

January 28, 2004

Brief Third-Quarter Consolidated Financial Report for Year Ending March 31, 2004

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

1. Governing standards when preparing financial statements	Interim consolidated financial statement regulations
* Existence of changes in accounting policies	None
* Existence of accounting treatment differing from interim results	None
2. Existence of movement in the applicable scope of the consolidated and equity method	None
3. Existence of participation by certified public accountants or audit corporations	None

1. Third-quarter results for the year ending March 31, 2004 (April 1, 2003 - December 31, 2003)

(1) Consolidated business results

	Net sales		Operating income		Ordinary income	
	MY	%	MY	%	MY	%
Third quarter of FY3/04	14,897	4.1	4,417	10.2	4,510	12.5
Third quarter of FY3/03	14,317		4,007		4,010	
FY3/03	19,035		5,431		5,673	

	Net income		Net income per share	
	MY	%	Yen 1/100 yen	
Third quarter of FY3/04	2,588	12.8	87.66	
Third quarter of FY3/03	2,295		85.49	
FY3/03	3,265		120.13	

Note: Changes in net sales, operating income, ordinary income and net income from previous fiscal year are shown in percentage on a year-on-year basis.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	MY	MY	%	Yen 1/100 yen
Third quarter of FY3/04	39,382	34,456	87.5	1,166.98
Third quarter of FY3/03	37,578	31,633	84.2	1,178.17
FY3/03	38,568	32,580	84.5	1,212.00

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

Third Quarter of FY3/04 29,826,076 shares Third Quarter of FY3/03 27,114,615 shares FY3/03 27,114,615 shares

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents at the fiscal year end
	MY	MY	MY	MY
Third quarter of FY3/04	1,761	(607)	(909)	16,021
Third quarter of FY3/03	2,362	(380)	(586)	12,982
FY3/03	5,139	(511)	(805)	15,686

2. Forecast consolidated business results for the Year Ending March 31, 2004 (April 1, 2003 — March 31, 2004)

	Net sales	Operating income	Ordinary income	Net income
	MY	MY	MY	MY
Full-year	20,200	6,200	6,300	3,600

Reference: Expected net income per share (full-year) ¥121.91 (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 3.

1. Outline of Results

The Japanese economy through the third quarter (April – December 2003) was in the midst of an increasingly static deflationary slump; no improvement could be seen in the employment environment, and personal consumption continued to be stagnant. These factors, in combination with the rapid rise of the value of the yen against the dollar during the second half of the year, have resulted in a continuation of existing harsh conditions. The consumer mind in the food industry has been listless as well; low price competition and other factors have resulted in increasing differentiation between companies, and the third quarter has shown no signs of recovery. Particularly at the end of the year, the BSE problem that occurred in the United States and the “chicken influenza” problem have had negative effects on demand.

Amid these conditions, the Company has effectively executed business strategies based on long-term management plan since the beginning of the year, the outcome of which is that results for the third quarter were roughly in accordance with annual plans in terms of both net sales and ordinary income.

[Net sales]

In the third quarter (April – December 2003), net sales had reached 14,897 million yen, an increase of 4.1% compared to the same period of the previous year (14,317 million yen). This was due in part to strong sales mainly to the processed and take-out/prepared foods fields, as well as sales according to plans at overseas subsidiaries and the effects of the strong yen and the weak dollar.

[Operating income]

In the third quarter (April – December 2003), operating income to net sales had improved by 1.7% over the same period of the previous year, from 28.0% to 29.7%, due to increased net sales and improved operability, as well as the effects of various cost reduction measures. As a result, operating income was 4,417 million yen, an increase of 10.2% compared to the same period of the previous year (4,007 million yen).

[Ordinary income]

In the third quarter (April – December 2003), ordinary income to net sales had improved by 2.3% over the same period of the previous year, from 28.0% to 30.3%, due to the fruits of efforts to increase sales and reduce costs. As a result, ordinary income was 4,510 million yen, an increase of 12.5% compared to the same period of the previous year (4,010 million yen).

[Net income]

In the third quarter (April – December 2003), net income had reached 2,588 million yen in keeping with steady growth in ordinary income. This represented an increase in of 12.8% in income compared to the same period of the previous year (2,295 million yen).

[Assets and liabilities]

At the end of the third quarter (April – December 2003), assets were 39,382 million yen, an increase of 1,803 million yen over the same period of the previous year (end of December 2002: 37,578 million yen). This was mainly due to the increase in cash and time deposits resulting from increased income.

At the end of the third quarter (April – December 2003), liabilities were 4,802 million yen, a decrease of 1,013 million yen compared to the same period of the previous year (end of December 2002: 5,815 million yen).

[Cash flows]

Regarding cash flows for the third quarter accounting year (end of December 2003), the balance was 16,021 million yen, an increase of 3,039 million yen compared to the balance at the end of same period of the previous year (end of December 2002: 12,982 million yen). An outline of specific items is shown below.

(Cash flows from operating activities)

At the end of the third quarter, cash inflow from operating activities was 1,761 million yen, a decrease in income of 601 million yen compared to the same period of the previous year (end of December 2002: 2,362 million yen). The main factors affecting this figure were increased Income tax and other taxes paid.

(Cash flows from investing activities)

At the end of the third quarter, cash outflow from investment activities was 607 million yen, an increase of 227 million yen compared to the same period of the previous year (end of December 2002: 380 million yen). The main factor affecting this figure was increased capital investment expenditures.

(Cash flows from financing activities)

At the end of the third quarter, cash outflow from financing activities was 909 million yen, an increase of 322 million yen compared to the same period of the previous year (end of December 2002: 586 million yen). The main factor affecting this figure was increased payments for dividends.

2. Forecast for full-year business results

Regarding forecast for the full year ending March 2004, within a continuing deflationary slump, we do not expect to see any improvement in employment, and a full recovery will be difficult due to a worsening income environment resulting from increasing public burden. Harsh conditions are expected to continue amid mounting issues of concern that discourage consumption. This is particularly true of the food industry, which is faced with the BSE problem in the United States and other issues.

Within this management environment, the Company will concentrate the management efforts of the entire company to achieve the targets outlined in the original plan: 20,200 million yen in consolidated net sales (a year-on-year increases of 6.1%), 6,300 million yen in consolidated ordinary income (a year-on-year increases of 11.0%), and 3,600 million yen in consolidated net income (a year-on-year increases of 10.2%).

Consolidated Balance Sheets

(Unit: thousand yen)

Account	Term	Third Quarter of FY 3/03 (As of December 31, 2002)		Third Quarter of FY 3/04 (As of December 31, 2003)		FY 3/03 (As of March 31, 2003)	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Assets)		%		%		%
	I. Current assets						
	1. Cash and time deposits	12,982,105		16,021,814		15,686,938	
	2. Notes and accounts receivable	5,669,421		5,400,632		4,339,235	
	3. Inventories	1,985,258		2,089,831		2,022,246	
	4. Other current assets	466,086		421,065		364,377	
	5. Allowance for doubtful accounts	(814)		(1,071)		(391)	
	Total current assets	21,102,058	56.1	23,932,272	60.8	22,412,406	58.1
	II. Fixed assets						
	1. Tangible fixed assets						
	(1) Buildings and structures	6,251,622		6,176,777		6,080,265	
	(2) Machines, devices, and delivery equipment	3,369,633		3,213,541		3,333,609	
	(3) Land	4,024,350		4,019,865		4,020,025	
	(4) Construction in progress	148,062		7,492		224,853	
	(5) Other fixed assets	148,266		112,338		127,157	
	Total tangible fixed assets	13,941,935	37.1	13,530,016	34.4	13,785,910	35.7
	2. Intangible fixed assets	64,233	0.2	51,115	0.1	59,969	0.2
	3. Investments and other assets						
	(1) Investments in securities	292,874		328,498		309,121	
	(2) Long-term loans receivable	123,366		103,135		120,707	
	(3) Deferred tax assets	21,076		41,467		25,920	
	(4) Investments in real estates	460,618		455,368		459,267	
	(5) Other investments	1,547,633		914,764		1,371,292	
	(6) Allowance for doubtful accounts	(25)		(38)		(11)	
	Total investments and other assets	2,445,544	6.5	1,843,196	4.7	2,286,297	5.9
	Total fixed assets	16,451,713	43.8	15,424,327	39.2	16,132,177	41.8
	III. Deferred assets	24,950	0.1	25,987	0.1	23,493	0.1
	Total assets	37,578,722	100.0	39,382,587	100.0	38,568,077	100.0

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

Consolidated Balance Sheets

(Unit: thousand yen)

Account	Term	Third Quarter of FY 3/03 (As of December 31, 2002)		Third Quarter of FY 3/04 (As of December 31, 2003)		FY 3/03 (As of March 31, 2003)	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
			%		%		%
(Liabilities)							
I. Current liabilities							
1. Notes and accounts payable		1,458,402		1,432,395		1,258,544	
2. Short-term loans payable		1,328,791		934,678		1,117,530	
3. Income taxes payable		649,894		689,186		1,410,738	
4. Allowance for employee bonus		141,699		148,814		139,649	
5. Other current liabilities		836,291		780,430		682,983	
Total current liabilities		4,415,079	11.8	3,985,505	10.1	4,609,446	12.0
II. Long-term liabilities							
1. Deferred tax liabilities		1,871		—		—	
2. Allowance for employee retirement benefits		312,210		384,026		319,529	
3. Other long-term liabilities		1,086,676		432,653		924,340	
Total long-term liabilities		1,400,758	3.7	816,680	2.1	1,243,869	3.2
Total liabilities		5,815,837	15.5	4,802,186	12.2	5,853,315	15.2
(Minority interests)							
Minority interest		129,506	0.3	123,942	0.3	134,583	0.3
(Shareholders' equity)							
I. Common stock							
		7,095,096	18.9	7,095,096	18.0	7,095,096	18.4
II. Capital surplus							
		7,833,869	20.8	7,833,869	19.9	7,833,869	20.3
III. Retained earnings							
		18,656,751	49.7	21,470,606	54.6	19,626,265	50.9
IV. Differences in valuation of other securities							
		11,933	0.0	55,451	0.1	33,540	0.1
V. Adjustment account for currency conversion							
		(579,197)	(1.5)	(589,244)	(1.5)	(622,764)	(1.6)
VI. Treasury Stocks							
		(1,385,074)	(3.7)	(1,409,320)	(3.6)	(1,385,827)	(3.6)
Total shareholders' equity		31,633,378	84.2	34,456,458	87.5	32,580,178	84.5
Total Liabilities, Minority interest and Shareholders' equity		37,578,722	100.0	39,382,587	100.0	38,568,077	100.0

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

Consolidated Statements of Income

(Unit: thousand yen)

Account	Term	Third Quarter of FY 3/03 (From Apr. 1, 2002 to Dec. 31, 2002)		Third Quarter of FY 3/04 (From Apr. 1, 2003 to Dec. 31, 2003)		FY 3/03 (From Apr. 1, 2002 to Mar. 31, 2003)	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
I. Net sales		14,317,057	100.0	14,897,142	100.0	19,035,505	100.0
II. Cost of net sales		8,275,046	57.8	8,349,427	56.0	10,922,630	57.4
Gross profit		6,042,010	42.2	6,547,715	44.0	8,112,874	42.6
III. Selling, general and administra- tive expenses		2,034,399	14.2	2,130,350	14.3	2,681,331	14.1
Operating income		4,007,611	28.0	4,417,365	29.7	5,431,543	28.5
IV. Non-operating income							
1. Interest income and dividend		10,918		14,064		11,619	
2. Foreign exchange gains		—		68,183		248,431	
3. Subsidies related to under- populated areas		—		—		4,261	
4. Other non-operating income		44,518		86,911		70,824	
Total non-operating income		55,436	0.4	169,160	1.1	335,136	1.8
V. Non-operating expenses							
1. Interest paid		33,264		19,779		39,553	
2. Stock issuing costs		—		6,410		2,062	
3. Others		18,840		49,645		52,009	
Total non-operating expenses		52,104	0.4	75,834	0.5	93,625	0.5
Ordinary income		4,010,942	28.0	4,510,690	30.3	5,673,055	29.8
VI. Extraordinary income		3,990	0.0	3,990	0.0	5,321	0.0
VII. Extraordinary losses		15,226	0.1	49,421	0.3	57,443	0.3
Income before income tax		3,999,706	27.9	4,465,259	30.0	5,620,932	29.5
Income, inhabitant and business taxes		1,745,185	12.2	1,884,218	12.6	2,421,179	12.7
Adjustments for income and other taxes		(43,045)	(0.3)	(22,799)	(0.1)	(73,888)	(0.4)
Minority interest in net income		1,993	0.0	15,211	0.1	8,554	0.0
Net income		2,295,572	16.0	2,588,628	17.4	3,265,086	17.2

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

Consolidated Statements of Cash Flows

(Unit: thousand yen)

Account	Term	Third Quarter of FY 3/03 <small>(From Apr. 1, 2002 to Dec. 31, 2002)</small>	Third Quarter of FY 3/04 <small>(From Apr. 1, 2003 to Dec. 31, 2003)</small>	FY 3/03 <small>(From Apr. 1, 2002 to Mar. 31, 2003)</small>
		Amount	Amount	Amount
. Cash flows from operating activities				
	Income before income tax	3,999,706	4,465,259	5,620,932
	Depreciation and amortization	877,456	794,608	1,158,319
	Increase or decrease in allowance for doubtful account	(92)	707	(528)
	Increase in allowance for employee retirement benefits	56,196	64,497	63,514
	Interest and dividends received	(10,918)	(14,064)	(11,619)
	Interest paid	33,264	19,779	39,553
	Losses on valuation of investment securities	—	28,691	20,436
	Increase or decrease in accounts receivable-trade	(1,097,844)	(1,062,320)	231,453
	Increase or decrease in inventories	124,131	(68,303)	85,379
	Increase in trade payables	290,913	178,409	86,770
	Increase or decrease in consumption tax and other taxes payable	(9,602)	16,777	(84,118)
	Payout of bonuses to directors	(30,000)	(39,600)	(30,000)
	Others	264,951	(25,656)	34,272
	Subtotal	4,517,366	4,358,785	7,214,364
	Interest and dividend income received	10,918	14,064	11,619
	Interest expenses paid	(33,264)	(19,779)	(39,553)
	Income tax and other taxes paid	(2,132,115)	(2,591,586)	(2,047,265)
	Cash flows provided by operating activities	2,362,904	1,761,484	5,139,164
. Cash flows from investing activities				
	Payments for purchase of tangible fixed assets	(366,877)	(586,791)	(500,190)
	Payments for purchase of investment in securities	(14,699)	(12,900)	(14,699)
	Payments for purchase of stocks of affiliated companies	—	(21,420)	—
	Payment for loans receivable	(4,680)	—	(4,442)
	Proceeds from collection of loans receivable	13,698	20,897	16,274
	Others	(8,070)	(7,487)	(7,949)
	Cash flows used in investing activities	(380,629)	(607,701)	(511,007)
. Cash flows from financing activities				
	Net increase or decrease in short-term loans payable	87,879	(182,852)	(123,896)
	Payment for acquisition of treasury stocks	(9,846)	(23,492)	(10,599)
	Payments for dividends	(665,021)	(703,462)	(670,692)
	Cash flows used in financing activities	(586,988)	(909,807)	(805,187)
	. Conversion differential of cash and cash equivalents	4,704	90,900	281,854
	. Increase in cash and cash equivalents	1,399,991	334,876	4,104,823
	. Balance of cash and cash equivalents at beginning of term	11,582,114	15,686,938	11,582,114
	. Balance of cash and cash equivalents at the end of term	12,982,105	16,021,814	15,686,938