

## **IRCJ Approves Application for Assistance for Kanto Jidosha K.K.**

**Tokyo, November 26, 2004** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Kanto Jidosha K.K. (“Kanto Jidosha”) 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	Kanto Jidosha K.K. Kanto Jidosha Seibi K.K. Kanto Bus Sogo Service K.K. KT Bus K.K.
Date of establishment	1924
Capital	¥300 million
Head office	Utsunomiya, Tochigi Prefecture
Representative	Seiji Hosaka
Number of employees	601 (as of October 31, 2004)
Outline of business	Kanto Jidosha operates regular public bus route services (commuter and long-distance highway buses), tour bus operations (travel agent services and charter buses), automotive services, hotel operations, real estate leasing and other businesses. Kanto Jidosha is the largest bus operator in Tochigi Prefecture, holding approximately 70% of the regular bus service market in the region (on a passenger basis), and also owns the largest fleet of charter buses.

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

The Ashikaga Bank, Ltd.

### **3. Outline of revitalization plan for Kanto Jidosha**

#### **1. Business plan**

##### **1. Concentrate and select operations**

A comprehensive review of the company will be undertaken, taking into account Kanto Jidosha’s marketability, competitiveness, earnings structure, and potential for earnings improvement. Regular bus services (commuter and long-distance highway buses), tour bus operations (travel agent services and charter buses) and automotive services will be positioned as core continuing businesses, and competitiveness will be enhanced. Businesses only weakly related to these core businesses, such as hotel and real estate leasing operations, will be withdrawn from.

## 2. Strengthen sales and product planning capabilities

Kanto Jidosha will strive to implement routes for regular bus services that correspond to current transportation needs and can be managed efficiently. Tour bus and automotive services will leverage existing management resources to strengthen sales structures and product planning capabilities.

## 3. Revise personnel system

During the formulation of the business revitalization plan for Kanto Jidosha a new framework for labor conditions was established in cooperation with the relevant labor unions. A new personnel system is planned, under which remuneration will reflect items such as business results and individual employee performance. Training and evaluation systems will also be revised, with the aim of promoting the development of each employee.

## 4. Review expense structure

While striving to maintain a high level of operations, marginal profit ratios will be increased through innovative, flexible initiatives such as increasing the variable component of equipment and personnel costs.

In order to ensure the procurement of equipment and materials at fair market prices, Kanto Jidosha will review matters such as vendor selection and order specifications.

## 5. Quantitative targets

Targeted consolidated operating income for the fiscal year to March 2007 is ¥600 million.

## 2. Structural reorganization

Following a capital reduction outlined later in this document, the Tochigi Regional Business Revitalization Fund<sup>1</sup> and the IRCJ will jointly recapitalize Kanto Jidosha by ¥300 million through joint direct investment and the underwriting of an issue by the company of bonds with attached warrants.

Group companies in non-core areas will be sold or liquidated, and group companies comprising partially of non-core operations will be sold or liquidated after transferring their core-related operations to Kanto Jidosha.

## 3. Outline of financial assistance

Financial assistance (debt forgiveness and DES) of about ¥9.0 billion will be sought from financial institutions.

## 4. Implications for management

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<sup>1</sup> Managed by Tochigi Investment Partners K.K., which was established to support the revitalization of businesses in the Tochigi region; silent partnership managed by Tochigi Friendly Capital K.K.

All directors under the president and CEO have resigned and will forego accepting any directors' retirement benefits. In addition, 100% of shares held by directors and family members or relatives of the president will be written off without compensation.

5. Implications for shareholders

A capital reduction of 99.0% will be implemented with regard to shares held by existing shareholders. A subsequent third party capital increase planned by the IRCJ and Tochigi Friendly Capital K.K. will reduce the relative position of existing shareholders.

6. IRCJ rationale for providing assistance

Kanto Jidosha, with its core business in bus and automotive services, carries approximately 70% of all passengers on public bus routes and charter bus services in Tochigi Prefecture. However, the public bus market has continued to decline with the increase of private motor vehicles, and competition in the charter bus market has intensified. With an inability to implement effective measures such as fundamental review of personnel and other operating expenses, Kanto Jidosha has been unable to secure sufficient earnings to service interest-bearing debt, and this has resulted in its current state of severe financial difficulty.

The IRCJ believes that, based on the premise of eliminating excessive interest-bearing debt through the assistance of financial institutions, there is a high probability of revitalizing operations and bringing about a sustainable recovery of profitability through implementation of the following major measures:

- 1) Fundamentally streamlining operations, including reducing personnel costs as already acknowledged by the labor union.
- 2) Strengthening the capital base through joint capital injection by the IRCJ and a regional corporate revitalization fund.
- 3) Implementing comprehensive business strategies that continuously assess bus routes, schedules and related matters, and strengthening sales of charter bus and automotive services.

**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 Land, Infrastructure & Transport:

*"Kanto Jidosha has developed a considerable number of bus routes throughout the central and southern suburbs, which form the heart of Utsunomiya City in Tochigi Prefecture, and fulfills the role of supporting the daily transportation needs of local residents. Accordingly, upon implementing the revitalization plan, I trust that full consideration will be given to maintaining an appropriate transport network in the region. In particular, I hope that any initiatives to rationalize or consolidate bus routes are preceded by proactive use of regional forums and meetings and that full*

*discussion takes place between the parties concerned, in order to ensure the continued availability of daily transportation.”*

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 November 26, 2004 until January 13, 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 Kanto Jidosha 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](http://www.ircj.co.jp)