

IRCJ approves application for assistance for Dia Kensetsu

Tokyo, August 28, 2003 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by DIA KENSETSU Co., LTD. (“Dia Kensetsu”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company name	DIA KENSETSU Co., LTD.
Date of establishment	1976
Capital	¥21.82673 billion
Head office	6-28-7 Shinjuku, Shinjuku-ku, Tokyo, Japan
Representative	Kazumi Shimotsu
Number of employees	Parent: 644 Consolidated: 3,169
Outline of business	<p>The target company operates a real estate business based on the development and sale of residential apartment buildings, and manages finance and other businesses. Details are as follows.</p> <p><u>Real estate business</u></p> <ul style="list-style-type: none"> ■ Apartment sales: Selling of apartments, mainly through Dia Kensetsu. Construction is handled partly through affiliated company Daiwa Construction Co., Ltd, and housing materials and furniture etc. is supplied through affiliated companies Dia Commercial K.K. and Japan Housing Equipment K.K. ■ Apartment management: Handled by Dia Property Management K.K. ■ Property rental: Holding and management of rental apartments, buildings and car parks, mainly through Dia Kensetsu. Property management is handled partly through Dia Maintenance Services K.K. ■ Consulting: Real estate consulting services are provided by Land Space Consulting K.K. <p><u>Finance</u></p> <ul style="list-style-type: none"> ■ D.I.A. Finance Ltd. offers home loan and real estate collateralized corporate loans and other finance services. <p><u>Other businesses</u></p> <ul style="list-style-type: none"> ■ Hotel operations: Hotel Diamond Ltd. operates a hotel in Niigata City. ■ Other: Diamond Members Club Ltd. owns resort condominiums and manages membership clubs. Dia Dream Tech K.K. undertakes building renovation.

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

Risona Bank, Limited.

3. Outline of revitalization plan for Meisei Shokai and rationale for IRCJ involvement

1. Structure

Dia Kensetsu intends to reorganize its structure to focus on its core businesses of residential apartment sales, apartment management, and building renovation, and to completely withdraw from non-core operations. As a result of this, it is planned that three companies will continue to operate, including Dia Kensetsu itself, and the remaining ten affiliated companies will be wound up. Specific plans for corporate

revitalization include the following two points.

2. Outline of financial assistance

Dia Kensetsu is requesting a total of ¥132.7 billion of financial assistance.

3. Financial targets for Dia Kensetsu under the business revitalization plan

¥ billion	Year ended March 31, 2003	Year ending March 31, 2007
Net sales	76.694	61.383
Operating income (loss)	(0.665)	6.325
Ordinary income (loss)	(4.442)	5.367
Net income (loss)	(95.783)	3.624
Total debt (of which, convertible bonds)	193.950 3.200	26.537

4. Implications for management

With the aim of clarifying management responsibilities, four of the current five directors will resign, including president Kazumi Shimotsu. The remaining director will retain his position, helping minimize disruption at Dia Kensetsu.

5. Implications for shareholders

With the aim of clarifying shareholder responsibilities, it was agreed at the annual general meeting of shareholders held on June 27, 2003 to reduce the capital of Dia Kensetsu by 99%. On implementation of financial assistance it is also planned to issue preferred shares.

6. IRCJ rationale for providing assistance

The IRCJ's rationale for providing assistance in this case is as follows:

1) Economic viability

The IRCJ believes that implementing the revitalization plan will increase the long-term viability of Dia Kensetsu's operations. We believe that the economic benefits to stakeholders from this corporate revitalization are likely to substantially exceed the amount of funds that could be recovered through legal liquidation or other methods, and therefore accept the economic rationale for the plan.

2) Particular characteristics

This application includes two significant elements essential for corporate revitalization: a financial assistance plan that makes possible a fundamental reform of the Company's financial structure, and potential sponsorship candidates investigating offering both operational and capital support to Dia Kensetsu.

3) Role of the IRCJ

We see one role of the IRCJ in this situation as helping bring about the revitalization of Dia Kensetsu as a business that benefits consumers. With a reduced debt burden following the provision of financial assistance, Dia Kensetsu can shift from revenue-focused operations to the more opportunistic-type business model invited by the current market environment (i.e. supplying product to meet demand, rather than seeking to drive demand through supply-side mechanisms).

4) Investment risk

This plan is based on the premise of drastically revising Dia Kensetsu's balance sheet and implementing measures to improve company revenue. We believe the plan has a high chance of success, and expect credit obligations held by the IRCJ to be discharged before the end of the planned holding period. As a result, we believe that the risk of losses to the IRCJ eventuating as a result of this investment is low, and that we can expect return on investment at appropriate levels.

4. Comments from the State Minister In Charge Of Industrial Revitalization And Administrative Reforms * and from the relevant minister for the business

State Minister In Charge Of Industrial Revitalization And Administrative Reforms: None expressed.

Minister for Land, Infrastructure and Transport: "Taking into consideration the fact that no fundamental problems have been recognized in Dia Kensetsu's real estate operations, I have no objection to the decision to provide assistance in this case."

5. Debt repurchase application period

August 29, 2003 to September 30, 2003 (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 Dia Kensetsu 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.

*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.

For more information, please contact

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

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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 130 employees and is based in Tokyo. For more information please visit www.ircj.jp