3. Business Results and Financial Condition

#### I. Business results

##### 1. Business conditions for the year ending March 2006 (Consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2006	21,761	5,781	5,871	3,499	105.52
FY2005	20,171	5,289	5,342	3,123	94.92
Growth Rate	7.9%	9.3%	9.9%	12.0%	—

##### (Non-consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2006	19,762	5,333	5,426	3,178	95.71
FY2005	18,811	5,154	5,218	3,077	93.51
Growth Rate	5.1%	3.5%	4.0%	3.3%	—

#### (1) Overall performance for the year ending March 2006

During the fiscal year, the Japanese economy began to show clear signs of an economic recovery with improvement in the employment situation and increased capital investment following the recovery in corporate earnings. However, the uncertainty about the future is growing strong as a result of sustained soaring oil prices being factor of the rise of price in related products and the pressure on corporate earnings.

In the food industry, in addition to these problems, the long stalemate of related to BSE in the U.S., which erupted at the end of last year, and the falling prices on account of competition have made the business environment extremely difficult.

In this environment, as a leading manufacturer in the field of natural seasonings, the Group is working to expand existing businesses and develop actively new business fields. In addition, it has established a thoroughgoing structure to control quality and safety-hygiene to ensure “food safety” and “high quality,” and the whole Group has devoted to increase profits so as to achieve stable growth despite the current deflation.

In particular, we have started construction of a new plant next to the No.2 Kyushu Plant. Overall construction costs will run around 7.5 billion yen, and trial operations are expected to start around the end of 2006, which will then be followed by full operation. With this capital investment we intend to increase the present production capacity by about 1.5 times due to the replacement of the No.1 Kyushu Plant and the installment of the latest technology to meet all our customer’s needs.

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 6 million euro at F.P. Natural Ingredients (S.A.S.) in France and 14 million euro at F.P.N.I. BELGIUM (N.V.) in Belgium. We have already acquired industrial sites in the city of Alencon, France, and the city of Massmechelen, Belgium. We have begun the construction of factories and intend to complete the projects during 2006.

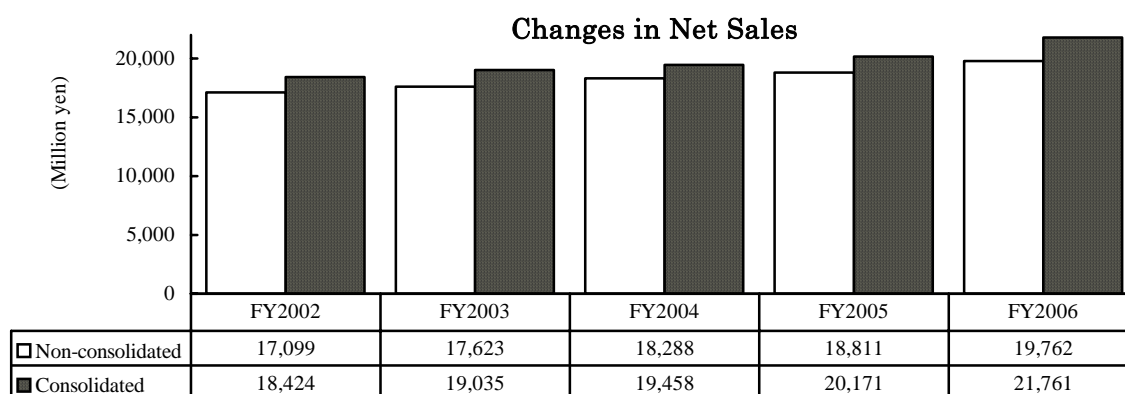
Concerning our operations in China, against the background of the rapidly expanding seasonings business in China, our Chinese subsidiary (Qingdao Ariake Foodstuff Co, Ltd.) decided to construct a new plant, in addition to its current plant, which we have already started its construction expected to complete in 2006 to meet the increase in demand. In addition, in response to the sudden growth in the market, we purchased Taiwan Tong Hsing Foods Co. Ltd. in Taiwan.

In the U.S., the U.S. subsidiary ARIAKE U.S.A., Inc. has steadily expanded both demand and earnings, and in response to the future business plans, has decided to construct a new factory, which

is expected to cost a total of 1.5 billion yen.

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 as the first year of the plan.

## Net Sales



In Japan, in the processed food sector, the Group has actively expanded its operations into the areas of prepared foods and daily dishes, and has developed its restaurant industry related operations in cooperation with other companies, and has increased sales through new efforts. In addition, the introduction of aseptic facilities led to an increase in demand and sales. However, in the fourth quarter, sales growth slowed in response to an overall drop in demand for food products.

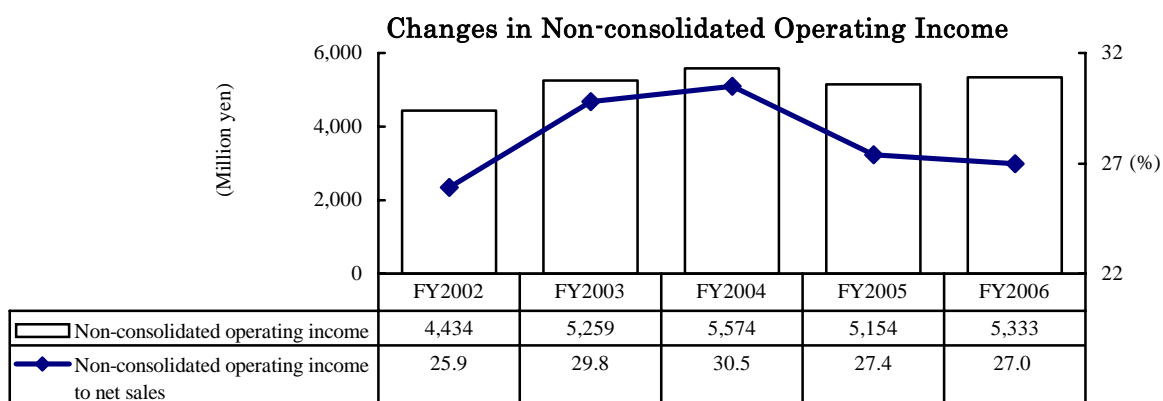
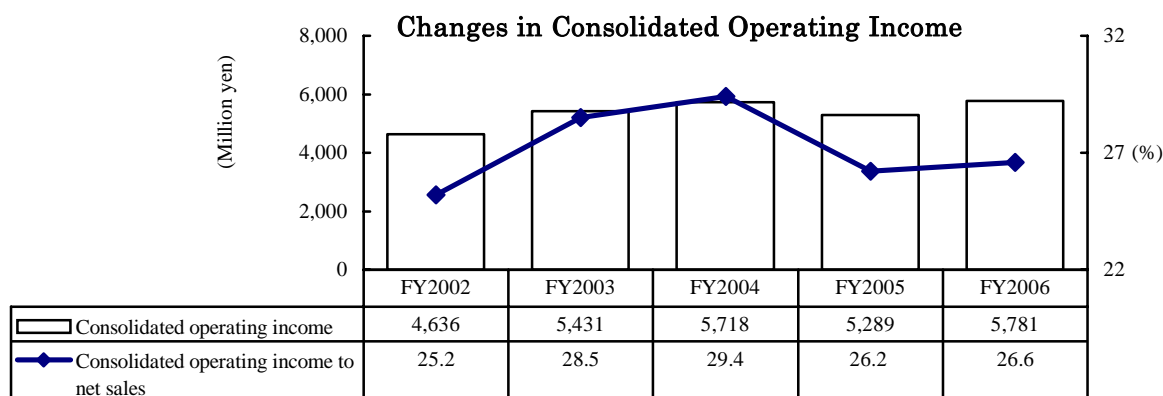
Therefore, in particular, sales in the processed food sector sales increased 7.0% year on year, in the restaurant sector rose 7.3% year on year and sales in the instant noodle sector was flat. Therefore, overall net sales rose 5.1%.

Regarding business results for consolidated subsidiaries, overseas subsidiaries implemented a strategy to increase sales to processed food and instant noodle manufacturers. As a result, sales increased 46.3% year on year.

Therefore, consolidated net sales increased by 7.9% (1,590 million yen) year on year, to 21,761 million yen.

In addition, non-consolidated sales rose by 5.1% (950 million yen) year on year, to 19,762 million yen.

## Operating Income



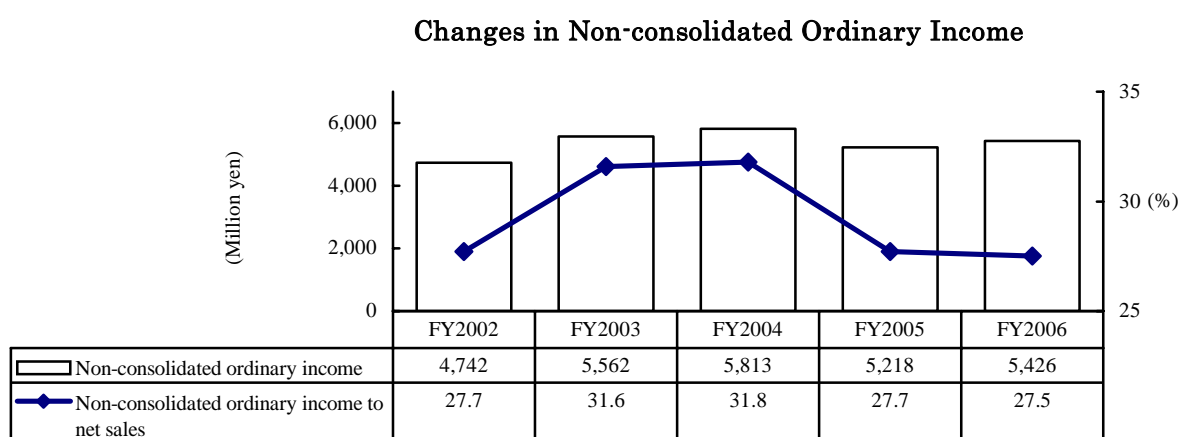
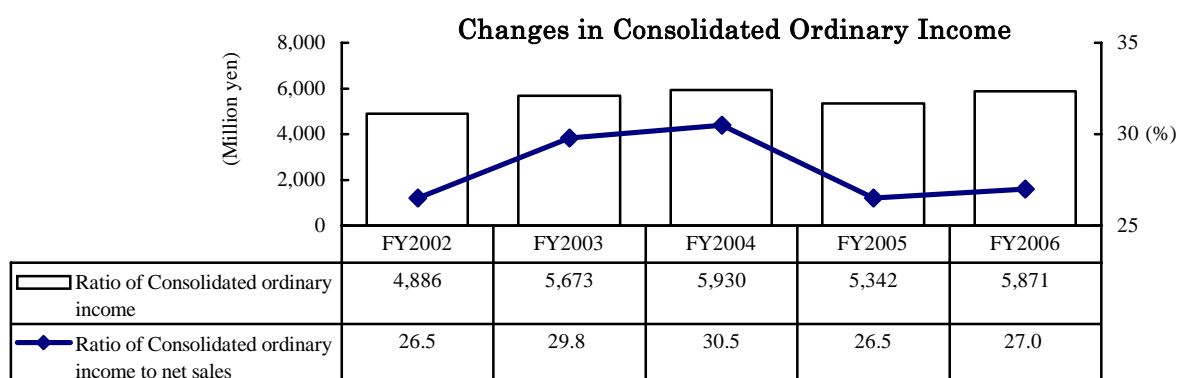
Consolidated operating income increased 491 million yen year on year, to 5,781 million yen. The Company strived to increase profitability by reducing costs and aggressively making capital investments in order to increase added-value.

However, as a result of various factors including increased energy costs following the rise in oil prices, non-consolidated operating income increased by 3.5% year on year, to 5,333 million yen, and the Company recorded an operating income to net sales ratio of 27.0%.

In addition, overseas consolidated subsidiaries dramatically increased earnings by aggressively expanding sales.

Therefore, consolidated operating income increased by 9.3% year on year, to 5,781 million yen, and the Group recorded a consolidated operating income to net sales ratio of 26.6%.

## Ordinary Income



Consolidated ordinary income grew 529 million yen to 5,871 million yen.

Although aggressive efforts were made to reduce costs, costs actually increased for various reasons including a sustained rise in the oil prices, which resulted in non-consolidated ordinary income increased by 4% (208 million yen) year on year, to 5,426 million yen.

Since operating income of overseas subsidiaries increased, consolidated ordinary income rose substantially by 9.9% year on year, to 5,871 million yen and the Group recorded an ordinary income to net sales ratio of 27.0%.

Consolidated net income rose 375 million yen, to 3,499 million yen, and non-consolidated net income increased 100 million yen to 3,178 million yen.

Although the situations surrounding the Company were very difficult for this term, we made steady progress in implementing the measures included in the New Five-year Long-term Management Plan, and this was reflected in earnings. For our thanks for the support and encouragement of all our shareholders and our hopes for their continued support, we are planning to submit a proposal at the shareholders meeting to be held in June of this year to add the commemorative dividend of 5 yen per share that was paid last year to the common dividend, and to pay a dividend of 15 yen per share.

Therefore, the annual dividend would be 30 yen per share.

## **2. Forecast for the year ending March 2007**

(Forecast for consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2007	23,500	5,570	5,370	3,150	94.54
FY2006	21,761	5,781	5,871	3,499	105.52
Growth Rate	8.0%	(3.6%)	(8.5%)	(9.9%)	—

(Forecast for non-consolidated business results)

(In million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2007	20,800	5,060	4,860	2,790	83.56
FY2006	19,762	5,333	5,426	3,178	95.71
Growth Rate	5.3%	(5.1%)	(10.4%)	(12.2%)	—

### **(1) Forecast for business results for the year ending March 2007**

Our economic outlook for the next fiscal year is based on various negative news items including high oil prices, the aging of society, a decrease in the number of children and concerns of falling prices as a result of fierce competition among corporations.

The Group is making efforts to stimulate demand by strongly appealing to concerns over “food safety and health.” However, in a situation where an overall consumption of food is falling, the economy is harsh 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 plan to achieve sales and profits in accordance with the plan.

In order to reach the targets in the plan, it is necessary to aggressively implement various measures in FY2006. In particular, the Company needs to strengthen its management and technical abilities in order to respond to changes in the external business environment brought about by a shrinking population and changes in the composition of the population accompanying a declining birthrate and a growing proportion of elderly people. In addition, new offices in both Europe and the U.S. will be opened in order to support the Company’s expansion into overseas markets. The Company will also be burdened with larger depreciation expenses following the construction of the No. 2 Kyushu Plant, and will make future-oriented investments to accelerate business expansion.

For the Group, the outlook for the year ending March 2007 is 23,500 million yen in consolidated net sales (an increase of 8.0% compared to the current fiscal year) and 5,370 million yen in consolidated ordinary income (a decrease of 8.5 % compared to the current fiscal year).

On non-consolidated basis, the outlook is 20,800 million in net sales (an increase of 5.3% compared to the current fiscal year) and 4,860 million yen in ordinary income (a decrease of 10.4% compared to the current fiscal year).

### **(2) Dividends**

As to annual dividends, taking into consideration that steady progress is steadily made by implementing the measures included in the Company’s New Five-year Long-term Management Plan and that healthy profits are recorded in the long term, the Company will strive to continue to pay the present common dividend of 30 yen per share.

**(3) Management indicators**

The Company's Return on Equity (ROE) target for the next fiscal year is 7.31%. 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 2.20% 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 2006

(In million yen)

	FY2005	FY2006	Difference
Total assets	41,361	46,905	5,543
Shareholders' equity	37,010	41,564	4,554
Shareholders' equity ratio	89.5%	88.6%	(0.9%)

(In million yen)

	FY2005	FY2006	Difference
Cash flows from operating activities	3,479	4,195	716
Cash flows from investing activities	(671)	(3,670)	(2,998)
Cash flows from financing activities	(1,737)	(29)	1,707
Increase/decrease in cash and cash equivalents	1,281	900	(381)
Balance of cash and cash equivalents at beginning of term	18,153	19,435	1,281
Balance of cash and cash equivalents at end of term	19,435	20,335	900

- Regarding financial conditions at the end of the current fiscal year, as a result of an increase of 900 million yen in cash and a increase of 3,986 million yen in fixed assets compared to the end of the previous fiscal year, total assets are 46,905 million yen. Shareholders' equity is 41,564 million yen due to a 1,799 million yen increase in retained earnings. As a result, the shareholders' equity ratio is 88.6%, a decrease of 0.9% compared to the previous fiscal year.
- Net cash flows from operating activities are 4,195 million yen (an increase of 716 million yen compared to the previous fiscal year).  
It is mainly because the current fiscal year's net income increased compared to the previous fiscal year.
- Cash flows from investing activities  
For the current fiscal year, there was a net outflow of 3,670 million yen (an increase of 2,998 million yen compared to the previous fiscal year) as a result of a 2,440 million yen outlay for capital investments and a 1,451 million outlay for the acquisition of marketable securities for investment.
- Cash flows from financing activities  
For the current fiscal year, there was a net outflow of 29 million yen (a decrease of 1,707 million yen compared to the previous fiscal year) as a result of a 1,056 million yen outlay for dividends and a 1,270 million outlay for the disposal of treasury stocks.

## (2) Outlook for the year ending March 2007

### — 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 4,500 million yen annually. Also, with regard to overseas subsidiaries, construction expenses would be approximately 1,500 million yen in the European plan (2 companies). In China (Qingdao Ariake Foodstuff Co., Ltd.) construction expenses of approximately 900 million yen would be used for a new plant.

### — 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, and have already started to implement this measure since October 2004. This measure aims to increase capital efficiency and provide returns to shareholders. We will continue flexible operation of treasury stocks in consideration of the business environment and other factors.

In addition, since it appears that it will be possible to meet earnings targets, we will continue to pay the present common dividend of 30 yen per share annually.

Therefore, we expect the closing balance of cash and cash equivalents for the next fiscal year to be slightly less than the closing balance for this fiscal year.

## (3) Trends in cash flow indexes

	FY2002	FY2003	FY2004	FY2005	FY2006
Capital-to-asset ratio (%)	83.1	84.5	87.6	89.5	88.6
Capital-to-asset ratio based on current value (%)	266.4	220.1	249.6	209.2	245.3
Amortization term (years)	0.4	0.2	0.2	0.1	0.0
Interest coverage ratio	74.6	129.9	170.3	203.3	304.0

### 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 based on final stock price at term end 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

There is nothing to report.

### IV. Business risks

The Group operates with a mid- and long-term view based on a Five-year Long-term Management Plan. The Group has been implementing its New Five-year Long-term Management Plan that extends from FY2006 to 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 manufacturer in order to increase corporate value
2. Expand demand by thoroughly pursuing the domestic market and develop the global market
3. Grow into 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 contracting market due to a declining birthrate and a growing proportion of elderly people
- 2) Achieve high-quality products through aggressive capital investment with technical innovation and low-cost
- 3) Aggressively promote our oversea strategy
- 4) Implement effective capital policies which increase corporate value

The New Five-year Long-term Management Plan, which the above are the foundation of, requires large-scale capital investments. First of all, within Japan, around 7.5 billion yen is planned for the construction of the new No. 2 plant and replacement of No. 1 plant in Kyushu. In addition, European operations will require investments worth 4.5 billion yen, and operations in China and the U.S. will also require 2.4 billion yen in investments, for total investments worth 15.5 billion yen. Based on these capital investments, we have set the following targets for FY2010.

Consolidated net sales:	38.8 billion yen	Ordinary income:	11.4 billion yen
Net sales:	28.8 billion yen	Ordinary income:	9.0 billion yen

Steadily realizing the annual earnings targets and establishing an earnings foundation based on this vision will result in a long-term stable increase in the share price, which we take as our ultimate management policy and responsibility toward all our investors. We are also striving to increase the value of all our investors' investment.

In order to implement the New Five-year Long-term Management Plan, it is necessary to meet the concrete targets discussed above, and the whole company is working to do so. However, the following are objective risks, which could result in the achievement earlier or later than planned.

#### (1) Economic condition and consumer trends

The Group sells the majority of its products in the Japanese market. Therefore, deterioration in the Japanese economy and a fall in demand involved or unforeseen situations that affect consumption trends could negatively affect the Group's earnings or financial position.

#### (2) Market environment

A large portion of the company's sales comes from supplying raw materials to customers who are exposed to fierce competition in order to meet the rapidly changing tastes of consumers. We think our Group can continue to provide excellent taste, good for health, easy to use products to this market.

If the Group cannot sufficiently predict market changes, and provide products and services that match market demands, future sales could stagnate and profitability fall, which could negatively affect both earnings and the financial position of the Group.

(3) New businesses

New businesses are important for the future growth of the Group, and the Group has already established two bases in Europe and is making capital investments. In addition, the Group is building new factories in both the U.S. and China. If these businesses do not progress smoothly for unforeseen reasons, the Group may not grow as planned. In addition, one of the business strategies is the acquisition of other companies, and if these acquisitions take a longer or cost more than expected as a result of unexpected obstacles following the acquisition, the Group's earnings and financial position could negatively be affected.

(4) The Group operates businesses in various countries, and these businesses are exposed to the following risks:

- Unforeseen changes in laws or regulations,
- Political or economic turmoil,
- Social turmoil such as terrorist attacks or wars.

There is the risk that these factors could result in a deterioration in business and could negatively affect the Group's earnings and financial position.

(5) Public regulations

In the various countries that the Group conducts business, there are numerous public regulations. If the Group were unable to adhere to these regulations, the Group's activities could be restricted, which could lead to an increase in costs and negatively affect the Group's earnings and financial position.

(6) Risk associated with leak of personal information

In April 2005, the Personal Information Protection Law was passed, and the Group established a system in accordance with the spirit of the law, and aims to adhere to the law. However, if personal information were leaked and this resulted in major losses for customers, society's trust in the Group could be dramatically damaged, which could negatively affect the Group's earnings and financial position.

(7) Risk of natural disasters

In order to avoid the potential risk of interruptions in the production line, necessary disaster prevention inspections and equipment checks are periodically conducted. However, it is not ensured that damage to production equipment from natural disaster can be prevented. Such damage could lead to lower sales and higher costs, which could negatively affect the earnings and financial position of the Group.

The Group recognizes that these risks exist, and has a policy to work to avoid these risks and to respond to them in the case they do occur.

Items regarding the future that appear in the material are based on the company's forecast as of date that the financial report was submitted (May 17, 2006).

## 4. Consolidated Financial Statement

### (1) Consolidated Balance Sheets

(In thousand yen)

Account	Annotation	FY2005 (As of Mar. 31, 2005)			FY2006 (As of Mar. 31, 2006)			Difference from previous year end
		Amount	Amount	Ratio (%)	Amount	Amount	Ratio (%)	
<b>(Assets)</b>								
<b>I. Current assets</b>								
1. Cash and time deposits			19,435,209		20,335,457		900,248	
2. Notes and accounts receivable			4,550,319		4,649,526		99,207	
3. Inventories			2,703,526		3,141,945		438,418	
4. Deferred tax assets			105,897		176,949		71,051	
5. Other current assets			137,456		186,022		48,566	
6. Allowance for doubtful accounts			(2,016)		(2,822)		(806)	
Total current assets			26,930,392	65.1	28,487,078	60.7	1,556,686	
<b>II. Fixed assets</b>								
<b>1. Tangible fixed assets</b>								
(1) Buildings and structure		9,926,594			10,169,859			
Accumulated depreciation		4,639,128	5,287,465		4,971,884	5,197,974	(89,491)	
(2) Machines, devices, and delivery equipment		12,495,683			13,268,183			
Accumulated depreciation		9,666,827	2,828,855		10,314,494	2,953,688	124,832	
(3) Land			3,863,517			4,160,926	297,408	
(4) Construction in progress			165,527			1,995,113	1,829,585	
(5) Other fixed assets		769,635			789,307			
Accumulated depreciation		668,410	101,225		693,331	95,975	(5,250)	
Total tangible fixed assets			12,246,592	29.6	14,403,678	30.7	2,157,085	
2. Intangible fixed assets			104,215	0.3		116,609	12,393	
<b>3. Investments and other assets</b>								
(1) Investments in securities			395,212		2,461,837		2,066,624	
(2) Long-term loans receivable			76,601		75,572		(1,028)	
(3) Deferred tax assets			92,597		—		(92,597)	
(4) Investments in real estate	*1		813,107		567,935		(245,172)	
(5) Other investments			711,513		801,793		90,279	
(6) Allowance for doubtful accounts			(8,379)		(9,003)		(624)	
Total investments and other assets			2,080,652	5.0	3,898,134	8.3	1,817,481	
Total fixed assets			14,431,461	34.9	18,418,422	39.3	3,986,961	
Total assets			41,361,854	100.0	46,905,501	100.0	5,543,647	

(In thousand yen)

Account	Annotation	FY2005 (As of Mar. 31, 2005)			FY2006 (As of Mar. 31, 2006)			Difference from previous year end
		Amount	Amount	Ratio (%)	Amount	Amount	Ratio (%)	
<b>(Liabilities)</b>								
<b>I. Current liabilities</b>								
1. Notes and accounts payable			1,569,731		1,554,753		(14,977)	
2. Short-term loans payable			307,419		115,118		(192,301)	
3. Income taxes payable			972,907		1,280,954		308,047	
4. Allowance for employee bonuses			140,502		145,848		5,345	
5. Other current liabilities			625,034		1,218,668		593,634	
Total current liabilities			3,615,595	8.7	4,315,343	9.2	699,748	
<b>II. Long-term liabilities</b>								
1. Allowance for employee retirement benefits			503,707		564,487		60,779	
2. Deferred tax liabilities			—		95,063		95,063	
3. Other long-term liabilities			124,451		213,976		89,525	
Total long-term liabilities			628,159	1.5	873,527	1.9	245,368	
Total liabilities			4,243,754	10.2	5,188,871	11.1	945,116	
<b>(Minority interests)</b>								
Minority interest			107,829	0.3	152,228	0.3	44,398	
<b>(Shareholders' equity)</b>								
I. Common stock	*2		7,095,096	17.2	7,095,096	15.1	—	
II. Capital surplus			7,833,869	18.9	7,833,869	16.7	—	
III. Retained earnings			24,605,411	59.5	26,405,408	56.3	1,799,997	
IV. Unrealized gains on investments in securities			80,688	0.2	450,873	0.9	370,184	
V. Adjustment account for foreign currency exchange			(642,192)	(1.6)	(111,756)	(0.2)	530,436	
VI. Treasury stocks	*3		(1,962,602)	(4.7)	(109,089)	(0.2)	1,853,513	
Total shareholders' equity			37,010,269	89.5	41,564,402	88.6	4,554,132	
Total liabilities, minority interest and shareholders' equity			41,361,854	100.0	46,905,501	100.0	5,543,647	

## (2) Consolidated Statements of Income

(In thousand yen)

Account	Annotation	FY2005 (From April 1, 2004 to March 31, 2005)			FY2006 (From April 1, 2005 to March 31, 2006)			Difference from previous year end
		Amount	Amount	Ratio (%)	Amount	Amount	Ratio (%)	
I. Net sales			20,171,280	100.0		21,761,293	100.0	1,590,013
II. Cost of sales	*2		11,918,293	59.1		12,387,839	56.9	469,545
Gross profit			8,252,987	40.9		9,373,454	43.1	1,120,467
III. Selling, general and administrative expenses	*1&2		2,963,092	14.7		3,592,051	16.5	628,959
Operating income			5,289,895	26.2		5,781,403	26.6	491,508
IV. Non-operating income								
1. Interest income and dividends		14,250			22,176			
2. Exchange gain on foreign currency		38,728			89,409			
3. House-rent received		38,249			32,712			
4. Subsidies for sparsely- populated area		29,144			—			
5. Other non-operating incomes		43,026	163,399	0.8	36,304	180,603	0.8	17,204
V. Non-operating expenses								
1. Interest paid		17,119			13,800			
2. New stock issuing expense		1,292			450			
3. Expenses for new overseas business		51,325			40,610			
4. Other non-operating expenses		41,192	110,931	0.5	35,206	90,067	0.4	(20,863)
Ordinary income			5,342,363	26.5		5,871,939	27.0	529,576
VI. Extraordinary gains								
1. Amortization of difference caused by change of accounting standard for retirement benefits		5,323			—			
2. Gain on sales of property, plant and equipment	*3	—	5,323	0.0	15,647	15,647	0.1	10,323
VII. Extraordinary losses								
1. Loss on retirement of fixed assets	*4	20,496			17,492			
2. Loss on sales of fixed assets	*5	46,875			—			
3. Loss on revaluation of golf-club memberships		—			335			
4. Allowance for retirement benefits for directors and auditors		11,150			—			
5. Loss on asset impairment		—			45,239			
6. Loss on maintenance of overseas sale network		—	78,521	0.4	84,621	147,688	0.7	69,166
Income before income taxes			5,269,165	26.1		5,739,898	26.4	470,733
Income, inhabitant and business taxes		2,139,916			2,344,742			
Adjustments for income and other taxes		(842)	2,139,073	10.6	(128,131)	2,216,611	10.2	77,537
Minority interest in net income			6,890	0.0		24,139	0.1	17,249
Net income			3,123,200	15.5		3,499,147	16.1	375,946

(3) Consolidated Statements of Retained Earnings

(In thousand yen)

Account	Annotation	FY2005 (From April 1, 2004 to March 31, 2005)		FY2006 (From April 1, 2005 to March 31, 2006)	
		Amount		Amount	
<b>(Capital surplus)</b>					
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
<b>(Retained earnings)</b>					
I. Retained earnings at beginning of term			22,301,749		24,605,411
II. Increase in retained earnings					
1. Net income		3,123,200	3,123,200	3,499,147	3,499,147
III. Decrease in retained earnings					
1. Dividends		774,939		1,056,649	
2. Bonus for directors and auditors		44,600		49,000	
3. Gain on disposal of treasury stocks		—	819,539	593,500	1,699,149
IV. Retained earnings at end of term			24,605,411		26,405,408

## (4) Consolidated Statements of Cash Flows

(In thousand yen)

		FY2005 (From April 1, 2004 to March 31, 2005)	FY2006 (From April 1, 2005 to March 31, 2006)
Account	Annotation	Amount	Amount
I. Cash flows from operating activities			
Net income before income taxes		5,269,165	5,739,898
Depreciation and amortization		1,009,746	1,011,245
Increase in allowance for doubtful accounts		48	1,430
Increase in allowance for employee retirement benefits		95,889	60,779
Increase or decrease in allowance for employee bonus		(1,903)	5,345
Interest and dividends received		(14,250)	(22,176)
Interest paid		17,119	13,800
Exchange gain on foreign currency		(32,134)	(135,435)
Gain on sales of fixed assets		—	(21,470)
Loss on sales of fixed assets		41,606	—
Loss on disposal of fixed assets		20,496	16,671
Increase or decrease in accounts receivable		(203,167)	(50,395)
Increase in inventories		(526,175)	(389,960)
Increase or decrease in accounts payable		294,448	(9,187)
Increase in consumption tax and other taxes payable		(47,586)	(78,479)
Decrease in other assets		15,212	54,176
Increase in other liabilities		65,097	76,954
Payments of bonuses to directors and auditors		(44,600)	(49,000)
Subtotal		5,959,012	6,224,180
Interest and dividend income received		14,250	22,176
Interest expenses paid		(17,119)	(13,800)
Income tax and other taxes paid		(2,476,406)	(2,036,694)
Cash flows provided by operating activities		3,479,737	4,195,861
II. Cash flows from investing activities			
Payments for purchase of tangible fixed assets		(902,122)	(2,440,372)
Payments for purchase of intangible fixed assets		(65,191)	(4,161)
Proceeds from sales of fixed assets		269,831	224,492
Payments for purchase of investment securities		—	(1,451,700)
Payment for loans receivable		(1,518)	(10,218)
Proceeds from collection of loans receivable		27,493	11,583
Cash flows used in investing activities		(671,508)	(3,670,377)

		FY2005 (From April 1, 2004 to March 31, 2005)	FY2006 (From April 1, 2005 to March 31, 2006)
Account	Annotation	Amount	Amount
III. Cash flows from financing activities			
Net decrease in short-term loans payable		(411,629)	(233,188)
Proceeds from sales of treasury stocks		—	1,270,000
Payments for acquisition of treasury stocks		(550,810)	(9,986)
dividends paid		(774,904)	(1,056,195)
Cash flows used in financing activities		(1,737,344)	(29,370)
IV. Exchange difference of cash and cash equivalents		210,946	404,134
V. Increase in cash and cash equivalents		1,281,830	900,248
VI. Cash and cash equivalents at beginning of term		18,153,378	19,435,209
VII. Cash and cash equivalents at end of term		19,435,209	20,335,457

## Basic conditions to prepare Consolidated Financial Statements

Term	Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
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 S.A.S. F. P. N. I.BELGIUM N.V.</p>	<p>(1) Consolidated subsidiary companies are the following five: A.C.C. Co., Ltd. Ariake U.S.A., Inc. Qingdao Ariake Foodstuff Co., Ltd. F. P. Natural Ingredients S.A.S. F. P. N.I. BELGIUM N.V. Ariake Food System Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was merged with the Company on July 1, 2005, and therefore is no longer within the scope of consolidation.</p> <p>(2) Main non-consolidated subsidiaries: Ariake Farm Co., Ltd.</p> <p>Reason excluded from scope of consolidation: The non-consolidated subsidiary Ariake Farm is a small firm, and their total assets, sales, net income and retained earnings (corresponding to equity) do not have a significant influence on the consolidated financial statements.</p>
2. Matters related to subsidiaries and affiliates adopting the equity method	<p>There is no equity method affiliates.</p>	<p>(1) Number and names of companies adopting equity method: None</p> <p>Affiliated companies: None</p> <p>(2) Non-consolidated subsidiaries that are not using the equity method: Considering the net income (corresponding to equity) and retained earnings (corresponding to equity), Ariake Farm has an insignificant influence on consolidated financial statements. Since it is not financially important overall, it has been excluded from the scope of application of the equity method.</p>
3. Matters relating to business year of consolidated subsidiaries	<p>The closing day of Ariake U.S.A., Inc., Qingdao Ariake Foodstuff Co., Ltd., F. P. Natural Ingredients S.A.S. and F. P. N. I.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>	<p>Same as left</p>

Term	Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
4.Matters relating to accounting standards	<p>(1) Standard and method of evaluating important assets</p> <p>(i)Securities</p> <p>Other Securities</p> <p>(a)Securities with market price</p> <p>Mark-to-market method based on the market price as of the closing day of accounts (all the revaluation differences are incorporated directly into the capital stock and costs for sale are computed with the moving average method)</p> <p>(b)Securities without market price</p> <p>Cost method under the moving average method</p> <p>(ii) Derivatives</p> <p>Mark-to-market method</p> <p>(iii) Major inventories</p> <p>(a)Products</p> <p>Mainly cost method under the identified cost method</p> <p>(b)Materials</p> <p>Mainly cost method under the moving average method</p> <p>(c)Work in progress</p> <p>Mainly cost method under the identified cost method</p> <p>(2)Important depreciation method for depreciable assets</p> <p>(i) Tangible fixed assets</p> <p>(a)Domestic corporations</p> <p>Declining balance method</p> <p>As for buildings (except incidental equipment) acquired or put into business use after April 1, 1998, however, straight-line method is available.</p> <p>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.</p> <p>Useful lives of major assets are as follows:</p> <p>Buildings and structures: 7-50 years</p> <p>Machines, devices and delivery equipment: 4-9 years</p> <p>(b)Overseas subsidiaries :</p> <p>Primarily straight-line method based on the estimated useful life</p> <p>(ii) Intangible fixed assets</p> <p>Straight-line method</p> <p>As for software for own use, straight-line method for internally available period (5 years) is applied</p> <p>(iii) Investments in real estate</p> <p>Declining balance method</p> <p>(3)Accounting of deferred assets</p> <p>(i)New stock issuing expense</p> <p>All expenses are posted as payment.</p>	<p>(1) Standard and method of evaluating important assets</p> <p>(i)Securities</p> <p>Other Securities</p> <p>(a)Securities with market price</p> <p>Same as left</p> <p>(b)Securities without market price</p> <p>Same as the left</p> <p>(ii) Derivatives</p> <p>Same as left</p> <p>(iii) Major inventories</p> <p>(a)Products</p> <p>Same as left</p> <p>(b)Materials</p> <p>Same as left</p> <p>(c)Work in progress</p> <p>Same as left</p> <p>(2)Important depreciation method for depreciable assets</p> <p>(i) Tangible fixed assets</p> <p>(a)Domestic corporations</p> <p>Declining balance method</p> <p>Same as left</p> <p>(b)Overseas subsidiaries :</p> <p>Same as left</p> <p>(ii) Intangible fixed assets</p> <p>Same as left</p> <p>(iii) Investments in real estate</p> <p>Same as left</p> <p>(3)Accounting of deferred assets</p> <p>(i)New stock issuing expense</p> <p>Same as left</p>

Term	Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
	<p>(4)Standards for allowances</p> <p>(i) Allowance for doubtful accounts Except for the overseas subsidiaries, 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 Except for the overseas subsidiaries, 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 retired 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 on the accounting standards, the five-year proportionally-divided amount is posted in extraordinary profits as amortization of difference caused by change of accounting 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 reported as expense from the following fiscal year.</p> <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 are converted to Japanese yen using the closing spot exchange rate for the closing day of the consolidated period, and differences are 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 are included in the adjustment account for currency conversion under minority interests and shareholders' equity.</p> <p>(6)Accounting of lease transactions Financial 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>(4)Standards for allowances</p> <p>(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 bonuses Same as left</p> <p>(iii)Allowance for employee retirement benefits To prepare for payment of benefits to retired 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. 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 reported as expense from the following fiscal year.</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>

Term	Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
	<p>(7)Hedge accounting methods</p> <p>(i) Methods of hedge accounting Deferred hedge accounting is used. Allocation accounting is applied to foreign-currency-denominated liabilities with exchange contracts</p> <p>(ii) Measures of hedging and targets of hedging Measures of hedging Currency swaps Targets of hedging Purchase liabilities following imports of materials from overseas subsidiaries with possible losses due to exchange fluctuations</p> <p>(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.</p> <p>(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 cash flow 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</p> <p>(i)Accounting of the consumption tax The Company applies the tax-exclusion accounting method.</p>	<p>(7)Hedge accounting methods</p> <p>(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</p> <p>(i)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 to 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 is 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.	Same as left

### Change in Basic conditions to prepare Consolidated Financial Statements

Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
<p style="text-align: center;">_____</p>	<p>Accounting standards related to impairment losses on fixed assets “Statement of Position on the Setting of Accounting Standards Related to Impairment Losses on Fixed Assets,” (Business Accounting Council, August 9, 2002) and “Application Guidelines for Accounting Standards Related to Impairment Losses on Fixed Assets,” (Guideline No. 6 of Application Guidelines for Business Accounting Standards, October 31, 2003) have been applied from this fiscal year.</p> <p>Based on this, income before income taxes falls 45,239 thousand yen.</p> <p>Accumulated losses are directly deducted from the appropriate asset amount.</p>

### Change in Notation Method

Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
<p>(Consolidated Statement of Income)</p> <p>By the previous fiscal year, “subsidies for sparsely-populated areas” was included in “other” of non-operating revenue. However, since it amounted to more than 10% of non-operating revenue in this fiscal year, it is listed separately.</p> <p>For the previous fiscal year, “subsidies for sparsely populated areas” totaled 1,676 thousand yen.</p>	<p style="text-align: center;">_____</p>
<p>By the previous fiscal year, “expenses for new overseas business” was included in “other” of non-operating expenses. However, since it amounted to more than 10% of non-operating expenses in this fiscal year, it is listed separately.</p> <p>For the previous fiscal year, “expenses for new overseas business” totaled 29,447 thousand yen.</p>	<p style="text-align: center;">_____</p>

## Notes

### On the Consolidated Balance Sheets

Previous Consolidated Fiscal Year (As of March 31, 2005)	Current Consolidated Fiscal Year (As of March 31, 2006)
*1. Accumulated amount of depreciation of investments in real estates 72,614 thousand yen	*1. Accumulated amount of depreciation of investments in real estates 69,799 thousand yen
*2. The Company's total shares outstanding 32,808,683 common shares	*2. The Company's total shares outstanding 32,808,683 common shares
*3. The total treasury stock held by the Company 526,478 common shares	*3. The total treasury stock held by the Company 29,906 common shares

### On the Consolidated Statements of Income

Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
*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 Allowance for employee bonuses 35,469 thousand yen Allowance for employee retirement benefits 31,799 thousand yen	*1. Major items accounted in selling, general and administrative expenses are as follows: Salary, benefits and bonuses 543,118 thousand yen Packing and transportation expenses 1,118,945 thousand yen Depreciation costs 88,117 thousand yen Allowance for employee bonuses 49,186 thousand yen Allowance for employee retirement benefits 32,173 thousand yen
*2. Research and development expenses included in general and administrative expenses and manufacturing expenses for current period 309,643 thousand yen	*2. Research and development expenses included in general and administrative expenses 329,451 thousand yen
*3.	*3. Gain on sales of fixed assets are as follows: Investment in real estate 15,647 thousand yen
*4. Loss on disposal of fixed assets are as follows: Machines, devices and delivery equipment 20,496 thousand yen	*4. Loss on disposal of fixed assets are as follows: Machines, devices and delivery equipment 17,492 thousand yen
*5. Loss on sales of fixed assets are as follows: Buildings 46,875 thousand yen	*5.

### On the Statements of Cash Flows

Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
Relation between the ending balance of cash and cash equivalents and the accounts on the Consolidated Balance Sheets (As of 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, 2006)
Cash and time deposits 19,435,209 thousand yen	Cash and time deposits 20,335,457 thousand yen
Time deposits with a deposit term exceeding 3 months -	Time deposits with a deposit term exceeding 3 months -
Cash and cash equivalents 19,435,209 thousand yen	Cash and cash equivalents 20,335,457 thousand yen

## 1) Lease Transactions

Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)				Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)			
1. Finance lease transactions except those transactions where ownership of the leased property may be transferred to the lessee (1) Amount equal to purchase price of, amount equal to accumulated depreciation cost of, and amount equal to balance at end of term of leases  (In thousand yen)				1. Finance lease transactions except those transactions where ownership of the leased property may be transferred to the lessee (1) Amount equal to purchase price of, amount equal to accumulated depreciation cost of, and amount equal to balance at end of term of leases  (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
Other tangible fixed assets	42,650	19,284	23,366	Other tangible fixed assets	71,839	15,935	55,903
Total	42,650	19,284	23,366	Total	71,839	15,935	55,903
(2) Amount equal to balance of unexpired lease charges at end of term  (In thousand yen)				(2) Amount equal to balance of unexpired lease charges at end of term  (In thousand yen)			
Within 1 year				Within 1 year			
7,732				13,829			
<u>More than 1 year</u>				<u>More than 1 year</u>			
16,101				42,880			
Total				Total			
23,834				56,710			
(3) Lease charges paid, amount equal to depreciation cost and amount equal to interest expense  (In thousand yen)				(3) Lease charges paid, amount equal to depreciation cost and amount equal to interest expense  (In thousand yen)			
Lease charges paid				Lease charges paid			
7,693				10,896			
Amount equal to depreciation cost				Amount equal to depreciation cost			
6,514				10,120			
Amount equal to interest expense				Amount equal to interest expense			
535				1,120			
(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.				(4) Calculation of the amount equal to depreciation cost Same as left			
(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.				(5) Calculation of the amount equal to interest expense Same as left			
				(Asset impairment losses) There are no asset impairment losses attributed to leased assets.			

## 2) Securities

### 1. Other securities with market price

(In thousand yen)

Category	Item	Previous Consolidated Fiscal Year (As of March 31, 2005)			Current Consolidated Fiscal Year (As of March 31, 2006)		
		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	144,568	312,458	167,890	1,612,829	2,382,503	769,673
	(2)Bonds	—	—	—	—	—	—
	(3)Others	—	—	—	—	—	—
	Sub Total	144,568	312,458	167,890	1,612,829	2,382,503	769,673
Securities of which the amount recorded on the Consolidated Balance Sheet is less than acquisition cost	(1)Stocks	101,608	67,753	(33,855)	83,547	62,834	(20,713)
	(2)Bonds	—	—	—	—	—	—
	(3)Others	—	—	—	—	—	—
	Sub Total	101,608	67,753	(33,855)	83,547	62,834	(20,713)
Total		246,177	380,212	134,034	1,696,377	2,445,337	748,959

### 2. Securities without market price

(In thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2005)	Current Consolidated Fiscal Year (As of March 31, 2006)
	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, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
<p>1. Transaction details Currency swaps are 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 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 exchange 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 Trading Same as left</p> <p>.</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 year 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 (As of March 31, 2005)	Current Consolidated Fiscal Year (As of March 31, 2006)
(1) Retirement benefit obligations	(1,080,927)	(1,084,621)
(2) Pension Assets	491,066	524,908
(3) Unfunded Retirement Benefit Obligations (1)+(2)	(589,860)	(559,713)
(4) Unrecognized Difference caused by the Application of New Accounting Standards	—	—
(5) Unrecognized Actuarial Gain or Loss	86,153	(4,773)
(6) Unrecognized Past Employment Obligations (obligation write down)	—	—
(7) Net amount reported in Consolidated Balance Sheet (3)+(4)+(5)+(6)	(503,707)	(564,487)
(8) Prepaid Retirement Expenses	—	—
(9) Accrued Retirement Costs (7)-(8)	(503,707)	(564,487)

##### 3. Breakdown of Retirement Benefits Expenses

(In thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2005)	Current Consolidated Fiscal Year (As of March 31, 2006)
(1) Employment Expenses	83,097	77,574
(2) Interest Expenses	19,529	21,618
(3) Expected Return on Plan Assets	(7,096)	(7,366)
(4) Net Difference caused by the Application of New Accounting Standards	(5,323)	—
(5) Net Actuarial Gain or Loss	31,440	33,007
(6) Retirement Benefits Expenses (1)+(2)+(3)+(4)+(5)	121,647	124,834

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

(In thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2005)	Current Consolidated Fiscal Year (As of March 31, 2006)
(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 caused by 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, 2005)		Current Consolidated Fiscal Year (As of March 31, 2006)	
Deferred tax assets (current)	(In thousand yen)	Deferred tax assets (current)	(In thousand yen)
Disallowed accrued income tax	37,435	Disallowed accrued income tax	97,121
Excess allowance for employee bonuses	62,108	Excess allowance for employee bonuses	64,574
Others	24,035	Amount of loss carried forward	27,583
	<u>123,580</u>		<u>189,278</u>
Deferred tax assets (fixed)		Deferred tax assets (fixed)	
Amount of loss carried forward	338,447	Amount of loss carried forward	282,250
Excess over allowance for employee retirement benefits	188,900	Excess over allowance for employee retirement benefits	221,989
Unrealized gain from sale of fixed asset	3,532	Impairment loss	18,005
		Unrealized gain from sale of fixed asset	2,396
Other	8,682	Other	8,815
Subtotal	<u>539,562</u>	Subtotal	<u>533,458</u>
Allowance account	<u>(352,075)</u>	Allowance account	<u>(282,250)</u>
	187,486		251,207
Deferred tax liabilities (current)		Deferred tax liabilities (current)	
Special depreciation reserve	(17,682)	Special depreciation reserve	(12,329)
	<u>(17,682)</u>		<u>(12,329)</u>
Deferred tax liabilities (fixed)		Deferred tax liabilities (fixed)	
Special depreciation reserve	(40,218)	Special depreciation reserve	(47,001)
Unrealized losses on investment in securities	(53,345)	Unrealized losses on investment in securities	(298,161)
Others	(1,324)	Others	(1,108)
	<u>(94,889)</u>		<u>(346,270)</u>
Net deferred tax assets (current)	105,897	Net deferred tax assets (current)	176,949
Net deferred tax assets (fixed)	92,597	Net deferred tax assets (fixed)	(95,063)

6) Information by segment

a. Information by business segment

Previous Consolidated Fiscal Year (April 1, 2004 - March 31, 2005), Current Consolidated Fiscal Year (April 1, 2005 - March 31, 2006)

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, 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
II. 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

Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)

(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	20,078,663	1,682,630	21,761,293	—	21,761,293
(2) Internal sales or transfers between segments	41,536	1,528,127	1,569,663	(1,569,663)	—
Total	20,120,199	3,210,757	23,330,957	(1,569,663)	21,761,293
Operating expenses	14,768,600	2,811,223	17,579,824	(1,599,933)	15,979,890
Operating income	5,351,599	399,534	5,751,133	30,270	5,781,403
II. Sales to external customers	44,800,098	4,557,737	49,357,836	(2,452,334)	46,905,501

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 overseas sales in the previous fiscal year (April 1, 2004 to March 31, 2005) and the current fiscal year (April 1, 2005 to March 31, 2006) are less than 10% of consolidated sales, description is omitted.

7) Transactions with related parties

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

There is nothing to report.

Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)

There is nothing to report.

(Per share data)

(In yen)

Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)
Net assets per share 1,144.94	Net assets per share 1,266.47
Net income per share 94.92	Net income per share 105.52
Due to absence of residual shares with dilution effects, there is no indication of the net income after residual share adjustment .	Due to absence of residual shares with dilution effects, there is no indication of 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 1,079.46	
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, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (From April 1, 2005 to March 31, 2006)
Net income	3,123,200	3,499,147
Amount not attributable to common shareholders	49,000	51,100
(Bonuses to directors and auditors through surplus appropriation, included)	(49,000)	(51,100)
Net income available to common shares	3,074,200	3,448,047
Average number of shares outstanding during the term (in thousand shares)	32,387	32,676
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 stocks 284,000 shares	_____

(Important Subsequent Events)

Previous Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (From April 1, 2005 to March 31, 2006)
<p>(Disposal of Treasury Stock) The Company's Board of Directors resolved, in its meeting of June 6, 2005, to dispose of treasury stock. An overview of this resolution is provided below:</p> <ol style="list-style-type: none"> <li>1. Purpose of Disposal The Company will transfer some of its shares to Ohsho Food Service Corporation, one of its customers, to strengthen the cooperative relationship with that company.</li> <li>2. Details of Disposed Shares Common stocks 500,000 shares</li> <li>3. Disposal Price Per share 2,540 yen</li> <li>4. Total Disposal Price 1,270,000,000yen</li> <li>5. Settlement Date June 23, 2005</li> </ol> <p>(Stock Acquisition Rights) In the 27th regular General Shareholders' Meeting held on June 16, 2005, the Company resolved, as described below, to issue stock options according to the provisions of Articles 280.20 and 280.21 (Stock Option) of the Commercial Code.</p> <ol style="list-style-type: none"> <li>1. Type of shares to be issued Common shares</li> <li>2. Eligible Employees and Number of Stocks Optioned Shares up to 300,000 will be optioned to the Company's directors and employees.</li> <li>3. Exercise Price The exercise price will be the average of the daily closing prices (including quotes, same applies below) for the Company's common stocks (excluding days on which there were no transactions) traded on the Tokyo Stock Exchange during the month prior to the month in which the warrants are issued, multiplied by a factor of 1.02, and the amounts less than 1 yen are rounded up.</li> <li>4. Warrant Issue Period Warrants will be issued during the period beginning July 1, 2006 and ending June 30, 2009.</li> <li>5. Other Details of the stock option system are provided in "4. Status of the Issuing Company, 1. Status of Shares, etc., (7) Details of the Stock Option System."</li> </ol>	<p style="text-align: center;">_____</p> <p style="text-align: center;">_____</p>

## 5. Breakdown of Sales by Product

(In thousand yen)

Classification Category		Term	Previous Consolidated Fiscal Year (April 1, 2004 to March 31, 2005)		Current Consolidated Fiscal Year (April 1, 2005 to March 31, 2006)	
			Amount	Ratio %	Amount	Ratio %
Product	Liquid soup		4,456,798	22.1	4,227,091	19.4
	Liquid natural seasonings		10,327,096	51.2	12,111,120	55.7
	Powdered natural seasonings		3,161,966	15.7	3,060,290	14.1
	Others		921,024	4.5	945,957	4.3
	Subtotal		18,866,885	93.5	20,344,460	93.5
Merchandise	Liquid natural seasonings		1,228,852	6.1	1,346,457	6.2
	Powdered natural seasonings		75,542	0.4	70,376	0.3
	Subtotal		1,304,395	6.5	1,416,833	6.5
Total			20,171,280	100.0	21,761,293	100.0
(Export value out of the above amount of sales performance)			(1,154,119)		(1,786,822)	

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.