

## Conversion of Debt of Kanebo Cosmetics Inc. to Equity

**Tokyo, December 16, 2004** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) has decided to convert part of the debt of Kanebo Cosmetics Inc. (“Kanebo Cosmetics”) to equity (acquisition of classified stock by partial purchase of debt).

### 1. Name of company concerned

Kanebo Cosmetics Inc.

### 2. Background to and reasons for debt to equity conversion

On March 10, 2004 the IRCJ decided to provide assistance to Kanebo Cosmetics under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003. On March 30, 2004 under Article 25, Clause 1 of the same act, the IRCJ reached agreement with financial institutions on the purchase of debt owed by Kanebo Cosmetics. Since then Kanebo Cosmetics has steadily improved its business results in accordance with its corporate revitalization plan.

The planned partial conversion of debt to equity is predicated on this improvement in business results and is part of an overall reorganization of Kanebo Cosmetics including a one-off amortization of goodwill and a restructuring of its assets, debt and capital aimed at further increasing the market value of Kanebo Cosmetics. The IRCJ believes that as a result of these measures Kanebo Cosmetics will rapidly return to profit and strengthen its capitalization and that this will lead to an enhanced appraisal of both its corporate value as measured by future cash flows and its financial health. As a result IRCJ expects that its options for recovering the capital it has invested in Kanebo Cosmetics will broaden.

### 3. Changes in debt and equity held

Of the total existing debt of ¥280 billion the IRCJ will receive ¥150 billion of classified shares through a third party allotment of shares by Kanebo Cosmetics. After this debt to equity conversion the IRCJ's debt and equity holdings in Kanebo Cosmetics will be as follows.

Common stock	¥86 billion (86% of voting rights: No change)
Classified stock	¥150 billion (100% of classified stock: No voting rights)
Debt	¥130 billion

### 5. Comment from the State Ministers In Charge Of Industrial Revitalization And Administrative Reforms

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.

\* Details of the business performance of Kanebo Cosmetics and the classified stock are included in a press release issued by Kanebo Cosmetics today.

### 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](http://www.ircj.co.jp)