M&A Case Studies for “Invest Japan”

~ Successful Alliances with Japanese Companies ~

March 2004

Japan External Trade Organization (JETRO)

Introduction

In response to the need to promote foreign investment in Japan to revitalize the Japanese economy, mergers and acquisitions (M&A) involving Japanese and overseas companies have been increasing rapidly, aided by an improved investment environment in Japan, including the establishment of favorable legal systems and deregulation measures. Since the late 1990s, M&A activities have made up a greater part of overseas investment in Japan. Successful cases of restructuring Japanese companies through M&As using foreign capital are also increasing, leading to the revival of the Japanese economy.

However, resistance to M&A using foreign capital persists among many Japanese companies. A number of foreign companies have also recognized that it is difficult for M&As to succeed in Japan, mainly due to the different culture.

The Japan External Trade Organization (JETRO) has conducted case studies on successful M&A projects in Japan by foreign companies to analyze M&A patterns and strategies that have brought about win-win alliances to both foreign and Japanese partners. We examined the backgrounds of overseas companies entering Japan, impacts on management resulting from M&As, emerging problems, and future challenges.

When selecting candidates for M&A study, we attempted to take up not only large companies but also medium-size ones, and to cover a wide range of business categories from manufacturers to financial and other services. In addition, we chose a case in which a business was rehabilitated by a foreign investment fund.

We hope the results of these case studies will help Japanese and overseas businesses plan and pursue future M&A strategies, and will ultimately contribute to a further increase of foreign investment projects in Japan.

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The case studies are based on interviews with personnel from the related companies obtained during the research period, as well as published information and data, from December 2003 to March 2004.

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Japan External Trade Organization

JETRO

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Main Findings

- Sixteen case studies, covering 10 business segments, were selected to examine M&A projects in Japan (e.g., acquisitions of Japanese companies by foreign businesses, capital alliances, and business transfers).

- The M&As reported here have diverse objectives: in some cases overseas companies entered into alliances with Japanese business partners to open up new markets, in others foreign businesses assisted bankrupt or failing Japanese companies, and tried to take the advantage of the alliance to enter the Japanese market.

- In all 16 cases, both overseas and Japanese parties have had good results, such as expanding global markets and reinforcing new product development.

- In almost all 16 cases, the Japanese partners of M&A projects with foreign businesses have attained beneficial results, such as better product quality, cost savings, and improvement or recovery of business performance by introducing new management techniques from their overseas allies.

- Almost all of the Japanese partners in the M&A projects with foreign businesses have been able to overcome cultural barriers and other problems, which had been regarded as major obstacles, and have become adaptable to Western-style methods, such as personnel systems.

- For a Japanese company to succeed in an M&A project with a foreign partner, its management should be bold enough to change its traditional way of thinking, and should build a close relationship with the foreign partner.

- For a foreign company to succeed in an M&A project with a Japanese partner, it is important to respect existing human resources, technologies, brands, and culture of the Japanese business, and to guarantee them adequate discretion and responsibility to perform their own tasks.

I. Automobiles

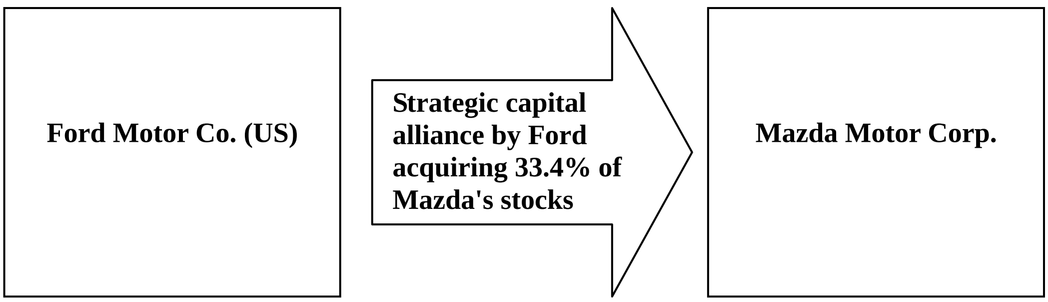
1. Ford Motor Co. (US)/Mazda Motor Corp.

◆ **The partners enhanced management efficiency through a strategy of respecting and uniting the national/corporate culture of the other side.**

- ✓ **Additional investment from Ford, with which Mazda has had a close relationship for over 20 years, strengthened their ties.**
- ✓ **By accelerating existing strategies and making uniform chassis (platform)/engine specifications, the partners succeeded in significantly raising production efficiency.**
- ✓ **For reform to be successful, it is essential to understand the culture of a partner company or a country, and to advance reform.**

(1) Outline of the alliance: the partners' ties were strengthened by Ford's additional investment in Mazda

To reinforce the strategic alliance, Ford Motor Co. (Ford) made a second investment in Mazda Motor Corp. (Mazda) in 1996, following one in 1979.This increased Ford's equity share from 24.5% to 33.4%, and Mazda invited its first foreign president to come from Ford.



[Ford Motor Co. (US)]

Established: 1903

Address: Michigan, US

Business: manufacture and sale of passenger cars and truck parts/accessories

Employees: approx. 350,000 (in over 200 countries/areas)

Sales: $163.4 billion (for FY2002)

Net profit/Loss: $980.00 million (for FY2002)

With a 100-year history, it is the world's second largest automaker

[Mazda Motor Corp.]

Established: January 1920

Address: Aki-gun, Hiroshima Prefecture

Business: manufacture and sale of passenger cars and trucks; medium-standing automaker in Japan

Paid-in Capital: ¥120,078.05 million (as of September 2002)

Employees: 19,692 (as of September 2002)

Sales: ¥2,364.5 billion (for FY2002)

Net profit: ¥24.1 billion (for FY2002)

(2) Background of the alliance: additional investment from Ford, with which Mazda has had a close relationship for over 20 years, strengthened their ties.

Mazda’s capital alliance with Ford began in November 1979, more than 20 years ago. Back in October 1969, the two companies established a joint venture, JATCO (Japan Automatic Transmission Co.). Thus, the capital increase in 1996 was not unexpected, but was an extension of the capital alliance formed in 1979.

To Mazda, the capital alliance with Ford is inseparable from the difficulties it experienced throughout its history. In 1979, the company accepted Ford's investment, accounting for 24.5% of its equity, with the support of Sumitomo Bank.

In 1996, Mazda received an investment from Ford for the second time. This increased Ford's equity share in Mazda from 24.5% to 33.4%, and Mr. Henry Walles was invited from Ford to be Mazda’s first foreign president.

Mazda had a close relationship with Ford for over 20 years, and Ford’s additional investment strengthened their ties further. By cementing their relations, both companies aimed to attain synergies (advantages of scale) through an expansion of sales channels and cost savings.

Fig I-1: History of the Mazda-Ford alliance

October 1969:	* Ford, Nissan, and Mazda jointly establish JATCO (Japan Automatic Transmission Co.).
November 1979:	* Capital alliance; Ford's equity share: 24.5%
October 1982:	* Mazda starts to sell Ford-brand cars.
June 1993:	* Mazda begins to sell small trucks bought from Ford in North America.
December 1993:	* The partners agree to reinforce their strategic cooperation from a long-term viewpoint.
December 1994:	* Mazda agrees with Ford on procurement of small passenger cars for Europe.
May 1996:	* Strategic cooperation with Ford strengthens, Ford's equity share increased from 24.5% to 33.4%
June 1996:	* Henry D.G. Walles becomes Mazda's president.
December 1999:	* Mark Fields replaces Walles as Mazda's president.
November 2000:	* Mazda starts to sell Tribute it developed together with Ford in Japan.
January 2002:	* Mazda starts to manufacture MZR engines developed by Ford Group in Japan.
June 2002:	* Louis Booth replaces Fields as Mazda's president.

(3) Changes in Mazda's management after the alliance: the alliance made it possible for Mazda to use common specifications and work together with Ford in chassis, parts procurement, and many other areas

①MANAGEMENT

Systematic way of working established; for example, employees achieve clearly defined targets and meet deadlines for each project.

Board meetings, which in the past had been "occasions for reporting," became "occasions for discussions."

②R&D/MANUFACTURING

Standardization of chassis specifications, joint procurement of parts, and sharing sales channels were begun.

Mazda introduced a system named Mazda Digital Innovation (MDI) for conducting computer simulations of all processes from design to manufacture of car bodies. While a conventional system can only perform body design, checks of suspension systems and tires, and crash tests, MDI is also capable of simulating the manufacturing process in a plant. For example, the system can simulate the possibility of using a manufacturing robot and the possible effects on workers. It can reduce the time needed for R&D, thus reducing mass-production start-up times.

③MARKETING

Mazda reorganized its marketing department into the independent Marketing Division, which is responsible for reflecting consumer preferences on product designs. Although the company had already placed emphasis on marketing before 1996, following the strengthening of its ties with Ford it has put more emphasis on marketing activities.

Regarding global brand strategies to be an important element of its business, Mazda formulated Worldwide Brand Positioning (WWBP), which defined the direction of the Mazda brand, in April 1998. In February 1999, it began to promote WWBP on a full scale. WWBP classifies the DNA (core) of a brand into the following two groups of attributes:

- "Personality DNA:" Stylish, Insightful, and Spirited; and
- "Products DNA:" Distinctive Design, Exceptional Functionality, and Responsive Handling and Performance

Mazda selected *Zoom-Zoom* (expressing the deep impression about movement that everyone has when they are children) as the brand message that directly symbolizes the Mazda brand, and has been promoting it in major cities around the world.

④PERSONNEL POLICIES

During the past five years, Mazda has introduced several new personnel policies, including those for enhancing employee motivation, which have been effective. The main policies are as follows:

a) More effective use and improved treatment of female employees (from August 1999)

Special promotions have been given to female employees engaged in administrative and technical work who are considered able to do higher-level tasks considering their present duties and abilities. In addition, to promote women to managerial positions, education programs and steps to use them more effectively have been taken.

b) Improved treatment of employees aged 55 years and over (February 2000)

The treatment (promotion, bonuses, and retirement allowances) of employees aged 55 years and over has been improved.

c) Development of Mazda Business Leader Development (MBLD) (from July 2000)

MBLD, an employee education program, was developed. Training was first given to managers, and then to regular employees.

d) *Leading Mazda 21* (from April 2002)

Leading Mazda 21, a new human resource development program for managers, was developed. Composed of two training courses for developing manager candidates, this program aims to educate future leaders who can perform strategic decision-making from a global viewpoint.

e) New personnel plan "*Tobiuo* (Flying Fish)" (from April 2003)

Based on three key phrases reflecting employees' opinions ("selection and self-realization," "promotion of balanced work-life," and "optimum matching of people, work, and treatment"), Mazda changed its personnel system for the first time in 20 years, introducing a new plan called *Tobiuo*.

With the introduction of the new personnel system, Mazda adopted a performance-based pay plan in April 2003.

The appointment of a young, foreign president has stimulated young employees, enhancing their motivation.

⑤RELATIONS WITH LOCAL SUPPLIERS

Mazda's relationships with local suppliers in Hiroshima after the capital participation remain the same as in the past. Because local suppliers provide Mazda mainly with large, heavy parts, there is no advantage in switching to distant suppliers.

(4) Impact of the alliance: substantial increase in efficiency due to introduction of common chassis and engine specifications

①PROMOTION OF EXISTING STRATEGIES

Mazda has decreased its sales channels from five to three. In addition, in Tokyo, Kanagawa, and Gunma, it became possible for Mazda to reduce the number of dealers to one, and to thoroughly streamline its overhead sections.

②COST SAVINGS BY INTRODUCING COMMON SPECIFICATIONS

Substantial cost savings can be expected from the introduction of common chassis (platform) specifications. The use of common platforms is now well underway: over ten models using the Attenza platform have been sold in North America.

The in-line 1,800-2,300cc 4-cylinder engines named I-4, developed under Mazda's leadership, are highly efficient, and have been used as basic engines by both Mazda and Ford. A total of 1.5 million units of this engine are manufactured a year in Japan, the US, Spain, and Mexico.

(5) Barriers and problems associated with the alliance: for reform to be successful, understanding the culture of the other partner/country is essential

Without a comprehensive understanding of the culture of the partner/country, no major reform can be successful.

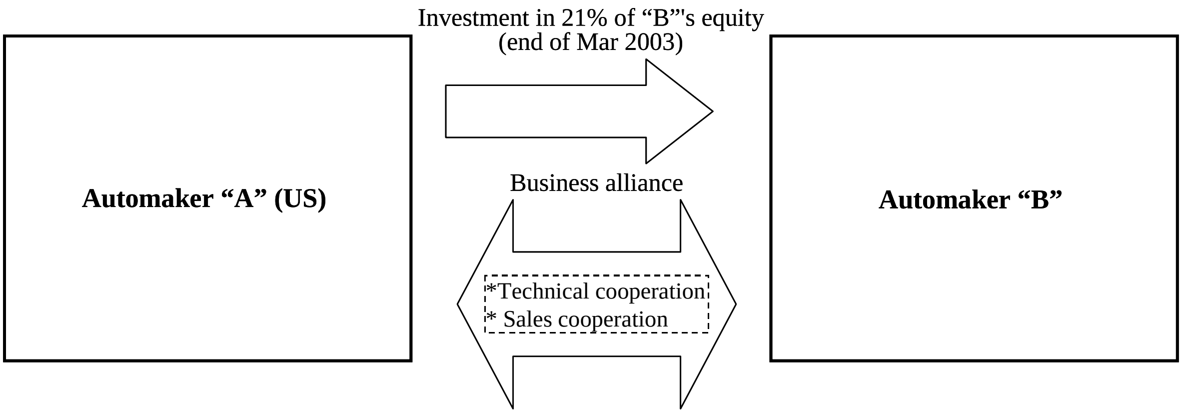
After reinforcing the capital alliance in 1996, almost no large-scale cuts of personnel and suppliers were made. This is because Ford knew that the shortcut to success would be to understand the way the Japanese and Mazda think and do business, and to work together with Mazda towards step-by-step reforms.

2. Automaker "A" (US)/Automaker "B"

- ◆ **In partnership with a big US automaker, a major Japanese automaker known for its high level of technology forms a win-win alliance.**
  - ✓ **Given the global trend for the consolidation of automakers, "A" and "B" concluded a win-win alliance, through which both sides can enjoy advantages.**
  - ✓ **The partners promote personnel and technology exchanges, respect the other's strengths, and place emphasis on improving each other's corporate strengths.**

(1) Outline of the alliance: an alliance with a big US automaker

Automaker "B" is a leading automaker in Japan and a global leader in all-wheel-drive (AWD) passenger car technology. The company is well known for an innovative sub-compact model it introduced in the late 1950's, the first of its kind in Japan, creating a family car boom. In December 1999, "B" formed an alliance with the US automaker "A." Accepting an investment by "A" for 21% of B's equity, and promoting personnel and technology exchanges, "B" aims at being a winner in the automobile market.



[Automaker "A"]

Established: 1908

Head office: Detroit, Michigan, US

Business: manufacture of automobiles, trucks, transportation equipment, and other products in 32 countries, and sales of these products in 190 countries (as of December 2002)

Employees: 340,000 worldwide (as of December 2002)

Global market share: with sales of about 8.6 million cars, it has almost a 15% share of the global automobile market (as of December 2002)

[Automaker "B"]

Established: July 1953

Head office: Tokyo

Business: manufacture of automobiles, aircraft, general-use engines, environmentally friendly vehicles, and other products

Paid-in Capital: ¥144,454 million (as of March 2003)

Employees: 14,359 (as of March 2003)

Business bases: 2 offices, 5 factories/plants, 2 research centers, and 13 overseas offices/subsidiaries

Sales: ¥1,372,337 million (for FY2002)

Table I-1: Automaker "B"'s recent financial results

(¥100 million)

	Year ended in March 2002	Year ended in March 2003	Change
Sales	13,624	13,723	+98
Domestic	6,312	5,992	▲320
Overseas	7,312	7,730	+418
Operating profit	884	675	▲209
Recurring profit	782	585	▲197
Net profit	302	334	+32

Source: IR materials of "B"

(2) Background of the alliance: alliance partners with cordial relationship who can build win-win relations

Automaker "A" has long had a positive stance toward forming alliances with leading automakers in Asia and Europe. In Japan, "B" had stable business results and was well known for its high-level technologies, mainly in AWD passenger cars. "A" employed the advanced technologies of “B” to reinforce its strategies in Asia and Japan.

With automakers consolidating on a global scale, “B” planned to form an alliance with a major European or American automaker. “A” adopted the basic policy of respecting the independent management and the original technologies of the partner and its investment targets, and of giving top priority to cooperation with the partner. Therefore, “A” was the best partner with whom “B” could enjoy advantages and build win-win relations.

(3) Changes and impact of management after the alliance: advantages gained from personnel and technology exchanges

①MANAGEMENT AND GOVERNANCE

a) Exchanges of executives

While “B” accepted executives and department managers from “A,”[1] “B” sent executives to the head office of “A.” The executives from “A” have desks in the head office of “B,” and work there together with Japanese colleagues.

After the shareholders’ meeting held at the end of June 2001, a part-time director from “A” joined the board of directors of “B.”

b) Decision-making

In-house discussions at “B,” which had been relatively subjective have become more objective as a result of the arrival of staff from “A,” who introduced global logical thinking. In addition, “B” has come to attach greater importance to shareholder value, because its policies affect the financial results of “A.”

c) Communication

As a result of personnel exchanges with “A,” meetings are held in English, which has had a good effect on the people at “B.”

d) Enhanced motivation

Highly competent people sent from “A” have stimulated many people at “B.”

②PRODUCT DEVELOPMENT/R&D

“B” can learn from the advanced environmental technologies of “A.” Meanwhile, “A” can use the original technologies of “B,” including AWD technologies. These technical exchanges have expanded the technologies and the expertise of the partners’ technical sections.

Cooperation in product development has progressed. It was announced that the

[1] As of the end of January 2004, two executives were sent from “A.”

partners would introduce jointly developed models in 2004.

③MARKETING

The alliance has enabled “B” to expand its dealer networks in Asia and the Sunbelt in the US (e.g., Texas, Arizona).

Meanwhile, “B” has played a role in opening up the market in Japan for “A” by cooperating in expanding sales channels.

④PURCHASING

The global procurement system and expertise in economies of scale of “A” have contributed to cost savings at “B.”

II. Auto Parts Manufacturers

1. GKN (UK)/Tochigi Fuji Sangyo

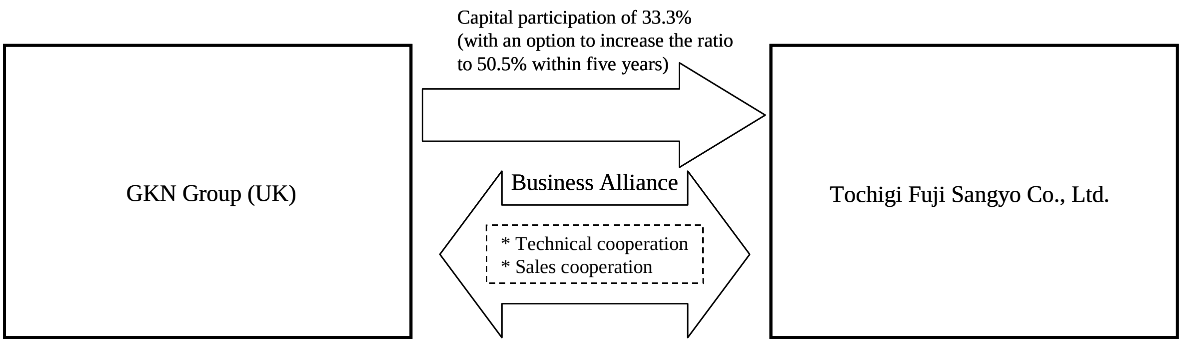
◆ **An automotive parts manufacturer ended its affiliation with a major Japanese automaker, and attained independent management by tying up with a global auto parts manufacturer based in the UK.**

- ✓ **Tochigi Fuji aimed to achieve independent management by breaking away from its affiliation with Nissan Motor and tying up with GKN.**
- ✓ **Tochigi Fuji has increased sales by sharing sales channels and technologies with GKN.**
- ✓ **Tochigi Fuji has strengthened its management through a strategy of selection and concentration.**

(1) Outline of the alliance: cooperation with a global parts manufacturer based in the UK

Tochigi Fuji Sangyo Co. was a manufacturer of automotive and aircraft parts affiliated with Nissan Motor, which owned 21% of its stocks. The "Nissan Revival Plan" was implemented in November 1999. In March 2002, Tochigi Fuji Sangyo Co. accepted a capital participation of 33.3% from the GKN Group, a UK automotive parts manufacturer.

GKN announced a Take-over Bid for the outstanding 67% of shares of Tochigi Fuji Sangyo Co. on 31 March, 2004.



[GKN Group (UK)]

Incorporated: July 9, 1900 (established in 1759)

Address: Reddich, Worcestershire, UK

Business: manufacture of automotive and aerospace parts

Shareholder's equity (net assets): £960 million (as of December 2002)

Employees: 35,700 (in over 30 countries)

Sales: £4.5 billion (for FY2002)

Profit before tax: £267 million (for FY2002)

Net profit: £100 million

Operating profit by region: Europe 71%; US 20%; other regions 9%

Over 40% share of the global market for constant velocity joints (CV joints), and the world's largest manufacturer of CV joints.

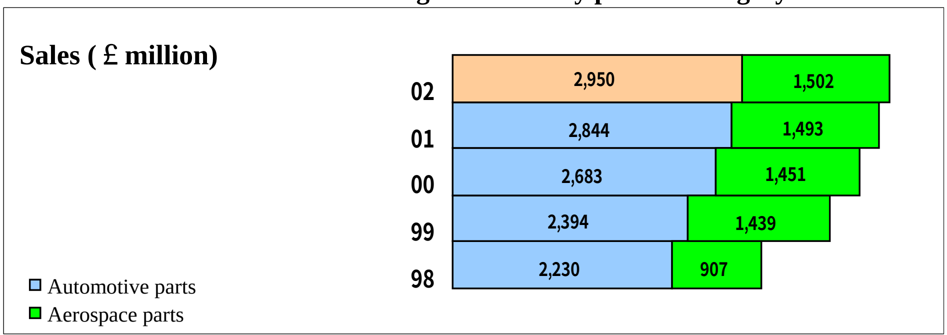
Table II-1: GKN's recent financial results

Business trends

	2002	2001	2000
Sales (£ million)	4,452	4,337	4,134
Profit before tax, goodwill amortization and exceptional items (£ million)	267	245	386
Profit before tax (£ million)	180	107	-
Operating cash flow (£ million)	174	210	89
Earnings per share before goodwill amortization and exceptional items (pounds)	25.2	24.0	39.1
Earnings per share (pounds sterling)	13.7	5.3	-
Dividend per share (pounds sterling)	11.3	11.0	-

Source: GKN annual reports

Fig II-1: Sales by product category



Source: GKN annual reports

[Tochigi Fuji Sangyo Co., Ltd.]

Established: June 30, 1952

Address: Tochigi, Tochigi Prefecture (head office and plant)

Business: manufacture of automotive parts

Paid-in Capital: ¥7,660 million (as of March 2003)

Employees: 1,334 on a non-consolidated basis; 2,139 on a consolidated basis (as of March 2003)

Domestic bases: plants at the head office, Nagoya and Fukushima; offices at Nagoya and Hiroshima

Overseas bases: Detroit, US (Tochigi Fuji U.S.A., Inc.) and Lohmer, Germany (office in Europe)

Main consolidated companies: Fujiwa Machinery Industry (Kunshan) Co., Ltd. (China), Tochigi Fuji Indonesia Manufacturing, Tochigi Fuji America Manufacturing, Viscodrive Japan

Sales: ¥52,793 million (consolidated for FY2002)

Net profit: ¥290 million (consolidated for FY2002)

Listed: First Section, TSE

Fig II-2: Tochigi Fuji's recent financial results

	Year ended March 2003	Year ended March 2002	Change
Sales (¥ million)	52,793	35,973	4,337
Net profit (¥ million)	290	▲481	210
Net profit per share (yen)	7.20	▲13.21	5.30
Number of employees (non-consolidated)	1,334	1,339	▲5

Source: IR material, Tochigi Fuji Sangyo

(2) Background of the alliance: the "Nissan Revival Plan" motivated Tochigi Fuji to ally with GKN, with which it was on cordial terms.

The Nissan Revival Plan (NRP) announced Nissan's policy to sell its stocks in parts manufacturers. Tochigi Fuji tapped Nissan's opinion about selling Tochigi Fuji stocks owned by Nissan to the GKN Group, with which it had been on cordial terms. GKN agreed to make the investment, as it would be beneficial to both Nissan and Tochigi Fuji. Tochigi Fuji had itself sought ways to cooperate with an international supplier of automotive parts in an effort to become a global supplier. The NRP was thus one of the factors that encouraged Tochigi Fuji to ally with GKN.

Tochigi Fuji and GKN had been on cordial terms since 1985, when the two companies co-founded Viscodrive Japan (VIJ). As the joint venture had been successful, the two companies subsequently maintained favorable relations.

No third-party advisers, such as investment banks, were involved in forming the alliance: Tochigi Fuji and GKN decided everything by themselves.

<History of the alliance>

- 1985: Viscodrive Japan (VIJ) founded as a joint venture (GKN 51%, Tochigi Fuji 49%).
- 1986: Tochigi Fuji starts production of viscous couplings.
- 1995: R&D department of VIJ's head office is completed at Tochigi Fuji's experiment station.
- 1999: Tochigi Fuji acquires a manufacturer of all-terrain vehicles (ATVs) in the US in cooperation with the GKN Group.
- 2002: GKN becomes Tochigi Fuji’s largest shareholder (33.3% as of the end of December 2003).

(3) Changes in Tochigi Fuji's management after the alliance: Tochigi Fuji positively accepted the management techniques of GKN

①MANAGEMENT AND GOVERNANCE

a) Composition of board of members

As of March 2003, three of Tochigi Fuji’s nine directors were sent from GKN (two foreign and one Japanese).

b) Decision-making

Introduction of the GKN system made the decision-making process quicker and more transparent. Board meetings changed from “occasions where explanations were given” to “forums for discussions.”

c) Communication

The management’s policies and decisions are quickly communicated to the entire organization. All in-house documents are accompanied by English versions.

d) Performance evaluations

All performance evaluations are made by comparing actual achievements with sales targets, and the principle of work-and-you-will-be-rewarded and the performance-based evaluation method are rigorously applied.

e) Selection and concentration

Management strategies are selected logically and management resources are concentrated into areas where Tochigi Fuji has strengths. Tochigi Fuji plans to discontinue the manufacture of construction and farm machinery parts by the end of fiscal year 2003 and aerospace parts by the end of fiscal year 2005.

②PRODUCT DEVELOPMENT/R&D

Collaboration begins on product development between Tochigi Fuji and GKN's manufacturing division; for example, GKN staff at the head office in the UK visit Tochigi Fuji every month and have frequent meetings with their counterparts about improving drive parts and reducing costs.

Using GKN's global network, Tochigi Fuji can now make joint and optimum purchases of parts and raw materials.

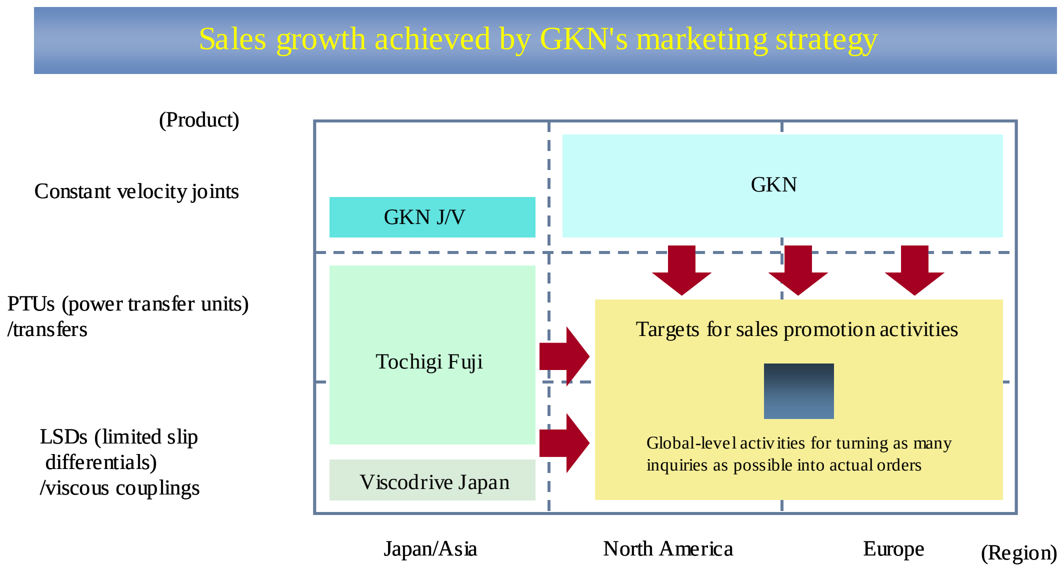
③MARKETING

Using GKN's global marketing network, Tochigi Fuji expanded its markets worldwide.

Through the Global Sales Team, which GKN established in its UK head office, the group is directly dealing with the world's leading automakers in Europe, the US, and Asia.

Tochigi Fuji's sales staffs are incorporated in the Global Sales Team. These salespeople, who worked only in Japan in the past, are now traveling all over the world where English language is required.

Fig II-3: Sales growth by expansion of distribution channels



Source: IR material, Tochigi Fuji Sangyo

(4) Impact of the alliance: upon ending its affiliation with Nissan, Tochigi Fuji achieved business expansion.

①Great improvements in quality and substantial cost reductions

At meetings to discuss ways to improve the quality of drive parts and to reduce costs, about 250 problems were found and dealt with appropriately. This has helped Tochigi Fuji improve the quality of its products.

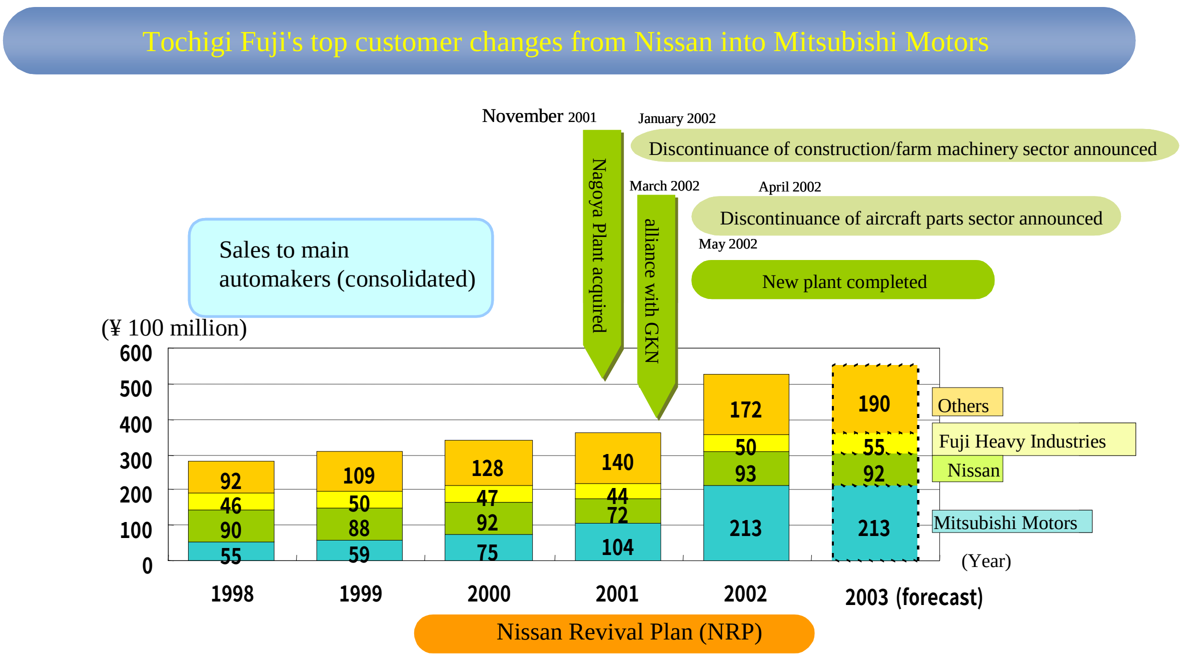
Due to this quality improvement, Tochigi Fuji's business with Nissan increased by about 5% compared to the time of its affiliation.

②Expansion of business with non-Nissan automakers

As a result of ending its affiliation with Nissan and alliance with the UK company, Tochigi Fuji increased transactions with non-Nissan customers. In 2001, Mitsubishi Motors replaced Nissan as its major customer.

Through GKN's global networks, Tochigi Fuji acquired more contacts with automakers around the world, leading it to expand business opportunities in the global market.

Fig II-4: Increase in Tochigi Fuji's transactions with non-Nissan automakers



Source: IR material, Tochigi Fuji Sangyo

③Increase in employees

The number of employees of Tochigi Fuji on a non-consolidated basis increased by more than 200 from 1,121 in March 2001 to 1,334 in March 2003.

④IMPROVED FINANCIAL RESULTS

For the year ended March 2003, Tochigi Fuji's sales were ¥52,793 million (up 46.8% year-to-year), its operating profit was ¥998 million (up 1,177.1%), and its net profit was ¥290 million (a deficit of ¥481 million in the previous year).

⑤GKN OBTAINS ADVANCED TECHNOLOGIES FROM TOCHIGI FUJI

GKN has gained a foothold in the Japanese market. GKN studies manufacturing methods, especially technologies for torque technology products including hypoid gears of Tochigi Fuji's Nagoya Plant (former Ohe Plant of Mitsubishi Motors).

After the NRP, Tochigi Fuji first established the goal of making technical improvements. In the past, it had depended mainly on automakers to supply hypoid gears, the core of a " Limited Slip Differential (LSD), which transmits an automobile's engine power to the wheels. The company bought a part of the former Ohe Plant of Mitsubishi Motors, which had strong technical capabilities in manufacturing hypoid gears, and built its own system for making "LSDs + drive units," an important part of a car's driving mechanism. This helped Tochigi Fuji strengthen its ability to propose driving systems as units, rather than as separate LSDs and drive parts. Because GKN had competence in manufacturing wheel shafts, the alliance enabled it to make world-level driving system parts for assemblies except engines and transmissions.

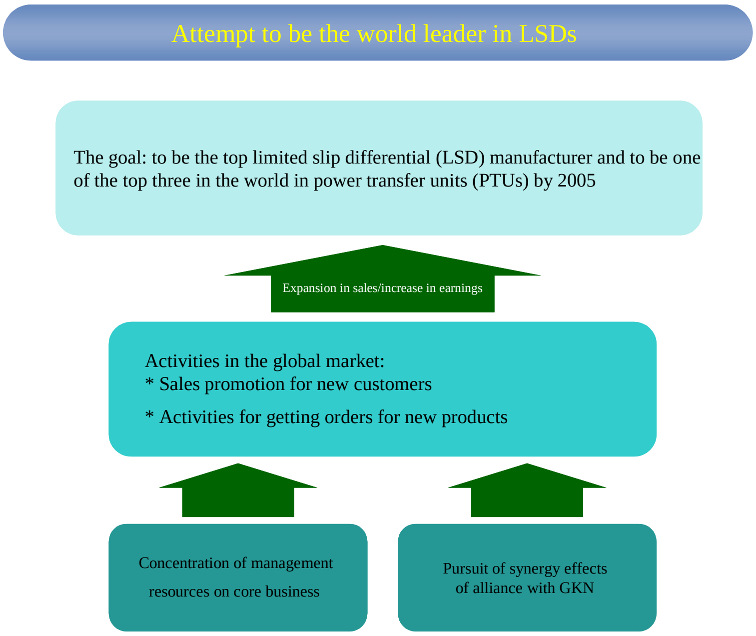
(5) Barriers and problems associated with the alliance: differences in corporate culture must be overcome

A business alliance resembles a marriage. Although people from two business partners work together all the time, they often feel gaps in their ways of thinking. Such is a common problem in an alliance between domestic and foreign companies. Thus, the two parties should make efforts to achieve good communication in all fields, including management style, information management, risk management, and investment criteria. A Japanese company needs to overcome these issues when it becomes a player in the international field.

(6) Management goals for the future: the next goal is to be the world leader in LSDs

The goal: to become the number-one LSD manufacturer and to rank in the top three in the world for power transfer units (PTUs) by 2005.

Fig II-5: Management goals for the future



Source: IR material, Tochigi Fuji Sangyo

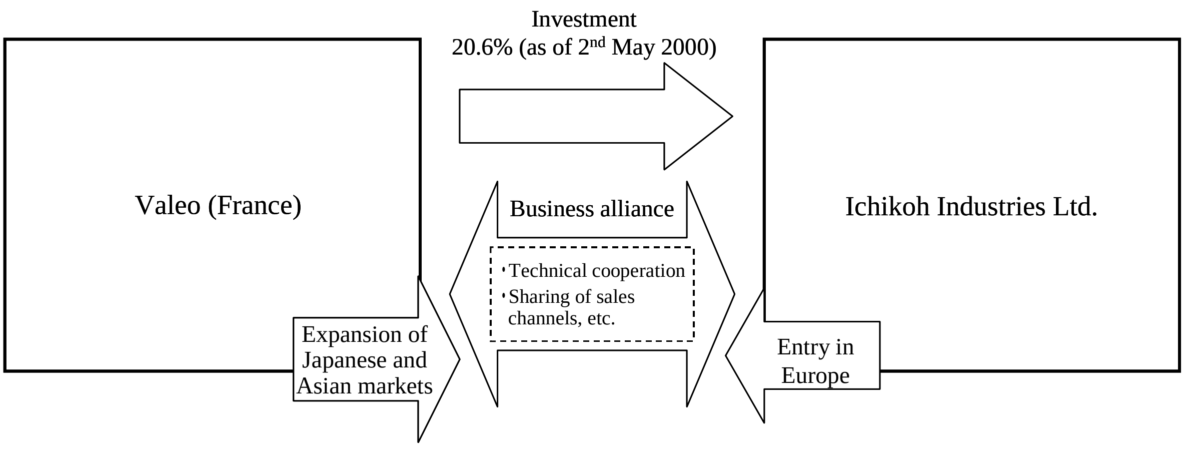
2. Valeo (France)/Ichikoh Industries, Ltd.

◆ **Japanese auto lamp manufacturer is positioned outside the *Keiretsu*, or business groups, and allies itself with a French auto parts manufacturer, resulting in the world's biggest auto lamp manufacturer.**

- ✓ **In an alliance with the major French auto parts maker Valeo, while continuing its relationship with Nissan, Ichikoh Industries aims at globalization, including market expansion in Europe. Valeo intends, on its part, to open up its market in Japan in cooperation with Ichikoh.**
- ✓ **By solving problems one at a time and overcoming cultural differences, the partners are achieving positive effects from their alliance, such as enhanced ability to make proposals to automakers and acquiring new orders in Europe and China.**

(1) Outline of the alliance: alliance with French-based global manufacturer of automotive parts

Ichikoh is a major Japan-based manufacturer of automotive lamps, mirrors, and other parts, and has had a close relationship with Nissan Motor. After the “Nissan Revival Plan” was implemented in November 1999, Nissan sold its Ichikoh stocks and Valeo bought them. The Ichikoh-Valeo alliance was launched in July 2000.



[Valeo (France)]

Established: 1921

Address: Paris, France

Business: manufacture of automotive parts

Shareholders’ equity: €1.98 billion (as of December 2003)

Employees: 68,200 (in 25 countries)

Sales: €9.234 billion (for FY2003)

Net profit: €181 million (for FY2003)

Sales by region: Europe 66%; North America 24%; Asia & Africa 7%; South America 3%

Table II-2: Valeo's recent financial results (consolidated)

	2002	2001	2000
Sales by market (€100 million)	98.03	102.34	91.20
Operating income (€100 million)	4.87	3.88	5.73
Net income (€100 million)	3.68	▲5.91	1.35
Cash flow (€100 million)	7.83	2.96	9.20
Net earnings per share (€)	1.63	▲7.12	4.44
Total assets (€100 million)	73.00	80.91	80.76
Shareholders' equity (€100 million)	21.01	22.62	29.19

Source: Valeo's annual reports

[Ichikoh Industries Ltd.]

Established: December 1939

Address: Shinagawa-ku, Tokyo (head office)

Business: manufacture of lamps, mirrors, and other automotive parts

Paid-in Capital: ¥8,929.53 million (as of March 2003)

Employees: non-consolidated, 2,153; consolidated, 3,609 (as of March 2003)

Bases in Japan: head office, 1 branch, 4 business offices, 5 plants, and 2 centers

Overseas bases: 2 in the US (plants and offices), China, Malaysia, Indonesia

Total assets: ¥90.208 billion (as of March 2003, consolidated)

Sales: ¥117.226 billion (for FY2002, consolidated)

Net profit: ¥3.077 billion (for FY2002, consolidated)

Table II-3: Ichikoh's recent financial results (consolidated)

	March 2003	March 2002	March 2001	March 2000	March 1999
Sales (¥100 million)	1,172.3	1,070.2	1,137.3	1,160.3	1,158.4
Net profit (¥100 million)	30.8	▲4.1	23.0	16.7	8.7
Net profit per share (¥)	31.5	▲4.3	23.9	17.4	9.1
Total assets (¥100 million)	902.1	859.8	916.1	882.8	882.5
Employees (persons; non-consolidated)	2,153	2,130	2,836	2,929	2,990
Employees (persons, consolidated)	3,827	3,364	4,102	4,329	-

Source: Ichikoh’s IR materials

(2) Background of the alliance: Nissan sells its Ichikoh stocks to Valeo according to the "Nissan Revival Plan"

The "Nissan Revival Plan" included the policy of Nissan selling stocks it held in its parts manufacturers. In early 2000, Nissan sold its Ichikoh stocks, all of which were bought by Valeo.

Renault, Nissan's partner, is Valeo's largest customer. This is considered to be one of the reasons why Nissan sold its Ichikoh stocks to Valeo.

At that time, in an effort to catch up with globalization by automakers, Japanese auto parts manufacturers had to extend their existing operations overseas, and to find new foreign partners. Ichikoh also decided to ally with Valeo. As automakers were looking for optimum suppliers (in terms of quality, cost, delivery, etc.), auto parts manufacturers could lose customers unless they took adequate steps to respond to the situation.

(3) Changes in Ichikoh's management after the alliance

While Ichikoh adopts Valeo's European business techniques, it provides Valeo with its expertise in quality control; in business activities, Valeo and Ichikoh adopt either Japanese or European methods according to the situation.

①COMPOSITION OF DIRECTORS

Valeo has one part-time director of Ichikoh, who attends important board meetings of Ichikoh, and reports on decisions taken to Valeo's head office in France.

②PERSONNEL SYSTEM

Ichikoh will introduce a career-path plan in April 2004. Traditionally, Ichikoh's employees were given seniority-based promotions in most cases. However, aptitude differs from person to person: some are suitable for managerial positions and others for specialist positions. Under the new plan, new employees are assigned a variety of different tasks in rotation for a certain period, then the company selects candidates for managers and specialists among them, and employees choose their careers.

After the alliance, Ichikoh implemented an early retirement program for a limited period in 2001. That is why the number of employees on a non-consolidated basis decreased by about 700 that year. In 2002, it filled the resultant vacancies mainly by hiring highly specialized people at home and abroad.

③HUMAN RESOURCE DEVELOPMENT

To meet the needs of its worldwide business, Ichikoh has made greater efforts to provide English education for its R&D and sales staff. The official language at Valeo is English.

④PRODUCT DEVELOPMENT/R&D

To eliminate differences in ways of thinking about quality and technology, Ichikoh and Valeo positively promoted exchanges of personnel and expertise in the areas of quality control and cost saving, thereby increased mutual understanding.

Valeo and Ichikoh exchange personnel. Valeo mainly sends people responsible for product development to Ichikoh’s production sector. They often asked questions about Ichikoh’s production line, which stimulated Ichikoh’s engineers and factory workers.

Ichikoh started to hold technical courses on quality control in Japan for Valeo’s factory managers. In 2004, Ichikoh’s expertise will be introduced to all of Valeo's bases. Valeo envisages courses on Valeo’s expertise for Ichikoh’s workers.

Alliances between Japanese automakers and European/American automakers have been formed successively. As a result, parts manufacturers are now required to consider trends of parts in Europe and the US when making proposals to automakers. The information about the world’s automobile and automotive parts market provided by Valeo is helping Ichikoh to propose ideas to customers from a global point of view.

⑤MARKETING

Joint sales by Ichikoh and Valeo are becoming more frequent. Their domestic and overseas sales activities are carried out in the name of the Valeo-Ichikoh Group.

By adopting Valeo’s global sales techniques, Ichikoh is now capable of challenging the world market. Ichikoh uses marketing-oriented sales strategies, and obtains a variety of marketing expertise from Valeo.

⑥METHODS FOR DOING BUSINESS

While auto parts manufacturers follow automakers’ instructions in Japan, in Europe, automakers and parts manufacturers are on an equal footing. Because they have high-level expertise in parts and devices, such as headlights and adaptive front-lighting systems (AFS), by which headlights change direction according to the operation of the steering wheel), European parts manufacturers may decline an automaker's requests in some cases. Doing business in the name of the Valeo-Ichikoh Group, Valeo and Ichikoh emphasize the flexible use of their respective techniques according to customer needs, thereby increasing customer satisfaction. Ichikoh's way of doing business with automakers might change to Valeo's way in the future.

(4) Impact of the alliance

With efforts to achieve harmonization between Valeo and Ichikoh, effects have appeared on business proposals, quality, and international strategies.

①REINFORCEMENT OF SALES PROPOSAL FOR AUTOMAKERS

European parts manufacturers have taken the lead from their Japanese counterparts in planning automobiles, and in technologies for manufacturing certain parts and safety measures. Therefore, the alliance gives Ichikoh the great advantage of rapid access to information on new technologies from around the world through Valeo, which allows Ichikoh to propose future trends to Japanese automakers.

For example, Valeo and Ichikoh jointly developed headlights for Nissan's popular models. Formerly, headlights were mostly long from side to side and slant eye-shaped, but they adopted European trends and devised headlights that are long from top to bottom and can emit light from the top.

In addition, development of AFS was started under European leadership.

②INTRODUCTION OF NEW TECHNOLOGY

Ichikoh aims to rapidly develop new technologies for safe driving by sharing technology and expertise with Valeo, a European-based parts manufacturer and market leader in AFS, night vision systems (system for securing visibility at night or in bad weather using infrared, etc.), and other important technologies for safe driving.

③EXPANSION OF OVERSEAS BUSINESS

Ichikoh is growing as a global supplier, supported by its alliance with Valeo, which forms the Valeo-Ichikoh Group. The alliance is especially meaningful to Ichikoh in that it now can sell its products and expand business in Europe and other regions where it had no bases in the past. For example, the fact that Ichikoh received orders in Europe for rear lamps for the Civic, Honda's strategic model for the world market, is one of the results of its accelerated globalization through Valeo's overseas business bases.

In China, Ichikoh has outsourced to Valeo's plant the production of parts for a joint venture between Nissan and a major Chinese automaker. Ichikoh will expand its business in the promising Chinese market in cooperation with Valeo.

④ADVANTAGES TO VALEO

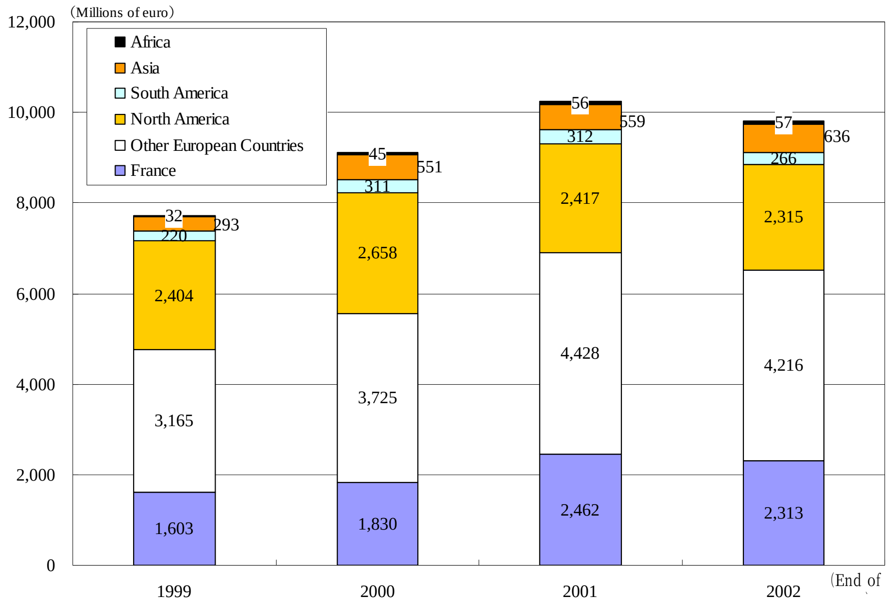
Valeo did not have strong operations in Japan, Asia, and North America. The alliance with Ichikoh allowed Valeo to sell more successfully to Japanese automakers. Valeo contacts Japanese customers via Ichikoh rather than directly. Ichikoh also plays a role in expanding Valeo's networks in North America.

After the alliance agreement in 2000, Valeo's sales in Asia amounted to €551 million, about twice those of the previous year (€293 million). The figure at the end of 2002 was €636 million, showing an upward trend. Ichikoh, as a major base in Japan, seems to have made great contributions to Valeo's performance in Asia.

Fig II-6: Valeo-Ichikoh's operations around the world

Source: Ichikoh's IR materials

Fig II-7: Valeo's sales by region



Source: Valeo's annual reports

(5) Challenges of the alliance

Japanese and French manufacturers have different ways of thinking about quality and development. To overcome these differences and build mutual understanding, Valeo and Ichikoh should try to find points of agreement, and to make adjustments to resolve each problem.

While problems occur due to misunderstandings in almost all cases, it is difficult for both partners to explain some situations to each other precisely in words. Valeo once declined Toyota's request for a design change, and Ichikoh subsequently had difficulty settling the matter. This case shows that mutual understanding of business practices takes time.

(6) Prospect for the alliance strategies

By overcoming various misunderstandings due to cultural differences, the alliance benefits Valeo and Ichikoh. Valeo-Ichikoh has started to move forward with the common goal of selling Ichikoh and Valeo's products around the world.

Valeo and Ichikoh aim to cooperate to become global suppliers.

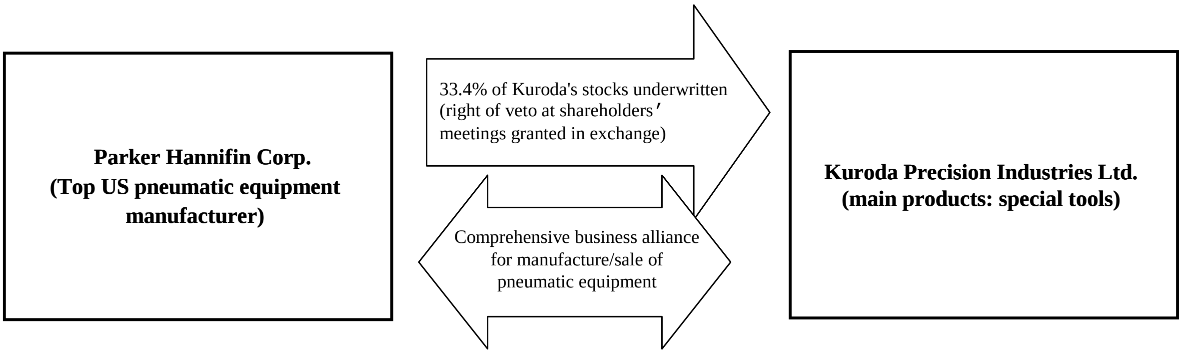
III. Precision and Pneumatic Equipment

1． Parker Hannifin Corp. (US)/Kuroda Precision Industries Ltd.

- **Allied with the biggest US company in the sector, Kuroda has gained a globally competitive position.**
  - ✓ **Cooperating with Parker in the pneumatic equipment business, Kuroda has gained a globally competitive position.**
  - ✓ **Kuroda shares with Parker its manufacturing bases, markets, and maintenance networks for international business.**
  - ✓ **Kuroda has established a sales system based on product characteristics by separating and integrating its precision equipment sector, which differs in nature from its pneumatic equipment sector.**

(1) Outline of the alliance: Kuroda allies with world-level US manufacturer of pneumatic equipment

Kuroda Precision Industries is a manufacturer of precision and pneumatic equipment, which was originally established in 1925 as a gauge manufacturer. In July 1999, aiming to attain a globally competitive position, Kuroda entered into a comprehensive alliance agreement with Parker Hannifin Corp., which is based in the US. Simultaneously, Parker purchased Kuroda's new stocks and became its biggest shareholder with 33.4% ownership.



JETRO

[Parker Hannifin Corp.]

Established: 1918

Address: Cleveland, Ohio, US.

Business: manufacture of pneumatic equipment etc.

Shareholders' equity: US$ 2.5 billion (as of June 2001)

Employees: 48,000

Net sales: US$6.0 billion (for FY2001[2])

Net sales by region: North America 76%, international 24%

Net income: US$341 million (for FY2001)

Listed on NYSE

[Kuroda Precision Industries Ltd.]

Established: 1925

Address: Kanagawa Prefecture

Business: manufacture of pneumatic/precision equipment

Shareholders' equity: ¥4,590 million (as of March 2003; consolidated)

Employees: 744 (as of March 2003; consolidated)

Sales: ¥14.0 billion (For FY2002; consolidated)

Sales by sector: precision equipment 65%: pneumatic equipment 35%

Net loss: ¥63 million (For FY2002; consolidated)

Listed on 2nd Section, TSE

(2) Process to the alliance: Kuroda's pneumatic equipment sector spun off into a new company, to which Parker sent the president

①NEGOTIATIONS ON THE ALLIANCE

Kuroda formed a confidential task force of five members, including personnel from the management planning section, and had its attorney's office form a team of ten attorneys to negotiate with Parker. Parker, meanwhile, formed a team of attorneys. Negotiations on the alliance were conducted by the teams. Parker appointed a CPA as well for its team to carry out the due diligence process. No investment bank was involved in the negotiations.

As the first step, Kuroda increased its capital by issuing new stocks at ¥220 per stock to Parker, which became Kuroda's top shareholder with 33.4% ownership.

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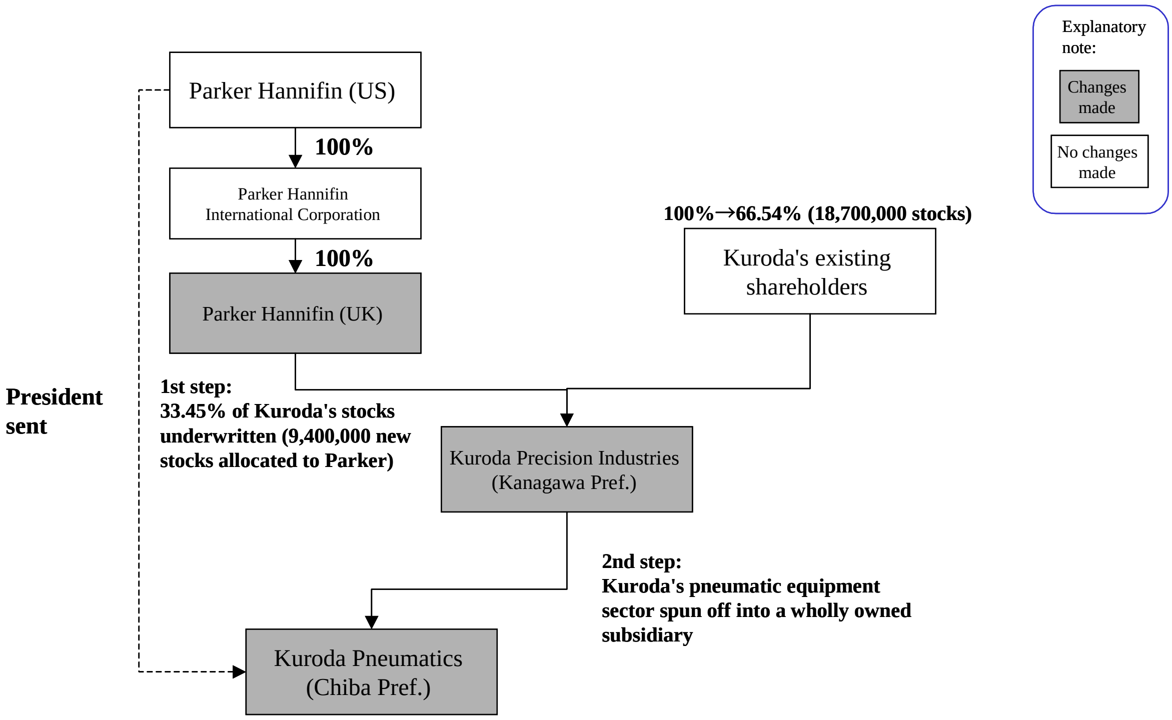
[2] FY2001 ended June 30,2001

②STEPS OF THE ALLIANCE

As the second step, Kuroda spun off its pneumatic equipment sector into a new subsidiary, to which Parker sent the president.

Fig III-1: Structure of shareholders in the alliance



JETRO

(3) Background of the alliance: the first contacts were between the senior managements of the two companies; basic agreement reached in only four months

Kuroda's president had already studied strategies for doing pneumatic equipment business overseas. He had talks with Parker's directors, giving momentum to the two companies, afterwards reaching an agreement on a comprehensive alliance. Although Parker already had a Japanese subsidiary, it had been unable to increase sales, mainly because of differences in the ways they did business. In addition, Kuroda had some advanced technologies Parker lacked. These facts made Parker consider that an alliance with Kuroda would be advantageous.

<History of the alliance>

		Kuroda examines strategies for doing pneumatic equipment business overseas
Jan	1999:	Kuroda's President meets and has conversations with Parker's executives at a New Year's party.
Feb:		An Alliance negotiation starts.
Apr:		Kuroda's board approves the alliance.
May:		Agreed alliance is announced by Kuroda in its financial statements.
Jun:		Alliance and capital increase by issuing new stocks are approved at Kuroda's shareholders' meeting.
Jul:		Parker-Kuroda capital and business alliance is concluded, and new stocks are issued to Parker (1st step of alliance).
Jul	2003:	Transfer of Kuroda's pneumatic equipment sector to a new subsidiary is decided at its board meeting.
Oct:		Kuroda transfers its pneumatic equipment business to the new subsidiary Kuroda Pneumatics (2nd step of alliance).

(4) Changes in Kuroda's management after the alliance: Parker-led reforms such as a switch from customer-oriented operations to product line-oriented operations, started in earnest

①GOVERNANCE: KURODA GRANTED PARKER THE RIGHT OF VETO AT ITS SHAREHOLDERS' MEETINGS

Parker insisted that it owns 33.4% of Kuroda's shares.

②COMPOSITION OF DIRECTORS: A QUARTER OF KURODA'S DIRECTORS PROVIDED BY PARKER (INITIALLY)

At the beginning, three of the 12 directors of Kuroda were provided by Parker. (Since the end of June 2003, Parker has provided three of Kuroda's 10 directors.)

③ORGANIZATION: PRODUCT LINE-ORIENTED OPERATIONS IMPLEMENTED

Kuroda's products include custom-made products (e.g., metal molds) and mass-manufactured products (e.g., pneumatic equipment). Although these two categories of products differ entirely from each other in all processes from manufacture to sales, they had been handled together under customer-oriented operations. To resolve confusion about conditions, in 2003 Kuroda split into two sectors: pneumatic equipment sector (Kuroda Pneumatics) and other products. Kuroda owns all of the stocks of the pneumatic equipment subsidiary, although the subsidiary's president is provided by Parker, and reports to Parker in the US.

④MANAGERIAL DECISION-MAKING: IMPLEMENTATION OF REPORTING LINE

Kuroda amended its traditional *ringi* system[3], and clearly defined reporting lines and those responsible for reporting.

⑤ACCOUNTING: INTERNAL REPORTING ACCORDING TO US GAAP

Kuroda uses US GAAP for each interim and annual report to Parker of financial statements.

⑥PRODUCT DEVELOPMENT/R&D: GLOBAL OPTIMIZATION

Vertical international optimization, by which the products developed by Kuroda in

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[3] Consensus building system by circulating an internal memo among all the executives related to the matter concerned.

Japan are mass-manufactured at Parker's production bases in other countries in Asia, becomes possible.

⑦MARKETING: REFORM OF OPERATIONS FROM CUSTOMER-ORIENTED TO PRODUCT LINE-ORIENTED

Kuroda's operations have changed greatly from traditional customer-oriented to product line-oriented. The reform has solved operational inconsistencies that arose from differences between customized production and mass-production. Furthermore, Kuroda's salespeople have achieved better results through product specialization.

⑧JOINT BRAND DEVELOPMENT

In cooperation with Parker, Kuroda developed PWAP, a new brand simultaneously introduced throughout Asia. Kuroda considered that a brand targeted at the Asian market was necessary, and proposed joint brand development to Parker.

⑨CORPORATE CLIMATE ETC.: ESTABLISHMENT OF SYSTEMS FOR GLOBAL-SCALE ACTIVITIES

The alliance required English communication skills among Kuroda's employees. They worked hard to improve their English communication skills, and their ability reached a level that was sufficient to deal with overseas business trips. Meanwhile, the in-house procedures for overseas business trips were significantly simplified; for example, the *ringi* process, formerly required for each overseas business trip, was abolished. In-house systems that are suitable for global business were thus established.

(5) Impact of the alliance: better performance and higher stock prices achieved in FY2003

① FINANCIAL RESULTS

As the reorganization of business sectors and improved sales forces took effect, Kuroda's performance in FY2003 was better than that formerly expected[4].

In particular, the recurring profit for the first half of FY2003 (April - September 2003) was more than twice that forecast at the beginning of the fiscal year.

Table III-1: Kuroda's financial results

2002 Year-end (consolidated; million yen)				
	Initial forecast (Announced May 2003)	Revised forecast (Announced Oct 2003)	% change vs Initial	Previous year performance (Apr 2002-Mar 2003)
Sales	15,600	15,800	1%	14,044
Operating Profit	480	600	25%	-488
Net profit	270	310	15%	-664

2002 Interim (consolidated; million Yen)				
	Initial forecast (Announced May 2003)	Actual performance (Announced Nov 2003)	% change vs Initial	Previous year performance (Apr - Sep 2002)
Sales	7,700	7,794	1%	6,675
Operating Profit	170	388	128%	-389
Net profit	90	317	252%	-282

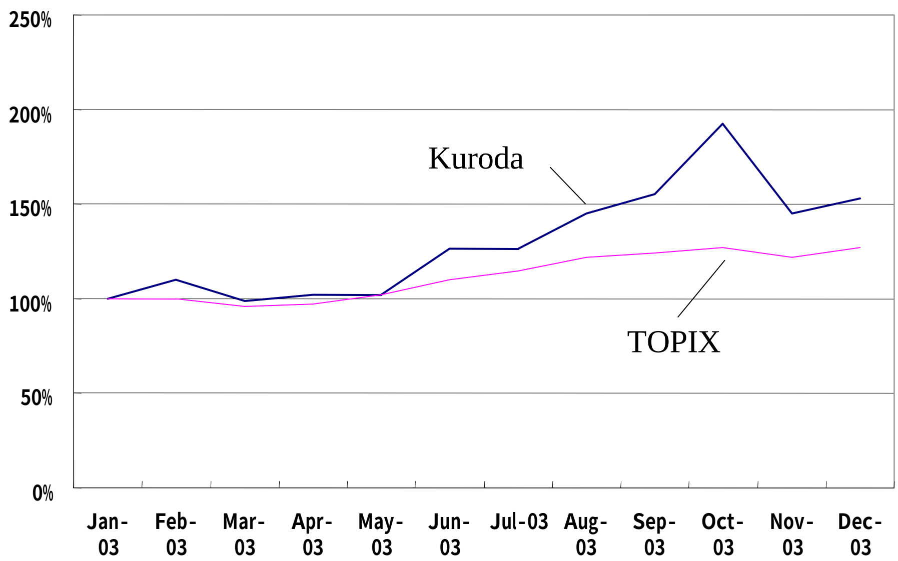
Source: Kuroda's press releases

[4] As of November 2003.

② STOCK PRICES

In 2003, when Kuroda's reform efforts succeeded, its stock outperformed TOPIX.

Fig III-2: Trends of Kuroda's stock price and TOPIX



(6) Barriers and problems associated with the alliance: increased communication costs were offset by the elimination of Kuroda people's allergy to English

①INCREASED COMMUNICATION COSTS AT BOARD MEETINGS

Because three Americans were appointed to Kuroda's board of directors, interpreters became necessary at board meetings, and English translations for the minutes now have to be prepared. This resulted in higher communication costs. On the other hand, it is desirable for overseas expansion that Kuroda people are stimulated to study and understand English.

②ISSUES: IMPROVEMENT OF PARKER'S UNDERSTANDING OF BUSINESS PRACTICES IN JAPAN AND ASIA

Because the US market has no intermediary dealers and agencies for products, Parker initially insisted on direct transactions with customers as a basic practice. It took one year for the US company to understand that such a practice is not widely accepted in Japan. One of the Americans sent from Parker, a salesperson, finally understood the circumstances and returned to the US after trying to sell directly to

Japanese customers for a year.

IV. Electronics

1. EMS business "A"(Singapore)/Electronics manufacturer "B"

◆ **In the spring of 2002, a major Japanese electronics manufacturer "B" and the world's leading electronics manufacturing service (EMS) business "A" formed an alliance to outsource the manufacture of electronics equipment. "A" sought to reinforce its EMS business by turning "C," a local subsidiary of "A" into a wholly-owned subsidiary, and taking over many of "C"'s skilled engineers.**

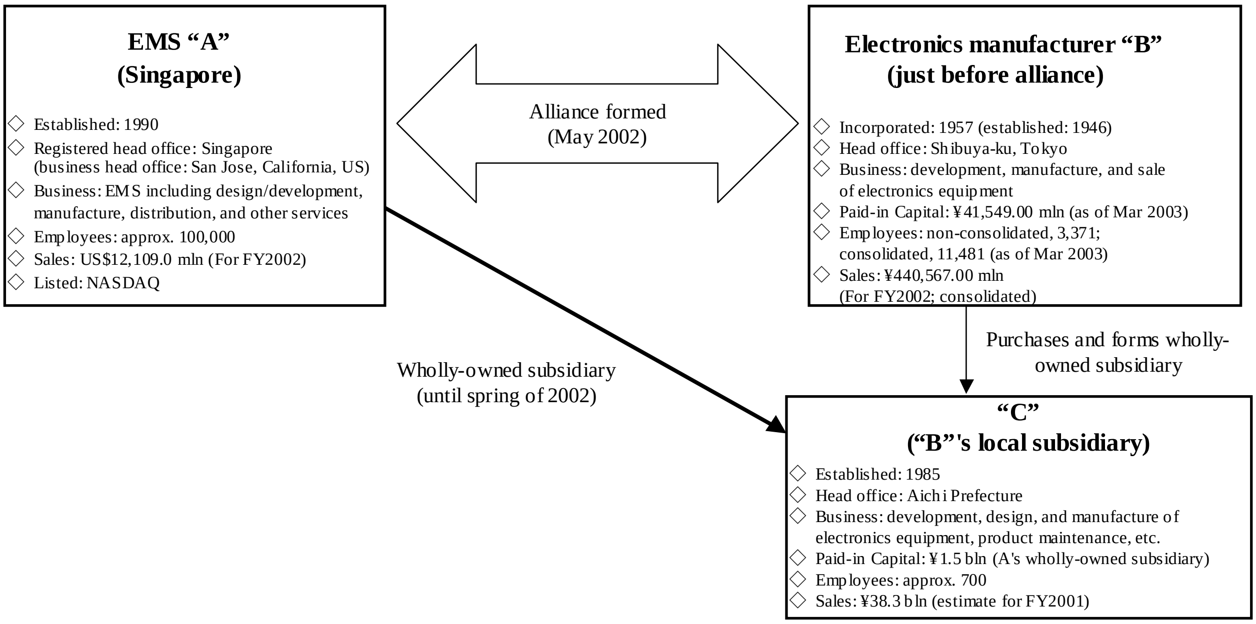
- ✓ **Through the alliance, "B" outsourced the management of its subsidiary "C," whose performance had stagnated, to Company "A."**
- ✓ **"C" became a part of the global company "A," and its management style was entirely Westernized.**
- ✓ **"A" has drawn great advantages from the introduction of "C"'s technologies: its ability to propose production plans to Japanese manufacturers has improved.**

(1) Outline of the alliance: through the alliance, Company "B" outsourced the management of its subsidiary "C," whose performance had stagnated, to "A."

"C," a subsidiary of "B," a major electronics manufacturer in Japan, manufactures compact electronics equipment such as liquid crystal displays and digital cameras. Having many skilled engineers, "C" had been highly rated for its technologies.

"A" is the world's top Electronics Manufacturing Service (EMS) provider, offering design, manufacturing, and distribution services. It has manufacturing bases in South America, Asia, Eastern Europe, and other low-cost regions, and undertakes commissions to design and manufacture products from computer manufacturers, cellular phone companies, and other manufacturers. Uniting cutting-edge technologies, manufacturing techniques, parts procurement, and logistics, the company offers EMS that yield high-quality, low-cost products in 29 countries around the world.

With the help of an investment bank, "B" studied the possibility of selling "C," which has high-level technologies, but was suffering from stagnant performance. "A" was one of the candidate buyers, and its purchase of "C" and "B"'s Malaysian operation was successful, considering "A"'s purchase proposal. "A" and "B" agreed that "A" would take over "C"'s human resources and facilities, and manufacture electronics equipment for "B."



[“A”]

Established: 1990

Registered head office: Singapore (business head office: San Jose, California, US)

Business: EMS including design/development, manufacture, distribution, and other services

Employees: approx. 100,000

Sales: US$ 12,109.0 million (for FY2002)

Listed: NASDAQ

[“B”]

Incorporated: 1957 (Established: 1946)

Head office: Shibuya-ku, Tokyo

Business: development, manufacture, and sale of calculators, digital cameras, liquid crystal TVs, and other electronics equipment

Paid-in Capital: ¥41,549.00 million (as of March 2003)

Employees: non-consolidated, 3,371; consolidated, 11,481 (as of March 2003)

Sales: ¥440,567.00 million (for FY2002; consolidated)

[“C” (just before the purchase in 2002]

Established: 1985

Head office: Aichi Prefecture

Business: development, design, and manufacture of electronics equipment, product

maintenance, etc.
Paid-in Capital: ¥1.5 billion ("B"'s wholly-owned subsidiary)
Employees: approx. 700
Sales: ¥38.3 billion (estimate for FY2001)

(2) Background of the alliance: alliance arranged by an investment bank

The "A"-"B" alliance was achieved through the mediation of an investment bank, "B"'s adviser.

"B" appointed an investment bank as its adviser, and searched for an appropriate buyer who could retain "C"'s business and employees.

On the advice of the investment bank, "B" chose some candidate buyers, and finally decided to sell to "A," considering the proposal.

(3) Changes in "C"'s management after the alliance: "C" became a part of the global company "A" and its management style was wholly converted into a Western style.

① CHANGES IN MANAGEMENT AND GOVERNANCE

a) Board members

The majority of "C"'s directors are from "A." Directors from "A" include those transferred from "B" to "A." One director was appointed from "B"'s former staff to help adjust "A"'s and "B"'s post-alliance strategies, and improve communications between "B" and "C."

b) Decision-making

At "A," management consists of only a few layers from low-level employees to top management, so its decision-making process is fast. Because "C" was integrated into "A"'s global organization, "C"'s top management can now decide most issues simply by discussing them with the Asian headquarters.

②PERSONNEL SYSTEM AND HUMAN RESOURCE DEVELOPMENT

"C"'s personnel system was totally changed from the traditional seniority system to a Western-style merit system. Because "C" has many young personnel in their twenties and thirties, this new personnel system has been welcomed and well-established.

English-communication and international business for engineers have been emphasized. As part of a global company, "C"'s employees and engineers are obliged to communicate in English.

③CHANGES IN EMPLOYEES' ATTITUDE

As a result of the alliance, the relationship between "B" and "C" changed from the former "parent-child" to that of "buyer-supplier." The alliance robbed "C" of guaranteed orders from its former parent company "B," forcing "C" to get orders from other customers. This situation had the good effects on "C"'s employees of sharing a sense of crisis and improving their motivation to work. In the alliance, it was also agreed that "B" places orders to "A" for the manufacture of products formerly made by "C" and "B"'s Malaysian base for the first four years. However, if the quality of "C"'s products deteriorates, sales to "B" will decrease from the fifth year. "C"'s workers thus need to work not only to offer competitive prices, but also to attain better quality and more efficient operations.

Although before the alliance, "C"'s engineers were devoted only to designing and manufacturing, they started to become involved in marketing activities such as understanding customer needs and technical consultations. As "A" has plants worldwide, the engineers have to be able to provide technical support to any of these plants. Many of the engineers are happy to have increased roles and to have expanded their range of activities.

(4) Impact of the alliance: "A" has drawn great advantages from the introduction of "C"'s technologies to improve product proposals to Japanese manufacturers

①OUTSOURCING OF UNPROFITABLE SECTORS

By outsourcing the management of "C," "B" was relieved of its burdens.

②"C"'S PARTICIPATION IN "A"'S IT NETWORKS

"A" owns IT networks, through which it can check the production status of its worldwide manufacturing bases. The company can get real-time information on product models, on the locations where these models are made, and on backlogs at each base. Customers can get these data from "C"'s website, and can place orders in advance.

By joining "A"'s IT networks, "C" could eliminate seasonal fluctuations from its manufacturing activities, thereby expanding orders received.

③MARKETING

Having become a part of the global company “A,” “C” can now sell its products worldwide. Meanwhile, “A” has “C” as a foothold in Japan to secure orders from Japanese electronics manufacturers (set makers).

④PRODUCT DEVELOPMENT

“A” has learned much from “C,” which has the ability to develop and make compact electronics products. “A” was also stimulated by “C”’s manufacturing spirit, such as its engineers’ sense of artisanship and responsibility for what they make, their craftsmanship, and their quality-control expertise.

⑤INCREASE IN ORDERS FROM “B”

As “A” only took over “C”’s employees and equipment, the alliance incurred relatively low costs for purchasing “C,” while increasing orders from “B,” which amounted to several tens of billion yen a year for “A.” Cooperation between “A” and “B” has also been reinforced; for example, “A” offers “B” the use of its manufacturing bases in such low-cost regions as South America, Asia, and Eastern Europe.

⑥IMPROVEMENT OF “A”’S PRODUCT PROPOSALS IN THE JAPANESE MARKET

“A” can use “C”’s development and manufacturing technology for compact electronics products such as liquid crystal TVs and digital cameras. Japanese manufacturers are especially confident of their technical abilities, and are not very willing to outsource manufacturing to other companies. Since “A” incorporated “C”’s technologies, “A” can now emphasize combining “C”’s high technologies and “A”’s global, low-cost manufacturing system; i.e., the ability to fully understand a customer’s technical demands and to make high-quality, low-cost products that are equivalent to those of Japanese manufacturers. This allows “A” to get orders from Japanese set makers more easily.

V. Machinery

1. Firearm manufacturer "A" (US)/Firearm and machinery manufacturer "B"

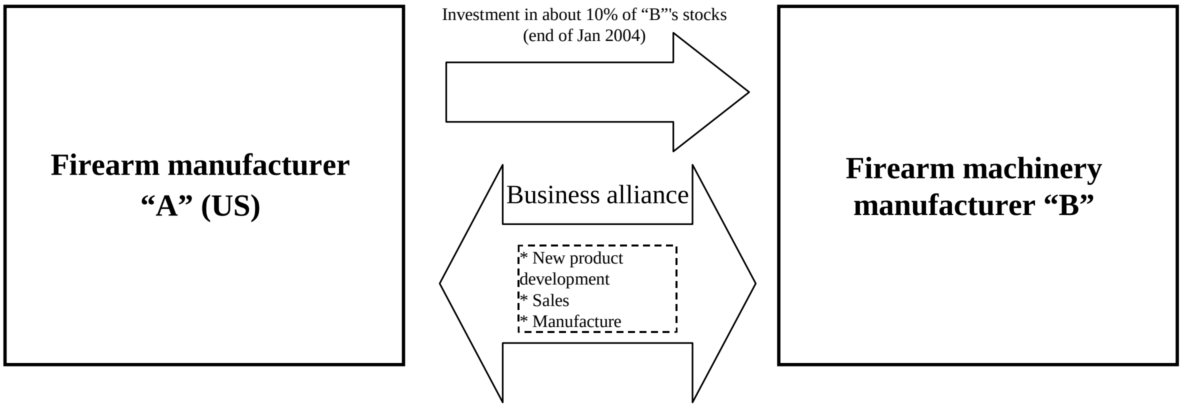
◆ **The partners succeeded in building give-and-take relations for market expansion and technology exchanges, and for improving quality.**

- ✓ **"B," Japan's largest firearm manufacturer, forms an alliance with a leading US firearm manufacturer to secure overseas markets and increase market share. Since 1966, "A" and "B" have worked together in sales, development, and manufacturing, as well as investing in capital.**
- ✓ **"A" and "B" have built a very close relationship, as alter egos, and are exploring the global firearms market as good partners.**

(1) Outline of the alliance: "A" and "B" have been cooperating since the 1960's, forming a very close relationship

Established in 1893, Company "B" is Japan's top manufacturer of rifles and other firearms. Its product lines include machine tools. In 1966, "B" concluded a sales and technology alliance agreement with Company "A," a leading American firearm manufacturer. In the alliance with "A," "B" launched the strategy of selling its products overseas.

"A"'s initial equity share in "B" was 8.7%, and the figure is now about 10% (less than 10% of "B"'s outstanding stocks). However, through active exchanges in sales, technology, and human resources, "A" and "B" have formed a very close relationship.



[“A” (US)]

Established: 1855

Head office: Utah, US

Business: manufacture and sale of hunting guns and other firearms

Company “A” is one of the three major brands of hunting guns and other firearms in the US. Established as a firearm developer and seller; “A” became affiliated with a Belgian firearm manufacturer in 1977. “A” is a private, unlisted company.

[“B”]

Founded: February 1893

Established: January 1946

Head office: Western Japan

Business: manufacture and sale of firearms, machine tools, wooden products, and others

Paid-in Capital: ¥863,126,000 (as of October 2003)

Employees: 607 (as of October 2003; consolidated)

Sales: ¥12,174 million (For FY2002, consolidated)

Recurring profit: ¥934 million (For FY2002, consolidated)

(2) Background of the alliance: “A” and “B” have cooperated in sales and product development since 1966; they also started cooperation with capital in the 1970’s

After the sales alliance was launched in 1966, the two companies cooperated in sales and technology exchanges, and built close relations. Around the time when Company “A” was affiliated with a Belgian company in 1977, “A” began to invest in “B,” thus cooperating with “B” in terms of capital.

However, “A”’s investment in “B” has been limited to only about 10% Although “B” accepts part-time directors from “A,” its management remains fully independent.

(3) Changes in management after the alliance: as alter egos having good give-and-take relations

①MANAGEMENT AND GOVERNANCE

a) Composition of “B”’s directors

“B” has 11 directors, of whom two are part-time directors from “A.” Respecting “B”’s autonomy, “A”’s directors do not interfere in “B”’s management affairs.

b) Reporting to "A"

"A" reports issues discussed at its board meetings to "A," but "A" has not raised any objections to "B"'s decisions.

c) Alter ego relationship between "A" and "B"

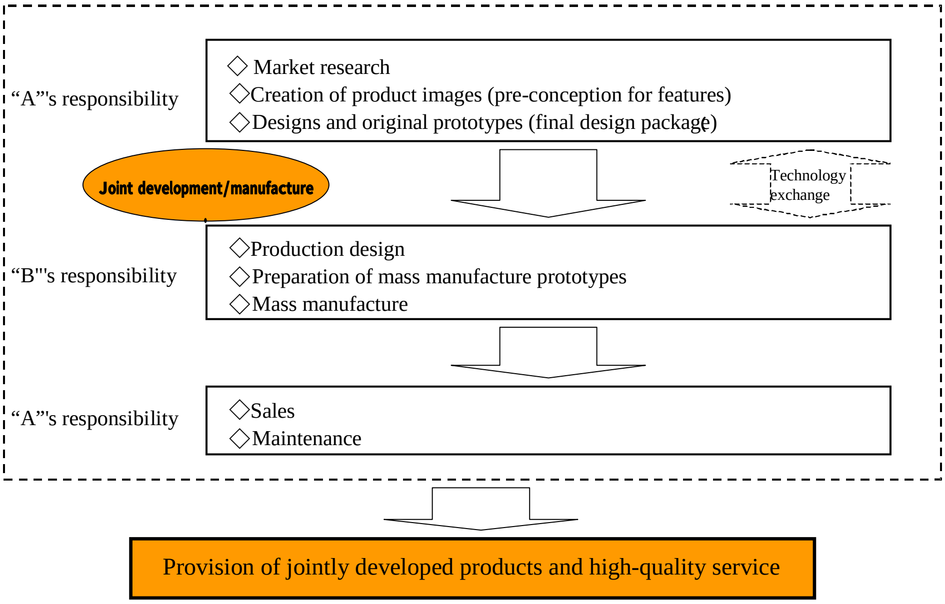
"A"'s investment in "B" has been limited to only about 10%. While "B" remains independent in terms of management and makes the North American market its main target, "A" rates "B" highly as a supplier of high-quality, high-value added products ("A" has manufacturing bases in the US, Portugal, and Belgium). The two companies have established a good give-and-take relationship, and their mutual communication is very good.

② PRODUCT DEVELOPMENT/R&D

"A" and "B" share great advantages in product development.

"A" and "B" are in charge of fields in which each company has advantages: while "A" is responsible for market research and product concepts, "B" is responsible for mass-manufacture design and manufacture. With exchanges of opinions and information, they have created a system for manufacturing and supplying high-quality products.

Fig V-1: Joint system for product development



③Marketing

Over 80% of "B"'s exports go to the US, and all of "B"'s sales in North America are carried out by "A."

Through "A"'s non-US sections, "B" increases exports to major European countries, Australia, and New Zealand. In Japan, Australia, and New Zealand, "A" has the sales right to its brand products.

(4) Impact of the alliance: forming give-and-take relations is important in alliances with foreign partners

①Alliance with "A" provides impetus to "B" to become Japan's largest manufacturer of firearms

In 1966, when the alliance was formed, it provided a strong impetus for "B" to achieve growth in subsequent years, and in becoming Japan's top manufacturer of firearms in the North American market through cooperation with "A."

In an alliance with relatively low investment rates of about 10%, "B" secures markets in North America and "A" has "B" as an important supplier, and in terms of personnel and technologies exchanges, high-quality products have been made through joint development and active information exchanges. This alter ego relation will be very significant for the outcome of the alliance.

②OBTAINING THE EXTENSIVE MARKET INFORMATION AND MANAGEMENT VISION FROM "A" IS ADVANTAGEOUS TO "B"

In North America, it is advantageous for "B" to get extensive market information on customers' needs for firearms from "A."

"B" can also learn much from "A"'s approach to business: working hard to attain a target on the basis of a solid management vision. The cultures of the two companies, with "B" ready to introduce useful aspects of a different culture and "A" placing importance on respecting others, in a way that is unique to Utah, allowed them to reinforce their relations and communication.

③IDEAL ALLIANCE ALLOWS BOTH THE INVESTING AND INVESTMENT-ACCEPTING SIDES TO BENEFIT

This case of an alliance is ideal compared to one in which a party rescues another, because the partners work together to improve their organizations and find new markets.

From "B"'s standpoint, the factors behind the success of the alliance are: (1) "B"'s management remains independent by limiting "A"'s investment to about 10%; (2) give-and-take relations have been formed in marketing and manufacturing technologies, as well as in investment; (3) "A" and "B" have a similar corporate size; and (4) both have head offices in the provinces, not in large cities. Under such circumstances, the two companies have built the strong, alter ego relations, thus leading to mutual benefits from cooperation.

2. Electric machinery manufacturer "A" (China), and investment fund (China)/Japanese printing machine manufacturer "B"

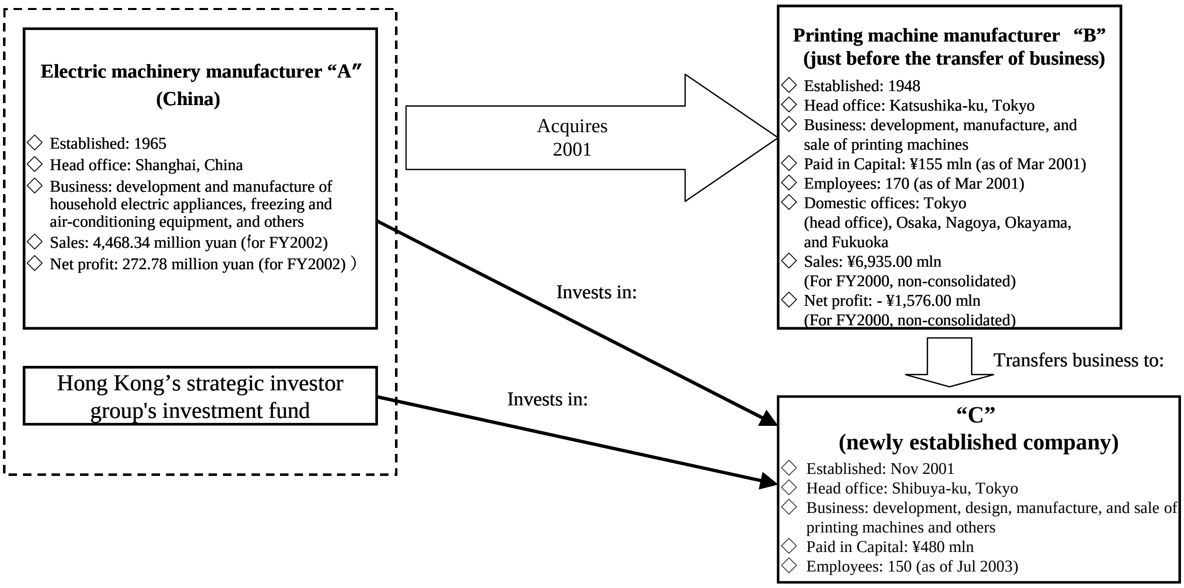
◆ **Prestigious Japanese printing machine manufacturer "B," which went bankrupt in the spring of 2001, is revived by transferring business operations to major Chinese electric machinery manufacturer "A"**

- ✓ **After Company "B" went bankrupt, major Chinese electric machinery manufacturer "A" and a Hong Kong strategic investor group decided to jointly accept the transfer of business from "B."**
- ✓ **The decisive factor behind the transfer of "B"'s business to "A" was "B"'s technology; "B"'s products had also been rated highly for a long time in the Chinese market.**
- ✓ **Another important reason for "B"'s recovery is that "A" respects "B"'s technology and human resources, and the craftsmanship of Japanese manufacturers.**

(1) Outline of the alliance: major Chinese electric machinery manufacturer "A" and Hong Kong strategic investor group purchase Company "B," establishing a new company and accepting the transfer of "B"'s assets and business

"B" is a manufacturer of double-side multi-color printers and other specialized printing machines, and has a history of over 50 years, as well as excellent technologies. With highly skilled workers, "B" was one of the leading manufacturers of printing machines in Japan, but mainly due to economic recessions, it suffered from a decrease in orders and went bankrupt in May 2001 (i.e., applied for civil rehabilitation procedure).

Highly evaluating "B"'s technologies, major Chinese electric machinery manufacturer "A" and Hong Kong strategic investor group agreed to accept the transfer of "B"'s business with their joint investment. They established Company "C," which owned "B"'s brand name, and transferred "B"'s assets and manufacturing technologies to "C." Company "C" was established in November 2001 as a global company aiming to use "B"'s technologies to make more advanced printing machines that would meet user's needs and be accepted worldwide.



["A" (China)]

Established: 1965

Head office: Shanghai, China

Business: development and manufacture of power generation equipment, household electric appliances, elevators, freezing and air-conditioning equipment, printing machines, and others

Sales: 4,468.34 million Yuan (for FY2002)

Net profit: 272.78 million Yuan (for FY2002)

Table V-1: Company "A"'s recent financial results

	December 2002	December 2001	December 2000	December 1999
Sales (million Yuan)	4,468.34	3,844.77	3,642.44	3,503.17
Operating income (million Yuan)	654.34	560.47	462.56	450.17
Net profit (million Yuan)	272.78	246.45	155.43	240.65

Source: "Directory of Listed Companies in China"

["B" (before the transfer of business)]

Established: 1948

Head office: Katsushika-ku, Tokyo

Business: development, manufacture, and sale of printing machines

Paid-in Capital: ¥155 million (as of March 2001)

Employees: 170 (as of March 2001)

Domestic offices: Tokyo (head office), Osaka, Nagoya, Okayama, and Fukuoka

Overseas office: US

Sales: ¥6,935 million (for FY2000, non-consolidated)
Net profit: ▲¥1,576 million (for FY2000, non-consolidated)

[“C”: newly established company receiving the transfer of “B”’s business]
Established: November 2001
Head office: Shibuya-ku, Tokyo
Business: development, design, manufacture, sale, etc. of printing machines and make-up/binding/packaging machines
Paid-in Capital: ¥480 million
Domestic offices: head office, 3 branches, and 1 factory
Overseas offices: Shanghai, US
Employees: 150 (as of July 2003)

(2) Background of the alliance: the decisive factor of the alliance was "B"'s technology

The timing of "B"'s bankruptcy and Company "A"'s introduction of a business expansion strategy coincided.

After "B"'s bankruptcy in 2001, "A" sought to acquire "B" as a strategy for reinforcing the technologies of its printing machine section. "A" had long focused on the high quality and the performance of "B"'s products.

Following its bankruptcy, "B" tried to form an alliance with one of its competitors, but failed. "B" then accepted "A"'s proposal to transfer its business, provided "A" continued to employ its personnel and take over its plant and equipment, and the new company would use "B"'s brand as its corporate name.

To maintain "B"'s brand and succeed in "C"'s business, preventing outflows of "B"'s people to competitors was critical. The legal procedure for the alliance was taken promptly in the second half of 2001 in consideration of this factor. In early 2002, "B" liquidated itself, selling its plants and goodwill to "C," and transferring about 80 engineers and workers to Company "C."

<History of the alliance>

May	2001:	"B" applies for a civil rehabilitation proceeding; dismissal notices are given to employees.
Nov	2001:	"A" and Hong Kong's strategic investor group jointly establish the new "C" to accept "B"'s assets.
Feb	2002:	"B"'s assets and business are transferred to "C."

(3) Changes in management: while adopting Chinese-style management "C" seeks to build a system that applies the "craftsmanship" of Japanese manufacturers.

①MANAGEMENT AND GOVERNANCE

a) Board members:

"C"'s eight directors are all non-Japanese; "B"'s former top management remain with "C" as technical advisers.

b) Decision-making:

"C"'s decision-making process has become prompt and transparent. Decisions taken at board meetings are reported by "C"'s president to "A"'s top management and to "C"'s employees on the same day.

②PERSONNEL SYSTEM AND HUMAN RESOURCES DEVELOPMENT

During the two years since the alliance was formed, “C”’s personnel system remained unchanged from the seniority system of “B,” although “C” is now planning to introduce a performance-based evaluation system in 2004.

Chinese engineers and workers from “A” are learning from skilled Japanese colleagues about printing machine technologies, quality control, and other assets inherited from “B” at “C”’s plant in Japan.

The craftsmanship of the Japanese manufacturer, which is characterized by artisan skills, work ethics, sense of responsibility, and good teamwork of skilled workers from “B,” inspire Chinese trainees.

③PRODUCT DEVELOPMENT/R&D

The top management sent from “A” emphasizes the shop floor-first principle. While the advantages of the development and manufacturing processes inherited from “B” are retained, some problems have also been identified.

“C” is examining introduction of a responsibility system of cost control in the manufacturing process and mutual check rules of employees and sections.

A high-flier from “B” was selected as a plant manager. He is studying “A”’s Chinese-style management policies and working on reforming the shop floor.

④MARKETING

Since “B”’s business was transferred to “C,” sales in China rapidly increased via “A”'s network in China.

“C” will consider marketing and sales expansion of “A”’s products in Japan from a long-term viewpoint.

⑤PROCUREMENT OF MATERIALS AND PARTS

“C” has shifted part of materials and parts for printing machine manufacture to Chinese suppliers.

(4) Impact of the alliance: while “B”’s technologies are retained, materials/parts suppliers have expanded, purchasing costs have been reduced, and some other effects have been achieved

①“B” REGAINS CONFIDENCE

The capital alliance with the major Chinese electric machinery manufacturer helped rebuild trust in “B”’s products, which contributed to protecting “B”’s traditional brand.

②“B”’S TECHNOLOGIES RETAINED BY PREVENTING OUTFLOWS OF SKILLED WORKERS

Most of “B”’s skilled workers were offered the same treatment as those at “A.” Because of this, the environment was established to continue using of their special skills for product development. New products from “C” will soon be launched in the market.

③REDUCTION OF MATERIALS AND PARTS PURCHASING COSTS

The number of suppliers of materials and parts for printing machine manufacturers has greatly increased. For example, “B” already procured cylinders, which make up a large part of manufacturing costs, from China because the number of domestic foundries had decreased. Although there are some problems with the stability of Chinese products, “C” is working to solve these through its close ties with China.

④“A” STUDIES “B”’S HIGH TECHNOLOGIES

“A” had an opportunity to study Japanese manufacturing technologies related to printing machines. The manufacturing spirit of Japanese companies will make steady contributions to improving the technologies of “A”’s printing machine manufacturing section.

VI. Pharmaceuticals

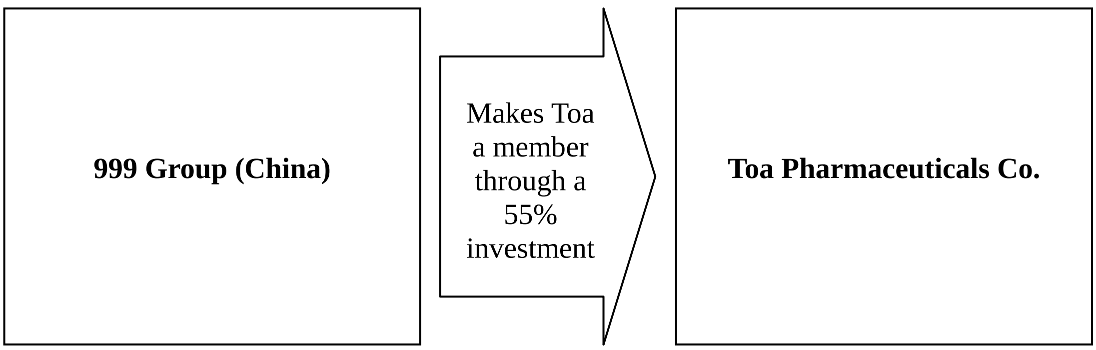
1. The 999 Group (China)/Toa Pharmaceuticals Co.

- **A Chinese business successfully entered the Japanese pharmaceutical market through M&A.**
  - ✓ **Reluctance among Toa's management team and shareholders to accept the 999 Group's alliance proposal was reduced by joint investment with another Japanese company.**
  - ✓ **Through the participation of Chinese capital, Toa could increase its investment in human resources, and reinforce administrative functions for the forthcoming enforcement of an amended Pharmaceutical Affairs Law.**
  - ✓ **Cost reduction and expansion of domestic and overseas markets are expected as a result of direct purchases of raw materials from the Chinese Group.**

(1) Background of the alliance

①PROFILE OF THE TWO COMPANIES: CAPITAL PARTICIPATION BY THE LEADING CHINESE COMPANY HELPS IMPROVE TOA'S MANAGEMENT PRACTICES

In July 2003, Toa Pharmaceuticals Co. (Toyama Prefecture) formally decided at a board meeting to join the 999 Group, a Chinese business group. Then, in October, Toa issued new stocks to Sanjiu Honsoubou Medical & Pharmaceutical Co., a Japanese subsidiary of the Chinese group, and became a member of the Group.



[999 Group][5]

Business: Conglomerate focusing on pharmaceuticals

Address: China

Employees: 60,000

Characteristics: More than 2,000 affiliated companies. Gross sales estimated at ¥680 billion, but details are not available to the public because sales include those to the military.

[Toa Pharmaceuticals Co.]

Established: 1942

Business: Production and sales of pharmaceuticals

Address: Toyama Prefecture

Employees: over 20

Characteristics: Initially created by investments from household drug distributors within the prefecture to establish a drug distribution business. Focuses on Chinese traditional drugs, and has many licenses in the prefecture.

②Outline of the alliance: Offer of another Japanese company to jointly invest in the alliance helped reduce the reluctance of Toa's management team and shareholders to accept the alliance proposal from a Chinese business.

By purchasing Toa's newly issued stocks, the 999 Group made Toa a subsidiary. More specifically, Sanjiu Honsoubou Medical & Pharmaceutical Co., a wholly-owned subsidiary of the Chinese group, took up 55% of Toa's newly issued stocks and CFS Corporation (former HAC-Kimisawa Co.), a Japanese company, took up 5%, respectively. The total number of Toa's issued stocks was previously 224,000, and the new stocks allocated to the two companies (Sanjiu Honsoubou and CFS) totaled 336,000, each at ¥602 (The increased stocks were all incorporated into Toa's capital account). As a result, Toa's issued stocks increased to 560,000.

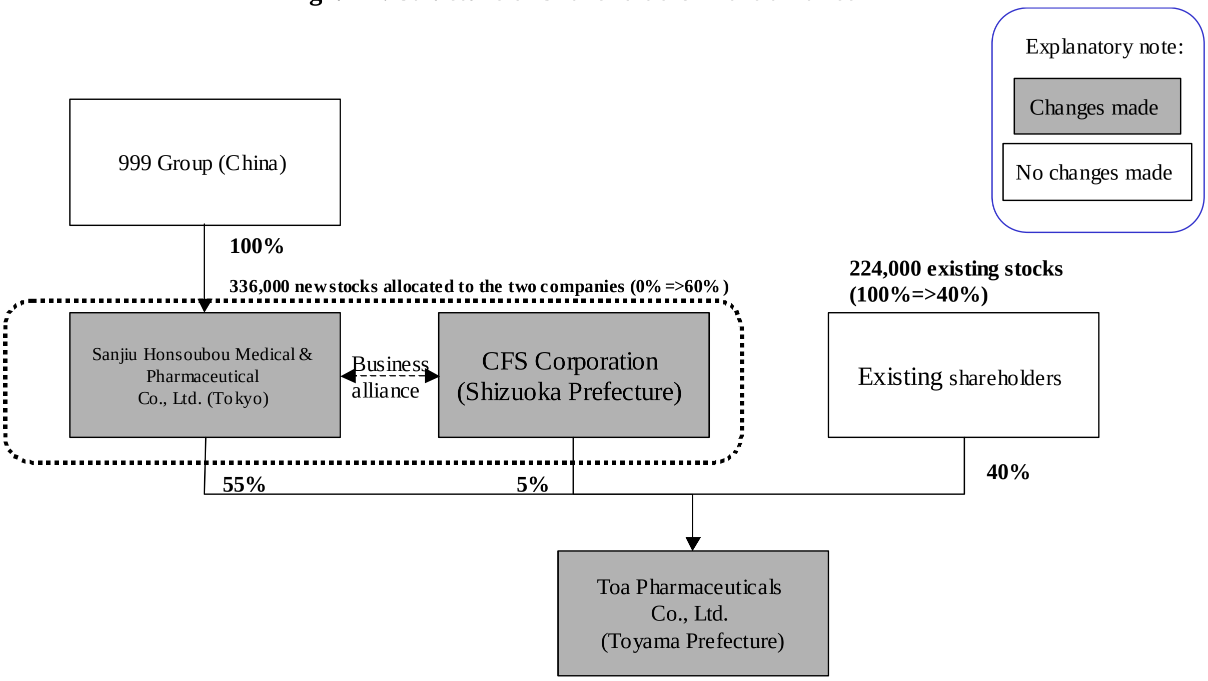
There was no change to the shareholders existing at the time of the issuance of new stocks. The shareholders' meeting at which the new issue was approved also approved making 1,000 stocks the minimum transferable unit. Some of the large shareholders are expected to purchase the equity of fractional shareholders in the future.

No outside advisors such as investment bankers were involved in forming this

5 Reference: Sanjiu Honsoubou's homepage: http://www.999jp.co.jp/.

alliance. A third-party auditor with no regular audit contract with any of the three parties was employed to calculate the stock price at the time the new stocks were allocated. After a detailed due diligence procedure of Toa, the auditor valued Toa's stock price at ¥602. (Toa's net assets had a value roughly equivalent to half of the stock price.)

Fig VI-1: Structure of Shareholders in the alliance



Source: Publicly available information including newspaper reports and other sources

③PROCESS OF ALLIANCE: THE PROPOSAL FROM CFS CORPORATION (WHOSE PRESIDENT IS JAPANESE) ENCOURAGED TOA'S PRESIDENT TO ACCEPT THE ALLIANCE PROPOSAL.

Process of the alliance is summarized below:

<History of the alliance>

Late Apr 2003:	Sanjiu Honsoubou's president Mr. Nishimura visits Toa with the president of Yakunichi Shimbun-sha (pharmaceutical paper) during a tour of pharmaceutical companies in Toyama Prefecture. At that time, Nishimura just proposes that Toa cooperate in the drug business.
Early May:	Nishimura visits Toa again and says: "Shall we cooperate in the drug business, including the possibility of a capital alliance in the future?" Toa's president Nishimoto had no interest in the proposal at the time. Nishimura subsequently makes one or two additional visits to Toa.
Late May:	The evening edition of the Yomiuri newspaper publishes a report under the headline "The 999 Group and Toa agree on alliance." Sanjiu Honsoubou's Nishimura inquires to its Chinese headquarters about its conditions for an alliance. It becomes clear that ownership of 51% or more of Toa's stocks is an essential condition for the Group.
Mid-Jun:	The Group asks Toa to give them an answer by July 20th.
Late Jun:	The representative of CFS, Toa's customer, visits Toa and proposes accepting the alliance, saying: "We will join the alliance. Let's collaborate." Because CFS's participation would increase Toa's business opportunities and relieved his anxiety about cooperating with a Chinese business, Nishimoto becomes more positive toward the alliance proposal.
Jul:	Toa board approves capital increase by issuing new stocks to the two companies.
Sep:	Toa's shareholders reject the board's decision on issuing new stocks. Toa holds a meeting, inviting Sanjiu Honsoubou and CFS to explain the objectives of the alliance to Toa's shareholders, and Toa's Nishimoto visits large shareholders to give further explanations.
Oct:	The issuing of new stocks is approved at Toa's second shareholders' meeting.
Late Oct:	Toa issues new stocks to the two companies.

(2) Changes in Toa's management after the alliance: Hiring more employees through foreign investment and strengthening Toa's administrative functions in preparation for the prospective legislation to amend the Pharmaceutical Affairs Law.

①MANAGEMENT AND GOVERNANCE

a) Composition of directors

Of the five directors of Toa, three (including Mr. Nishimura appointed as the chairperson) were sent from Sanjiu Honsoubou, who replaced the former Toa directors. None of the three directors from Sanjiu Honsoubou resides in Toyama Prefecture; they visit Toa once a month to attend board meetings.

b) Personnel policy

To strengthen its administrative functions in preparation for the enforcement of an amended Pharmaceutical Affairs Law scheduled for 2005, Toa plans to invest in human resources. It will employ three to four new personnel in its administrative division. The funds obtained by issuing new stocks will be invested first in human resources.

②MARKETING

Toa's sales of 999-brand products are foreseen to increase in Japan. In addition, its sales opportunities are expected to grow in overseas markets. Toa considers that Southeast Asia provides more business opportunities to sell products under the Toa brand, emphasizing "Made in Japan," thus the Toa brand can be maintained in this region. In the UK and in the US, as the 999 brand has already been introduced extensively, Toa herbal medicine products will be sold under the 999 brand in these markets.

Toa will sell its herbal medicine products under the 999 brand at HAC-Kimisawa stores owned by CFS Corporation.

③SUPPLY MANAGEMENT

Toa had initially planned to import only raw materials from 999. At the time of this survey, however, it intends to purchase finished products as well.

(3) Impact of the alliance: in addition to the expansion of domestic and overseas markets, cost reductions due to direct imports of raw materials from China are expected.

①IMPACT ON FINANCIAL RESULTS

a) Impact on sales

Toa's sales for the first year or the first 18 months are expected to increase at an annual rate of about 30% under the conventional production system. In addition to expanding the domestic market through CFS networks, the shares of UK and US markets, where the 999-brand is already prevalent, are also expected to grow. Toa considers that by investing in manufacturing, including establishment of production bases in China, Toa can achieve product sales growth of about 100-200% a year.

b) Cost savings

The purchase of natural medicines made by the 999 Group will allow Toa to reduce its purchase costs.

② SECONDARY IMPACT

As Toa became the first pharmaceutical producer in Toyama Prefecture to ally with a Chinese business, it was extensively reported by the mass media, thus greatly increasing its awareness. As a result, it brings advantages to Toa located in Toyama Prefecture, especially for recruitment.

(4) Problems and solutions associated with the alliance: Toa’s president persuaded reluctant management and shareholders to agree.

①Negotiations at the initial stage

Toa’s president Mr. Nishimoto was first prejudiced against Chinese businesses, and this was a major obstacle to the alliance. The problem was later solved by CFS’s investment offer.

②Getting the shareholders’ agreement

The rejection at the first shareholders’ meeting on the allocation of new stocks to the two companies, which had already been approved at the board meeting, was unexpected by both Toa and the 999 Group. Toa’s president Mr. Nishimoto then suggested the following three reasons for the rejection.

- As many of Toa’s shareholders are traditional drug distributors, they worried that the household delivery drug business might be reduced and these distributors might become ineffective after the alliance, as drugs would mainly be distributed through stores.
- There is prejudice against Chinese businesses. (Traditional drug distributors are mostly aged in their sixties and seventies, and some of them still have pre-war biased images of China. Moreover, damage has been suffered from health foods imported from China.
- Explanation given by Toa to its shareholders was insufficient.

From the standpoint of Toa’s shareholders, as time passed after the newspaper report on the alliance without any explanation from Toa, their anxiety about the alliance and their mistrust of the company’s management grew. Even when Toa emphasized that the alliance contract stated, “Drug business for household delivery will be continued,” the shareholders had no trust in such a contract.

In response, a meeting was held for Toa’s shareholders, at which Sanjiu Honsoubou’s president Mr. Nishimura and CFS’s president Mr. Yoneda explained the alliance. The participants were mainly large shareholders who each held 20,000 to 30,000 shares, and who were briefed about the purpose of the alliance and the position of drugs for household distribution after the alliance. In addition, Nishimoto visited each of the large shareholders to give further explanations. During these visits to major shareholders, Mr. Nishimoto went as far as to declare: “If my proposed alliance is not accepted, I will resign as president.” Finally, the shareholders concluded that it would be necessary for the company’s existence to keep Nishimoto as president and agreed to accept the proposal. The fact that the company name Toa Pharmaceuticals was to be maintained was also regarded to be an important factor in having them consent to Nishimoto’s proposal.

VII. Energy

1． Exxon Mobil (US)/Tonen General

◆ **Alliance of several Japanese and US oil companies that came together after the re-merger of US companies; the US company increases its presence in the Japanese market**

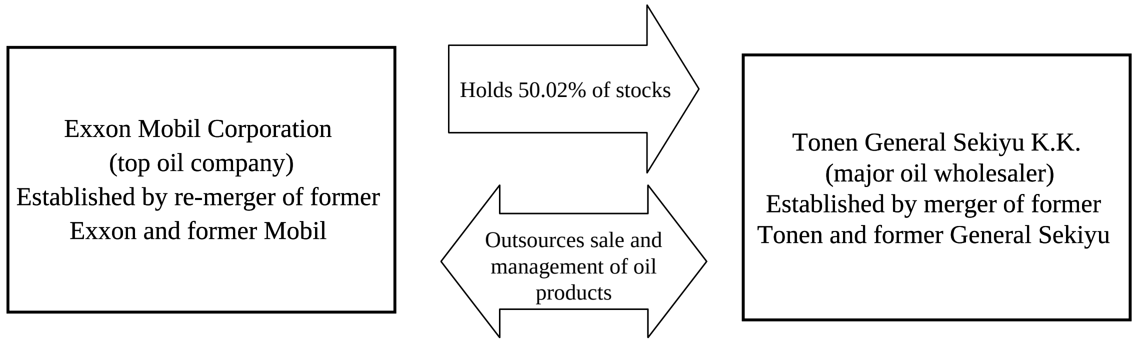
- ✓ **Several alliances formed among Japanese and US oil companies came together as a result of their respective mergers.**
- ✓ **Unified group management was reinforced as the allied companies outsourced refining/supply and sales/management.**
- ✓ **The establishment of Tonen General, and the merger of Japanese subsidiaries Esso and Mobil led restructuring of the group in Japan.**
- ✓ **Tonen General's autonomy as an independent listed company is maintained while American-style management is adopted.**
- ✓ **Operating in a mature industry, Tonen General promotes increased business efficiency.**

(1) Profile of the two companies: several alliances formed between Japanese and US oil companies that came together as a result of their respective mergers

Tonen was established in 1939 as a producer of aircraft volatile oil and lubricants for military use. After the war, the company allied with Standard Vacuum Oil Corp., the top oil company in the US (SVOC; predecessor of Exxon Mobil) for technology, capital, crude oil supply, and sales (in 1949). SVOC's equity share in Tonen was 50.0%. After it was split into Exxon and Mobil, the two companies held 25.0% of Tonen's shares, respectively.

General Sekiyu K.K. was established in 1947 to import and sell oil products, and became allied with SVOC in 1952 to supply oil products. In 1979, Esso Eastern (Exxon's subsidiary) acquired 49% of General Sekiyu's stocks, including those owned by Esso Oil. In 1984, General Sekiyu became allied with Esso Oil (Exxon's subsidiary). In 1997, Esso Eastern purchased additional stocks of General Sekiyu, increasing its share to 50.1%. (In Japan, Exxon and Mobil were operating under their respective brands: Esso and Mobil. There were four major oil companies at that time.)

After Exxon and Mobil merged again in 1999, Tonen and General Sekiyu merged to form Tonen General. Exxon Mobil's equity share in the merged company then exceeded 50%.



[Exxon Mobil Corporation]

Established: 1882[6]

Head office: Irving, Texas

Business: world's top oil refining/sales company; refines oil in 26 countries and operates over 42,000 gas stations in over 100 countries; sells chemical products in over 150 countries

Shareholders' equity: $7.5 billion (as of December 2002, consolidated)

Employees: 92,000

Sales: $204.0 billion (for FY2002, consolidated)

Net profit: $11.0 billion (for FY2002, consolidated)

Listed: NYSE

[Tonen General Sekiyu K.K.]

Established: 1947[7]

Head office: Tokyo

Business: wholesaler of oil products

Shareholders' equity: ¥220.529 billion (as of June 2003, consolidated)

Employees: 2,721 (as of June 2003, consolidated)

Sales: ¥1,928.8 billion (for FY2001, consolidated)

Sales by product: oil products, 93%, petrochemicals, 7%

Net profit: ¥8.474 billion (For FY2001, consolidated)

Listed: First Section, TSE

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[6] Year of establishment of Exxon.

[7] Year of establishment of General Sekiyu, which became the surviving company when Tonen General was established.

(2) Outline of the alliance: unified group management reinforced; e.g., the allied companies mutually outsource refining/supply and sales/management

Fig VII-1: Relations of the main related companies in 1999

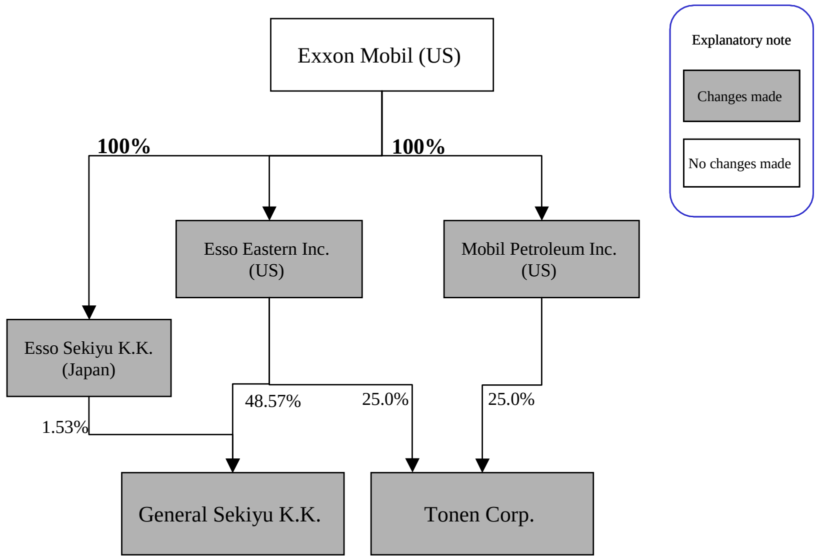
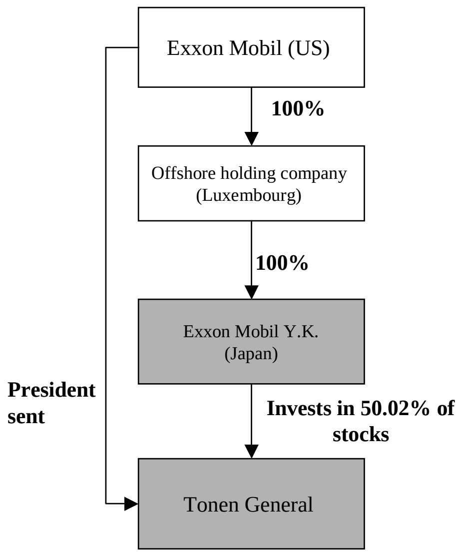


Fig VII-2: Relations of the main related companies in 2002 and after[8]



8 By 2002, Exxon Mobil's Japanese subsidiaries were reorganized into limited companies ("yugen kaisya"), and their stocks were transferred to a Japanese subsidiary.

(3) Background of the alliance: Exxon Mobil’s restructuring in Japan completed with the establishment of Tonen General and the merger of Esso and Mobil

①POST-WAR PERIOD TO THE 1990S

After the war, concerned with the need to ally with foreign companies, Tonen formed an alliance with SVOC, the top company in US for technology, capital, crude oil supply, and sales. SVOC became Tonen’s major shareholder with a 50% share. When SVOC was later split into Exxon and Mobil under the US Antitrust Law, the two companies also became Tonen’s major shareholders.

General Sekiyu was established in 1947 to sell and import oil products, and in 1952 became allied with SVOC to supply oil products. In 1979, Esso Eastern (Exxon’s subsidiary) acquired 49.0% of General Sekiyu's stocks. In 1984, General Sekiyu formed a business alliance with Esso Oil (Exxon's subsidiary). Then, in 1997, Esso Eastern purchased additional General Sekiyu stocks, increasing its equity share to 50.1%.

②BIRTH OF EXXON MOBIL

In the US, Exxon and Mobil re-merged in 1999 to form Exxon Mobil. It is said that one of the factors behind the re-merger was to reinforce the governance of their Japanese subsidiaries. At that time, there were four major oil affiliates in Japan (Esso: US’s Exxon’s wholly-owned company; Mobil: US’s Mobil’s wholly-owned company, Tonen; 50% owned by Exxon and Mobil, and General Sekiyu; 50.1% owned by Exxon). Thus, it was likely that the two US giants considered it essential to re-merge and strengthen their competitiveness in Japan, the world’s second largest market.

③PROCESS OF RESTRUCTURING

After the establishment of Exxon Mobil in 1999, the new company adopted a unified management policy. In addition, Tonen and General Sekiyu merged to form Tonen General. In 2002, its subsidiaries, including those for marketing in Japan were integrated to establish Exxon Mobil, completing restructuring in Japan.

<History of the alliance>

	1949:	Tonen allies with SVOC for capital, technology, crude oil supply, and sales.
	1952:	General Sekiyu signs a contract on oil product supply and consignment sales with SVOC.
	1979:	Esso Eastern acquires 49.0% of General Sekiyu's stocks.
	1984:	General Sekiyu forms business alliance with Esso Oil.
	1997:	Esso Eastern acquires additional stocks of General Sekiyu, increasing its share to 50.1%.
	1999:	General Sekiyu signs agreement on mutual service supply contracts with Esso Oil.
	1999:	Exxon and Mobil re-merge to form Exxon Mobil Corporation.
Jan	2000:	Tonen and General jointly announce streamlining and increasing the efficiency of the organizations and the introduction of an early retirement program.
Feb	2000:	Tonen-General Sekiyu merger is announced.
May	2000:	Exxon Mobil transfers its indirectly held Tonen and General Sekiyu stocks from a US to a Japanese company.
Jul	2000:	Tonen and General Sekiyu merge to form Tonen General.
Jun	2002:	Exxon Mobil is established by the merger of Esso Oil, Mobil Oil, Exxon Mobil Marketing, and Exxon Mobil Business Service. Tonen General outsources sales/management section to Exxon Mobil.→Exxon Mobil's restructuring of governance in Japan is completed.

(4) Changes in Tonen General's management after the alliance: Tonen General's autonomy as an independent listed company maintained while American-style management is adopted

①MANAGEMENT AND GOVERNANCE

a) Governance

As Exxon Mobil is the parent company holding over 50% of its stocks, Tonen General is regarded as a full member of the US business group. Tonen General is listed on the TSE as an independent company, however, and it should consider the benefits not only to the parent Exxon Mobil, but also to other shareholders and stakeholders. Besides, Tonen General maintains and values its corporate separateness[9].

b) Directors

While Exxon Mobil provides half of Tonen General's board members, Tonen General maintains 50% of the board.

c) Organization

Tonen General promotes the integration of its affiliates and increases its business efficiency.

d) Personnel affairs

Tonen General optimizes and globalizes its personnel affairs: it transfers its staff overseas and accepts foreign staff in Japan.

②PRODUCT DEVELOPMENT/R&D

Before the alliance, Tonen General used its own internal resources, but, at present, it accesses centralized research activities of Exxon Mobil's global networks.

③MARKETING

Formerly the three brands, Esso, Mobil, and General, were managed by the three companies according to their own methods. Now, these brands are operated as a unit rather than separately to increase operating efficiency.

④CORPORATE CULTURE

Tonen General adopts an American-style management style, i.e., an Anglo-Saxon way of thinking. The issues are economic rationalism and law-abiding spirit. For

9 An American legal term meaning independence and autonomy of a corporation.

example, American companies are more eager to observe antitrust laws and regulations than their Japanese counterparts are.

(5) Operating in a mature industry, Tonen General promotes to increase business efficiency

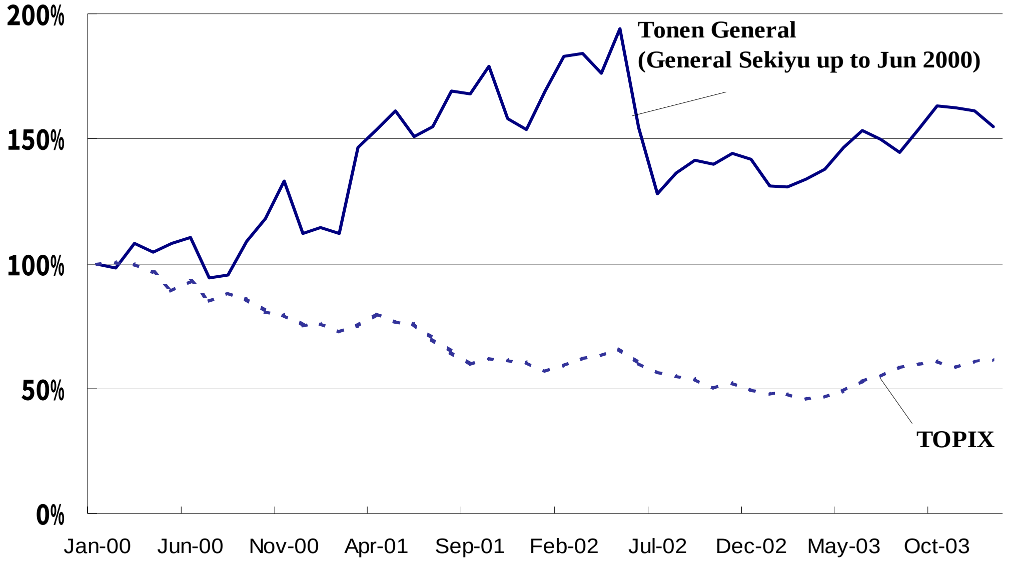
①BUSINESS EFFICIENCY INCREASED

Tonen General posted an extraordinary loss of ¥7.7 billion for special allowances distributed to early retirees (FY2002 ended December 2002). It integrated its sales subsidiaries to improve profitability in December 2002. It earmarked an extraordinary loss of ¥3.0 billion for expenses associated with discontinuing business (year ended December 2003). It also posted an extraordinary profit of ¥2.8 billion by using its assets more efficiently and by selling idle properties (FY2002 ended December 2003).

②STOCK PRICES

Tonen General's stock price has outperformed TOPIX after the announcement of its plan to increase business efficiency (since January 2000).

Fig VII-3: Trends of Stock Prices: Tonen General vs. TOPIX (end of January 2000=100)



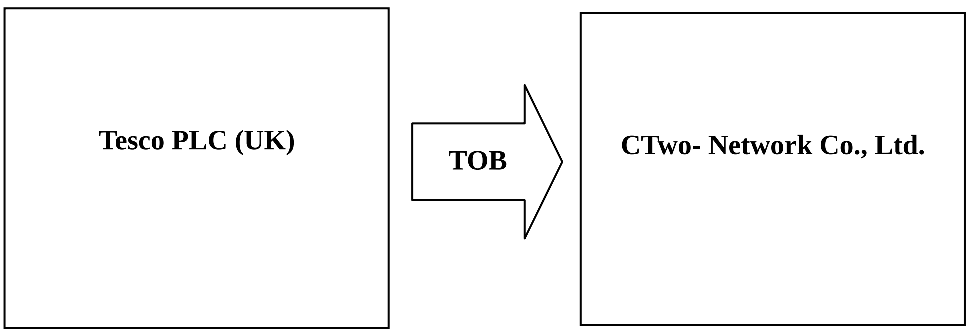
VIII. Retailers

1. Tesco PLC (UK)/CTwo-Network Co.

- **UK's largest retailer enters the Japanese market with the aid of a Japanese partner.**
  - ✓ **UK company makes the Japanese firm a wholly-owned subsidiary through TOB and equity swap.**
  - ✓ **The Japanese company gets the key to growth throughout the country.**
  - ✓ **Target is selected after a three-year study of Japanese market.**
  - ✓ **Tesco's style is gradually introduced to expand its market in Japan.**
  - ✓ **Tesco's entry into Japanese market benefits from advice of its Japanese partner.**
  - ✓ **Increased efficiency and expansion of business are carried out by C2 with Tesco's management style.**

(1) Outline of the alliance[10]: UK's largest retailer enters the Japanese market with the aid of a Japanese partner.

In June 2003, Tesco PLC (Tesco), a UK company, announced a take-over bid (TOB) plan aimed at acquiring all of the stocks of CTwo-Network Co., Ltd. (Tokyo, listed on the First Section of Tokyo Stock Exchange at that time; C2). On the same day, C2 announced that it had decided to accept Tesco's TOB at a board meeting. In July 2003, C2 became a Tesco group subsidiary. In September 2003, establishment of a parent company through a stock transfer was announced, and in October C2's stocks were delisted from TSE. Then, Tesco seems to have made C2 a wholly-owned subsidiary by purchasing C2's stocks from the parent company.



[10] Reference: Tesco's and C2 Network's press releases.

[Tesco PLC]

Established: 1924

Head office: UK

Business: food retailer—largest in the UK; overseas operations in Ireland, Hungary, Poland, Czech Republic, and other European countries, as well as Asian countries such as South Korea, Taiwan, and Malaysia; operates 2,291 stores ranging from small convenience stores to hypermarkets.

Shareholders' equity: £6,516 million (as of February 2003)

Employees: about 300,000 (as of February 2003)

Sales: £28,613 million (FY2003, as of February 22, 2003; consolidated)

Net profit: £946 million (FY2003, as of February 22, 2003; consolidated)

Listed: LSE

[C2 Network Co., Ltd.]

Established: 1947

Head office: Tokyo

Business: retailer mainly of processed foods operating 78 stores mostly in the Kanto area; store names are Tsurukame, Tsurukame Land, Kamechuru, and Foodlet Tsurukame.

Paid-in Capital: ¥352,757,100 (as of March 2002)

Employees: 271 (as of March 2002; excluding temporary employees)

Sales: ¥54.3 billion (for FY2001; consolidated)

Operating income: ¥3.9 billion (for FY2001; consolidated)

Listed: First Section, TSE (at the time of TOB)

①Features of the Alliance: Tesco Makes C2 a Wholly-Owned Subsidiary through a TOB and Equity Swap

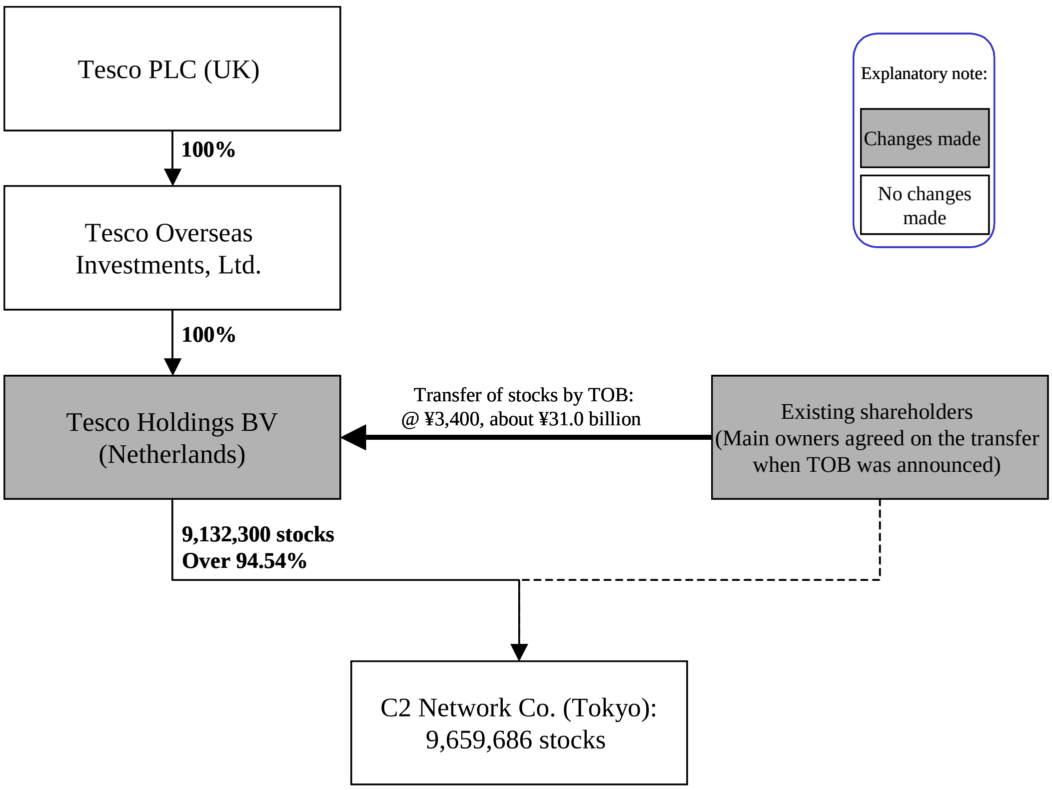
The stocks owned by C2's shareholders were all transferred to Tesco Holdings in two stages. Through the TOB, the first stage, C2's major shareholders, including its management, sold all of their stocks to Tesco, whose share became 94.54%. Because this ratio met the TSE's Delisting Criteria (from wholly-owned subsidiary), C2's stocks were delisted from the TSE. In the second stage, a parent company was established by transferring C2's stocks to it, while the price of odd shares was paid to the owners of these stocks. After the establishment of the parent company, C2's stocks were sold to Tesco by the parent company. It is estimated that Tesco came to own all of C2's stocks through these processes.[11]

It is said that some Japanese companies other than C2 were proposed as possible alliance partners to Tesco before the TOB of C2. Tesco's policy for overseas market entries is to make the target company a wholly-owned subsidiary, however, and few companies could accept this policy.

Many outside advisors were involved in this alliance project. Both purchaser and seller employed a financial advisor (FA).

- TOB agent: Daiwa Securities SMBC Co.
- Sub-agent for Daiwa Securities SMBC: Daiwa Securities Co.
- Tesco's FA: Goldman Sachs' Tokyo Branch
- C2's FA: KPMG Corporate Finance Co.
- Opinion on appropriate TOB price: expressed by KPMG Corporate Finance Co.

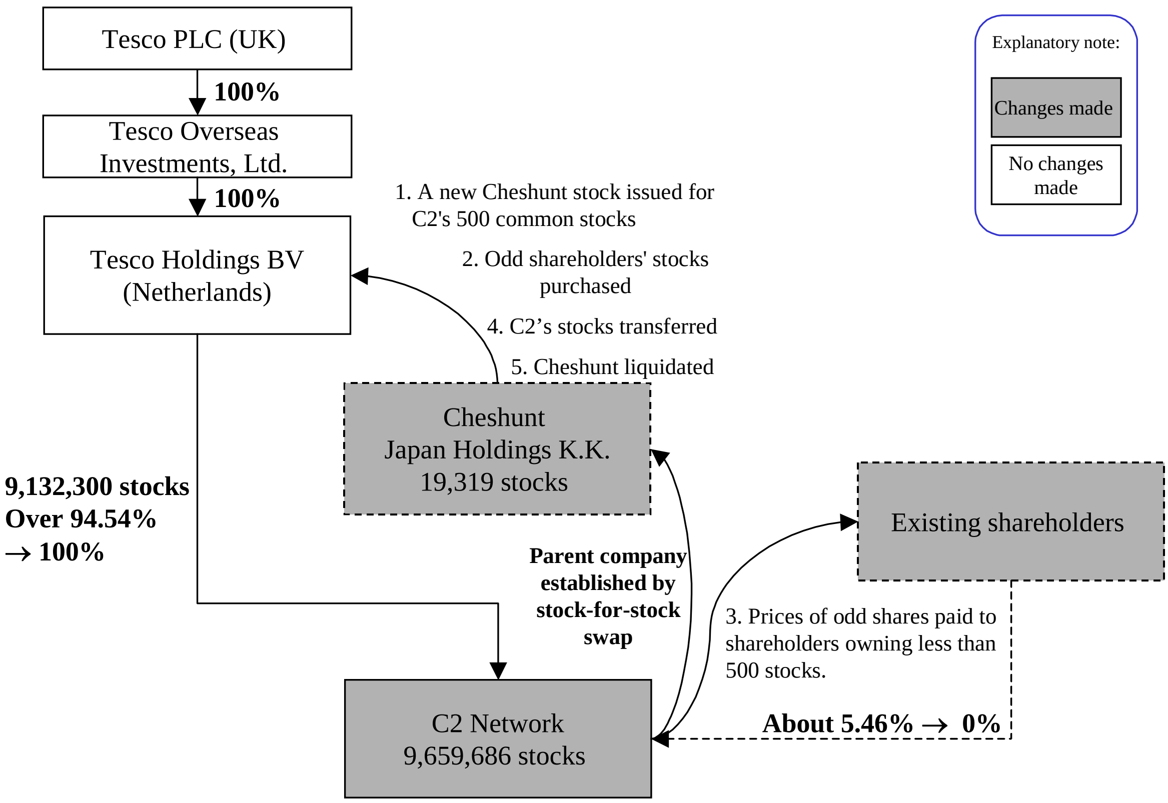
Fig VIII-1: Transfer of shares in the alliance (first stage)



Source: C2 materials

[11] Details are unknown because C2 has already become a closed company.

Fig VIII-2: Transfer of shares in the alliance (second stage)



Source: C2 materials

②BACKGROUND OF THE ALLIANCE: TARGET SELECTED AFTER RESEARCHING THE JAPANESE MARKET FOR ABOUT THREE YEARS

<History of the alliance>

Spring 2000:	Tesco sends a study team to Japan, and starts a feasibility study on entry into Japan. Tesco is said to have then examined several local supermarket operators, including second-tier ones, as alliance candidates.
Nov 2002:	Goldman Sachs introduces Tesco to C2 Chairman Ineida: negotiation on partnership starts.
Jan 2003:	C2 executive visits UK and meets Tesco Chairman. Preparations for alliance get underway.
May:	Basic agreement on alliance reached.
Jun:	Tesco announces TOB for C2's stocks; C2 announces the board's decision accepting the TOB on the same day.
Jul:	TOB completed; Tesco's equity share of C2 reaches over 95%.
Sep:	Establishment of a parent company through transfer of C2's stocks is approved at a special shareholders' meeting.
Oct:	C2's stocks are delisted from the TSE.
November and after:	Parent company is established, and its C2's stocks are purchased by Tesco: the parent company is liquidated. → C2 becomes a wholly-owned subsidiary of Tesco.

(2) Changes in C2's management after the alliance: Tesco-style business gradually introduced to expand its market in Japan.

①COMPANY STRUCTURE

Tesco made C2 a wholly-owned subsidiary by establishing and liquidating C2's parent company.

②COMPOSITION OF DIRECTORS

Tesco sent four directors to C2, including CEO.

③CHANGES IN BUSINESS ACTIVITIES [312]

a) Store management

C2's existing stores and its plans to open new stores continued; 5 to 10 stores to be opened each year.

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[12] See the article in the November 10, 2003 edition of Nikkei Business.

b) Business strategy

Tesco's supply chain management will be introduced.

c) Products

Private brands have been developed; it is possible to develop joint products with Taiwan and South Korea, where Tesco already has operations.

(3) Impact of the alliance

①BENEFITS TO TESCO: ADVICE FROM C2 ON ENTERING THE JAPANESE MARKET

a) Business expansion by entering the Japanese market

Overseas business has been Tesco's major source of growth, and entering the Japanese market is significant for Tesco.

b) Establishment of business base in Japan where Tesco is not well known

Since Tesco is not known among consumers in Japan, it will continue business at C2's existing stores for the time being.

c) Learning the retail business in Japan

Tesco will promote its business in cooperation with C2's management, and its management will learn the retail business in Japan from C2's management.

②BENEFITS TO C2: MORE EFFICIENT AND LARGER SCALE OPERATION USING TESCO'S MANAGEMENT TECHNIQUES

a) More efficient operation

As Tesco is ahead of C2 in its competence as a retailer, especially in distribution and location research, more efficient operations can be accomplished by introducing Tesco's expertise. C2 can also develop private brand products targeting cooperation with Tesco's operations in South Korea and Taiwan.

b) Business expansion

Critics pointed out that C2's business model had limitations for achieving growth. The alliance with Tesco will provide C2 with opportunities to grow, such as entering fresh food and drugstore businesses. In addition, C2 has an opportunity to enter retail finance services, which Tesco provides in UK.

c) Stock transfer at higher-than-average price

As C2 has enjoyed good business results, it was able to sell its management's stocks at a premium of about 30% above the average TSE price.

2． Wal-Mart Stores, Inc. (US)/The Seiyu Ltd.

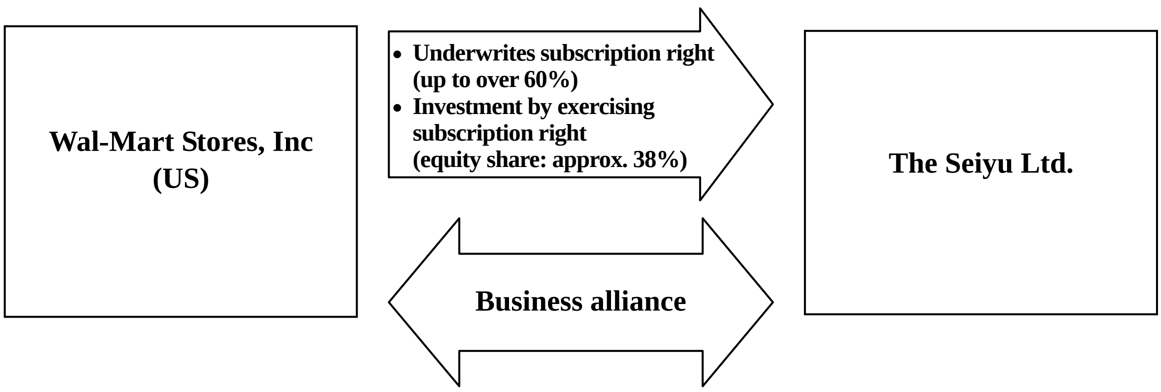
◆ **The objectives of the US company matched those of the Japanese company; while the former wanted to succeed in the Japanese market, which is known for its unique characteristics, through an alliance, the latter sought support after its financial base had been weakened.**

- ✓ **Japanese company became subsidiary of the world's largest retailer.**
- ✓ **Starting with an allocation of subscription rights, Seiyu's capital was strengthened by sources including outside shareholders.**
- ✓ **Wal-Mart achieves its long-held desire to enter the Japanese market with Seiyu's aid.**
- ✓ **Concentration on retailing and reform of IT system and distribution have progressed.**
- ✓ **Some more time is needed before financial results will improve.**

(1) Outline of the alliance

①PROFILES OF THE TWO COMPANIES [13]: JAPANESE COMPANY BECAME SUBSIDIARY OF WORLD'S LARGEST RETAILER.

In March 2003, the US company Wal-Mart Stores, Inc. (Wal-Mart) and The Seiyu Ltd. (Seiyu) announced that they had signed a memorandum on a comprehensive business alliance. An outline of a capital alliance was also announced: Wal-Mart would purchase Seiyu's new stocks and would receive subscription rights. Wal-Mart then turned Seiyu into a subsidiary in phases.



[13] Reference: Seiyu's press release.

[Wal-Mart Stores, Inc.]

Established: 1962

Address: Bentonville, Arkansas, US

Business: retailing; operates Wal-Mart Store, Supercenter, discount stores, and membership wholesale clubs; strong with continuous low price strategy through mass purchasing and supply chain management

Shareholders' equity: $39.337 billion (as of January 2003)

Employees: 1,400,000

Sales: $246.5 billion (for FY2003)

Net profit: $8.0 billion (for FY2003)

Listed: NYSE

[The Seiyu Ltd.]

Established: 1956

Address: Tokyo

Business: management of general chain stores selling clothing, household goods, foods, and services; operates nationwide networks of stores.

Shareholders' equity: ¥700 million (as of February 2003, consolidated)

Employees: 6,025 (as of February 2003; non-consolidated)

Sales: ¥1,105.9 billion (for FY2002, consolidated)

Net loss: ¥90.8 billion (for FY2002, consolidated)

Listed: First Section, TSE

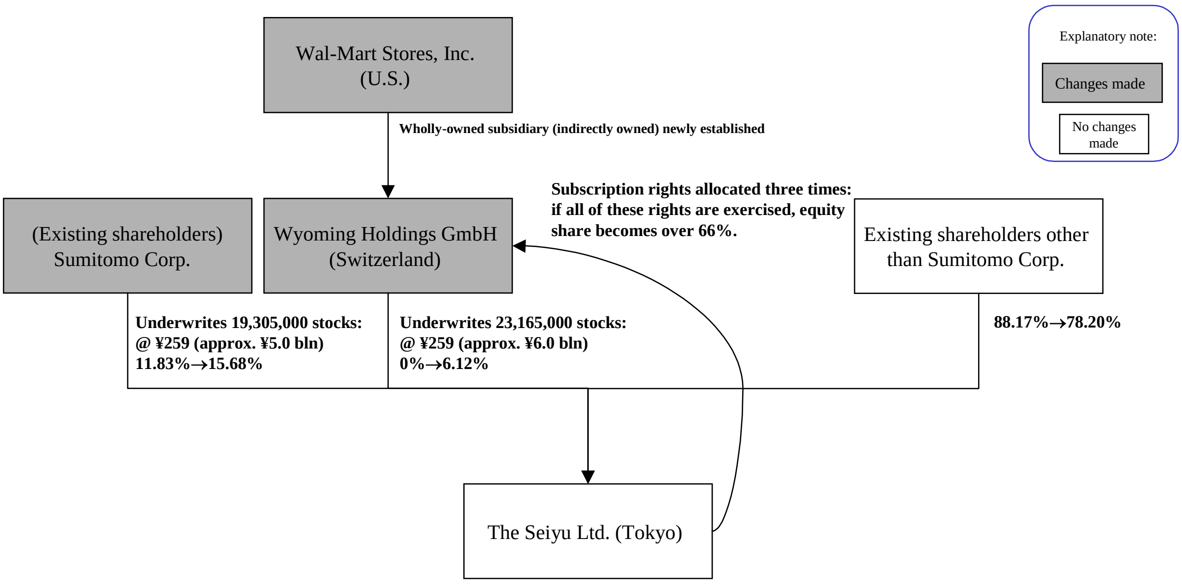
②FEATURES OF THE ALLIANCE: SEIYU'S CAPITAL STRENGTHENED BY ALLOCATION OF SUBSCRIPTION RIGHTS AND SUPPORT FROM OUTSIDE SHAREHOLDERS

1st stage:

By underwriting subscription rights at no cost, Wal-Mart receives the right to become Seiyu's shareholder with an equity share of over 66% (at the time of allocation). Wal-Mart can increase its share gradually, depending on the status of the business alliance. The exercise price will increase every year: the price in the following year is determined by multiplying the price as of December 31 of the present year by 1.05.

Fig VIII-3: Structure of shareholders in the alliance: 1st stage (1st step)

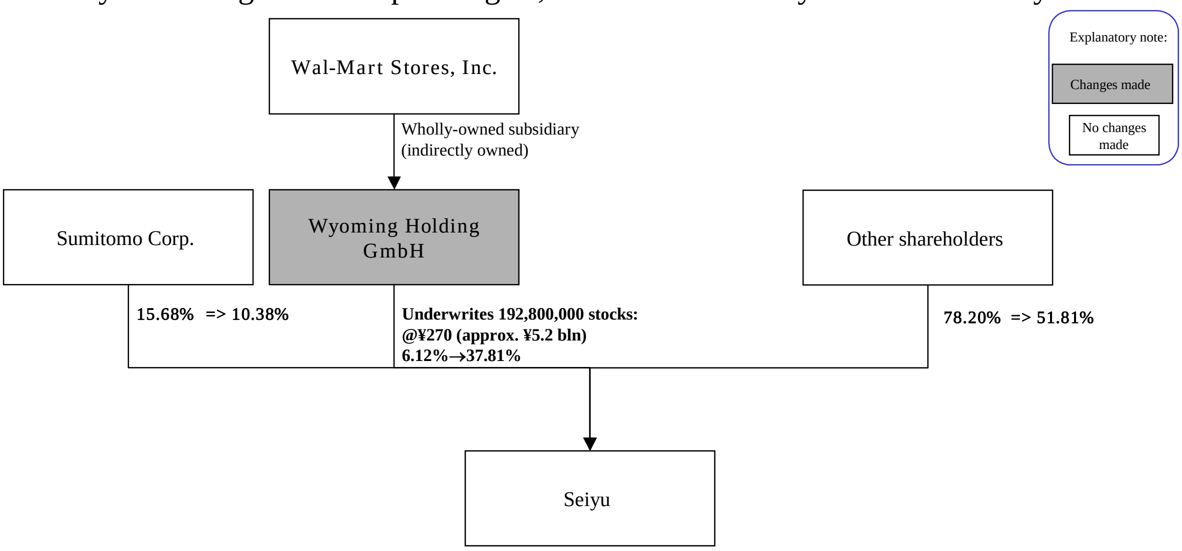
As a result of the issuing of new stocks, Wal-Mart became Seiyu's major shareholder. Seiyu also issued subscription rights to the Wal-Mart Group.



Source: Seiyu materials

Fig VIII-4: Structure of shareholders in the alliance: 1st stage (2nd step)

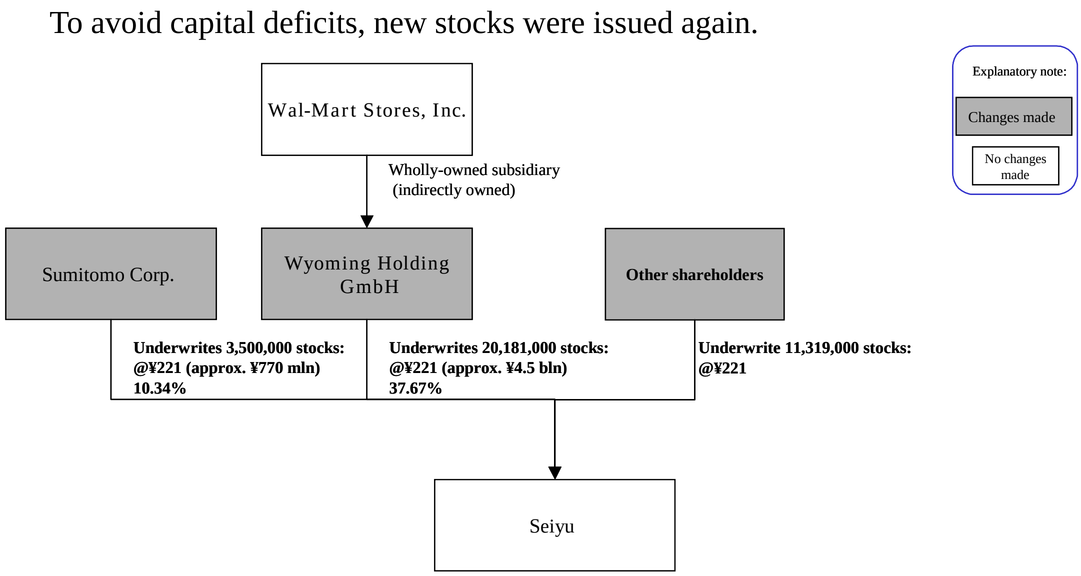
By exercising its subscription rights, Wal-Mart turns Seiyu into a subsidiary.



Source: Seiyu materials

JETRO

Fig VIII-5: Structure of shareholders relations in the alliance: 2nd stage



Source: Seiyu materials

③ BACKGROUND OF THE ALLIANCE[14]: WAL-MART ACHIEVES ITS LONG-HELD DESIRE TO ENTER THE JAPANESE MARKET

<History of the Alliance>

	1997:	Wal-Mart starts research aiming at entering the Japanese market; Japanese market is the second largest in the world after the US market, but Japanese consumers are so selective that foreign companies cannot easily enter the Japanese market.
		Seiyu's business results deteriorate. Costoco (US) enters the Japanese market in 1998 and Carrefour (France) in 1999, both independently, but face difficulties, which prove the unique characteristics of the Japanese market.
Mar	2002:	Wal-Mart and Seiyu announce the signing of a memorandum on a comprehensive business alliance; they also announce a capital alliance including issuance of new stocks and subscription rights to Wal-Mart. On the same day, Seiyu's board approves the issuing of new stocks to Wal-Mart and Sumitomo Corp.
May:		First issuance of new stocks is completed; 1st to 3rd issuance of subscription rights are completed.
Dec:		First subscription rights are exercised; signing of a business alliance agreement is announced; Wal-Mart's continuous low price strategy rollback starts.
Jan	2003:	Seiyu announces structural reform and a change to a committee-establishing company (approved at shareholders' meeting necessary).
Mar		Wal-Mart sends three directors to Seiyu.
May:		Seiyu become a committee-establishing company.
Aug:		Issuance of new stocks to Wal-Mart and Sumitomo Corp. is announced.
Oct:		Strategy changes to reinforcement of leaflet ad campaigns.

[14] Prepared from Seiyu's materials and media reports.

(2) Changes in Seiyu's management after the alliance[15]: concentration on retailing and reform of systems and distribution

①GOVERNANCE AND MANAGEMENT

Seiyu switched to being a committee-establishing company, which resembles a US corporate governance system. At the same time, it created the new Corporate Governance Policy, which clearly states that the representative director has powers to act for the company within the scope of delegation.

Five of Seiyu's 12 directors sent from Wal-Mart.

Seiyu reformed its organization into a flat structure.

Seiyu sold a finance service subsidiary Tokyo City Finance and a travel agency subsidiary, Pacific Tour Systems. It also integrated its delicatessen businesses into the subsidiary Wakana, and made the food supermarket Sunny in Fukuoka a consolidated subsidiary.

②SALES AND MARKETING

At first, to gradually introduce Wal-Mart's *every day low price* (EDLP) strategy, candidates to join a cooperative system were selected from among suppliers, while discount sales and distributions of leaflets were reduced.

Mainly due to the reduction of leaflet distribution, Seiyu suffered lower sales and final consolidated loss of ¥8.4 billion, for the interim financial report as of August 2003. As a result, Seiyu had to change strategy, including a return to the commonly used leaflet ads.

③BUSINESS PROCESS

Seiyu regards the first three years as a time for concentrating on converting store systems and improving distribution system.

a) Store system

Seiyu plans to introduce Wal-Mart's sales information system *retail link* (system of sharing sales and inventory information with producers and realizing prompt supplies), which it tested in 2003, into all of its stores within FY2004.

Seiyu also standardized store shelf layouts, having determined the most efficient shelf layout for about 70 categories of products, and is introducing the layout system into its stores.

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15 Prepared from Seiyu's materials and media reports.

b) Reform of distribution

Efforts to increase the efficiency of operations at the distribution center were implemented. At some centers, efficiency has increased by as much as 40%.

c) Opening new types of store

First *Supercenter*, Wal-Mart's main store chain, was opened in Shizuoka Prefecture. The store has Seiyu's brand name but is a pilot store of the Wal-Mart type.

④PERSONNEL

Seiyu solicited 1,500 early retirees, about 300 of whom were reemployed as part-timers. The company also plans to cut 650 employees by temporary transfers to a personnel service subsidiary and by helping them find new jobs under a reemployment support program. Through these measures, it will reduce employees by 2,150 and raise the ratio of part-timers among its employees to 85%.

(3) Impact of the alliance: some more time will be needed before financial results is improved

①IMPROVED FINANCIAL SITUATION

In the fiscal year ended in February 2003, Seiyu recorded appraisal losses on securities, including those of Seibu Department Store, amounting to ¥40.4 billion, a reorganization loss related to Tokyo City Finance amounting to ¥38.0 billion, and an extraordinary loss on provisions for bad debt reserves amounting to ¥9.9 billion, thereby restructuring its financial condition.

②BUSINESS RESULTS

Mainly due to reduced leaflet distributions, half-year sales as of August 2003 were down by about 4% from the same period of 2002. In October 2003, Seiyu changed its strategy again to reinforcing distribution of sales leaflets.

③COST-SAVINGS

Due to increased efficiency both in warehouse operations at the distribution center and in loads on distributing trucks, the cost reduction is estimated at around ¥1 billion per year.

IX. Financial Services

JETRO

1. AXA Group (France)/Nippon Dantai Life Insurance (present AXA Group Life Insurance)

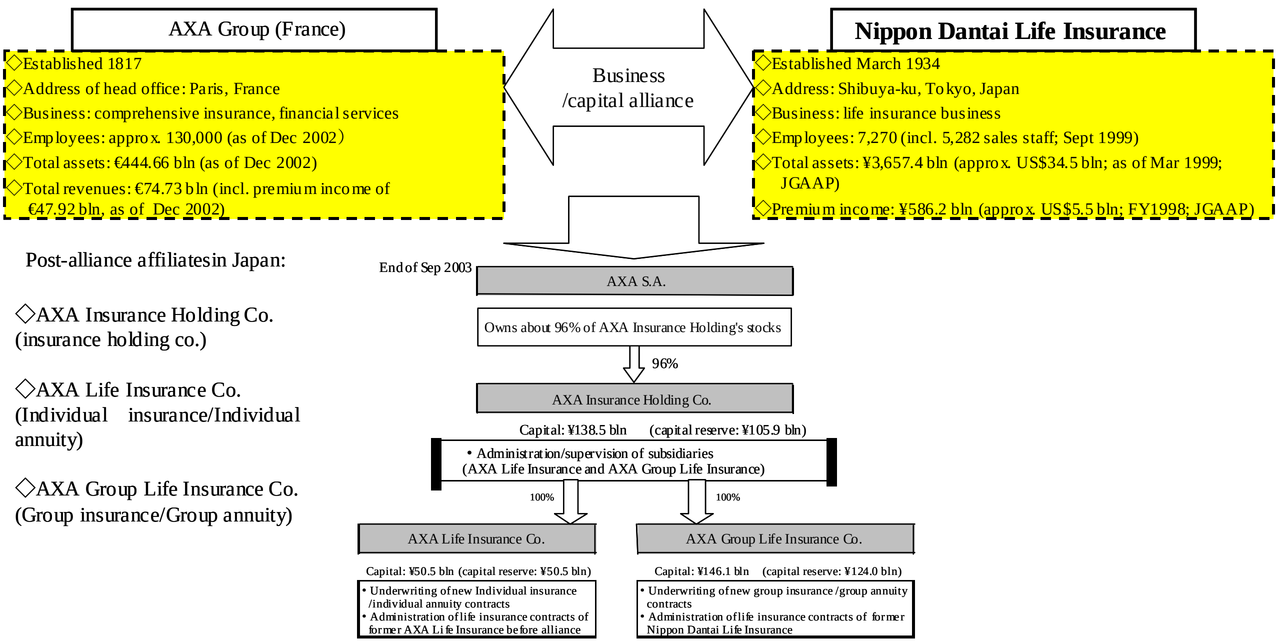
◆ **By forming an alliance with a global insurance and financial group, Nippon Dantai Life aims for success in the Japanese life insurance market.**

- ✓ **Nippon Dantai Life aims to survive and succeed in the mature Japanese life insurance market.**
- ✓ **AXA aims to improve its business performance in Japan by combining the customer base of Nippon Dantai Life and the global expertise of the AXA Group.**

(1) Outline of the alliance: world's largest insurance/financing group establishes a bridgehead in Japan.

In November 1999, Nippon Dantai Life Insurance, a leading group insurer in Japan, and AXA, a French major insurance/financial group, agreed on a comprehensive capital alliance. The aim was to establish a leading life insurance company in a new age of financing in the Japanese market by uniting the strengths of AXA, which operates a global insurance business, and those of Nippon Dantai Life.

The basic policies of the alliance are:



Source: AXA Group Life Insurance materials

[AXA Group]

Established: 1817

Address of head office: Paris, France

Business: comprehensive insurance, financial services

Employees: approx. 130,000 (as pf December 2002)

Shareholders' equity: €17,598 million (as of December 2002)

Total assets: €444.66 billion (as of December 2002)

Total revenues: €74.73 billion (for FY2002)

By region (insurance only): France 21%, other Europe 29%, US 19%, Asia and Oceania 13%, others 17%; operations in 50 countries

Management strategies: With insurance as the core business, AXA successively acquired insurers in Europe, US, and Asia, and established a position as one of the world's largest insurance and financial groups. It aims to be a global leader in the area of financial protection.

[Nippon Dantai Life Insurance Co. (pre-capital alliance situation)]

Established: March 1934

Address: Shibuya-ku, Tokyo, Japan

Business: life insurance business

Employees: 7,270 (including 5,282 sales staff; as of September 1999)

Sales network (as of September end)

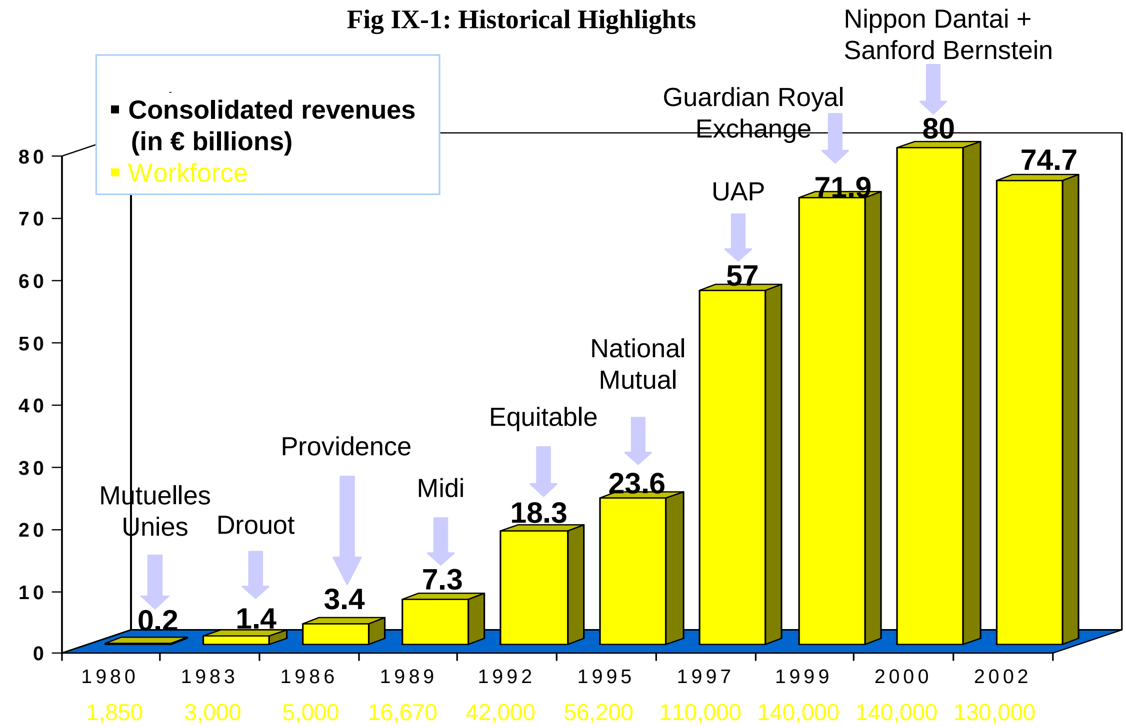
Nippon Dantai Life enjoys a high-quality sales force of:

- 5,282 salaried sales representatives (about 1,100 men / 4,200 women) fully dedicated to the CCI market and who have developed a very close relationship with CCIs throughout Japan.
- 501 independent in-house agents for corporate business
- 2,434 independent agents

Total Assets: ¥ 3.66 trillion (US$ 34.5 billion.) (as of March 1999 (JGAAP))

Premium income of ¥ 586 billion. (US$ 5.5 billion.) (for FY1998) (JGAAP))

Fig IX-1: Historical Highlights



Source: AXA Life IR materials

[AXA Group's bases in Japan as of September 2003]

(1) AXA Insurance Holding Co.

It was the first insurance holding company in Japan, established in March 2000 jointly by former AXA Life Insurance and former Nippon Dantai. The company manages its subsidiaries, AXA Life Insurance and AXA Group Life Insurance.

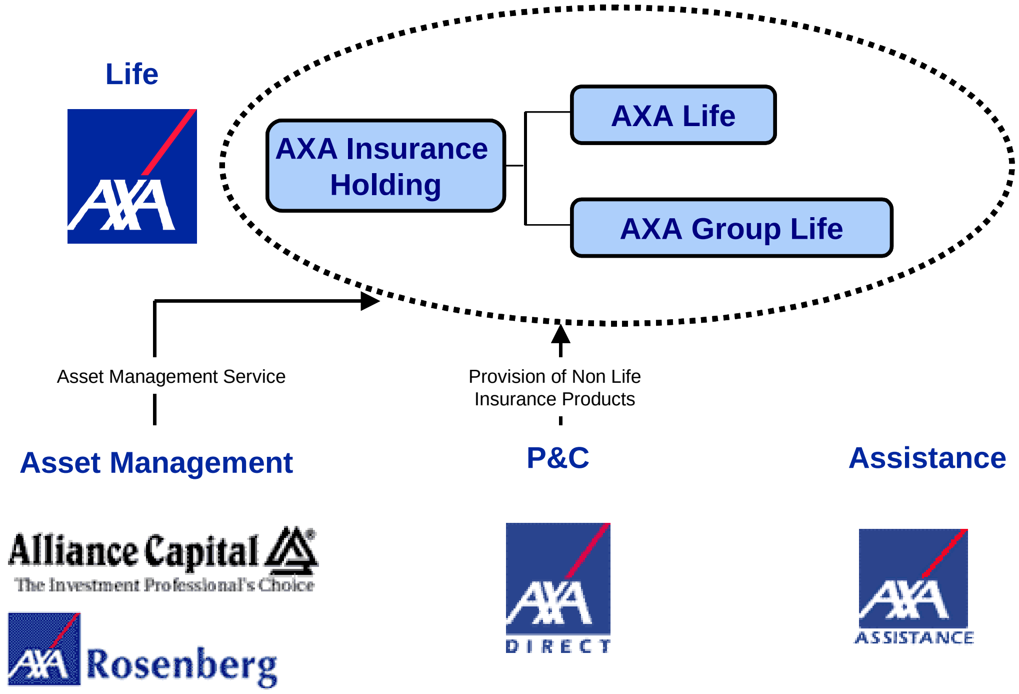
(2) AXA Life Insurance Co.

The predecessor is AXA Life Insurance was established in 1994 as AXA's base in Japan. AXA Life Insurance manages services for and contracts with customers of the former AXA Life Insurance, and underwrites new contracts for personal insurance and personal pension insurance.

(3) AXA Group Life Insurance Co.

Nippon Dantai Life Insurance Co. is the corporate name before alliance. It began specializing in group insurance and group pension insurance business after the alliance.

Fig IX-2: Presence in the Japanese Market



Source: AXA Life IR materials

(2) Background of the alliance: identifying with AXA's corporate philosophy, the former Nippon Dantai Life Insurance decides to enter into an alliance with the Group to compete successfully in the life insurance market

In the mature life insurance market with increasing competition, Nippon Dantai Life decided to form an alliance with a foreign company in a bid to become a winner in the market. From among alliance candidates, Nippon Dantai Life selected AXA as its partner, having highly evaluated its *Customer-Driven* corporate philosophy.

AXA set to provide its global expertise in product development, asset management, and information technology.

AXA highly evaluated Nippon Dantai Life's solid customer base, including chambers of commerce and industry, large businesses, and government agencies. To expand its business scale in Japan, AXA focused on establishing a strong distribution organization, targeting its own customer base composed mainly of small and medium-sized businesses through the chambers of commerce and industry.

<History of the alliance>

Nov 1999: Nippon Dantai Life and AXA reach an agreement on a comprehensive capital alliance.

Mar 2000: AXA Nichidan Insurance Holding Co. is established as the first insurance holding company in Japan. By the end of the month, the holding company issues new stocks for AXA. Its capital is increased to about ¥140.0 billion, over 90% of which was owned by AXA

Apr 2000: AXA Life Insurance and Nippon Dantai Life change their names to AXA Nichidan Life Insurance Co. and Nichidan Life Insurance Co., respectively, thus starting a new system as wholly-owned subsidiaries of AXA Nichidan Insurance Holding Co.

Note: After the alliance, Nippon Dantai Life changed its name to Nichidan Life in April 2000, and then to AXA Group Life Insurance in March 2001.

(3) Changes in former Nippon Dantai Life's management after the alliance: realizing *Customer-Driven* and efficient service by uniting French and Japanese business models.

①MANAGEMENT, GOVERNANCE, AND HR

a) Directors:

About a half of the directors of the three companies established after the alliance are foreign. Outside directors are newly appointed.

Table IX-1: Number of foreign directors in the three group companies

	Former Nippon Dantai Life	Former AXA Life Insurance	Insurance holding company
(1) Before alliance	0 (16 in total)	9/14	-
(2) Just after alliance	6 (12) (Name changed to Nichidan Life in April 2000)	4/10 (Name changed to AXA Nichidan Life in April 2000)	7/16 (AXA Nichidan Insurance Holding established in March 2000)
(3) As of June 2003	5 (9) (Name changed to AXA Group Life in March 2001)	4/7 (Name changed to AXA Life Insurance in March 2001)	7/12 (Name changed to AXA Insurance Holding in March 2001)

b) Employees

All employees belong to AXA Life Insurance and part of AXA Group Life Insurance's business is entrusted to AXA Life Insurance. A three-company one-group system is adopted.

c) Remuneration system (regular staff)

Performance-based remuneration system is introduced.

d) Human resource development

Human resource development and training are carried out globally. Training programs for managers from different countries (known as *Ambition AXA*) are held overseas to provide opportunities to have direct contact with managers from other group companies.

e) Change in IT governance

By standardizing its IT expertise globally, AXA maximizes its IT functions, raises cost effectiveness, and makes its level of services uniform. In Japan, it also adopts these strategies to promote centralized procurement, taking advantage of the global network, and to share the group's resources among members. In 2001, AXA transferred its data center to New Jersey, US

② BRAND MANAGEMENT

- One Brand: AXA
- One Field of activity: Financial Protection
- One Positioning: Close/Qualified

As part of its brand management, AXA produces a global manual so that its logo types and symbol marks are used according to a globally uniform standard, and distributes it to its member companies. Modeled after this global manual, the "VI (visual identity) Manual" is produced in Japan, too. This manual contains rules for using AXA symbol marks, and allows uniform management of the AXA brand.

Contents of VI Manual: ①ads (e.g., posters, CMs), ②letters, envelopes, and other forms, ③signboards for office buildings and indoor bulletin boards, ④ presentation support tools using PowerPoint, and ⑤ novelty goods for customers

③PRODUCT DEVELOPMENT/R&D

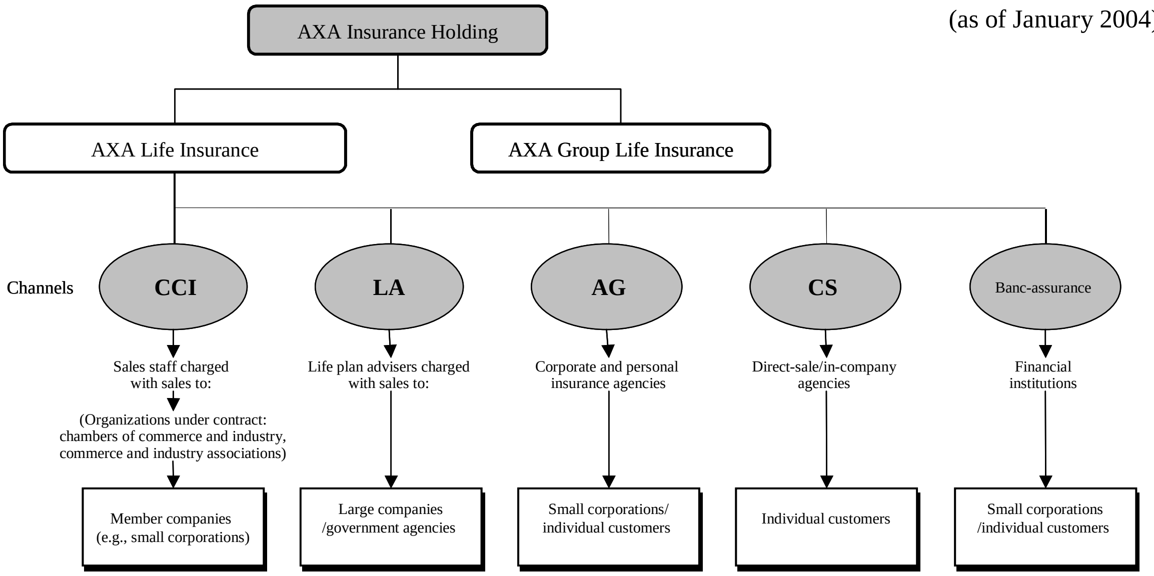
After the alliance, the parties carried out product integration and increased product types, thus promoting business growth through a strengthened product selection.

④SALES/MARKETING

To quickly and appropriately meet the needs of customers and business partners, five specialized sales channels were created.

Fig IX-3: AXA Group's life insurance business in Japan after the alliance

(as of January 2004)



Source: Data of AXA Life Insurance

The evaluation method of contracts won by sales staff was changed from an insurance coverage basis to a premium basis. Commendation and incentive plans unique to foreign businesses were introduced. Top performers are invited to commendation ceremonies overseas.

Since the selection of individual insurance products for members of the chamber of commerce and industry was made broader, the scope of sales staff's approaches to customers became wider. Solutions were offered to self-employed people and small business owners, and it became easier to obtain personal customers, such as employees of these companies.

The selection of medical insurance products for target organizations in the corporate solution channel was enhanced.

Using AXA's financial planning approach, synergies were achieved in the area of employee training.

Nippon Dantai Life's and AXA Life Insurance's agency channels were merged.

The executives of the chambers of commerce and industry, who play a key role in selling insurance plans to small and medium-sized corporations and self-employed people, were sometimes invited to AXA's head office in Paris, and to exchange views with representatives of the French Chamber of Commerce.

⑤Global-based ALM (Asset-Liability Management)

Global-based ALM is implemented to optimize asset portfolio and risk-adjusted returns.

⑥CUSTOMER SERVICE

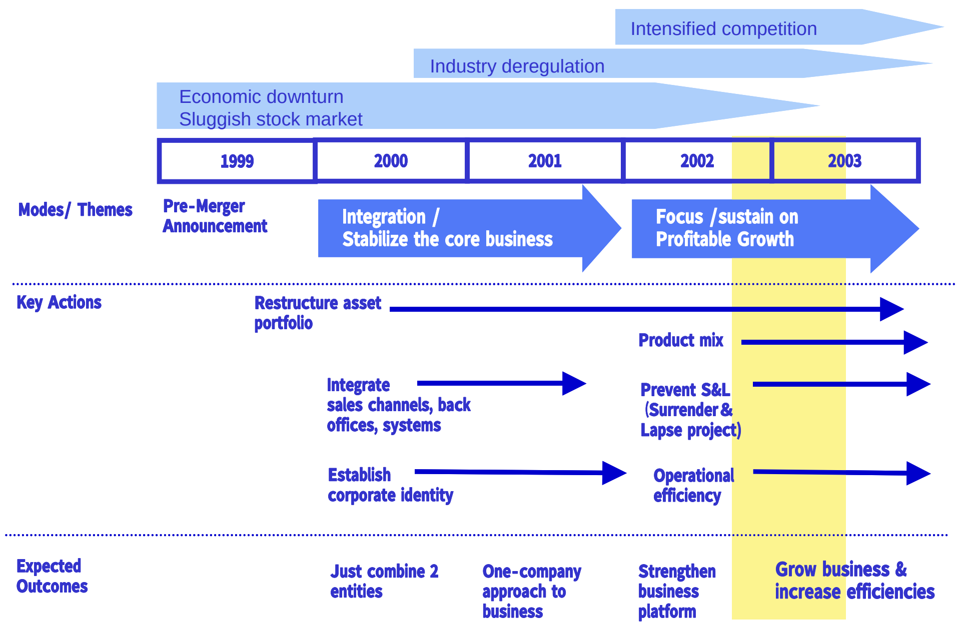
The Customer Service Center was opened, and functions including those for preventing cancellations were centralized there.

(4) Impact of the alliance: from integration to growth, prospects for succeeding in the life insurance market are appearing

①STRATEGIES FOR GROWTH WERE IMPLEMENTED SUCCESSIVELY THROUGH POSITIVE MANAGEMENT EFFORTS

Key products were selected and the product mix was restructured (strategy of emphasizing products with a balance between earnings and customer needs); priorities for growth, e.g., diversification of sales channels, were achieved.

Fig IX-4: Strategies for growth carried out in succession through positive management



Source: AXA Life IR Materials

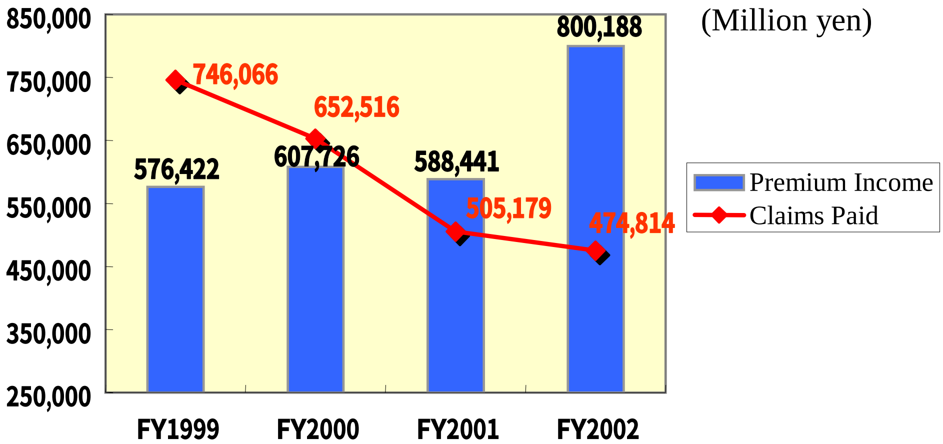
②IMPROVED FINANCIAL RESULTS

a) Premiums and other earnings are increasing and insurance payments and other payments are decreasing (AXA Life Insurance Group, JGAAP-based data)

Earnings at ¥800.1 billion, 136.0% year to year (for FY2002)

Payments at ¥474.8 billion, 94.0% year to year (for FY2002)

Fig IX-5: Premium Income and Claims Paid
(AXA Life + AXA Group life, JGAAP)



Source: AXA Life IR Materials

b) S&P rating rises sharply

Nippon Dantai Life's pre-alliance S&P rating in 1999 was Bpi. (When rating a business based only on its financial data, S&P attaches pi after the rating mark.)

After the alliance, the group received an A+ rating in September 2000 and AA in October 2001.

c) Improved financial results in the latest financial accounts (AXA Life Insurance Group, JGAAP-based data)

《Fiscal Year 2002》

Amount of New business (Individual business):¥1,744.5 Billion (113.3% of the previous year)

Amount of Surrender and Lapse:¥1,511.8 Billion (91.1% of the previous year)

Surrender and Lapse rate :AXA Group Life 8.7%,AXA Life 13.8%

Combined 10.0% (0.7 point down of the previous year)

In force sum assured(Individual insurance): ¥12,986.3 Billion (100.2% of the previous year)

Premium income : ¥800.1 Billion (136.0%of the previous year)

Claims paid: ¥474.8 Billion (94.0%of the previous year)

《First half of Fiscal Year 2003》

Premium income (Individual business)：115.8% of the previous year

Amount of Surrender and Lapse rate：4.71% (down from 5.20% previous year)

*S&L rate down to 4.10% at AXA Group Life

AXA Group Life posted net income of ¥26.4 Billion

Level of basic profit improved

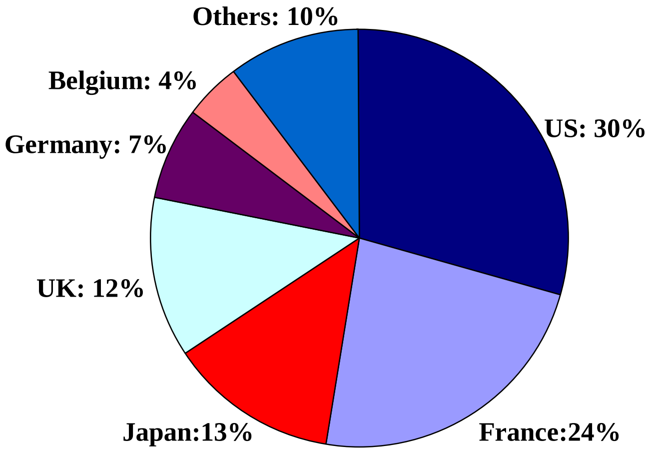
Solvency Margin Rate：AXA Life 1,231.5%, AXA Group Life 530.0%

Ratings (S&P, R&I)：AA- (AXA Life, AXA Group Life)

③ADVANTAGES TO AXA GROUP

The AXA Group's presence in the Japanese market was strengthened remarkably by the alliance. In March 1999, before the alliance, AXA Life Insurance (AXA's Japanese subsidiary) had premium income of ¥13.59 billion and total assets of ¥30.09 billion. In March 2003, the combined performance of AXA Group Life Insurance and AXA Life Insurance jumped to premium income of ¥800.19 billion (10th in the industry) and total assets of ¥3,484.7 billion. Thus, the AXA Group established a strong foothold in the Japanese market.

Fig IX-6: Life & Savings revenues by region (2003)
(AXA Group 2003 Annual Result, FGAAP)



Source: Annual Report of AXA Life Insurance

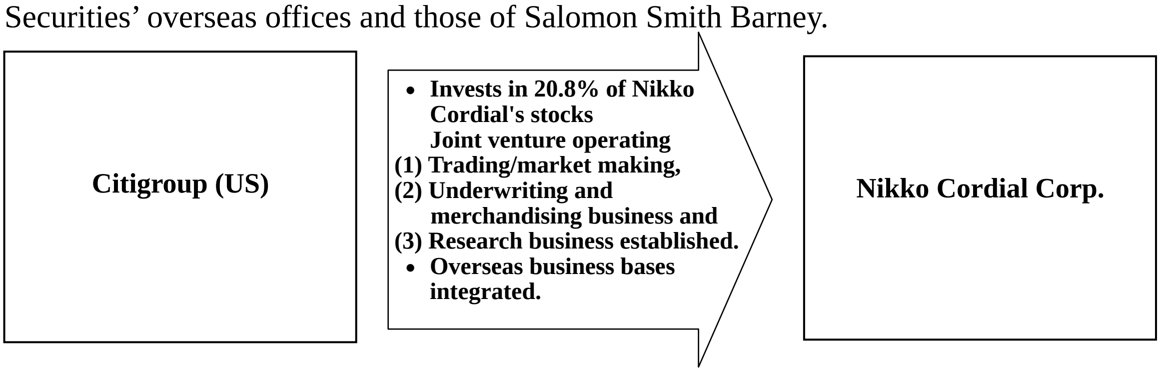
2. Citigroup (US)/Nikko Cordial Corp.

◆ **US company's objectives matched those of the Japanese company: while the former wants to increase its business in Japan, the latter wants to reinforce its business base in the post-Big Bang environment of tough competition.**

- ✓ **World's top financial group and one of Japanese former big four securities companies form an alliance.**
- ✓ **Nikko Cordial Corp. strengthens its capital by Citigroup's capital investment.**
- ✓ **Nikko Cordial develops new products with Citigroup.**
- ✓ **New wholesale securities company[16] was established by a merger with former Salomon.**
- ✓ **Nikko Cordial became a top company among foreign and bank wholesale securities companies.**
- ✓ **New wholesale business also provided positive impacts on Nikko's consolidated financial statements.**

(1) Outline of the alliance

On June 1, 1998, former Travelers' Group (present Citigroup) and former Nikko Securities (present Nikko Cordial Corp.) announced an alliance plan. The parties agreed to increase the former Travelers Group's investment in former Nikko Securities to 25%. Other agreements included the establishment of a joint-venture operating (1) trading and market making of securities, (2) underwriting arrangement of products, and (3) research by former Nikko Securities (share: 51%) and former Travelers (49%), acquisition of former Travelers' stocks by former Nikko Securities, and integration of former Nikko Securities' overseas offices and those of Salomon Smith Barney.



16 Wholesale business includes trading/market making, underwriting and sales, and research. By contrast, retail business mainly includes sales to individual customers (e.g., brokerage). Market making means providing quotation and serving as a trading partner for the customer who trade securities outside the exchange.

① OUTLINE OF THE PARTIES: WORLD'S TOP FINANCIAL GROUP AND ONE OF JAPANESE FORMER BIG FOUR SECURITIES COMPANIES FORM AN ALLIANCE

[Citigroup, Inc.]

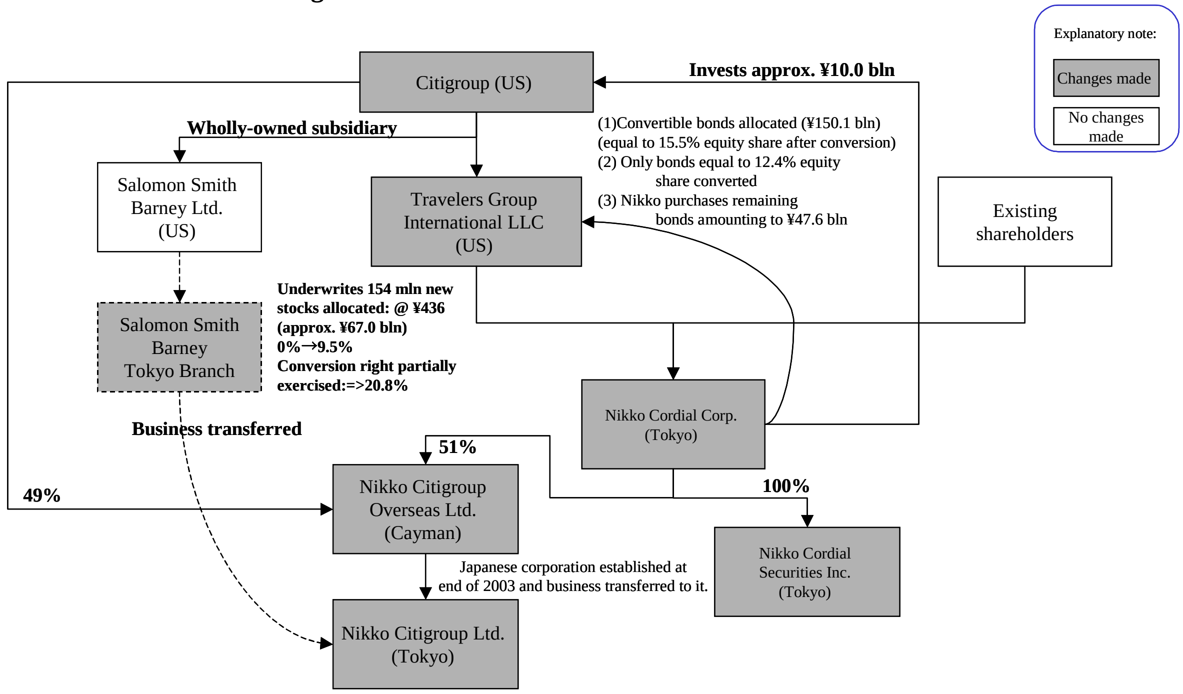
Head office: New York City, New York, US
Business: financial services
Shareholders' equity: $86.7 billion (as of December 2002)
Employees: approx. 131,000 (as of December 2002)
Sales: $71.3 billion (for FY2002)
Profit: $15.2 billion (for FY2002)
Listed: NYSE

[Nikko Cordial Corp.]

Established: 1944
Head office: Tokyo
Business: financial holding company
Shareholders' equity: ¥649.3 billion (as of March 2003, consolidated)
Employees: 8,464 (as of March 2003, consolidated)
Operating income: ¥284.2 billion (for FY2002, consolidated)
Net loss: ¥21.6 billion (for FY2002, consolidated)
Listed: First Selection, TSE

②OUTLINE OF THE ALLIANCE [17]: THE NIKKO CORDIAL CORP.'S CAPITAL INCREASED IN EXCHANGE OF INVESTMENT IN CITIGROUP

Fig IX-7: Structure of shareholders in the alliance



[17] Based on media reports, press releases, and disclosure materials.

③Background of the Alliance[18]: A New Company in the Wholesale Business Established by Merger with Former Salomon

A history of the alliance is summarized below:

<History of the Alliance>

Jan 1998:	Former Travelers' Chairman Weil and former Nikko Securities' Chairman Kaneko meet and talk about their future visions.
Apr:	The two chairmen meet again. Alliance negotiations start after they discuss strategies at a second two-day conference.
End of May:	Full alliance between former Travelers (present Citigroup) and former Nikko Securities are reported; Travelers' capital participation in Nikko Cordial and establishment of a new company are planned (formally announced on June 1).
Oct:	Citicorp and Travelers are merged, establishing Citigroup. Former Nikko Securities begins interviews to select employees to be transferred to the prospective joint venture.
Nov:	Former Nikko Securities starts soliciting corporate customers for the prospective joint venture.
End of Jan 1999:	Due to delay in Financial Services Agency's relaxation of firewall policy, delay to joint venture plan is announced (originally scheduled for Jan. 1999).
Mar:	Joint venture Nikko Salomon Smith Barney starts wholesale securities business.
Mar 2000:	Convertible bonds held by Citigroup are converted into stocks, making Citigroup the largest shareholder of Nikko with 20.7% share.
Feb 2001:	Integration of two trust services is announced. (Nikko Trust and Cititrust)
Oct:	Former Nikko Securities is reorganized into a holding company, Nikko Cordial Corp.

[18] Based on media reports, press releases, and disclosure materials.

(2) Changes in Nikko's management after the alliance[19]: Nikko Cordial develops new products with Citigroup

①GOVERNANCE AND MANAGEMENT

Citigroup sends only one outside director to Nikko Cordial's board. Some insiders recognize that the wholesale business, which was transferred to the joint venture with Citigroup, is virtually controlled by Citigroup.

②SALES AND MARKETING

The sales and marketing activities for wholesale and retail businesses are carried out separately, the former by Nikko Citigroup and the latter by Nikko Cordial.

New product development activities started including one in which Nikko Cordial sells Citigroup-developed products.

③PERSONNEL AFFAIRS

a) Personnel cutbacks

Several methods were used to reduce the number of employees; selected wholesale staff at former Nikko Securities were transferred to Nikko Citigroup, and former Nikko Securities and Nikko Cordial introduced optional retirement plans, and voluntary retirement.

b) Improved efficiency

Flexible and efficient human resource management and benefit plans were established by the adoption of annual salary plans etc. Stock price indexed bonuses and stock option plans were also introduced to give incentives to employees.

[19] Based on Nikko Cordial's disclosure materials and media reports.

(3) Impact of the alliance: Nikko Citigroup becomes the top company among foreign and bank-related wholesale securities companies, while contributing to improved consolidated financial statement

①IMPROVEMENT IN FINANCIAL SITUATIONS

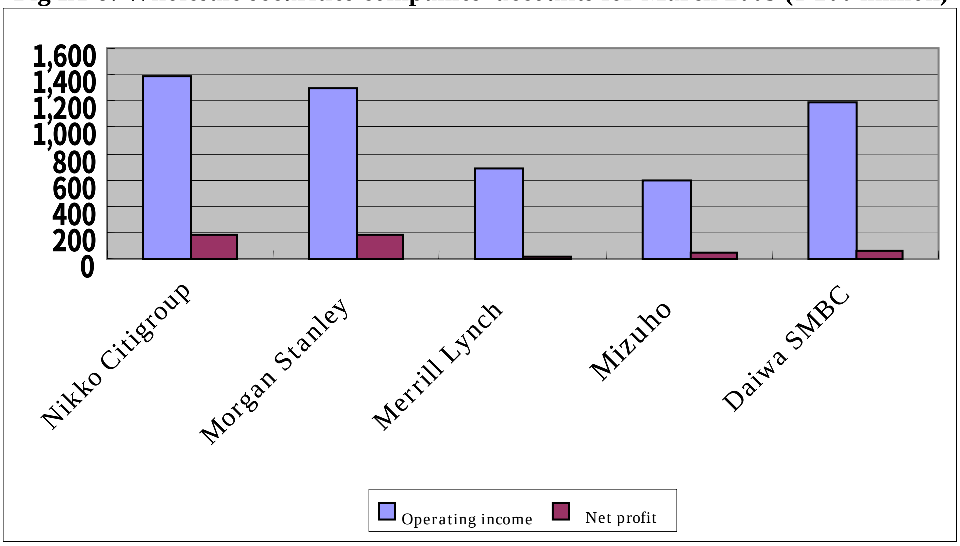
A large-scale restructuring plan was announced in November 1998. Domestic assets were cut by about ¥100 billion, and overseas assets by about ¥2,500 billion.

Furthermore, securities companies' stocks owned by the Group were transferred gradually. The sale of Tokyo Securities was announced in February 2002, and that of Nippon Global Securities was announced in February 2004.

②BUSINESS RESULTS

For wholesale securities services, Nikko Citigroup realized top-level performance in terms of both scale and profits among securities houses that are affiliated to foreign and bank-related competitors.

Fig IX-8: Wholesale securities companies' accounts for March 2003 (¥ 100 million)



Sources: Nikko Cordial Group's data and "Nikkei Financial Annual Report Spring 2004" (published by Rating and Investment Information, Inc.).

Wholesale business also significantly contributes to Nikko Cordial Corp.'s consolidated financial statements.

Fig IX-9: Nikko Cordial Corp. and its main subsidiaries[20]: accounts compared (¥100 million)

Nikko Cordial Corp.

	Mar 02	Mar 03
Operating income	2,883	2,842
Operating profit	39	297
Net profit	-663	-216

Nikko Citigroup
(former Nikko Salomon Smith Barney)

	Mar 02	Mar 03
Operating income	1,326	1,381
Operating profit	287	321
Net profit	158	186

Nikko Cordial

	Mar 02	Mar 03
Operating income	583	1,249
Operating profit	-102	65
Net profit	-418	3

Source: Nikko Cordial Corp.'s materials

[20] The Nikko Cordial Corp. has some other subsidiaries including Nikko Beans Securities.

X. Others

1. WPP Group PLC (UK)/Asatsu Inc. (present Asatsu D.K.)

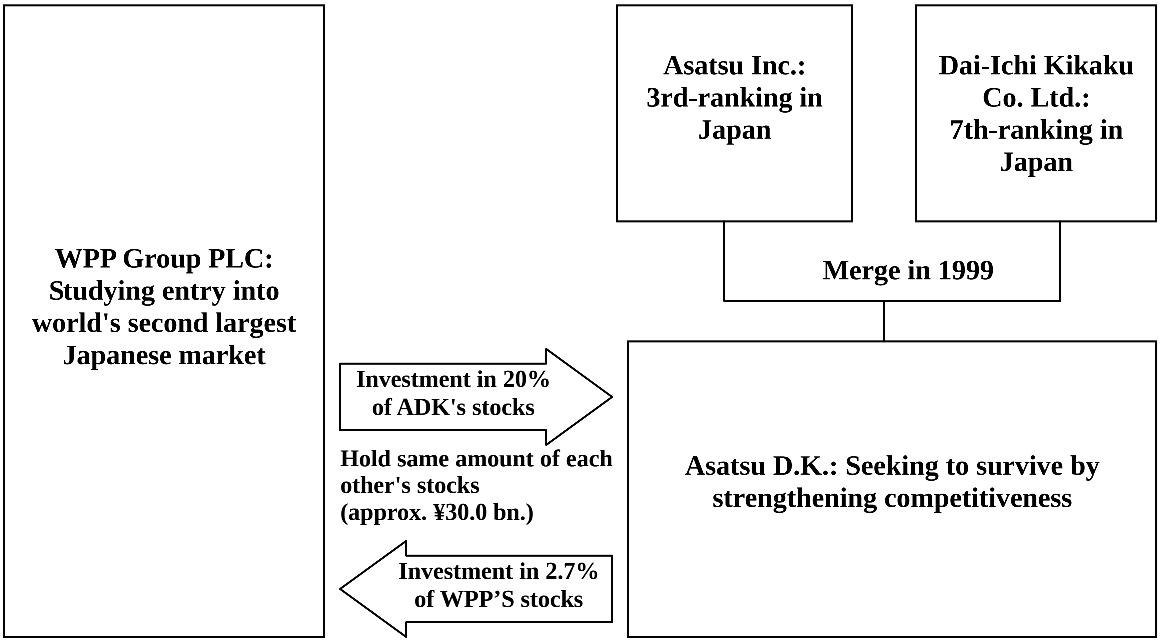
◆ **The objectives of WPP Group (UK), the world's second largest ad company, and those of Asatsu Inc. (at present Asatsu D.K.) agreed: while the former was considering entry into the Japanese market, the latter was faced with the need to reinforce its competitive strength by attracting foreign advertisers and overseas business. The partners were aiming at a win-win alliance.**

- ✓ **WPP Group concludes a capital and business alliance agreement with Japan's third largest ad company, Asatsu Inc., and gains a foothold for Japanese market entry.**
- ✓ **Asatsu benefits greatly from the alliance with the WPP Group, including increased domestic and overseas business and cost savings through joint purchasing.**
- ✓ **Asatsu's alliance with WPP Group companies is maturing, and the introduction of expertise is progressing.**

(1) Outline of the alliance: WPP concludes a capital and business alliance agreement with Japan's third-ranking ad agency, Asatsu Inc., and gains a foothold for Japanese market entry

In July 1998, WPP, the world's second largest ad agency group (London; WPP), and Asatsu Inc. concluded a capital and business alliance agreement, through which they would hold each other's stocks.

While WPP can gain a foothold for Japanese market entry, Asatsu D.K. (ADK) can take advantage of WPP's global networks to reinforce services for Japanese businesses overseas. In Japan, too, ADK will achieve more efficient media use and strengthen ad production and marketing by introducing and using WPP's expertise.



[WPP Group PLC]

Established: 1985

Head office: UK

Business: service industry; one of the world's top three ad and marketing groups along with Omnicom Group (US) and Interpublic Group; operates about 1,400 offices in 103 countries; group companies include Young & Rubicum (US), Ogilvy & Mather (UK), and J.W. Thompson (US).

Shareholders' Equity: £ 3,675.60 million (as of December 2002)

Employees: approx. 62,000 (entire group)

Sales: £ 18,028.00 million (for FY2002, consolidated)

Net profit: £ 272.00 million (for FY2002, consolidated)

Listed: LSE, NASDAQ

[Asatsu Inc.]

Established: 1956

Head office: Tokyo

Business: service industry: 3rd-ranking ad agency in Japan

Paid in Capital: ¥37,198.86 million (as of December 1998)

Employees: 1,255 (as of December 1998)

Sales: ¥223.1 billion (for FY1988, consolidated)

Recurring profit: ¥4.1 billion (for FY1988, consolidated)
Listed: First Section, TSE

[Asatsu D.K.]

Established: 1999
Head office: Tokyo
Business: service industry; 3rd largest ad agency in Japan after Dentsu and Hakuhodo; established in 1999 by the merger between Asatsu (3rd-ranking then) and Dai-Ichi Kikaku (7th-ranking).
Paid in Capital: ¥37,581.36 million (as of December 2002)
Employees: 1,873 (as of December 2002)
Sales: ¥373.9 billion (for FY2002, consolidated)
Recurring profit: ¥5.2 billion (for FY2002, consolidated)
Listed: First Section, TSE

(2) Background of the alliance: WPP's objective of Japanese market entry and that of Asatsu of reinforcing its global competitiveness through an alliance agree.

WPP regarded France, Australia, and Japan as the three important areas. Aiming at entering the Japanese market, the Group contacted Asatsu Inc. and other Japanese ad agencies.

Asatsu Inc., the third-ranking ad agency in Japan, decided to merge with Dai-Ichi Kikaku. To survive in a market that is increasingly monopolized by Dentsu and Hakuhodo, there was an urgent need for Asatsu not only to expand its business scale, but also to increase its competitive strength through an alliance with a global leader.

With the agreement on their objectives, in August 1998 the two sides signed an agreement on a capital and business alliance by mutually holding new stocks. WPP held 20% of ADK's stocks (amounting to about ¥30.0 billion), and ADK purchased the same amount of WPP's stocks. However, because the merger of Asatsu Inc. and Dai-Ichi Kikaku had not been completed when the alliance was concluded, WPP took up 23.5% of Asatsu's stocks, ADK's predecessor (The ratio was changed to 20% after the merger).

<History of the Alliance>

Jul	1998:	Merger between Asatsu Inc. and Dai-Ichi Kikaku is announced.
Jul	1998:	Asatsu Inc. concludes a capital alliance and business alliance agreement with WPP Group (UK); WPP acquires 23.5% of Asatsu's stocks.
Jan	1999:	Following the merger, Asatsu Inc. changes its name to Asatsu D.K.

(3) Changes in ADK's management after the alliance: greater domestic and overseas business and cost savings through joint purchases achieved by the alliance with the WPP Group

①MANAGEMENT/GOVERNANCE/PERSONNEL

The partners send one part-time director to take part in each other's management.

②SALES/MARKETING

Cooperation and joint business with WPP Group global businesses in sales and marketing achieved both at home and overseas.

In addition to exchanging management expertise and other information with WPP, ADK's business relations with WPP in sales have become closer. There have been alliances with leading WPP Group ad companies in creative fields, joint use of the office, and as an intermediary between WPP members and Japan's mass media, which has allowed ADK to correct an uneven distribution of management resources from a global viewpoint.

③COST SAVING

a) Procurement of materials

ADK centralizes buying with WPP Group companies, allowing it to save on the costs of materials in the creative section.

b) Localization of staff

To raise the efficiency of overseas business, ADK uses WPP Group's human resources, thereby localizing its personnel and reducing the need to send Japanese staff overseas, which would result in higher housing and other costs.

(4) Impact of the alliance: ADK's client base expanded by alliance with, and introduction of expertise from WPP Group companies

① JOINT SALES WITH WPP GROUP COMPANIES

As its alliance with WPP Group companies has strengthened, ADK can now cooperate not only in winning new Japanese clients, but also in establishing overseas business bases. A recent example is the strengthening of relations with the largest US ad company J.W. Thompson, a WPP member: ADK is working with Thompson to find new clients among Japanese advertisers, using its ability to produce effective ads both for Japanese and foreign media as a weapon.

② INTRODUCTION OF EXPERTISE FROM THE WPP GROUP

In cooperation with the WPP Group's Creative Syndicate[21], ADK introduces the latest creative expertise in the US into the Japanese market. As a result, ADK's share of foreign clients to non-consolidated sales in Japan has reached about 25%, a relatively high figure for Japanese ad agencies according to changing needs.

ADK is more highly rated not only by foreign clients but also by Japanese clients, who request new services from ad agencies according to changing needs.

[21] A federation of the six affiliates of the WPP Group specializing in creative business in North America, with which ADK is allied. Known as the *Syndicate*.

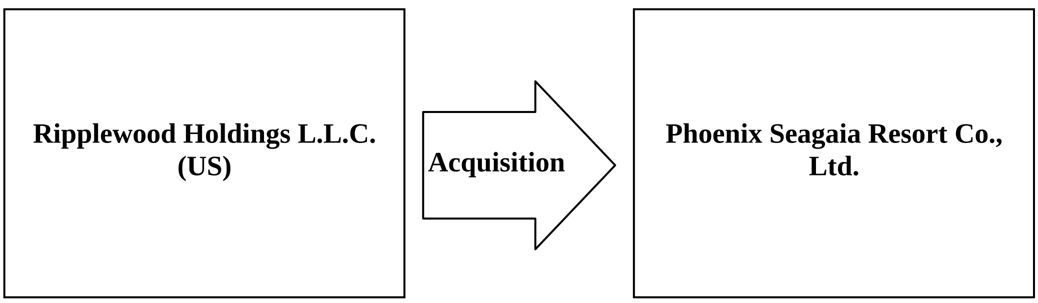
2. Ripplewood Holdings (US), Starwood (US), and Troon Golf (US)/Phoenix Seagaia Resort Co., Ltd.

◆ **A bankrupt local company operating large-scale resort facilities was successfully reorganized upon accepting an investment from a US private equity firm.**

- ✓ **In February 2001, Phoenix Resort Co., operator of Miyazaki Seagaia, went bankrupt. The company was reorganized under the leadership of Ripplewood Holdings, a US private equity firm.**
- ✓ **Management of hotels and other resort facilities was entrusted to a global hotel group and a leading golf course operator in the US.**
- ✓ **By introducing Starwood's global management systems and the slogan "coexisting with the regional economy," Phoenix emphasizes cooperation with local businesses and contributing to the community.**
- ✓ **Through positive investment and balanced cost-saving efforts, Phoenix is achieving a recovery in its performance.**

(1) Outline of the alliance: management of main business entrusted to US professionals

The Phoenix Seagaia Resort (Seagaia) grew into a comprehensive resort facility under the management of Phoenix Resort Co. Due mainly to large debts and resulting heavy burden of interest payments, Seagaia suffered financial difficulties, and in February 2001, applied for the procedure under Corporate Rehabilitation Law. It was agreed that the reorganization would be carried out by Ripplewood Holdings L.L.C. (Ripplewood) as a sponsor. Management of resort facilities other than the golf course business was entrusted to Starwood Hotel & Resort Worldwide, a global hotel group, while golf course management was entrusted to Troon Golf Co.



[Ripplewood Holdings L.L.C.]

Well-known investment projects in Japan include the purchase of the former Long-Term Credit Bank (Shinsei Bank), Columbia Japan, and Japan Telecom.

Established: 1995

Business: private equity investment

Address: New York, NY, US

CEO: Timothy C. Collins

[Starwood Hotel & Resort Worldwide, Inc.]

Global hotel/resort group owning Sheraton and Westin Hotels

Established: 1995

Address: Whiteplain, NY, US

Business: hotel/resort management

Employees: about 110,000 (in 80 countries)

[Troon Golf L.L.C.]

Global leader in golf course management operating in 11 countries

Established: 1990

Address: Arizona, US

Business: golf course management

Employees: about 5,000

[Phoenix Resort Co., Ltd.]

Established: December 1988

Address: Miyazaki, Miyazaki Pref.

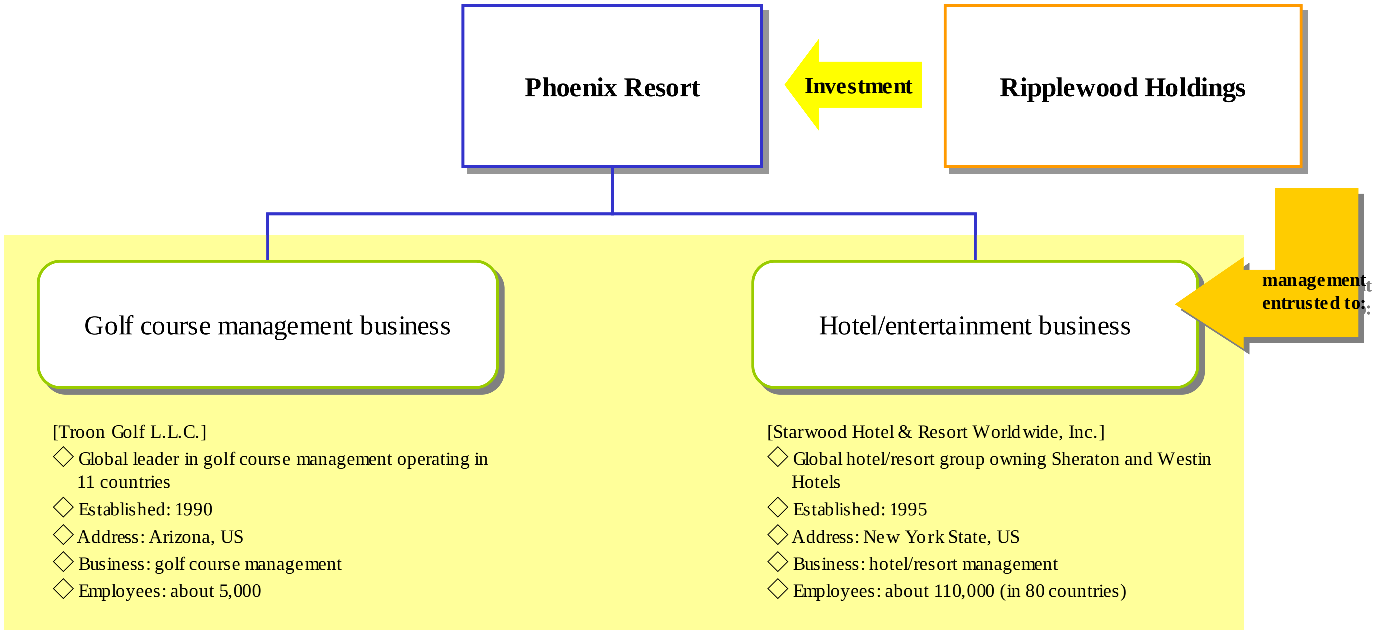
Business: management of hotels, golf courses, etc.

CEO: Michael F. Glennie

Paid-in Capital: ¥5,170 million (as of December 2003)

Employees: about 1,500 (including part-timers)

Fig X-1: Management system of Phoenix Seagaia Resort



(2) History of the reorganization: golf course and hotel/entertainment sectors reorganized in two phases

Seagaia was constructed as a comprehensive resort facility to be jointly operated by five companies including Phoenix. However, as construction work was started after the economic bubble burst, much larger debts than originally planned were incurred. The result was an excessive burden of interest payments, which caused Phoenix to fall into financial difficulties, and its main bank stopped any further financing.

Ripplewood was appointed a sponsor for reorganization, and it was agreed that Ripplewood would lead Phoenix's reorganization.

The reorganization plan was started as a two-phase plan (Phase III will be carried out, too) at first. Details of Phases I and II are as follows:

Phase I: rehabilitation of the golf course sector: investment mainly in (1) establishing a golf academy supervised by a famous American golfer, (2) repairing the golf courses, and (3) refurbishing the interior and the exterior of the clubhouses

Phase II: rehabilitation of the hotel sector: plans include (1) constructing hot spring facilities and Japanese gardens, (2) constructing new restaurants, (3) reconstructing the hotel entrance, and (4) refurbishing deluxe rooms (200 rooms).

Seagaia's Phoenix Country Club was highly rated as a prestige golf course where the Dunlop Phoenix Tournament has been held every year. It was considered certain that if additional investments were made to upgrade the course, the club would bring in high returns. This was why rehabilitation of the golf course sector was given priority.

Both in Phase I and in Phase II now in progress, the concept of a Japanese style is emphasized. This is because Starwood's basic strategy is to adopt and respect the culture of the areas where its hotels are located.

Fig X-2: History of Phoenix's reorganization

May 2001	Reorganization procedure determined; reorganization manager appointed
	■ Sponsor determined (Ripplewood Holdings)
Jul 2001	Reorganization plan submitted
Aug 2001	All of about 1,500 Phoenix employees are fired and are reemployed excluding 132
Sept 2001	Phoenix Green and Phoenix Linen Service merge; Miyazaki City Phoenix Natural Zoo restarts as third-sector entity;
Sept 2001	■ Phoenix's new president appointed; Ripplewood acquires the three companies' new stocks and obtains management rights; Michael F. Glennie becomes president.
Oct 2001	Phoenix Kokusai Kanko is merged.
Dec 2001	■ Management companies are determined (Starwood Hotel & Resort Worldwide and Troon Golf).
Jan 2002	Kitago Phoenix Resort is merged; Phoenix restarted under Sheraton brand.

*Phases I and II started subsequently

Source: Phoenix's PR materials

(3) Changes in Phoenix's management after the alliance: merit system, clear targets and performance ratings, and coexistence with the community

①MANAGEMENT AND GOVERNANCE

In 2002, eight persons, including COO Neal Parmer, became new directors of Phoenix's hotel/entertainment sector (two Japanese and six foreigners). Since then, Phoenix has been managed by US-style resort operation methods under the management mainly composed of staff from Starwood.

Personnel evaluation based on US-style merit system and clear performance targets.

②COEXISTENCE WITH THE COMMUNITY/CONTRIBUTION TO THE COMMUNITY

Phoenix is keenly aware of environmental conservation and contributing to the community when doing business. For example, it focuses a lot of energy on conserving pine forests by planting more pine trees than are felled. It also maintains pine forests by, for example, taking measures to minimize insect damage.

③MARKETING

In 2001, Starwood posted Mike Kondo, aged 30 at that time, to Phoenix as sales director, to take the lead in reorganization activities.

Reforms focused on three points: (1) hardware, (2) software, and (3) human resources.

Marketing and administration are measured quantitatively; the age groups of customers, unit price per customer, number and prices of guestrooms provided to agents, guestroom occupancy ratios, etc. checked.

The first reform was to strengthen bridal market strategies. While existing hardware for bridal fair was used, the plan names and ads were refined. As a result, the first bridal fair attracted 2,000 attendees, and 80 couples signed wedding ceremony contracts with the hotel.

Domestic and overseas tourist promotional activities are often performed in alliances with Miyazaki Prefecture, local businesses in the prefecture, and other organizations.

④BUSINESS PROCESS

Formerly, a number of decisions and approvals were needed at Phoenix in the process from planning to implementation. At present, approvals are required from only four to five persons at most. Matters are decided basically by the top-down method, so the time needed for implementation has been shortened remarkably.

⑤PERSONNEL SYSTEMS AND EMPLOYEE EDUCATION

Due to attrition and other causes, the number of Phoenix employees decreased to about 1,000, a substantial fall from its peak.

The outplacement of dismissed employees was entrusted to an outplacement agency so that they could find new jobs in the area.

The personnel system is changing from a seniority system to a merit system, and some able young employees have been promoted to managerial positions.

A two-way evaluation system has been adopted; superiors evaluate subordinates, while subordinates evaluate their superiors.

To develop human resources according to Starwood's global standard, Phoenix created a globally uniform training program known as *Starwood Care*.

⑥**CORPORATE CULTURE**

Motivation and competition are increasing among employees because of equal opportunities given to all employees. In addition, a commendation system was introduced to enhance employees' motivation. This system is used not only in Miyazaki, but also in other areas of Japan and in Starwood's global network.

Starwood's manager-level personnel are working energetically, which is stimulating many Japanese employees.

(4) Impact of the alliance: brand strategies on track, and cost savings in progress

Hotel/entertainment and golf course businesses are becoming the main income sources.

①**HOTEL BUSINESS:**

A healthy increase in customers is expected, and the bridal sector is doing especially well. The bridal sector now holds a fair twice a year, during which nearly 100 couples, mainly from Miyazaki Prefecture, sign wedding ceremony contracts with the hotel per day.

②**GOLF COURSE BUSINESS:**

This business is very profitable mainly because the *golf courses with hotel accommodation* strategy in cooperation with the hotel sector is achieving synergies. While almost all golf courses in Japan are reducing green fees, Phoenix's courses can expect a high customer-attracting rate even if the fees are raised, except during the off-season in summer. The high customer-drawing ability is due mainly to the fact that high-class golf courses are still supported by golfers, and to the advertising effect of the fact that the course has been redesigned, and that Tiger Woods and other well-known golfers have played there.

③**ENTERTAINMENT BUSINESS:**

The Ocean Dome, which recorded large, chronic deficits in the past, is improving its financial results due to substantial reductions in operation costs. Reforming and strengthening its operations will be the subject of Phase III.

(5) Barriers and problems associated with the alliance

①ORGANIZATIONAL PROBLEMS:

The comments on new Phoenix, including those from outsiders, are that it is not easy to understand its organization and areas of authority, which are unique to US companies (For example, they are often at a loss as to which section to contact about an offer). Phoenix should explain to outsiders the changes made after the introduction of capital, and where to contact.

②BUSINESS PARTNERS ARE SURPRISED AT OUR YOUNG MANAGER

Some Japanese business partners feel out of place with a corporate culture that positively promotes young and able people to managerial posts.

[Reference]　List of M&A Advisors in Japan

The list below is based on M&A related materials and interviews with the relevant firms as of March 2004, unless otherwise noted. All addresses are in Japan.
(In random order.)

1. Nomura Securities Co., Ltd.

Business Category	Securities Company/Investment Bank
Responsible Division/Personnel	Mergers & Acquisition Advisory Department.
Postal Code	100-8130
Address	Urbannet Bldg. 11th Floor, 2-2-2 Otemachi, Chiyoda-ku, Tokyo
Telephone Number	+81-3-3281-2031
FAX Number	+81-3-3272-8993
URL	http://www.nomura.co.jp/
Number of Professionals	About 80 (as of December 2003)
Number of Professionals (outside Japan)	82 (as of December 2003)
Deals (accomplished)	121 deals, 179.66 billion dollars （Deals related to Japanese businesses・2003/1/1～2003/12/31）

2. Daiwa Securities SMBC Co. Ltd.

Business Category	Securities Company/Investment Bank
Responsible Division/Personnel	Strategic Advisors Department
Postal Code	100-8289
Address	Marunouchi Trust Tower N, 1-8-1 Marunouchi, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5533-8149
FAX Number	+81-3-3286-1778
URL	http://www.daiwa.co.jp/daiwasmbc/index-s.html
Deals (accomplished)	66 deals, 114.53 billion dollars （Deals related to Japanese businesses; Jan 1 2003 to Dec 31 2003）

3. Mizuho Securities Co., Ltd.

Business Category	Securities Company
Responsible Division/Personnel	Advisory Group No. 1
Postal Code	100-0004
Address	Otemachi First Square, 5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5208-3210
URL	http://www.mizuho-sc.com/english/index.html

4. UFJ Tsubasa Securities Co., Ltd.

Business Category	Securities Company
Responsible Division/Personnel	Strategic Advisory Department
Postal Code	100-8138
Address	Otemachi Center Bldg., 1-3, Otemachi 1-chome, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5222-8000
URL	http://www.ufj-tsubasa.co.jp/english/index.html

5. Goldman Sachs (Japan) Ltd.

Business Category	Securities Company/Investment Bank
Responsible Division/Personnel	Investment Banking Division
Postal Code	106-6147
Address	Roppongi Hills Mori Tower, Level 43-48 10-1 Roppongi 6-chome Minato-ku, Tokyo
Telephone Number	+81-3-6437-1000
URL	http://www.gs.com
Deals (accomplished)	14 deals, 66.46 billion dollars （M&A advisory cases in Japan; Jan to Sep 2003）

6. Morgan Stanley Japan Limited

Business Category	Securities Company/Investment Bank
Responsible Division/Personnel	Mergers & Acquisitions
Postal Code	150-6008
Address	Yebisu Garden Place Tower, 20-3, Ebisu 4-chome, Shibuya-ku, Tokyo
Telephone Number	+81-3-5424-7100
FAX Number	+81-3-5424-7190
URL	http://www.morganstanley.co.jp/index_e.html

7. J.P. Morgan Securities Asia Pte. Limited

Business Category	Securities Company/Investment Bank
Responsible Division/Personnel	Investment Banking Division (M&A Advisory）
Postal Code	107-6151
Address	Akasaka Park Bldg., 5-2-20 Akasaka, Minato-ku, Tokyo
Telephone Number	+81-3-5573-1111
FAX Number	+81-3-5573-1886
URL	http://www.jpmorgan.co.jp/

8. Lehman Brothers Japan Inc.

Business Category	Securities Company/Investment Bank
Responsible Division/Personnel	Strategic Advisory Group, Investment Banking Division
Postal Code	106-6131
Address	Roppongi Hills Mori Tower 31st Floor, 6-10-1 Roppongi Minato-ku, Tokyo
Telephone Number	+81-3- 6440-3000
URL	http://www.lehman.com
Deals (accomplished)	9 deals, 114.11 billion dollars （Deals related to Japanese businesses; Jan 1 2003 to Dec 31 2003）

9. Deutsche Securities Limited, Tokyo Branch

Business Category	Securities Company/Investment Bank
Responsible Division/Personnel	Mergers & Acquisitions, Global Corporate Finance
Postal Code	100-6171
Address	Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5156-6931
FAX Number	+81-3-5156-7907
URL	http://www.japan.db.com/en/index.html
Number of Professionals	Over 1,300（the whole of Japanese corp.）
Deals (accomplished)	6 deals, 172.53 billion dollars （Deals related to Japanese businesses; Jan 1 2003 to Dec 31 2003）

10. Sumitomo Mitsui Banking Corporation

Business Category	Bank
Responsible Division/Personnel	M&A Advisory Services Department
Postal Code	100-0006
Address	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo
Telephone Number	+81-3-3501-1111
FAX Number	+81-3-3501-2163
URL	http://www.smbc.co.jp/global/index.html
Number of Professionals	About 30

11. Resona Bank, Limited.

Business Category	Bank
Responsible Division/Personnel	Tokyo Business Promotion Division
Postal Code	100-8106
Address	1-1-2 Otemachi, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5223-5254
FAX Number	+81-3-3213-2539
URL	http://www.resona-gr.co.jp/resonabank/index.htm

12. Shinsei Bank, Limited

Business Category	Bank
Responsible Division/Personnel	Corporate Advisory Division
Postal Code	100-8501
Address	2-1-8 Uchisaiwaicho, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5511-5333
FAX Number	+81-3-5511-5521
URL	http://www.shinseibank.com/english/index.html

13. Aozora Bank, Ltd.

Business Category	Bank
Responsible Division/Personnel	Capital Investment and Finance Division
Postal Code	102-8660
Address	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo
Telephone Number	+81-3-3261-2676
FAX Number	+81-3-3262-1584
URL	http://www.aozorabank.co.jp/english/index.html
Number of Professionals	10

14. Development Bank of Japan

Business Category	Bank
Postal Code	100-0004
Address	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
Telephone Number	+81-3-3244-1900（Administration & Policy Dept.）
URL	http://www.dbj.go.jp/english/index.html

15. RECOF Corporation

Business Category	M&A Specialized Boutique
Postal Code	102-0093
Address	Sogo Hirakawacho Bldg. 5, 7, 8, 9th Floor, 1-4-12 Hirakawacho Chiyoda-ku, Tokyo
Telephone Number	+81-3-3221-4930
FAX Number	+81-3-3234-3216
URL	http://www.recof.co.jp/english/index.html
Number of Professionals	About 130（as of March 2004）

16. Interlink Corporation

Business Category	M&A Specialized Boutique
Postal Code	103-0014
Address	Suitengu Heiwa Bldg. 3rd Floor, 1-16-8 Nihonbashi-kakigaracho Chuo-ku, Tokyo
Telephone Number	+81-3-5651-2091
FAX Number	+81-3-5651-2095
URL	http://www.interlink-ma.co.jp
Number of Professionals	10

17. GMD Corporate Finance Limited*

Business Category	M&A advise and valuation service Firm
Responsible Division/Personnel	Corporate Finance/ Arihiro Yanagisawa Valuation/ Takako Iwata
Postal Code	100-0005
Address	Marunouchi Trust Tower N, 1-8-1 Marunouchi, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5218-8815
FAX Number	+81-3-5218-8801
URL	http://www.kpmg.com/
Number of Professionals	35

*Former Global Management Directions; newly established on April 1st 2004.

18. McKinsey & Company, Inc.

Business Category	Consulting/M&A Specialized Firm
Responsible Division/Personnel	Ms. Keiko Honda
Postal Code	106-8509
Address	Roppongi First Bldg., 1-9-9 Roppongi, Minato-ku, Tokyo
Telephone Number	+81-3-5562-2078
FAX Number	+81-3-5562-2224
URL	http://www.mckinsey.co.jp/

19. Accenture Japan Ltd

Business Category	Consulting and Others
Responsible Division/Personnel	Mr. Masakatsu Mori
Postal Code	107-8672
Address	Nihon Seimei Akasaka No. 2 Bldg., 7-1-16 Akasaka, Minato-ku, Tokyo
Telephone Number	+81-3-3470-9241
FAX Number	+81-3-5410-7555
URL	http://www.accenture.com/jp/

20. ABeam Consulting Ltd.

Business Category	Consulting/M&A Specialized Firm
Postal Code	100-0006
Address	Yurakucho Bldg., 1-10-1 Yurakucho, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5521-5555
FAX Number	+81-3-5521-5563
URL	http://www.abeam.com/jp/

21. PricewaterhouseCoopers Financial Advisory Services Co., Ltd.

Business Category	Consulting/M&A Specialized Firm
Responsible Division/Personnel	Mr. Akihiko Matsunaga, M&A Advisory
Postal Code	100-6005
Address	Kasumigaseki Bldg., 5F, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo
Telephone Number	+81-3-3503-4107
URL	http://www.pwc-fasjapan.co.jp/english/fas/index.asp

22. Unison Capital Inc.

Business Category	Private Equity Fund/Investment Banking
Responsible Division/Personnel	Mr. Nobuo Sayama, Partner
Postal Code	102-0094
Address	Kioicho Kelton Bldg. 7F, 4-5 Kioicho, Chiyoda-ku, Tokyo
Telephone Number	+81-3-3511-3901
FAX Number	+81-3-3511-3981
URL	http://www.unisoncap.com/en/
Number of Professionals	18
Number of Professionals (outside Japan)	0

23. Asahi Koma Law Offices

Business Category	Law Firm
Responsible Division/Personnel	M&A Group
Postal Code	107-8485
Address	New ATT Bldg. 7th Fl. (Reception) & 8th Fl., 11-7, Akasaka 2-chome Minato-ku, Tokyo
Telephone Number	+81-3-3505-0003
FAX Number	+81-3-3505-1333
URL	http://www.alo.jp/english/index.html
Number of Professionals (outside Japan)	New York Office, Beijing Office

24. Nishimura & Partners

Business Category	Law Firm
Responsible Division/Personnel	Mr. Koichi Kusano, Partner Attorney
Postal Code	107-6029
Address	ARK MORI Bldg. 29th Floor, 1-12-32 Akasaka, Minato-ku, Tokyo
Telephone Number	+81-3-5562-8500
FAX Number	+81-3-5561-9711
URL	http://www.jurists.co.jp/en/index.html

25. MORI HAMADA & MATSUMOTO

Business Category	Law Firm
Responsible Division/Personnel	Mr. Masatake Yone, Partner Lawyer
Postal Code	100-0005
Address	JFE Bldg. 9F, 1-1-2 Marunouchi, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5223-7777
FAX Number	+81-3-5223-7666
URL	http://www.mhmjapan.com/index.php
Number of Professionals (outside Japan)	Beijing Office

26. TOHMATSU & CO (Deloitte Touche Tohmatsu)

Business Category	Accounting Firm
Responsible Division/Personnel	Corporate Finance
Postal Code	108-8530
Address	MS Shibaura Bldg., 4-13-23 Shibaura, Minato-ku, Tokyo
Telephone Number	+81-3-3457-7321
FAX Number	+81-3-3457-7426
URL	http://www.tohmatsu.co.jp/english/index.html

27. ChuoAoyama Audit Corporation (PricewaterCoopers)

Business Category	Accounting Firm
Responsible Division/Personnel	Transaction Service
Postal Code	100-6088
Address	Kasumigaseki Bldg. 32F, Kasumigaseki, Chiyoda-ku, Tokyo
Telephone Number	+81-3-5532-3612
FAX Number	+81-3-5532-3601
URL	http://www.chuoaoyama.or.jp/
Number of Professionals	About 100（as of February 2004）
Deals (accomplished)	About 300 deals（Average deals per year）

28. Shin Nihon & Co. (Ernst & Young)

Business Category	Accounting Firm
Responsible Division/Personnel	Merger and Acquisition Consulting
Postal Code	100-0011
Address	Hibiya Kokusai Bldg. 20F, 2-3, Uchisaiwai-cho 2-chome Chiyoda-ku, Tokyo
Telephone Number	+81-3-3506-2411
FAX Number	+81-3-3506-2412
URL	http://www.sney.com/english/home.html
Number of Professionals （M&A）	63（accountants: 15）
Number of Professionals (outside Japan)	63（accountants: 15）
Deals (accomplished)	250 deals（FY2003）

29. Takano Sogo Accounting Office

Business Category	Accounting Firm
Responsible Division/Personnel	Mr. Takayuki Komiya, Senior Manager
Postal Code	104-0061
Address	Ginzawall Bldg. 6-13-16 Ginza, Chuo-ku, Tokyo
Telephone Number	+81-3-3543-6674
FAX Number	+81-3-3543-7039
URL	http://www.tskj.co.jp
Number of Professionals	27（Male: 21, Female: 6）
Number of Professionals (outside Japan)	0
Deals (accomplished)	About 10 deals （2003）

M&A Case Studies for "Invest Japan"

~ Successful Alliances with Japanese Companies~

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