

## **IRCJ Approves Application for Assistance for Ogura Co., Ltd.**

**Tokyo, January 18, 2005** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Ogura Co., Ltd. (Ogura) and related companies under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

### **1. Outline of businesses approved for assistance**

Company name	Ogura Co., Ltd. Sankei Co., Ltd.
Date of establishment	1915
Capital	¥70 million (as of September 30, 2004)
Head office	Shiroishi-ku, Sapporo, Hokkaido
Representative	Yoshitaka Ogura
Number of employees	151 (as of end December 2004)
Outline of business	Ogura operates in the confectionery wholesale industry and holds the second largest share in Hokkaido. Ogura purchases an extremely large number of products from several hundred manufacturers and sells to thousands of companies including large supermarket and convenience store chains and plays a major role in Hokkaido’s confectionery distribution business .

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

The Hokuyo Bank, Ltd.

### **3. Outline of revitalization plan**

#### 1. Business plan

#### (1) Revision of purchasing and sales policies

By utilizing the creditworthiness and purchasing and sales routes of Ryoshoku Limited (Ryoshoku) to the maximum aim to raise product purchasing power and expand sales routes while reducing the ratio of cost of sales to sales.

#### (2) Restructuring of distribution framework

Exit from the Tomakomai Distribution Centre during 2005, and consolidate its distribution services at the West-Sapporo Distribution Centre. This is expected to reduce the burden of fixed costs such as rent and reduce inventories.

#### (3) Revamp information systems

Differentiate Ogura from other companies by using the Ryoshoku group’s information systems to provide information on sales trends to manufacturers and by enhancing the system of sales support to retailers.

(4) Improve finances

Through the transfer of operations to the Ryoshoku group, Ogura will become a 100% owned subsidiary of Ryoshoku and Ogura will be able to raise funds from the group at a low interest rate.

2. Corporate reorganization (structure)

After the transfer of the confectionery wholesaling business to a new company it is planned that there will be an extraordinary meeting of shareholders at which the resolution to dissolve the company will be taken and following this, special liquidation proceedings will be progressed. The new company is expected to be a 100% owned subsidiary of the sponsoring company Ryoshoku.

3. Outline of financial assistance sought

Financial support of around ¥3.1 billion will be requested from the financial institutions.

4. Implications for management

In order to clarify the responsibility of management, the directors of the company will resign as quickly as possible, forfeiting all amounts due to them under retirement packages, leaving only the minimum number necessary for the conduct of liquidation proceedings. None of the directors will be appointed as directors of the new company.

5. Implications for shareholders

After the transfer of operations to the new company the liquidation and special liquidation preparations will take place as quickly as possible. Any residual assets will not be distributed to Ogura shareholders.

6. IRCJ rationale for providing assistance

Ogura operates in the confectionery wholesale industry and holds the second largest share in Hokkaido. Ogura purchases an extremely large number of products from several hundred manufacturers and sells to thousands of companies including large supermarket and convenience store chains and plays a major role in Hokkaido's confectionery distribution business.

However, in an environment where structural change in the distribution business has increased the burden placed on distributors, unrecoverable bad debts resulting from bankruptcy of customers and failed investments during expansion into the Tohoku region of Japan, Ogura became overburdened with debt and decided that it was impossible to regain corporate health from its own resources.

The key points of the business revitalization plan are: 1). Eliminate excess debt through debt forgiveness., 2.) Restructure the business through the transfer of its operations to the

sponsoring company Ryoshoku Co. Ltd (Ryoshoku).

Through this plan, Ogura will: 1). Utilize the creditworthiness and purchasing and sales routes of the nationwide food wholesaler Ryoshoku to raise product purchasing power and expand sales routes 2). Realize efficiencies through introducing Ryoshoku's expertise, operations and systems. As a result it is thought that Ogura can be rapidly revitalized as an essential component of the regions confectionery distribution infrastructure.

**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.**

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 January 18, 2005 until March 16, 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 Ogura 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](http://www.ircj.co.jp)