

## **IRCJ Approves Application for Assistance for Aviva Co., Ltd.**

**Tokyo, January 18, 2005** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Aviva Japan Co., Ltd. (“Aviva”) and related companies under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

### **1. Outline of businesses approved for assistance**

Company name	Aviva Japan Co., Ltd.
Date of establishment	1979
Capital	¥38 million
Head office	Nagoya, Aichi Prefecture
Representative	Tsuneo Makino
Number of employees	1,567 (as of the end of December, 2004)
Outline of business	Aviva manages the operation of a nationwide chain of 330 (as of December 31, 2004) personal computer (PC) training schools . Around 54,000 students are enrolled in programs and about 10,000 students obtain recognized qualifications annually.

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

Resona Bank, Ltd.

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

#### **1. Outline of business plan**

##### 1). Concentrate and select operations

Using the operations base of sponsoring company Benesse corporation, which has a good track record in the education business, the existing Aviva business model will be continued and developed. Specifically, it is planned that from now on, the PC school business, internet service provider and satellite broadcasting business, children’s PC schools business and university entrance exam public relations business will be expanded as core businesses, taking into account synergies with Benesse Corporation. However, the employment agency, home teaching and the cram schools (Juku) businesses will be treated as non-core operations and are scheduled to be discontinued as soon as possible.

##### 2). Revision of Advertising Methods

Until recently, against the backdrop of the growing requirements for qualifications,

large amounts of money have been poured into a simple campaign designed to increase brand name recognition and increase the number of new students. However, a certain degree of brand visibility has been achieved and the external environment has changed so that previous methods have ceased to lead to an increase in enrollment. From now on, we aim to improve the effectiveness of advertising with an appropriately sized advertising budget by revising advertising methods and with a media mix strategy that organically utilizes a variety of advertising media, .

### 3). Improving the profitability of the classrooms

Until now a priority has been placed on increasing the number of classrooms to match large increases in the number of students resulting in a number of classrooms with low profitability. As well as pursuing measures designed to increase their profitability, integration of unprofitable classrooms will also be considered.

### 4). Strengthening management and administration framework

Because operations have sharply expanded, a management framework appropriate to the current dimension of operations has not been created, and delegation of authority and organizational improvements matched to the characteristics of the operation have not been performed. Looking ahead, with the support of the sponsor, it is planned to strengthen the management and administration frameworks, including the implementation of administration systems, and improve the framework of the organization.

### 5. Quantitative targets

The target sales figure for the fiscal year to March 2008 is approx. ¥17.5 billion.

## **2. Structural reorganization**

All of Aviva's operations will be transferred to a beneficiary company which will be 95% + owned by the sponsor company Benesse Corporation and Aviva is scheduled to rapidly enter liquidation. It is planned that beneficiary operations designated non-core will be exited swiftly.

## **3. Outline of financial assistance**

Financial assistance (debt forgiveness) of about ¥39.0 billion will be sought from financial institutions.

## **4. Implications for management**

No representative directors or their family members who are directors will take any part in management of the beneficiary . Compensation for other directors will be left in the hands of Benesse Corporation. There will be no retirement packages for directors.

After the transfer of operations, the representative directors will implement the liquidation of the Aviva group.

#### **5. Implications for shareholders**

The only shareholders are the current representative directors and their family members and following transfer of operations Aviva will be liquidated with no liquidation dividend expected and the Aviva's shares will have zero value.

#### **6. IRCJ rationale for providing assistance**

The sponsor Benesse Corporation Co., Ltd. (Benesse Corporation) plans to take on and revitalize the core operations of Aviva.

As its main business Aviva operates a chain of 330 (as of December 31, 2004) PC schools throughout Japan and with around 54,000 students enrolled is the largest company in its sector.

After Aviva opened its first PC (word-processing) school in 1984, with the increase in IT related knowledge and a growing need to gain qualifications as well as the benefits brought by the spread of Japan's Training and Education Benefits System the company expanded its operations at a great rate. However, in May 2003, partly as a result of the revision of the Training and Education Benefits Systems, new student enrollments began to decrease sharply. Seeking to escape this trend, Aviva spent large sums of money on advertising in order to attract new students but the benefits were limited. Following this Aviva was unable to improve its cost structure and as a result the finances of Aviva were undermined.

However, the IRCJ believes that successful revitalization is likely, based on the premise of support from financial institutions and support from Benesse Corporation in respect of operational strategies and financially.

The essential features of the revitalization plan are:

- 1) Reduction of excess debt through debt forgiveness.
- 2) Business restructuring through transfer of operations to the beneficiary company invested in by sponsor Benesse Corporation.

Through enacting these measures we believe that rapid revitalization will ensure that the approximately 54,000 students of Aviva are provided with continued opportunities for education and that through utilizing the experience in the education field of the sponsor the business can help to develop overall computer literacy in Japan

**4. Comments from the state ministers in charge of the Industrial Revitalization Corporation of Japan, and from ministers in charge of the target company's industry.**

State ministers in charge of the IRCJ: None expressed

Minister of Economics, Trade and Industry:

*“The company applying for support in this case is a company that operates a chain of computer learning centers on a nationwide scale and has many students and classrooms. Rehabilitating this company will have a great influence on the educational services market of our country.*

*Consequently, in implementing its revitalization plan, the IRCJ should fully consider the robust development of this business including improvement of the quality of its educational services. .*

Note on comments from ministers: The IRCJ is a quasi-governmental organization. As such, the IRCJ is required to obtain comments about decisions to assist private-sector companies from the three government ministers in charge of the IRCJ, and from the minister of the industrial sector in which the target company operates.

**5. Debt repurchase application period**

From January 18, 2005 until February 28, 2005 (applications must arrive at the IRCJ on or before this date).

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

**6. Request for temporary cessation of demands for credit repayment**

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

**7. Treatment of trade and other creditors**

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

**For more information, please contact**

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The Industrial Revitalization Corporation of Japan

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**About the IRCJ**

The IRCJ was established jointly by the public and private sector on April 16, 2003, with the aim of providing revitalization assistance beneficial to both the industrial and the financial sectors in Japan. It targets assistance at companies that have sound business fundamentals but are unable to thrive because of excessive debt levels or other factors. The IRCJ has approximately 200 employees and is based in Tokyo. For more information please visit [www.ircj.co.jp](http://www.ircj.co.jp)