PRESS RELEASE

IRCJ Approves Application for Assistance for Daiei Group companies

Tokyo, December 28, 2004 – The Industrial Revitalization Corporation of Japan ("the IRCJ") today approved an application by The Daiei Inc. and related group companies ("Daiei Group") under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company names	The Daiei Inc. Jyujiya Co., Ltd. K.K. Canal City OPA K.K. Nakago The Sakae Inc. Kyushu Supermarket Daiei K.K. Japan Distribution Leasing Corp. K.K. Urayasu Chuokaihatsu K.K. Orange Estate K.K. Seriti Foods K.K. Daily Top K.K. Sei-Shin Oriental Kaihatsu
Date of establishment	1957 (The Daiei Inc.; information below also refers to The Daiei Inc.)
Capital	¥119.51056 billion (as of August 31, 2004)
Head office	Chuo-ku, Kobe city, Hyogo
Representative	Toshio HASUMI
Number of full-time employees	Parent: 10,091 (as of August 31, 2004) Consolidated: 21,596 (as of August 31, 2004)
Outline of business	As of August 31, 2004, the Daiei Group's operations were based on the retailing of products at 182 general merchandise stores, 63 supermarkets and 18 discount stores in 38 regions of Japan, with additional operations in finance and commercial real estate (tenant leasing).

2. Name of financial institution or other party jointly submitting application

UFJ Bank Limited
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation

3. Outline of revitalization plan for Daiei Group

1. Business plan

1. Basic policy

The fundamental approach will be to eliminate the four causes of the Group's present situation, namely the strategies of *owning its retail locations*, *insisting on a nationwide network*, *diversifying and expanding*, and *depending unduly on low prices to compete*. At the same time, the Group's organization and human resources policy will be reviewed, and revitalization will be pursued in collaboration with a sponsor.

2. Business portfolio restructuring

Daiei Group's operations can be placed in four categories—retail, finance, real estate, and other. Each of these will be assessed in relation to its profitability and its synergy with the core business of retailing, and a decision made whether to retain or discontinue the operations.

3. Basic policy on retained operations

The fundamental approach will be to depart from current policies including *owning the retail locations* and *insisting on a nationwide network*. Measures will include closing uneprofitable stores and decreasing floor space for non-performing retail categories, with excess space being leased to outside tenants. The network of supermarkets will be expanded aggressively in the Tokyo metropolitan area and the Kinki region. General merchandise stores will receive investment in large-scale renovations and information systems.

4. Basic policy on discontinued operations

The fundamental approach will be to avoid degrading Group enterprise value by selling, wherever possible, operations to be discontinued. As a result, a number of Group subsidiaries and affiliated companies will be consolidated and integrated.

5. Reform of organization management structure

The organization will be reformed with a focus on contributing to higher levels of customer satisfaction, applicable to all employees, with the aim of restoring employee motivation and engagement lost during previous drawn-out HR restructuring and other measures. Specific measures will include slimming down the head office with an accompanying shift to an a field-oriented, flat organizational structure, and the development of a talented, young management pool drawing on motivated people from inside and outside the Group.

6. Quantitative targets

The business revitalization plan targets consolidated results for the fiscal year ending February 2008 of ¥1.48 trillion of operating revenues and ¥40 billion in operating income (excluding OMC Card and 55 Station).

2. Business restructuring

A total of more than ¥110.0 billion will be invested in Daiei by the IRCJ and a sponsor, comprising ¥60.0 billion plus from the sponsor and ¥50 billion from the IRCJ (of which ¥40.0 billion will be a debt—equity swap and ¥10.0 billion will be cash paid in). Accordingly, the sponsor and the IRCJ will respectively acquire 1/3 controlling rights of the company and, under the cooperative management of these two entities, a program of “selection and concentration” will be pursued.

3. Outline of financial assistance sought

1. Debt forgiveness

A total of ¥405.0 billion in debt forgiveness will be requested from financial institutions holding debt owed by Daiei Group.

2. Cancellation of preferred shares

Preferred shares held by Daiei’s three main banks totaling ¥192.0 billion yen (approximately 82.8%) will be cancelled. (Note: ¥40.0 billion of Class D preferred shares that are outside the scope of this cancellation will, after compulsory conversion to ordinary shares, be subject to a 10:1 reverse share split in the same manner as other ordinary shares and, in combination with the substantial capital increase being carried out, this will result in their value being diluted.)

4. Implications for management

The current directors of Daiei will in principle resign at the end of March 2005. The chairman has resigned as of December 28, 2004. These directors will forego any retirement bonuses.

5. Implications for shareholders

The relative value of existing ordinary shares in Daiei Group will be substantially diluted due to a capital reduction of approximately 99.6%, a 10:1 reverse share split, and a major recapitalization.

6. IRCJ rationale for providing assistance

The Daiei Group includes core retail operations, selling everyday essentials, which can be revitalized. The scale and profitability of its food business places it in Japan’s leading group of operators, and its drug store-related operations enjoy a similar scale.

However, the Daiei Group has significant unrealized losses resulting from its previous policy of buying the land used to expand its network; and other strategies such as developing operations nationwide without due consideration of efficiency, diversifying outside of retailing with only limited success, and placing undue reliance on a low pricing strategy mean that it has not been able to operate to its strengths.

The IRCJ believes that in addition to financial restructuring, operational reform of Daiei Group is essential. By restoring the general merchandize stores through closing unprofitable outlets, leasing excess space to outside tenants, and other measures, cash flow can be generated that can be used to support the transfer of management resources to supermarkets and other growth areas. The IRCJ therefore believes that Daiei's earnings can be drastically improved and the company revitalized.

4. Comments from the state ministers in charge of the Industrial Revitalization Corporation of Japan, and from ministers in charge of the target company's industry.

Prime Minister, Minister of Finance: None expressed

Minister of Economy, Trade and Industry:

(1) The Daiei Group encompasses a considerable number of employees and vendor companies, and its outlets form the hub of no small number of commercial districts. I therefore hope that in selecting a sponsor and implementing this business revitalization plan the IRCJ gives full consideration to the impact on local economies, employees and vendors, while endeavoring to make effective use of existing outlets. In this respect I trust that the IRCJ will act responsibly as an investor.

(2) The Daiei Group holds an important position in Japan's retail industry, so I trust that the IRCJ will consider the impact on consumers and vendor companies, and that in selecting a sponsor and implementing the business revitalization plan the IRCJ gives full consideration to securing an appropriate competitive environment in the retail industry.

(3) Based on the above, I hope the IRCJ moves as quickly as possible to bring about a private sector-led, self-sustaining revitalization of Daiei Group.

Note on comments from ministers: The IRCJ is a quasi-governmental organization. As such, the IRCJ is required to obtain comments about decisions to assist private-sector companies from the three government ministers in charge of the IRCJ, and from the minister of the industrial sector in which the target company operates.

5. Debt repurchase application period

From December 28, 2004 until February 28, 2005 (applications must arrive at the IRCJ on or before this date).

Note: The debt repurchase application period is a period established for the purpose of consensus building between the financial institutions concerned and the IRCJ in regard to debt repurchase and the revitalization plan. This period is so named because, where agreement is achieved in legal terms, the financial institutions concerned apply to the IRCJ for debt repurchase etc.

6. Request for temporary cessation of demands for credit repayment

Under Article 24, Clause 1 of the Industrial Revitalization Corporation Act, financial institutions and other creditors of Daiei Group have been requested not to recover loans or exercise any other rights they may have as creditors before the end of the debt repurchase application period as per item 5 above.

7. Treatment of trade and other creditors

The decision to provide assistance concerns only the request for financial support made to financial institutions in regard to amounts lent to the assisted business and has no effect on the claims of trade and other creditors.

For more information, please contact
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About the IRCJ

The IRCJ was established jointly by the public and private sector on April 16, 2003, with the aim of providing revitalization assistance beneficial to both the industrial and the financial sectors in Japan. It targets assistance at companies that have sound business fundamentals but are unable to thrive because of excessive debt levels or other factors. The IRCJ has approximately 200 employees and is based in Tokyo. For more information please visit www.ircj.co.jp