

IRCJ Approves Application for Assistance for K.K. Okunikko Konishi Hotel

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

1. Outline of business approved for assistance

Company name	K.K. Okunikko Konishi Hotel
Date of establishment	1959
Capital	¥49,739,000 (as of end September 2004)
Head office	Yumoto, Nikko city, Tochigi Prefecture
Representative	Yoshio Konishi
Number of employees	35 (28 full-time and 7 part-time employees, as of end November 2004)
Outline of business	Onsen (hot spring) resort operations Okunikko Konishi Hotel operates a 44-room brick hotel in the Okunikko Yumoto Onsen area of Nikko National Park.

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

The Ashikaga Bank, Ltd.

3. Outline of revitalization plan for Okunikko Konishi Hotel

1. Business plan

1. Operational policy

The hotel will target the mid- to high price customer segments, promoting the hotel as a place at which guests can slow down and experience the changing seasons at Okunikko, and providing sophisticated, high-quality services.

A subsidiary company, Konishi Ryokan, will be sold.

2. Facilities

Areas that have deteriorated, such as the hotel’s aging plumbing systems, along with the entrance, lobby and other public areas, will be repaired or upgraded, with the aim of improving the quality of the premises, retaining existing customers and generating new business.

2. 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 Okunikko Konishi Hotel, a ¥36 million capital injection from private investors and the IRCJ is planned. In addition, a ¥54 million convertible bond issue is planned, to be underwritten by private investors and the IRCJ

3. Outline of Financial Assistance

A total of ¥476 million in financial support will be requested from financial institutions.

4. Projected figures for the revitalization plan

	Fiscal year ended September 2004 (actual)	Fiscal year ending September 2008 (target)
Net sales	¥422 million	¥454 million
Operating Income	¥50 million	¥49 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 cause of Okunikko Konishi Hotel's current financial trouble is a worsening of the company's cash management due to financial support provided to a poorly performing subsidiary. The weak domestic economy also caused a decline in sales, with the result that Okunikko Konishi Hotel was unable to reduce its excessive debt burden and became unable to raise funds for necessary capital investment.

2). Potential for revitalization

The Okunikko Konishi Hotel has successfully differentiated its appeal as a resort hotel to guests in the mid price range in the Okunikko Yumoto area. The IRCJ believes there is ample potential for revitalization of the business, after eliminating the capital relationship with the poorly performing subsidiary, by making use of the hotel's current positioning and existing customer base, and taking measures such as improving guest package options and using the internet and other marketing methods to improve winter occupancy, 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 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 Okunikko Konishi Hotel 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