

IRCJ Approves Application for Assistance for K.K. Konsei, operators of Hana-no-ki Hotel

Tokyo, December 8, 2004 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by K.K. Konsei, operators of Hana-no-ki 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. Konsei (Hana-no-ki Hotel)
Date of establishment	1969
Capital	¥10 million (as of April 30, 2004)
Head office	Nikko City, Tochigi Prefecture
Representative	Takao ORUI
Number of employees	22 (as of September 30, 2004)
Outline of business	<u>Onsen (hot spring) resort hotel operations</u> K.K. Konsei manages Hana-no-ki Hotel, a 40-room establishment mainly serving student and excursion groups at the Oku Nikko Motoyu Onsen in Nikko National Park.

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

The Ashikaga Bank, Ltd.

3. Outline of revitalization plan for Hana-no-ki Hotel

1. Business plan

1. Clarify concept and key market

Customer service and hospitality will be enhanced with a focus on the core target customer group of elementary school excursions.

2. Actively expand customer base through new groups and individuals

Higher occupancy in both summer and winter will be targeted through promoting sales to individuals and small groups such as institutions for the disabled.

3. Organizational management structure

It is planned to form a new board of directors comprising three members: a chief representative recruited from outside the company, and two part-time directors.

- An outside company will be used to provide operational and administrative support, with the aim of further strengthening Hana-no-ki Hotel’s marketing capabilities.

4. Capital expenditure plan

Room and outside onsen bath renovations are planned.

2. Business restructuring

A 100% capital reduction of Hana-no-ki Hotel will be implemented, followed by an injection of ¥40 million of capital by private investors and the IRCJ.

An application is planned under the special measures law on industrial revitalization.

3. Outline of financial assistance sought

A total of approximately ¥900 million in financial support will be sought from financial institutions.

4. Quantitative targets under the revitalization plan

Millions of yen	FY ended April 2004 (actual)	FY ending April 2007 (target)
Net sales	358	378
Operating income (loss)	35	24

5. Implications for management

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

6. Implications for shareholders

All current shares will be cancelled without compensation with the 100% capital reduction.

7. IRCJ rationale for providing assistance

Cause of current financial situation

The primary cause of Hana-no-ki Hotel's current situation is over-investment in a new building. Sales fell after this investment due to a poor economic environment. The company was unable to overcome its high debt structure, and has been unable to secure necessary capital funding.

Potential for revitalization

Although Hana-no-ki Hotel is a relatively small-scale operation, it has a considerable base of elementary school groups visiting the Motoyu hot springs, with a solid business foundation and steady revenues. The IRCJ believes that there is ample potential for business revitalization through using the internet and other measures to actively develop new customers such as small groups from institutions for the disabled, creating attractive plans for individual guests in August and during the winter season, making sufficient capital investment, and improving operational management of the hotel. The process can also be positioned as a representative resort/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 December 8, 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 Hana-no-ki 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