

IRCJ approves application for assistance for Sankei Co., Ltd. and related companies

Tokyo, November 30, 2004 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Sankei Co., Ltd. and related companies (“Sankei”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company name	Sankei Co., Ltd. and 15 group companies (see attached)
Date of establishment	October 1955
Capital	¥3,690 million (Sankei Co., Ltd.)
Head office	Asakasabashi, Taito-ku, Tokyo (Sankei Co., Ltd.)
Representative	Kimio Kitano (Sankei Co., Ltd.)
Number of employees	680 (4,613 including all group companies)
Outline of business	<p>Manufacture and wholesale of accessory items for clothing and miscellaneous apparel products.</p> <p>Sankei is the industry's leading wholesaler of accessory items and miscellaneous apparel products, mainly for women, and since 1989 has also run its own manufacturing operations. The Company is characterized by its extensive and exclusive range of commercial materials used in its own products and also in those of other companies. Sankei performs a crucial infrastructural function in Japan's textile and apparel industry, holding more than a 50 percent share among leading domestic apparel manufacturers. Within the Sankei Group, sales divisions are positioned as the core of operations, while manufacturing is limited to products with proven, stable sales records. Sankei also possesses distribution facilities and overseas production and sales bases. Sankei's main products are accessory items such as backing fabric and interlining, but because of the prolonged decline of the domestic market, future growth is expected to be in apparel products (buttons, tape, etc.) and labels (care labels, brand name labels, price tags).</p>

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

The Bank of Tokyo-Mitsubishi, Ltd.
Resona Bank Limited

3. Outline of revitalization plan for the Sankei Group

1. Business plan

(1) As part of the business plan, after giving its approval the IRCJ will invite applications to

sponsor the revitalization of Sankei.

IRCJ will determine the sponsor based on advice from the Sankei Group, The Bank of Tokyo-Mitsubishi, Ltd., and Resona Bank Limited.

(2) Details of implementing the revitalization plan for the Sankei Group will be entrusted to the selected sponsor as a result of the application process mentioned above. However, due diligence conducted by the IRCJ has ascertained that the enterprise value of Sankei Group has been maintained through effective collaboration between Group companies. Currently the Group is not in a situation where withdrawal from certain businesses or reductions of personnel are required, and no particular Group companies have been identified as warranting treatment as non-core businesses. Accordingly, selection of a sponsor will be based on a basic understanding of these and other factors.

(3) A number of measures will be implemented to curb a declining trend in sales and improve earnings. The basis of the revitalization plan envisaged by the IRCJ is as follows.

(1) Transfer marketing efforts to apparel products and labels, as a measure against the declining domestic market for accessory and other items.

(2) Expand further in China in response to a shift of Japanese apparel firms entering China.

(3) Consolidate and unify the Group structure to improve internal control (currently divided between a number of companies).

2 . Structural reorganization

Capital relationships between Group companies will be fundamentally reformed and simplified, clarifying the complex capital relationships and cross shareholdings that currently exist.

3 . Outline of financial assistance

Debt forgiveness totaling ¥26.5 billion will be sought from related financial institutions.

The amount of debt forgiveness sought may be reduced, depending on the nature of the selected sponsor's proposal.

4 . Quantitative targets

(Million yen)

	Fiscal year ending February 2004	Fiscal year ending February 2008
Net sales	81,806	79,097
Operating Income	5,877	5,991
Ordinary income	3,713	4,840
Net income	442	3,904
Net borrowings	77,624	28,291

5 . Implications for management

By the end of March 2005, Mr. Kimio Kitano, chairman, Mr. Saburo Uesaka, deputy chairman, and Mr. Shintaro Tamura, president will resign from their respective positions in Sankei Co., Ltd. and affiliated group companies in order to clarifying management responsibility. Other directors will retain their positions in the meantime, although this may change at a latter date at the discretion of the sponsor.

The three directors indicated above will relinquish private assets as part of guarantees provided to financial institutions involved with Sankei.

6 . Implications for shareholders

A 90% reduction in capital will be implemented for companies within the Sankei Group that are considered to possess excessive liabilities. In regards to Sankei's shareholders, in conjunction with the 90% reduction in capital, 95% of shares held by Mr. Kimio Kitano, Mr. Saburo Uesaka, and Mr. Shintaro Tamura and 70% of shares held by other shareholders will be cancelled. A capital increase in Sankei will be made by the sponsor at a later date, which will reduce the relative position of existing shareholders.

7. IRCJ rationale for providing assistance

The Sankei Group is a wholesaler of accessory items for clothing for apparel manufacturers and has a strong industrial infrastructure stemming from its leading position in the industry with strengths in independent manufacturing and distribution divisions.

However, due mainly to substantial investment in real estate during Japan's economic bubble period, Sankei is saddled with large amounts of nonperforming assets and excessive debt.

With the elimination of excessive liabilities through assistance from the IRCJ and management assistance from the selected sponsor, the IRCJ believes that there is a strong prospect for recovery if a business revitalization plan is implemented that further strengthens the business structure and streamlines group management.

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.

State ministers in charge of the IRCJ: None expressed

Minister of Economy, Trade & Industry:

"Sankei supplies accessory items for clothing which are indispensable in the production of many apparel manufacturers. As Sankei fulfills an important role in Japan's textile industry, I trust that upon implementation of the business revitalization plan, including selection of a sponsor, full consideration will be given to maintaining Sankei's current capabilities."

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 November 30, 2004 until February 14, 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 the Sankei 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

The 16 companies covered by this approval for assistance are:

Sankei Co., Ltd.
Daiki K.K.
Sankei Phoenix K.K.
Sanjeru K.K.
Taiju K.K.
Santekku Iwaki K.K.
Fukusen K.K.
Sankei San Textile K.K.
Sansho Textile K.K.
Daikai K.K.
Sankei Butsuryu K.K.
Tokyo Casual K.K.
Alpha KiKaku K.K.
Sankei Fabric K.K.
Oshima K.K.
Kyoudou Kumiai Sanrain Seni Group

Note: Company names are translations only.