

IRCJ approves application for assistance for Kimmon K.K.

Tokyo, January 28, 2004 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Kimmon K.K. and related companies (collectively “Kimmon”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company names	Kimmon K.K. Kimmon Electric Co., Ltd. Iwase Denshi Co., Ltd. Kimmon Quartz K.K. Shirasawa K.K. Nango K.K. Inan K.K. Kanayama K.K. Tobukimmon Gas Service K.K. MizuHo Seiki Co., Ltd. Karatsu Seiki Co., Ltd. Kimmon Metal Co., Ltd. Futaba Seiki Co., Ltd. Kimmon Environmental Systems K.K. Hokkaido Kimmon Koji Co., Ltd. Tohoku Kimmon Serubisu K.K.
Date of establishment	1904
Capital	¥1.575 billion
Head office	13-1 Ohara-cho, Itabashi-ku, Tokyo
Representative	Teruo Onoda
Number of employees	622 (as of the end of September 2003)
Outline of business	Manufacture and sale of gas and water meters, exterior lights, co-generation related equipment, heating and cooling equipment, processed quartz products etc.

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

Resona Bank, Ltd.

3. Outline of revitalization plan for Kimmon and rationale for IRCJ involvement

1. Structure

1) Concentration of management resources and reform of business model

The basic intention is to concentrate Kimmon’s management resources on its three core metering businesses, and to sell or withdraw from non-core operations. The business model for the remaining core businesses will be reformed to improve competitiveness and strengthen revenues.

2) Establishment of management and organizational structure for business reform

By removing former restraints and introducing a new approach, it is intended to rapidly introduce the revitalization strategy and establish a reform structure aimed at creating a ‘new company’. This will involve improving the management structure and reorganizing and integrating the group structure, while comprehensively reviewing the functions and

competencies of companies.

3) Improving societal infrastructure and industry order

By boosting new product development, quality control and cost competitiveness in Kimmon's core business area of metering equipment, the aim is to help improve the safety, functionality, and supply stability of low cost products across the industry. Moreover in the area of water meter operations, which have previously been the focus of bid-rigging problems, compliance will be improved through construction of a sector model case while also leading the industry by moving to a centralized bidding structure that eliminates any economic incentive to undertake improper bidding practices.

4) Financial targets

For the financial year ending March 31, 2007, consolidated net sales of ¥42.1 billion are targeted, with operating income of ¥3.0 billion.

2. Compliance

The following compliance measures will be taken and used as the basis for implementation of the above-mentioned business revitalization plan. This compliance structure has been created taking into account the previous conviction under the antimonopoly law.

1. A compliance office will be established to provide semi-independent compliance functions
2. A committee will be established to decide on bid prices
3. Creditor and shareholder monitoring will be introduced

3. Organizational restructuring

Kimmon will in principle sell or withdraw from non-core operations. Core operations will be restructured and concentrated by integrating manufacturing and related subsidiaries under Kimmon K.K., with the aim of improving management efficiency. This revitalization plan assumes a ¥3.0 billion capital injection from the IRCJ for capital expenditure, restructuring, research and development and other costs associated with the revitalization plan.

4. Working capital

Resona Bank, Ltd. and Mizuho Corporate Bank, Kimmon's main creditors, have agreed to support its working capital requirements within an agreed framework.

2. Outline of financial assistance

A request to financial institutions will be made for financial support of approximately ¥10.8 billion in the form of debt forgiveness or debt equity swaps.

3. Implications for management

The current president of Kimmon K.K., Teruo Ono, will resign.

4. Implications for shareholders

A 90% capital reduction of shares currently held in Kimmon K.K. is planned, followed by a capital increase through an allocation of new shares to a third party. The proportion held by current shareholders will therefore decrease.

5. IRCJ rationale for providing assistance

Kimmon's three metering businesses (city gas meters, LP gas meters, and water meters—hereafter 'core businesses') are long established and have leading industry positions. However, as a result of excessive capital investment, failed diversification outside of core competencies, and inefficient management of operations, the company has fallen into an untenable position.

The IRCJ believes that there is a high probability that Kimmon can be revitalized, due to its leading industry position and strong customer base in its core businesses, and high potential as a manufacturer in terms of product development and cost competitiveness.

By implementing the revitalization plan, the IRCJ believes that Kimmon can be transformed into a true leader in the metering industry.

4. Comments from the State Minister In Charge Of Industrial Revitalization And Administrative Reforms and the minister relevant to the company seeking assistance.

None expressed

*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.

5. Debt repurchase application period

January 28, 2004 to March 30, 2004

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