

IRCJ Approves Application for Assistance for Kamaya Ryokan Ltd.

Tokyo, February 3, 2005 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Kamaya Ryokan Ltd. (“Kamaya Ryokan”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. **Outline of business approved for assistance**

Company name	Kamaya Ryokan Ltd (Yumori Kamaya Ryokan)
Date of establishment	1952
Capital	¥10.0 million (as of end March 2004)
Head office	Yumoto, Nikko city, Tochigi Prefecture
Representative	Motoo Kobayashi
Number of employees	37 (28 full-time and 9 part-time employees, as of end October 2004)
Outline of business	Onsen (hot spring) hotel operations Okunikko Konishi Hotel operates a 77-room inn, the Yumori Kamaya Ryokan, in the Okunikko Yumoto Onsen area of Nikko National Park, catering mainly to student groups and field trips.

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

The Ashikaga Bank, Ltd.

3. **Outline of revitalization plan for Kamaya Ryokan**

1. Business plan

1. Operational policy

The hotel will be positioned with various student groups as an out-of-the-ordinary place of relaxation that stimulates one’s curiosity, while promoting the plentiful, milky white waters of the hot spring and the beauty of the surrounding natural environment.

2. Facilities

The hotel will be operated with three buildings: the main hotel, the Aisanzou, and the Garden House. The dilapidated staff hostel Rakusanzou will be demolished, and the annex building will be earthquake strengthened and converted into staff accommodation.

A landmark large-scale *rotenburo* (outside hot spring bath) will be constructed to increase customer appeal at the same time as helping boost awareness of and customer interest in the general region.

3. Management structure

A new board of directors will be formed, comprising one representative director who will be an external appointment and two corporate officers, for a total of three. Modern operating systems and enhanced corporate governance will be established under the direction of an outside management company, Ryokan Management Support.

2. Corporate restructuring

After a 100% capital reduction of Kamaya Ryokan, a ¥70 million capital injection from private investors and the IRCJ is planned. In addition, a ¥130 million convertible bond issue is planned, to be underwritten by private investors and the IRCJ. An application is planned under the special measure law on industrial revitalization.

3. Outline of Financial Assistance

A total of ¥1.6 billion in financial support will be requested from financial institutions.

4. Projected figures for the revitalization plan

	Fiscal year ended March 2004 (actual)	Fiscal year ending March 2008 (target)
Net sales	¥427 million	¥488 million
Operating Income	¥29 million	¥46 million

5. Implications for management

In order to clarify responsibility, all current directors will resign.

6. Implications for shareholders

With the 100% capital reduction, all existing shares will be cancelled without compensation.

7. IRCJ Rationale for providing assistance

1). Causes of current financial situation

The main causes of Kamaya Ryokan's current financial trouble are 1) excessive capital investment, 2) a decline in school visits with the aging population, and 3) low levels of marketing and services to general customers. The weak domestic economy also caused a decline in sales, with the result that the hotel has become unable to reduce its excessive debt burden and unable to raise funds for necessary capital investment.

2). Potential for revitalization

Kamaya Ryokan has a long history in the okunikko yumoto onsen area under the president's family, and is well known for its characteristic milky white hot springs, natural environment and other features. The IRCJ believes there is ample potential for revitalization of the business, through such measures as attracting general guests and day trippers through establishing a large-scale outside hot spring bath, improving guest package options, making necessary capital expenditure, and improving the management of operations. Also, the process can

be positioned as an example of a Japanese Inn/Hotel revitalization scheme based on the use of an outside operational support company.

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.

None expressed

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 February 3, 2005, until March 16, 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 Kamaya Ryokan 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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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