

9 March 2010

IB Daiwa Corporation
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Announcement on Divestiture of Textile Business

This is to announce that, on 9 March 2010, IB Daiwa Corporation (the “Company” or the “Seller”) has resolved to divest its Textile Business which is being conducted under the Textile Division of the Company and transfer Textile Business to Kabushiki Kaisha Hokoku (“Hokoku” or the “Purchaser”) effective 1 April 2010 on the terms as described herein (“Transfer of Business”). As a result, it is likely that the Company will recognise an extraordinary loss in this fiscal year.

1. Reasons and Background

The Company was originally incorporated in September 1947 named as Hokoku Shigyou (i.e. twine business) Kabushiki Kaisha, since when has been operating a twine factory in Kazo City, Saitama. In later years, Asian factories have become much more cost competitive than Japanese factories, mainly due to which the Company has gradually and significantly downsized the operation. During the years, the Company has changed its trade name to IB Daiwa Corporation, yet it has kept the Textile Business. Currently, in the Kazo Factory and the Osaka Sales Office, 8 staff (incl. 3 part-time staff), including Mr. Makoto Takahashi, the Kazo Factory Manager (“Mr. Takahashi”), and Mr. Norio Adachi, the Osaka Sales Office Head (“Mr. Adachi”), are employed under the Company’s Textile Division.

Since the Company’s 60th annual general meeting of shareholders held in June 2005, the Company has shifted its focus to natural resources and energy related businesses, and has ceased to appoint director or officer who deeply understands the Textile Business. Mr. Takahashi and Mr. Adachi have started to consider becoming independent from the Company and operating the Textile Business on their own. In the view of the management of the Company, the Textile Business is not a growing proposition nor a profitable business especially after allocating the administration costs, and the administrative work required to maintain the Textile Business under the Company is not little. As such, the management of the Company has been seriously in discussion with Mr. Takahashi and Mr. Adachi on the basis that the Company would divest the Textile Business.

On 13 November 2009, Mr. Takahashi and Mr. Adachi incorporated Hokoku (named after “Hokoku Shigyou Kabushiki Kaisha, the Company’s original trade name), and offered the management of the Company to buy out the Textile Business from the Company. After in-depth discussions between the two, on 9 March 2010, the Company has decided to divest the Textile Business to Hokoku, effective 1 April 2010.

2. Overview of the Transfer of Business

(1) Overview of the Textile Business

As explained above, the Company has commenced the operation of the Textile Business back in September 1947, and is manufacturing and selling twine for sewing machines in its Kazo factory and its Osaka sales office. The headcount under the Textile Division is 8, including 3 part-time staff.

(2) Financial performance of Textile Business for Q1 – Q3 of the current fiscal year ending March 2010 (Note)

	Textile Business (a)	The Company Total (consolidated) (b)	% (a/b)
Sales revenue	JPY 116 mil.	JPY 461 mil.	25.1%
Gross profit	JPY 9 mil.	JPY -6 mil.	—
Operating profit	JPY 3 mil.	JPY -275 mil.	—
Ordinary profit	JPY 3 mil.	JPY -747 mil.	—

Note Actual results for Textile Business does not include administrative costs allocable to Textile Business

(3) Assets and liabilities to be transferred to the Purchaser and the book value as at 31 December 2009

Assets		Liabilities	
Account	Book value	Account	Book value
Inventories	JPY 44 mil.		
Buildings	JPY 2 mil.		
Vehicles	JPY 0 mil.		
Tools	JPY 0 mil.		
Deposits	JPY 4 mil.		
Total	JPY 52 mil.	Total	JPY 0 mil.

(4) Consideration for the Transfer of Business and the method for payment

The consideration for the Transfer of Business is JPY 32 million (“Consideration”), which has been agreed between the Company and the Purchaser. Because Hokoku is a newly incorporated company with no substantial assets, the Company has agreed that the Consideration shall be paid in 10 years, and the Purchaser shall put its current and future receivables as collaterals.

The difference between the book value of the net assets to be transferred to the Purchaser as at 31 December 2009 (JPY 52 million) and the amount of the Consideration (JPY 32 million) is approx. JPY 20 million. Considering the length of the payment period (i.e. 10 years), the Company intends to fully provide for potential non collection of the Consideration. The sum of such difference (JPY 20 million) and the amount of Consideration (JPY 32 million), equaling to approx. JPY 52 million, will be the Company’s loss on the Transfer of Business.

3. Overview of the Purchaser (Hokoku) (as at 9 March 2010)

(1)	Trade name	Kabushiki Kaisha Hokoku	
(2)	Address	1-6-57 Atago, Kazo-shi, Saitama	
(3)	Representative	Makoto Takahashi (Representative Director)	
(4)	Business	Manufacturing, sale, imports and exports of twine for sewing machine and other textile products	
(5)	Paid-in capital	150,000 yen	
(6)	Incorporation	13 November 2009	
(7)	Shareholders	Makoto Takahashi (33.3%) Norio Adachi (33.3%) Yukiko Asami (33.3%)	
(8)	Relationship with the Company	Capital	None
		Personnel	The 3 shareholders and directors of Hokoku (namely, Mr. Takahashi, Mr. Adachi and Ms. Asami) are employees of the Company under the Textile Division
		Business	None

4. Timeline

Board resolution	9 March 2010
Execution of agreements	10 March 2010 (planned)
Public notice	11 March 2010 (planned)
Closing	1 April 2010 (planned)

Note Pursuant to Article 467, Clause 1-2 of Corporation Law, the Transfer of Business is exempted from the requirement to acquire an approval from the shareholders. As such, the Company does not plan to obtain such shareholders' approval.

5. Accounting treatments

The Company will record the Transfer of Business in accordance with The Accounting Standards Board of Japan ("ASBJ"), Statement No.7, "Accounting Standard for Business Divestitures, and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

It is expected that the Company will recognise approx. JPY 52 million of extraordinary loss (Provision for Loss on Transfer of Business).

6. Future prospects

As stated above, the Company will likely recognise an extraordinary loss of approx. JPY 52 million (Provision for Loss on Transfer of Business) in this fiscal year. Other than that, the Transfer of Business will have no material impact to the Company's consolidated revenue, operating profit, or ordinary profit. The Company understands that, despite of the recognition of an extraordinary loss, the Company's latest consolidated financial forecast for the fiscal year ending March 2010 does not require revisions, considering other various factors.

(Reference) Impacts to financials

	Projected consolidated financials for current fiscal year ending March 10	Projected financials for Textile Business for current fiscal year ending March 10	Projected consolidated financials for current fiscal year ending March 10, excl. Textile Business (Note)
Sales revenue	JPY 599 mil.	JPY 164 mil.	JPY 435 mil.
Operating profit	JPY -397 mil.	JPY 12 mil.	JPY -409 mil.
Ordinary profit	JPY -981 mil.	JPY 4 mil.	JPY -985 mil.
Net profit	JPY -1,996 mil.	JPY 4 mil.	JPY -2,000 mil.
Dividends per share	—	—	—

Note It is expected that the Transfer of Business will somewhat improve the Company's efficiency, which may result in some reduction in administrative costs. Such potential cost reduction is not considered in preparation for the table above.

(Reference) Forecast for current fiscal year and actual results for previous fiscal year

	Sales revenue	Operating profit	Ordinary profit	Net profit
Forecast for current fiscal year ending March 2010	JPY 599 mil.	JPY -397 mil.	JPY -981 mil.	JPY -1,996 mil.
Actual results for previous fiscal year ended March 2009	JPY 1,060 mil.	JPY -355 mil.	JPY -1,764 mil.	JPY -959 mil.

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