

Tower Records Japan Completes MBO

October 11, 2002, Tokyo: Tower Records Japan has today announced the completion of a management buy-out (MBO) from its California-based parent company, MTS Incorporated. The MBO has been sponsored by Nikko Principal Investments Japan Ltd. (NPI), who have acquired all the outstanding shares as well as the trademark rights to operate the business in Japan from MTS Incorporated. The shares will be jointly held by NPI and the Tower Records Japan management group via the special purpose holding company Vespasianus.

Tower Records Japan will operate the business independently from its US counterpart, but will retain the Tower Records brand and trademark rights and current operating policies in accordance with its original plans. An outline of the new company is attached. According to the terms of the MBO, the company will undergo some restructuring, beginning with the appointment of former resident director Keith Cahoon as CEO, and former corporate planning director Akio Moriwaki as COO. Beyond these position changes the existing management team remains in place, and has the full backing and support of its partner, NPI.

Continuing under the existing banner of "No Music, No Life", the newly formed Tower Records Japan will continue with their current retail strategies, offering a broad range of Japanese and international music in accordance with consumer tastes. With the cooperation and backing of NPI, the new management group intends to strengthen the firm's business operations and is aiming for an initial public offering in the future. Over the next three years, it aims to consolidate its existing network of stores and expand the chain from the current 53 outlets to 70 across Japan.

CEO, Keith Cahoon comments, "Our new situation in Japan gives us a greater degree of freedom, more focus and stronger financing. While we intend to carry forward the core values on which Russ Solomon founded Tower Records, we look forward to operating as an independent company and to expanding our operations in Japan".

For further information, please contact:

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Tower Records Japan Inc.

Founded	August 1979
Established	December 1981
Capital	Approx. JPY2.9 billion (fully-diluted basis)
Address	2-15-9 Minami Shinagawa, Shinagawa-ku, Tokyo
Representative Directors	Keith Cahoon, CEO Akio Moriwaki, COO
Principal shareholders	Vespasianus Co., Ltd. (a special holding company) (100%)
No. of employees	1,620 (including 365 full-time staff)
Annual turnover	Year ending April 30, 2001: JPY40.7 billion Year ending April 30, 2002: JPY45.0 billion Year ending April 30, 2003: JPY49.0 billion (forecast)
Bank	JP Morgan Chase Bank, Tokyo Branch, etc
Affiliates	Super Shnozz Inc.

Nikko Principal Investments Japan Ltd.

Established	March 2000
Capital	JPY2.5 billion
Address	15F Hibiya Dai Bldg., 1-2-2 Uchisaiwaicho, Chiyoda-ku, Tokyo
President & CEO	Hirofumi Hirano
Principal shareholders	Nikko Cordial Corporation (100%) [Securities Code: 8603]
Business Description	Merchant banking business including private equity investment
Website	www.npi.co.jp