



November 12, 2004

Name of Company: WORKS APPLICATIONS CO., LTD.
Representative: Masayuki Makino
Representative Director & CEO
Securities Code: 4329 (ISIN Code : JP3990050001)
Inquiries: Yusaku Hattori
Comptroller
Tel: +81-3-6229-1200

WORKS APPLICATIONS announces that Ariel Networks, Inc. will become a wholly owned subsidiary through a simple share exchange

WORKS APPLICATIONS Co., Ltd. (hereinafter referred to as “WORKS”) has announced that a resolution calling for making Ariel Networks, Inc. a wholly owned subsidiary through a simple share exchange effective January 5, 2005, as outlined below, was passed at its Board of Directors meeting held November 12, 2004.

1. Purpose of making Ariel Networks, Inc. a wholly owned subsidiary through a share exchange:

WORKS conducts the businesses of development, sales, and maintenance for its COMPANY® series of enterprise resource planning (ERP) software packages for large-sized firms, and is focusing on enhancing the functionality of these software packages in order to further improve their value in the marketplace.

Ariel Networks, Inc. (hereinafter referred to as “Ariel”) is involved in the development, sales, and maintenance of its ArielAirOne series of groupware packages, which are based on peer-to-peer (P2P) technology, and has been seeking to stabilize its management base.

The two companies have joined together on this point, with WORKS deciding to make Ariel a wholly owned subsidiary through a share exchange, the dual goals of which are the stabilization of Ariel’s management base and enhancement of the functionality of the COMPANY® series products. Ariel Networks will undertake such functionality enhancement, utilizing its advanced P2P-based networking technology, on a continuing basis, in areas such as data exchange and information sharing between products.

Through this share exchange, Ariel will become a specified subsidiary of WORKS.

2. Conditions, etc. of the share exchange:

(1) Schedule for this share exchange:

November 12, 2004: Share exchange agreement approved at Board of Directors meeting

November 12, 2004: Share exchange agreement concluded

November 29, 2004 (planned):

General meeting of shareholders for approval of share exchange agreement (Ariel)

January 5, 2005 (planned): Effective date of share exchange

Note: This share exchange will be conducted as a simple share exchange pursuant to Article 358, Section 1 of the Commercial Code, and as such the share exchange agreement does not require the approval of WORKS' general meeting of shareholders.

(2) Share exchange ratios:

	WORKS APPLICATIONS Co., Ltd. (Sole parent company)	Ariel Networks, Inc. (Wholly owned subsidiary)
Share exchange ratio	1	0.056

(注) 1. Share allocation ratio:

0.056 shares of common stock of WORKS will be allotted per one share of common stock of Ariel.

2. Calculation basis for share exchange ratio:

A third party, Nakamura CPA Office, was requested to the exchange ratio. Nakamura CPA Office agreed upon the above ratio after discussions between themselves, referring to that evaluation.

3. Results, methods, and basis for calculation by third party:

Since WORKS is already a publicly held company, Nakamura CPA Office assessed the average closing price of WORKS stock over the days in the three-month period from July 26 through October 25, 2004, using the average market stock price method, which reflects the objective value of the company. Nakamura CPA Office evaluated the value of Ariel stock using a blend of net asset values and a method of ratification utilizing comparisons with similar companies. The share exchange ratio of 1:0.056 was calculated as a result of the above assessments of each company.

4. Shares to be issued under share exchange: 595 shares of common stock

(3) Share-exchange subsidy:

No share-exchange subsidy shall be paid.

(4) Value date for dividend purposes:

The value date for dividend purposes of the new stock shares issued through this share exchange shall be January 1, 2005.

3. Outline of companies involved in the share exchange:

(As of June 30, 2004)

(As of September 30, 2004)

Trade names	WORKS APPLICATIONS Co., Ltd.	Ariel Networks, Inc.
Major lines of business	Development, sales, and maintenance for the COMPANY® series of ERP software packages for large-sized firms	Development, sales, and maintenance for the ArielAirOne of groupware packages based on P2P technology
Date established	July 24, 1996	April 11, 2001
Location of headquarters	1-12-32 Akasaka, Minato-ku, Tokyo	3-3-2 Nakameguro, Meguro-ku, Tokyo
Representatives	Masayuki Makino, Representative Director and CEO	Hiroyuki Komatsu, Representative Director and President
Capital	908 million yen	475 million yen
Total number of shares issued and outstanding	137,592 shares	10,625 shares
Shareholders' equity	4,370 million yen	91 million yen

Total assets	6,426 million yen	149 million yen
Fiscal year end	June 30	March 31
Number of employees	471	13
Major customers	Major sales customers: large domestic firms	Primary sales customer: Computer Wave Co., Ltd.
Names and share holdings of major share holders (%)	<ul style="list-style-type: none"> 1. Yoshiro Ishikawa: 11.35% 2. Japan Trustee Service Bank, Ltd. (trust): 10.30% 3. Masayuki Makino: 5.80% 4. Takashi Abe: 4.80% 5. The Mitsubishi Trust And Banking Corporation (trust): 4.51% 	<ul style="list-style-type: none"> 1. Apax Globis Japan Fund, L.P.: 42.35% 2. IT 2000 Investments, L.L.P.: 38.35% 3. Mitsui Sumitomo Insurance C2 Investments, L.L.P.: 9.41% 4. Shin'ichiro Kurimura: 2.85% 5. Mizuho Capital Co., Ltd.: 1.18% 6. MHCCIT 2000 Investment Fund, L.L.P.: 1.18%
Major transaction banks	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. AOZORA BANK, Ltd.	Mizuho Bank, Ltd. Resona Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi, Ltd.
Number of shareholders	11,357	23
Relationships between the companies	Capital relationship	No such relationship
	Personnel relationship	No such relationship
	Transaction relationship	No such relationship

Business performance over the last three fiscal years:

(Units: thousands yen)

Fiscal year	WORKS APPLICATIONS Co., Ltd.			Ariel Networks, Inc.		
	Year ended June 30, 2002	Year ended June 30, 2003	Year ended June 30, 2004	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004
Sales	3,537,082	5,671,117	6,480,364	-	3,922	29,493
Operating income	1,125,141	1,758,497	1,283,111	-76,340	-126,485	-315,377
Ordinary income	1,029,423	1,703,124	1,260,749	-76,337	-127,368	-314,084
Net income	586,438	1,019,585	752,230	-76,502	-127,658	-314,375
Net income per share (yen)	26,352.14	14,820.42	5,467.11	-91,739.00	-19,931.78	-29,588.26
Annual dividends per share (yen)	-	-	-	-	-	-
Shareholders' equity per share (yen)	113,302.76	52,588.01	31,761.11	16,145.77	77,417.27	17,078.86

4. Status after the share exchange:

(1) Trade name, lines of business, locations of headquarters, representatives:

With regard to the trade name, lines of business, locations of headquarters, and representatives of the companies involved in this share exchange, there will be no change from the details shown above under "3. Outline of companies involved in the share exchange."

(2) Capital:

WORKS' capital will not increase as a result of this share exchange.

(3) Effects on business performance:

Since its effects on WORKS' consolidated business performance will be only slight, business performance forecasts for this fiscal year will not be revised as a result of this share exchange.