

IRCJ Approves Application for Assistance for Kanaya Hotel Kanko K.K.

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

1. Outline of businesses approved for assistance

Company name	Kanaya Hotel Kanko K.K. (Kinugawa Onsen Hotel, Kinugawa Kanaya Hotel)
Date of establishment	1931
Capital	¥319 million
Head office	Taito-ku, Tokyo
Representative	Teruo Kanaya
Number of employees	196 (as of end September 2004)
Outline of business	Onsen (hot spring) resort and business hotel operations Kanaya Hotel Kanko operates the Kinugawa Onsen Hotel (204 rooms, 748 guests) and the Kinugawa Kanaya Hotel (43 rooms, 130 guests) in the Kinugawa Onsen area of Nikko National Park, and also the Nagoya Kanaya Hotel (287 rooms, 316 guests) in Nagoya, Aichi Prefecture.

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

The Ashikaga Bank, Ltd.

3. Outline of revitalization plan for Kanaya Hotel Kanko

1. Business plan

1. Operational policy

Management resources will be concentrated on the Kinugawa Kanaya Hotel and the Kinugawa Onsen Hotel as core businesses. Although the target customer group differs for each hotel, efforts will be made to improve customer satisfaction by boosting the highly regarded food and service levels of these operations. Nagoya Kanaya Hotel will be sold or otherwise withdrawn from.

2. Strengthening of management structure

The new board of directors is expected to comprise 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.

3. Capital expenditure plans

It is planned to refurbish the guest rooms and public areas of both facilities.

2. Corporate restructuring

After a capital reduction of Kanaya Hotel Kanko, a ¥150 million capital injection from private investors and the IRCJ is planned. An application under the Law on Special Measures for Industrial Revitalization is also planned.

3. Outline of Financial Assistance

A total of ¥4.9 billion in financial support will be requested from financial institutions.

4. Projected figures for the revitalization plan

	Fiscal year ended December 2003 (actual)	Fiscal year ending December 2007 (target)
Net sales	¥2,984 million	¥2,302 million
Operating Income	¥218 million	¥143 million

5. Implications for management

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

6. Implications for shareholders

As a result of the 99% percent capital reduction, the relative value of shares held by current shareholders will reduce considerably. In addition, all shares in Kanaya Hotel Kanko held by directors and representatives or their relatives or affiliated companies will be transferred to Kanaya Hotel Kanko and cancelled without compensation.

7. IRCJ Rationale for providing assistance

1). Causes of current financial situation

The main causes of Kanaya Hotel Kanko's current financial trouble are large-scale capital investment during Japan's bubble period and excessive investment in non-core businesses. With the decline in sales resulting from a weak economy, Kanaya Hotel Kanko was unable to reduce its excessive debt burden and became unable to raise funds for necessary capital investment.

2). Potential for revitalization

The Kinugawa Onsen Hotel and Kinugawa Kanaya Hotel both have strengths in food and service, and through measures such as refurbishing aging facilities and

further improving service levels the IRCJ believes there is ample potential for revitalization. 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 25, 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 Kanaya Hotel Kanko 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