

IRCJ approves application for assistance for Amex Kyohan K.K. and related companies

Tokyo, July 13, 2004 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Amex Kyohan K.K. and related companies for assistance under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of businesses approved for assistance

Company name	Amex Kyohan K.K. and 12 group companies (hereafter, “Amex”)																											
History	1971: Establishment of Sekishu Roofing Material Sales Cooperative 1972: Establishment of raw materials supply company Kaorin Industries K.K. (now Kaorin Cooperative) 1988: Establishment of sales company Amex Kyohan K.K.																											
Head office	Gotsu City, Shimane Prefecture																											
Representative	Kazuharu Imasaki, President																											
Number of employees	220 (As of January 31, 2004. Total of 13 companies.)																											
Outline of business	<p>The main business of the group is the manufacture and sale of clay roof tiles for residential housing. It is also engaged in development, manufacturing and sales in new business areas such as permeable tiles produced from waste tile material. The Company has the second largest market share in the manufacture and sale of clay roof tiles in Shimane Prefecture, which along with Aichi Prefecture and Hyogo Prefecture is one of Japan’s three largest markets for roof tiles.</p> <p>The business activities of each business are as follows (a range of tiles are produced, depending on the location).</p> <table><tr><td>Amex Kyohan K.K.</td><td>Sale of roof tiles produced within group</td></tr><tr><td>Sekishu Tile Sales Co.</td><td>Manufacture of roof tiles, etc.</td></tr><tr><td>Kyohan Transport Center</td><td>Product distribution</td></tr><tr><td>Maruhachi Furnace</td><td>Manufacture of roof tiles, etc.</td></tr><tr><td>Imazaki Furnace</td><td>Manufacture of roof tiles, etc.</td></tr><tr><td>Sasaki Tile Industries</td><td>Manufacture of roof tiles, etc.</td></tr><tr><td>Tsuno Furnace Co.</td><td>Manufacture of roof tiles, etc.</td></tr><tr><td>Uka Furnace</td><td>Manufacture of snow stopping tiles, etc</td></tr><tr><td>Tsuromoto Furnace</td><td>Manufacture of roof tiles, etc</td></tr><tr><td>Kaorin</td><td>Blending and production of clay</td></tr><tr><td>Sekishu Touryo</td><td>Manufacture of glazing</td></tr><tr><td>Youken</td><td>R&D, facilities maintenance</td></tr><tr><td>Sekishu Roof Tile Technical Development</td><td>Snow thawing R&D</td></tr></table>		Amex Kyohan K.K.	Sale of roof tiles produced within group	Sekishu Tile Sales Co.	Manufacture of roof tiles, etc.	Kyohan Transport Center	Product distribution	Maruhachi Furnace	Manufacture of roof tiles, etc.	Imazaki Furnace	Manufacture of roof tiles, etc.	Sasaki Tile Industries	Manufacture of roof tiles, etc.	Tsuno Furnace Co.	Manufacture of roof tiles, etc.	Uka Furnace	Manufacture of snow stopping tiles, etc	Tsuromoto Furnace	Manufacture of roof tiles, etc	Kaorin	Blending and production of clay	Sekishu Touryo	Manufacture of glazing	Youken	R&D, facilities maintenance	Sekishu Roof Tile Technical Development	Snow thawing R&D
Amex Kyohan K.K.	Sale of roof tiles produced within group																											
Sekishu Tile Sales Co.	Manufacture of roof tiles, etc.																											
Kyohan Transport Center	Product distribution																											
Maruhachi Furnace	Manufacture of roof tiles, etc.																											
Imazaki Furnace	Manufacture of roof tiles, etc.																											
Sasaki Tile Industries	Manufacture of roof tiles, etc.																											
Tsuno Furnace Co.	Manufacture of roof tiles, etc.																											
Uka Furnace	Manufacture of snow stopping tiles, etc																											
Tsuromoto Furnace	Manufacture of roof tiles, etc																											
Kaorin	Blending and production of clay																											
Sekishu Touryo	Manufacture of glazing																											
Youken	R&D, facilities maintenance																											
Sekishu Roof Tile Technical Development	Snow thawing R&D																											

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

The San-in Godo Bank. Ltd.

3. Outline of business revitalization plan and rationale for IRCJ involvement

1. Outline of business plan

1. Reduce costs by concentrating facilities

Production plants will be concentrated by product type, centered on consortium factories, with the aim of reducing costs by increasing capacity utilization and reducing labor expenses.

2. Strengthen sales and marketing

A head of sales will be introduced from outside the company, and a sales strategy will be developed based on close examination of customer type and location. Appropriate sales management systems will also be introduced, and the Company will aim to maintain and built its market share.

3. Shift to a group synergy mindset

Individual companies will be combined to establish a new company, with the aim of maximizing synergies and doing away with any ambiguity of purpose in relationships between entities. Rights and responsibilities of management will be clarified at the new company, to enable a clearer and more open style of management.

4. Other initiatives

Manufacturing and sales companies will be integrated, in order to improve control of manufacturing and marketing and speed up decision making processes.

Numerical targets under the revitalization plan are as follows.

<i>Million yen</i>	<i>January 2004 actual</i>	<i>January 2008 target</i>
Net sales	3,198	3,093
Operating income (loss)	(66)	226
Ordinary income (loss)	(64)	142
Net income	(40)	142
Total borrowings	7,050	2,696

2. Business Restructuring

The revitalization plan is based on the following business restructuring.

1. Integration

Eight companies—Sekishu Tile Sales Co., Maruhachi Furnace, Imazaki Furnace, Sasaki Tile Industries, Tsuno Furnace Co., Uka Furnace, and Tsurumoto Furnace—will be merged into Amex Kyohan K.K., which will in turn be newly established as a company provisionally named New Amex Kyohan (hereafter, “New Amex”).

2. Change of organization

- Because Sekishu Tile Sales Co. will be part of the newly established company described above, the organization will change from a cooperative to a limited company.
- In order to expand sales beyond members, Kaorin will be changed from a cooperative to a kabushiki kaisha and renamed Kaorin K.K. (hereafter, “New Kaorin”).

3. Capital reduction

The capital of New Amex and New Kaorin will be reduced by 90%.

4. Debt equity swap

San-in Godo Bank will swap ¥200 million of debt for equity in New Amex.

5. Capital investment

The IRCJ, revitalization funds and others will inject a total of ¥310 million into New Amex. Furthermore, recognition will be sought under special provisions of the industrial revitalization law, with subsequent beneficial treatments mainly in the area of taxation.

3. Outline of financial support

A total of approximately ¥3.7 billion in financial support will be requested.

4. Implications for management

- NAME Imasaki will resign his position as representative director of the current Amex Kyohan K.K., and will become non-representative chairman of New Amex.
- Other directors will either resign or accept positions as employees of the new company, according to their preference.
- All directors will forego any rights to directors' retirement payments.

5. Implications for shareholders

All shareholders of New Amex and New Kaorin will write down shares without compensation in accordance with the 90% reduction in capital.

6. IRCJ rationale for providing assistance

1. Cause of current situation.

The target company has the second highest share in the market for residential clay roof tiles in Sekishu. The Company is also engaged in environmentally friendly initiatives, such as incorporating different fine grain clays into its products to ensure continuity of supply, and producing new permeable products from waste tile material.

However, the company invested excessively in capital equipment between 1991 and 1996, and lacked a clear management strategy even as its capacity utilization rate remained low. Business performance fell because it continued with former production practices, and it became difficult to overcome its structural over indebtedness.

2. Possibility of revitalization

The company has a powerful sales network in West Japan and strong product development capability. By lowering production costs through the concentration of facilities, strengthening marketing through the introduction of area sales management methods, and speeding up decision making processes through the integration of group companies, the IRCJ believes that the potential to revitalize the company is high.

The IRCJ also believes that the revitalization of this business, through integrating businesses to achieve scale and rationalizing management, will serve as a useful model for the revitalization of regional medium-sized enterprises that have sound fundamental competitiveness and revenues.

4. Comments from the State Minister In Charge Of Industrial Revitalization And Administrative Reforms and the minister relevant to the company seeking assistance.

None expressed

*Note on comments from ministers:

The IRCJ is a quasi-governmental organization. As such it is IRCJ policy to obtain comments about decisions to assist private-sector companies from the government ministries that regulate the industries in which these companies operate.

5. Debt repurchase application period

The application period for the repurchase of debt from Amex Kyohan K.K. is from July 13, 2004 to October 12, 2004.

Note: The debt repurchase application period is a period established for the purpose of consensus building between the financial institutions concerned and the IRCJ in regard to debt repurchase and the revitalization plan. This period is so named because, where agreement is achieved in legal terms, the financial institutions concerned apply to the IRCJ for debt repurchase etc.

6. Request for temporary cessation of demands for credit repayment

Under Article 24, Clause 1 of the Industrial Revitalization Corporation Act, financial institutions and other creditors of Amex Kyohan K.K., have been requested not to recover loans or exercise any other rights they may have as creditors before the end of the debt repurchase application period as per item 5 above.

7. Treatment of trade and other creditors

The decision to provide assistance concerns only the request for financial support made to financial institutions in regard to amounts lent to the assisted business and has no effect on the claims of trade and other creditors.

For more information, please contact

Corporate Planning Department
The Industrial Revitalization Corporation of Japan
Tel: 03-6212-6437

#

About the IRCJ:

The IRCJ was established jointly by the public and private sector on April 16, 2003, with the aim of providing revitalization assistance beneficial to both the industrial and the financial sectors in Japan. It targets assistance at companies that have sound business fundamentals but are unable to thrive because of excessive debt levels or other factors. The IRCJ has approximately 160 employees and is based in Tokyo. For more information please visit www.ircj.co.jp