

Non-consolidated Financial Report for 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
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Date of board meeting for consolidated settlement: May 17, 2006 Interim dividend system: Yes
 Expected dividend payment date: June 19, 2006 Date of regular shareholders meeting: June 16, 2006
 Application of the unit-shares system Applied (unit: 100 shares)

1. Results for the year ending March 31, 2006 (April 1, 2005 - March 31, 2006)

(1) Business results

* Amounts under one million yen have been rounded down.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2006	19,762	5.1	5,333	3.5	5,426	4.0
FY2005	18,811	2.9	5,154	(7.5)	5,218	(10.2)

	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	%	%	%
FY2006	3,178	3.3	95.71	—	8.0	12.3	27.5
FY2005	3,077	(7.9)	93.51	—	8.3	12.8	27.7

Note 1) Average number of shares outstanding: FY2006 32,676,574 shares FY2005 32,387,346 shares
 2) Changes to accounting policies: None
 3) 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) Dividends

* Amounts under one million yen have been rounded down.

	Annual dividends per share			Total amount of dividends	Dividend payout ratio	Dividend to equity
	Interim	Year-end	Year-end			
	Yen	Yen	Yen	Millions of yen	%	%
FY2006	30.00	15.00	15.00	983	31.3	2.4
FY2005	30.00	12.50	17.50	970	32.1	2.1

Note Breakdown of dividends of FY2006: Common dividend 15.00 yen

(3) 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	46,544	41,686	89.6	12,70.18
FY2005	41,557	37,808	91.0	1,169.68

Note 1) Number of shares outstanding at term end: FY2006 32,778,777 shares FY2005 32,282,205 shares
 2) Number of treasury stock at term end: FY2006 29,906 shares FY2005 526,478 shares

2. Forecast business results for the year ending March 31, 2007 (April 1, 2006 - March 31, 2007)

	Net sales	Ordinary income	Net income	Annual dividends per share		
				Interim	Year-end	Year-end
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
Mid-year	9,790	2,280	1,310	15.00	—	—
Full-year	20,800	4,860	2,790	—	15.00	30.00

(Reference) Expected net income per share (full-year) 83.56 yen

* 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 page 10.

7. Non-consolidated Financial Statement

(1) Non-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 () indicates decrease	
		Amount	Ratio (%)	Amount	Ratio (%)		
(Assets)							
I. Current assets							
1. Cash and time deposits		18,333,676		18,118,522		(215,154)	
2. Notes receivable		628,461		663,213		34,752	
3. Accounts receivable	*4	3,611,112		3,557,152		(53,959)	
4. Merchandise		53,320		42,463		(10,856)	
5. Products		1,040,777		1,112,046		71,269	
6. Materials		938,299		1,114,253		175,954	
7. Work in progress		337,499		384,672		47,172	
8. Stored products		117,331		146,228		28,897	
9. Advance payments		24,820		20,015		(4,804)	
10. Prepaid expenses		34,238		28,703		(5,534)	
11. Deferred tax assets		100,682		176,949		76,267	
12. Other current assets		59,101		133,171		74,070	
13. Allowance for doubtful accounts		(2,016)		(2,822)		(806)	
Total current assets		25,277,303	60.8	25,494,571	54.8	217,268	
II. Fixed assets							
1. Tangible fixed assets							
(1) Buildings		8,159,798		8,389,341			
Accumulated depreciation		3,783,663	4,376,134	4,137,927	4,251,414	(124,719)	
(2) Structures		662,589		670,214			
Accumulated depreciation		485,401	177,187	509,158	161,056	(16,130)	
(3) Machines and devices		9,832,474		10,583,537			
Accumulated depreciation		7,830,942	2,001,532	8,462,490	2,121,046	119,514	
(4) Ships and vessels		17,592		17,344			
Accumulated depreciation		16,690	902	16,096	1,248	346	
(5) Vehicles and delivery equipment		162,658		165,113			
Accumulated depreciation		132,500	30,157	132,450	32,662	2,504	
(6) Tools, furniture and fixtures		695,064		701,467			
Accumulated depreciation		619,088	75,975	634,208	67,259	(8,716)	
(7) Land			3,601,671		3,914,970	313,299	
(8) Construction in progress			132,102		1,746,366	1,614,263	
Total tangible fixed assets			10,395,663	25.0	12,296,025	26.4	1,900,362

Account	Annotation	FY2005 (As of Mar. 31, 2005)		FY2006 (As of Mar. 31, 2006)		Difference from previous year end
		Amount	Ratio (%)	Amount	Ratio (%)	() indicates decrease
2. Intangible fixed assets						
(1) Software		9,546		9,468		(77)
(2) Telephone subscription right		6,943		7,139		195
Total intangible fixed assets		16,489	0.1	16,607	0.0	118
3. Investments and other assets						
(1) Investments in securities		394,382		2,460,337		2,065,954
(2) Stocks of affiliated companies		3,316,862		4,353,052		1,036,190
(3) Investments in affiliated companies		413,095		413,095		—
(4) Long-term loans to employees		73,831		75,572		1,740
(5) Long-term loans to affiliated companies		69,803		76,355		6,552
(6) Long-term prepaid expenses		86,774		57,544		(29,229)
(7) Investment in real estate	*1	813,107		567,935		(245,172)
(8) Insurance reserve		446,170		475,143		28,972
(9) Deferred tax assets		90,314		—		(90,314)
(10) Others		172,289		266,792		94,503
(11) Allowance for doubtful accounts		(8,379)		(8,413)		(34)
Total investments and other assets		5,868,252	14.1	8,737,416	18.8	2,869,163
Total fixed assets		16,280,405	39.2	21,050,049	45.2	4,769,643
Total assets		41,557,708	100.0	46,544,620	100.0	4,986,912
(Liabilities)						
I. Current liabilities						
1. Notes payable		644,441		672,031		27,589
2. Accounts payable	*4	859,603		765,953		(93,650)
3. Other accounts payable		364,825		617,523		252,698
4. Accrued expenses		70,005		78,119		8,114
5. Income taxes payable		969,329		1,279,188		309,859
6. Consumption tax payable		55,131		60,275		5,144
7. Deposits payable		21,516		24,249		2,733
8. Allowance for employee bonuses		129,603		145,848		16,244
9. Notes payable, equipment		36,659		332,080		295,420
10. others		7,048		8,346		1,298
Total current liabilities		3,158,164	7.6	3,983,618	8.5	825,453

Account	Annotation	FY2005 (As of Mar. 31, 2005)		FY2006 (As of Mar. 31, 2006)		Difference from previous year end
		Amount	Ratio (%)	Amount	Ratio (%)	() indicates decrease
II. Long-term liabilities						
1. Allowance for employee retirement benefits		466,359		564,487		98,127
2. Deferred tax liabilities		—		96,352		96,352
3. Others		124,451		213,976		89,525
Total long-term liabilities		590,811	1.4	874,816	1.9	284,004
Total liabilities		3,748,976	9.0	4,858,434	10.4	1,109,458
(Shareholders' equity)						
I. Common stock	*2	7,095,096	17.1	7,095,096	15.2	—
II. Capital surplus						
1. Capital reserve		7,833,869		7,833,869		
Total capital surplus		7,833,869	18.8	7,833,869	16.8	—
III. Retained earnings						
1. Legal reserve of retained earnings		428,500		441,000		12,500
2. Voluntary reserves						
(1) Reserve for special depreciation		102,543		87,578		(14,964)
(2) Special reserve fund		7,700,000		7,820,000		120,000
3. Unappropriated retained earnings at end of term		16,530,523		18,066,857		1,536,334
Total retained earnings		24,761,566	59.6	26,415,436	56.8	1,653,870
IV. Unrealized gains on investments in securities		80,803	0.2	450,873	1.0	370,070
V. Treasury stock	*3	(1,962,602)	(4.7)	(109,089)	(0.2)	1,853,513
Total shareholders' equity		37,808,732	91.0	41,686,186	89.6	3,877,453
Total Liabilities and Shareholders' equity		41,557,708	100.0	46,544,620	100.0	4,986,912

(2) Non-consolidated Statements of Income

(In thousand yen)

Account	Annotation	FY2005 (April 1, 2004 to March 31, 2005)			FY2006 (April 1, 2005 to March 31, 2006)			Difference from previous year end () indicates decrease
		Amount		Ratio (%)	Amount		Ratio (%)	
I. Net sales								
1. Product sales		17,742,792			18,587,033			
2. Merchandise sales		1,068,544	18,811,337	100.0	1,174,980	19,762,014	100.0	950,677
II. Cost of sales								
1. Product inventory at beginning of term		1,029,652			1,040,777			
2. Merchandise inventory at beginning of term		41,322			53,320			
3. Product cost of manufacture of the current term	*2	10,311,844			10,451,069			
4. Cost of merchandise of the current term	*2	899,513			945,175			
Total		12,282,333			12,490,343			
5. Product inventory at end of term		1,040,777			1,112,046			
6. Merchandise inventory at end of term		53,320	11,188,236	59.5	42,463	11,335,833	57.4	147,596
Gross profit			7,623,100	40.5		8,426,181	42.6	803,080
III. Selling, general and administrative expenses	*1&2		2,469,015	13.1		3,092,642	15.6	623,627
Operating income			5,154,085	27.4		5,333,538	27.0	179,453
IV. Non-operating income								
1. Interest income		5,237			6,435			
2. Dividend income		4,841			5,930			
3. Exchange gain on foreign currency		38,728			89,409			
4. House-rent received		47,777			42,240			
5. Subsidies for sparsely-populated areas		29,144			—			
6. Other non-operating income		22,857	148,586	0.8	22,325	166,341	0.9	17,755
V. Non-operating expenses								
1. New stock issuing costs		1,292			450			
2. Expenses for new overseas business		51,325			40,610			
3. Amortization of investment in real estate		8,802			—			
4. Other non-operating expenses		22,791	84,213	0.5	32,147	73,207	0.4	(11,005)
Ordinary income			5,218,458	27.7		5,426,672	27.5	208,214

Account	Annotation	FY2005 (April 1, 2004 to March 31, 2005)			FY2006 (April 1, 2005 to March 31, 2006)			Difference from previous year end
		Amount	Amount	Ratio (%)	Amount	Amount	Ratio (%)	
VI. Extraordinary gains								
Amortization of difference caused by change of accounting standard for retirement benefits		4,061			—			
Gain on sales of fixed assets	*3	—	4,061	0.0	15,647	15,647	0.1	11,585
VII. Extraordinary losses								
1. Loss on retirement of fixed assets	*4	10,562			8,138			
2. Loss on revaluation of golf club memberships		—			335			
3. Retirement benefits for directors		11,150			—			
4. Loss on asset impairment		—			45,239			
5. Loss on maintenance of overseas sale network		—	21,712	0.1	57,304	111,017	0.6	89,304
Income before income taxes			5,200,807	27.6		5,331,302	27.0	130,495
Income, inhabitant and business taxes		2,131,000			2,287,000			
Adjustments for income and other taxes		(7,779)	2,123,220	11.2	(134,265)	2,152,734	10.9	29,513
Net income			3,077,586	16.4		3,178,568	16.1	100,981
Retained earnings brought forward			13,858,808			15,931,549		2,072,740
Difference in disposal of treasury stocks			—			593,500		593,500
Interim dividends paid			405,872			491,711		85,839
Increase in unappropriated retained earnings from merger			—			41,951		41,951
Unappropriated retained earnings at end of term			16,530,523			18,066,857		1,536,334

Breakdown of the cost of products manufactured

(In thousand yen)

Account	Annotation	FY2005 (April 1, 2004 to March 31, 2005)		FY2006 (April 1, 2005 to March 31, 2006)		Difference from previous year end
		Amount	Ratio (%)	Amount	Ratio (%)	
I. Material costs		5,825,161	56.1	6,083,480	57.5	258,318
II. Labor costs		1,587,786	15.3	1,563,556	14.8	(24,230)
(of which are allowance for employee bonus)		(94,134)		(96,662)		
(of which are retirement benefits expenses)		(84,464)		(80,181)		
III. Expenses		2,975,136	28.6	2,929,604	27.7	(45,532)
(of which are depreciation and amortization)		(751,897)		(701,057)		
(of which are sub contractor expenses)		(217,946)		(75,461)		
Total manufacturing cost of the current term		10,388,085	100.0	10,576,640	100.0	188,554
Work in progress inventory at beginning of term		310,952		337,499		26,547
Total		10,699,037		10,914,139		215,102
Subtract: Work in progress inventory at end of term		337,499		384,672		47,172
Subtract: Transfer to other accounts	*1	49,693		78,397		28,704
Cost of products manufactured of the current term		10,311,844		10,451,069		139,225

(Note)

FY2005 (April 1, 2004 to March 31, 2005)	FY2006 (April 1, 2005 to March 31, 2006)
(Cost Accounting Method) Separate cost accounting per individual lots based on actual cost. *1 (Transfer to other accounts) Among the transfer to other accounts, main transfer is recorded in selling, general and administrative expenses (advertising expenses, etc.).	(Cost Accounting Method) Same as left *1 (Transfer to other accounts) Same as left

(3) Proposal of Appropriation of Retained Earnings

(In thousand yen)

Account	Annotation	FY2005 Approval date of general shareholders' meeting (As of June 16, 2005)		FY2006 Approval date of general shareholders' meeting (As of June 16, 2006)		Difference from previous year end
		Amount		Amount		
I. Unappropriated retained earnings at end of term			16,530,523		18,066,857	1,536,334
II. Withdrawal of voluntary reserves						
1. Withdrawal of reserve for special amortization		27,485	27,485	26,745	26,745	(740)
Total			16,558,008		18,093,603	1,535,594
III. Profit to be appropriated						
1. Dividends		564,938		491,681		
2. Bonus to directors		49,000		51,100		
(Bonus to auditors included)		(5,000)		(5,000)		
3. Voluntary reserves						
(1) Reserve for special depreciation		12,521	626,459	28,907	571,689	(54,770)
IV. Balance to be carried forward			15,931,549		17,521,913	1,590,364

(Note) The Company paid out interim dividends of 491,711,175 yen (15.00 yen per share) on December 9, 2005.

Important Accounting Policy

Term	Previous Fiscal Year (April 1, 2004 to March 31, 2005)	Current Fiscal Year (April 1, 2005 to March 31, 2006)
1. Standard and method of valuating securities	(1) Stocks of subsidiaries and affiliated companies Cost method under the moving average method (2) Other Securities Securities with any market price Mark-to-market method based on the market price as of the day of settlement of accounts (all the evaluation differences are incorporated directly into the capital stock and costs for sale are computed with the moving average method) Securities without any market price Cost method under the moving average method	(1) Stocks of subsidiaries and affiliated companies Same as left (2) Other Securities Securities with any market price Same as left Securities without any market price Same as left
2. Standard and method of valuating derivatives	(1) Derivatives Mark-to-market method	(1) Derivatives Same as left
3. Standard and method of valuating inventories	(1) Merchandise Identified cost method (2) Products Identified cost method (3) Materials Cost method under the moving average method (4) Work in progress Identified cost method (5) Supplies Last cost method	(1) Merchandise Same as left (2) Products Same as left (3) Materials Same as left (4) Work in progress Same as left (5) Supplies Same as left
4. Method of depreciation of fixed assets	(1) Tangible fixed assets Declining balance method As for buildings (except incidental equipment) acquired or put into business use after April 1, 1998, however, straight-line method is available. Small-amount depreciable assets of which the acquisition price is 100,000 yen or more and less than 200,000 yen are depreciated evenly over three years. Useful lives of major assets are as follows: Buildings: 15 - 50 years Machines and devices: 9 years (2) Intangible fixed assets As for software for own use, straight-line method for internally available period (5 years) is applied (3) Long-term prepaid expenses Straight-line method (4) Investments in real estate Declining balance method	(1) Tangible fixed assets Same as left (2) Intangible fixed assets Same as left (3) Long-term prepaid expenses Same as left (4) Investments in real estate Same as left
5. Accounting of deferred assets	New stock issuing expense All expenses are posted as payment.	New stock issuing expense Same as left
6. Standards for converting significant foreign currency denominated assets and liabilities into Japanese yen	Receivables and payables denominated in foreign currencies are converted to Japanese yen using the closing spot exchange rate for the final day of the fiscal year, and differences are recorded as gains or losses.	Same as left

Term	Previous Fiscal Year (April 1, 2004 to March 31, 2005)	Current Fiscal Year (April 1, 2005 to March 31, 2006)
7. Standards for additions to allowances	<p>(1) 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>(2) Allowance for employee bonus The Company reserves the estimated amount of the bonus to prepare for payment to employees.</p> <p>(3) Allowance for employee retirement benefits To prepare for payment of benefits to retiring employees, the amount of actual payment is reserved based on estimation of retirement benefit liabilities and pension assets regarded as existing at the end of the fiscal year. As for the difference (20,297 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 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>(1) Allowance for doubtful accounts Same as left</p> <p>(2) Allowance for employee bonus Same as left</p> <p>(3) Allowance for employee retirement benefits Same as left</p> <p>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>
8. 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.	Same as left
9. Hedge accounting methods	<p>(i) Hedge accounting methods 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 currency 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>(i) Hedge accounting methods 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>

Term	Previous Fiscal Year (April 1, 2004 to March 31, 2005)	Current Fiscal Year (April 1, 2005 to March 31, 2006)
	(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	(iv) Methods to assess effectiveness of hedging Same as left
10. Other important matters to prepare Financial Statements	(1) Accounting of the consumption tax The Company applies the tax-exclusion accounting method.	(1) Accounting of the consumption tax Same as left

Change in Accounting Method

Previous Fiscal Year (April 1, 2004 to March 31, 2005)	Current Fiscal Year (April 1, 2005 to March 31, 2006)
	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. Based on this, income before income tax fell 45,239 thousand yen. Accumulated losses are directly deducted from the appropriate asset amount.

Change in Notation Method

Previous Fiscal Year	Current Fiscal Year
(Non-Consolidated Statement of Income) 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 was listed separately. For the previous fiscal year, "subsidies for sparsely populated areas" totaled 1,676 thousand yen.	
By the previous fiscal year, "amortization of investment real estate" 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 was listed separately. For the previous fiscal year, "amortization on investment real estate" totaled 5,198 thousand yen.	By the previous fiscal year, "amortization of investment real estate" was listed separately. However, since it amounted to less than 10% of non-operating expenses in this fiscal year, it was included in "other" of non-operating expenses. For the current fiscal year, "amortization on investment real estate" totaled 7,033 thousand yen.

Notes

(On the Balance Sheets)

Previous Fiscal Year (As of March 31, 2005)	Current 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. Shares issued by the Company and total number of shares issued	*2. Shares issued by the Company and total number of shares issued
Number of authorized shares 60,000,000 common shares	Number of authorized shares 130,000,000 common shares
Number of share outstanding 32,808,683 common shares	Number of share outstanding 32,808,683 common shares
*3. Treasury stock The number of treasury stock held by the Company is 526,478 common shares	*3. Treasury stock The number of treasury stock held by the Company is 29,906 common shares
*4. Major assets in and liabilities to affiliated companies are as follows. Accounts independently posted on the Balance Sheets are excluded.	*4. Major assets in and liabilities to affiliated companies are as follows. Accounts independently posted on the Balance Sheets are excluded.
Accounts receivable 10,615 thousand yen	Accounts receivable 19,105 thousand yen
Accounts payable 26,624 thousand yen	
5. Dividend limit Net assets based on the market value of securities increased 80,803 thousand yen.	5. Dividend limit Net assets based on the market value of securities increased 450,873 thousand yen.
There are limitations based on the prescriptions of Article 124.3 of the Enforcement Regulations of the Commercial Law on said amount being applied to dividends.	There are limitations based on the prescriptions of Article 124.3 of the Enforcement Regulations of the Commercial Law on said amount being applied to dividends.

(On the Statements of Income)

Previous Fiscal Year (April 1, 2004 to March 31, 2005)	Current Fiscal Year (April 1, 2005 to March 31, 2006)
*1. Major items accounted in selling, general and administrative expenses are as follows:	*1. Major items accounted in selling, general and administrative expenses are as follows:
Packing and transportation expenses 861,139 thousand yen	Packing and transportation expenses 1,023,370 thousand yen
Warehousing costs 235,495 thousand yen	Warehousing costs 268,638 thousand yen
Salary, benefits and bonuses 350,971 thousand yen	Salary, benefits and bonuses 370,793 thousand yen
Depreciation costs 82,137 thousand yen	Depreciation costs 74,757 thousand yen
Allowance for employee bonuses 35,469 thousand yen	Allowance for employee bonuses 49,186 thousand yen
Allowance for employee retirement benefits 31,799 thousand yen	Allowance for employee retirement benefits 32,173 thousand yen
Expenses included in selling expenses 45%	Expenses included in selling expenses 42%
Expenses included in general and administrative expenses 55%	Expenses included in general and administrative expenses 58%
*2. Research and development expenses included in general and administrative expenses and manufacturing expenses for current period 302,789 thousand yen	*2. Rresearch and development expenses including general and administrative expenses 326,917 thousand yen
*3.	*3. Gain on sales of fixed assets are as follows: Investment in real estate 15,647 thousand yen
*4. Losses on disposal of fixed assets are as follows: Machinery and equipment 10,562 thousand yen	*4. Losses on disposal of fixed assets are as follows: Machinery and equipment 8,138 thousand yen

1) Lease transactions

Previous Fiscal Year (April 1, 2004 to March 31, 2005)				Current Fiscal Year (April 1, 2005 to March 31, 2006)			
Finance lease transactions except those transactions where ownership of the leased property may be transferred to the lessee				Finance lease transactions except those transactions where ownership of the leased property may be transferred to the lessee			
1. Amounts equal to purchase price, accumulated depreciation costs and balance at end of term				1. Amounts equal to purchase price, accumulated depreciation costs and balance at end of term			
(In thousand yen)				(In thousand yen)			
	Amount equal to purchase price	Amount equal to accumulated depreciation costs	Amount equal to balance at end of term		Amount equal to purchase price	Amount equal to accumulated depreciation costs	Amount equal to balance at end of term
Tools, furniture and fixtures	42,650	19,284	23,366	Tools, furniture and fixtures	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				2. Amount equal to balance of unexpired lease charges at end of term			
(In thousand yen)				(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>			
<u>16,101</u>				<u>42,880</u>			
Total				Total			
23,834				56,710			
3. Lease charges paid, amount equal to depreciation cost and amount equal to interest expense				3. Lease charges paid, amount equal to depreciation cost and amount equal to interest expense			
(In thousand yen)				(In thousand yen)			
Lease charges paid				Lease charges paid			
6,806				10,896			
Amount equal to depreciation cost				Amount equal to depreciation cost			
6,264				10,120			
Amount equal to interest expense				Amount equal to interest expense			
524				1,120			
4. Calculation of the amount equal to depreciation cost				4. Calculation of the amount equal to depreciation cost			
The straight-line method is applied by assuming the lease period as the useful life, and setting the residual value to 0.				Same as left			
5. Calculation of the amount equal to interest expense				5. Calculation of the amount equal to interest expense			
The difference between the total of lease charges and the amount equal to the purchase price is regarded as the amount equal to interest expense, and the interest method is applied to allocation to each term.				Same as left			
				(Asset impairment losses)			
				There are no asset impairment losses attributed to leased assets.			

2) Securities

In previous fiscal year (April 1, 2004 to March 31, 2005) and current fiscal year (April 1, 2005 to March 31, 2006), there are no shares of subsidiaries and affiliated companies with market value.

3) Matters related to deferred tax accounting

1. Breakdown of deferred tax assets and liabilities

(In thousand yen)

	Previous Fiscal Year (As of Mar. 31, 2005)	Current Fiscal Year (As of Mar. 31, 2006)
Deferred tax assets		
Disapproval of accrued enterprise tax	61,073	97,121
Excess over allowance for employee bonuses	57,290	64,574
Excess over allowance for employee retirement benefits	175,271	221,989
Asset impairment losses		18,005
Disapproval of loss on revaluation of golf-club memberships	8,682	8,815
Others		27,583
Total deferred tax assets	302,318	438,089
Deferred tax liabilities		
Reserve for special depreciation	(57,900)	(59,330)
Others	(53,421)	(298,161)
Total deferred tax liabilities	(111,322)	(357,491)
Net deferred tax assets	190,996	80,597

(Per share data)

(In yen)

Previous Fiscal Year (From April 1, 2004 to March 31, 2005)		Current Fiscal Year (From April 1, 2005 to March 31, 2006)	
Net assets per share	1,169.68	Net assets per share	1,270.18
Net income per share	93.51	Net income per share	95.71
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, 2004. 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	1,109.70		
Net income per share	101.55		

Note : 1. The net income per share in the current fiscal year (from April 1, 2004 to March 31, 2005) is calculated as though a stock split took place at the beginning of the term.

2. Bases for calculation of net income per share are as follows:

(In thousand yen)

	Previous Fiscal Year (From April 1, 2004 to March 31, 2005)	Current Fiscal Year (From April 1, 2005 to March 31, 2006)
Net income	3,077,586	3,178,568
Amount not attributed to common shareholders	49,000	51,100
(Bonuses to directors and auditors as appropriation of surplus included)	(49,000)	(51,100)
Net income related to common stocks	3,028,586	3,127,468
Average number of shares outstanding during the fiscal years (thousand shares)	32,387	32,676
Outlines of the residual shares not taken into calculation of net income per share after residual shares due to absence of dilution effects	Stock option was resolved at the regular general meeting of shareholders held on June 21, 2001 (Treasury share acquisition method) Common stocks 284,000 shares	_____

(Important Subsequent Events)

Previous Fiscal Year (From April 1, 2004 to March 31, 2005)	Current Fiscal Year (From April 1, 2005 to March 31, 2006)
<p>(Disposal of Treasury Stock)</p> <p>The Company's Board of Directors Meeting on June 6, 2005, resolved to dispose of treasury stock. An overview of this resolution is provided below.</p> <p>1. Purpose of Disposal</p> <p>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.</p> <p>2. Details of Disposed Shares</p> <p style="padding-left: 20px;">Common stocks 500,000 shares</p> <p>3. Disposal Price</p> <p style="padding-left: 20px;">Per share 2,540 yen</p> <p>4. Total Disposal Price</p> <p style="padding-left: 40px;">1,270,000,000 yen</p> <p>5. Settlement Date</p> <p style="padding-left: 20px;">June 23, 2005</p>	<hr style="width: 20%; margin: 0 auto;"/>
<p>(Issuance of Stock Acquisition Rights)</p> <p>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 Acquisition Rights) of the Commercial Code.</p> <p>1. Type of shares to be issued</p> <p style="padding-left: 20px;">Common stocks</p> <p>2. Eligible Employees and Number of Shares Optioned</p> <p>Shares up to 300,000 will be optioned to the Company's directors and employees.</p> <p>3. Exercise Price</p> <p>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.</p> <p>4. Issue Period of Stock Acquisition Right</p> <p>Warrants will be issued during the period beginning July 1, 2006 and ending June 30, 2009.</p> <p>5. Other</p> <p>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."</p>	<hr style="width: 20%; margin: 0 auto;"/>

Previous Fiscal Year (From April 1, 2004 to March 31, 2005)	Current Fiscal Year (From April 1, 2005 to March 31, 2006)																																												
<p>(Merger with subsidiary)</p> <p>The Company is aiming at greater efficiency and even firmer business base. In order to further expand and develop our operations, a resolution was passed by the Board of Directors Meeting on May 11, 2005 to absorb Ariake Food Systems Co.Ltd. wholly owned by the Company. Based on this resolution, a merger agreement was concluded on July 1, 2005 in accordance with the methods prescribed in Article 413.3.1 of the Commercial Code.</p> <p>The following is an overview of the merger agreement:</p> <p>(1) Merger Date July 1, 2005</p> <p>(2) Merger Method The Company will be the surviving company and Ariake Food Systems Co., Ltd. will be dissolved and absorbed. No new shares will be issued nor will there be an increase in capital due to the merger.</p> <p>(3) Transfer of Assets On the merger date, all Ariake Food Systems' assets, liabilities, rights and obligations will be transferred to the Company.</p> <p>The assets, liabilities and net assets as of March 31, 2005 which are intended to be transferred from Ariake Food Systems Co., Ltd. on July 1, 2005 are as follows:</p> <p style="text-align: center;">(In thousand yen)</p> <table border="1"> <thead> <tr> <th>Account</th> <th>Amount</th> <th>Account</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>(Assets)</td> <td></td> <td>(Liabilities)</td> <td></td> </tr> <tr> <td>Current assets</td> <td>356,402</td> <td>Current liabilities</td> <td>24,278</td> </tr> <tr> <td> Cash and time deposits</td> <td>330,803</td> <td> Accrued expenses</td> <td>7,055</td> </tr> <tr> <td> Accounts receivable</td> <td>24,043</td> <td> Allowance for employee bonuses</td> <td>10,898</td> </tr> <tr> <td> Others</td> <td>1,555</td> <td> Others</td> <td>6,324</td> </tr> <tr> <td>Fixed assets</td> <td>96,065</td> <td>Long-term liabilities</td> <td>37,347</td> </tr> <tr> <td> Tangible fixed assets</td> <td>92,194</td> <td> Allowance for employee retirement benefits</td> <td>37,347</td> </tr> <tr> <td> Intangible fixed assets</td> <td>195</td> <td></td> <td></td> </tr> <tr> <td> Investments and other assets</td> <td>3,675</td> <td>Total liabilities</td> <td>61,626</td> </tr> <tr> <td>Total assets</td> <td>452,468</td> <td>Net assets</td> <td>390,841</td> </tr> </tbody> </table>	Account	Amount	Account	Amount	(Assets)		(Liabilities)		Current assets	356,402	Current liabilities	24,278	Cash and time deposits	330,803	Accrued expenses	7,055	Accounts receivable	24,043	Allowance for employee bonuses	10,898	Others	1,555	Others	6,324	Fixed assets	96,065	Long-term liabilities	37,347	Tangible fixed assets	92,194	Allowance for employee retirement benefits	37,347	Intangible fixed assets	195			Investments and other assets	3,675	Total liabilities	61,626	Total assets	452,468	Net assets	390,841	<hr/>
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8. Changes in directors

(1) Change in representative director

There is nothing to report.

(2) Change in other directors

There is nothing to report.