

IRCJ approves application for assistance for Kyushu Transportation

Tokyo, August 28, 2003 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Kyushu Industrial Transportation Co., Ltd. (“Kyushu Transportation”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company name	Kyushu Industrial Transportation Co., Ltd.
Date of establishment	1942
Capital	¥950 million (as of March 31, 2003)
Head office	3-35 Sakuramachi, Kumamoto City, Kumamoto-ken
Representative	Ryousuke Tagami, President and Representative Director
Number of employees	Regular employees – 4,112 (as of March 31, 2003) Temporary employees – 684 (as of March 31, 2003)
Outline of business	The main businesses of the Kyushu Industrial Transportation group are operating coach services, tours, restaurants and stores, renting commercial facilities, air ticket agencies, and hotels. The operations of Kyushu Industrial Transportation Logistics K.K. operations involve trucking, cargo transportation (by rail and air), customs clearance, and transporting industrial waste for disposal.

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

Mizuho Bank, Ltd.

3. Outline of revitalization plan for Kyushu Transportation and rationale for IRCJ involvement

1. Structure

The Kyushu Transportation group will use as necessary its shareholders' equity and capital reserves to offset retained losses, and the number of shares held by all shareholders will be reduced by a predetermined ratio by combining or eliminating shares. Moreover, shares held by directors of group companies, Kumamoto Oil Co., Ltd., and other related parties will be transferred to Kyushu Transportation without compensation and cancelled.

Furthermore, following a debt equity swap and payments in cash to increase capital through allocations to third parties, the IRCJ aims to acquire more than half the shares outstanding. The capital of Kyushu Industrial Transportation Logistics will be reduced by 100%, and all the shares in the company that are owned by Kyushu Transportation, its parent company, will be cancelled without compensation. Following a debt equity swap and cash payments to increase capital through allocations to third parties, the IRCJ aims to acquire more than 70% of the outstanding shares.

2. Outline of financial assistance

Kyushu Industrial Transportation is seeking financial assistance (through loan forgiveness or a debt equity swap) of ¥20.5 billion for the unsecured portion of loans made to Kyushu Transportation by financial institutions and other creditors, and of loans made to consolidated subsidiaries guaranteed by Kyushu Transportation and which have been judged to be impossible to repay. The loan balance following this financial assistance will be repaid from profits over the next 13 years and from funds generated by the planned sale of assets.

Kyushu Industrial Transportation Logistics is seeking financial assistance (through loan forgiveness or a debt equity swap) of ¥6.9 billion for the unsecured portion of loans made by financial institutions and other creditors. The loan balance following this financial assistance will be repaid from profits over the next 13 years and from

funds generated by the planned sale of assets.

3. Implications for management

The chairman, president, and vice-president of Kyushu Transportation will resign. The chairman of Kyushu Industrial Transportation Logistics will resign, while the president will remain in his current position.

4. Implications for shareholders

To accept management responsibility, shares owned by the chairman, related parties and current and former directors of Kyushu Transportation will, in principle, be transferred without compensation to Kyushu Industrial Transportation and cancelled.

The number of shares held by regular shareholders will be reduced by a predetermined ratio through the elimination or combination of shares following the reduction of capital.

All shares in Kyushu Industrial Transportation Logistics are held by its parent company, Kyushu Transportation. All of these will, in principle, be cancelled without compensation.

5. IRCJ rationale for providing assistance

The IRCJ's rationale for providing assistance in this case is as follows:

Kyushu Transportation has two main businesses: a bus business and a trucking logistics business. While both of these businesses ran up excessive debts after they made investments in real estate and securities during the bubble, they both generate reasonable cash flow from their core operations. Therefore the IRCJ believes that if this excessive debt burden is removed, and if the company can carry out operational reforms based on its accumulated quality management resources and develop operations in growth areas, it will be possible to revitalize the business.

Furthermore, we believe that by engaging successfully in this revitalization project the IRCJ can demonstrate to more than 400 bus companies all over Japan an example of a profitable bus business model, and an example of a successful business reorganization and restructuring.

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

State Minister in Charge Of Industrial Revitalization and Administrative Reforms:

None expressed

Minister of Land, Infrastructure and Transport

"Kyushu Transportation operates numerous bus routes in Kumamoto prefecture and plays a significant role in the daily lives of people living in the area. Implementing this revitalization plan requires that sufficient care and attention be made to ensure an appropriate transport network is maintained.

In particular, it is to be hoped that in the event of the abolition or merger of bus routes sufficient dialogue take place with those who are affected, by using regional council meetings and other avenues to see how regular services can be subsequently secured and maintained.

Also, the issue of repurchase rights for land owned by the Organization for Promoting Urban Development must be handled appropriately, taking into account factors such as the non-execution of business plans

*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

August 29, 2003 to October 15, 2003 (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 Kyushu Transportation 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