

Industrial Revitalization Corporation of Japan approves application for assistance for Meisei Shokai K.K.

Tokyo, September 26, 2003 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Meisei Shokai K.K. (“Meisei Shokai”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company name	Meisei Shokai K.K.
Date of establishment	1934
Capital	¥80 million (as of the end of March 2003)
Head office	3-2-9, Kawara-cho, Osaka, Japan
Representative	Kouichi Kobayashi
Number of employees	172 (as of the end of July 2003)
Outline of business	The company is a trading company specializing in chemical products with group sales of approx. ¥58 billion. It is ranked 18 th nationally and 6 th in the Osaka region in terms of sales. Its business segments are Chemical products; Electronic materials; International procurement; Synthetic resins; and Dyestuffs. Of these, the core business—which accounts for approximately 39% of group sales—is the chemical products business, which mainly handles fine chemicals. The company is also an agent for major electrical goods manufacturers and as an extension of that business has moved into the field of electronic materials. The electronic materials business has grown to be a core business, alongside the chemical products business, reflecting the shift to an information-based society

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

Sumitomo Mitsui Banking Corporation

3. Outline of revitalization plan for Meisei Shokai and rationale for IRCJ involvement

1. Structure

At the current time the following corporate restructuring is envisioned.

- Meisei Shokai and its subsidiary EK will be merged rapidly to form the continuing company.
- From the perspective of shareholder responsibility, a capital reduction equivalent to 85% of the capital will be made.
- Following the capital reduction, the IRCJ and a sponsor (not yet decided) plan to increase the capital by ¥500 million.
- Application will be made under the Law on Special Measures for Industrial Revitalization. Planned assistance under this law will include exceptional treatment in respect of commercial law (exemption from audit and special procedures for capital reduction) and tax law (recognition of losses on write-down, reduction in registration license tax).

2. Outline of financial assistance

A request for ¥5.5 billion of financial assistance (debt forgiveness) will be made.

3. Implications for management

Of a total of eleven persons (including directors of Meisei Shokai and one director of EK), five will resign. Included among the directors whose resignation is planned will be two sons of the former owner and president (currently an advisor).

4. Implications for shareholders

Of the shareholders of the business, the equivalent of a) 80% owned by the two sons (currently directors) of the former president, and b) 5% held by the directors shareholding association, will be cancelled without compensation.

5. IRCJ rationale for providing assistance

The IRCJ's rationale for providing assistance in this case is as follows:

- **Good business foundations**
Despite the prevailing recession and deflation, the company has developed a system of direct sales to manufacturers that provides an advantage other specialist trading companies lack. It has deepened relationships with existing customers, dynamically cultivated new customers, and achieved concrete business results. As a result, it has been possible to create defensive barriers around their commercial rights, creating a strong business foundation. Further, it may well be that the collapse of the company would cause disruption in the chemical products distribution business.
- **Potential growth**
The company's business is not limited to commodity products; it has made efforts to develop its own new materials, and has achieved a degree of success in developing commercial products in such leading-edge fields as precision mobile equipment and biodegradable resins. As such, in the future the company has growth potential in its core businesses.
- **The possibility of revitalization**
The company is currently suffering under excess debt, which is affecting its core business. However the cause of the excess debt is rooted in noncore parts of the business, and we believe that if the excessive indebtedness can be normalized the company will be able to fully recover. Following revitalization, and with a view to the restructuring of the chemicals products industry, mergers and similar measures are also under consideration. In the light of the above, and considering the benefit a revitalized company may provide to the chemical products industry, we believe that the provision of assistance in this case will be in accordance with the fundamental role of the IRCJ.

4. Comments from the State Minister In Charge Of Industrial Revitalization And Administrative Reforms and from the minister relevant to the company seeking assistance

None expressed

5. Debt repurchase application period

September 26, 2003 to October 31, 2003 (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 Meisei Shokai 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.

*Note on comments from ministers:

The IRCJ is a quasi-governmental organization. As such it is IRCJ policy to obtain comments about decisions to assist private-sector companies from the government ministries that regulate the industries in which these companies operate.

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