

IRCJ Approves Application for Assistance for Hattori Gangu K.K.

Tokyo, August 31, 2004 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Hattori Gangu K.K. (“Hattori Gangu”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company name	Hattori Gangu K.K.
Date of establishment	1951
Capital	¥24 million (as of March 31, 2004)
Head office	Chigusa-ku, Nagoya
Representative	Tatsuhiko Hattori
Number of employees	173 (as of May 31, 2004)
Outline of business	Hattori Gangu is a toy wholesaler and distribution company that, from a base in the Chukyo region (which includes Nagoya and adjacent prefectures), has developed operations throughout Japan. The company has a wide customer base, ranging from local retailers through to nationwide specialty chain stores and major supermarkets, and is a trusted provider of toy distribution services. Hattori Gangu also has strong networks with major toy manufacturers, and functions as a fast, flexible distribution connection between retailers and manufacturers

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

UFJ Bank Limited
Mizuho Bank, Ltd.

3. Outline of revitalization plan for Hattori Gangu

1. Business plan

1. Business reorganization

- (1) Improve operational management as a wholesaler
Profit control by product and customer, inventory control, and credit control systems will be introduced with the support of a sponsor. Governance will be strengthened and investment made in systems, with the aim of improving operational management. Losses at the operating level will be reduced through better control of items such as bad debts and inventory.

Further, management efficiency will be promoted by concentrating resources in products and customers with higher strategic potential.

- (2) Grow profits by developing operations as a manufacturing wholesaler

In alliance with the sponsor, Hattori Gangu will begin developing, manufacturing and marketing high added-value own-brand products, with the aim of achieving higher gross margins.

(3) Quantitative targets

<i>Millions of yen</i>	FY ended July 31, 2004	FY ending July 31, 2007 est.
Net sales	21,375	25,941
Operating income	100	496

2. Business structure

The following business structure is planned.

1. The company will be broken up, with all business relating to Hattori Gangu's wholesale toy operations—excluding financial obligations in excess of the company's enterprise value—continuing in a subsidiary (beneficiary company) funded by a sponsor. The sponsor will inject ¥500 million into the beneficiary company.
2. Hattori Gangu will subsequently be wound up using special liquidation procedures.
3. An application is also planned under the special measure law on industrial revitalization.

2. Outline of financial assistance

Financial assistance of about ¥5.2 billion will be sought (debt forgiveness under special liquidation).

3. Implications for management

All directors of Hattori Gangu will forego any rights to directors' retirement benefits, and will take responsibility for completing the winding up of the company after its operations have been divested. The current president will continue as a director of the new company, in order to continue relationships with customers and transaction partners.

4. Implications for shareholders

Hattori Gangu will be swiftly wound up under special liquidation after divesting the operations of the company. No dividends are expected to be paid to shareholders at the time of liquidation, in reflection of their responsibilities as shareholders.

5. IRCJ rationale for providing assistance

Hattori Gangu has developed nationwide toy wholesaling and distribution operations from its base in the Chukyo region (which includes Nagoya and adjacent prefectures), and has the 5th highest sales of such companies in Japan. The company has a wide customer base, ranging from local retailers through to nationwide specialty chain stores, home appliance stores, and major supermarkets, and is a trusted service provider. Hattori Gangu has strong relationships with major toy manufacturers, and its

ability to store and distribute products is critical to retailers.

However, Hattori Gangu currently has excessive debt obligations, stemming from large sums of unrecoverable accounts receivable caused by the bankruptcy of some major customers. Structural profitability is also low, due to inadequate profit, inventory, and credit control, and the business is unlikely to achieve revitalization without outside assistance.

Under the business revitalization plan, financial support will allow the elimination of excessive debt. Under the guidance of a sponsor, Takara Co., Ltd., efforts will be made to improve profit margins. The IRCJ believes that by implementing this business plan there is a strong prospect that the company can rapidly be returned to financial health as an important link between retailers and manufacturers, providing fast distribution services for a range of toy products.

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

None expressed

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 August 31, 2004 until November 30, 2004 (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 Hattori Gangu 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

Corporate Planning Department
The Industrial Revitalization Corporation of Japan
Tel: 03-6212-6437

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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 160 employees and is based in Tokyo. For more information please visit www.ircj.co.jp