

IRCJ approves application for assistance for Miyano Machinery Japan Inc.

Tokyo, June 4, 2004 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Miyano Machinery Japan Inc. for assistance under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company name	Miyano Machinery Japan Inc. (hereafter, “Miyano”)
Date of establishment	1929
Capital	705 million yen
Head office	Ueda City, Nagano Prefecture
Representative	Mr. Toshiharu Miyano
Number of employees	386 (as of December 31, 2003)
Outline of business	Manufacture and sale of industrial machinery and machine tools.

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

Sumitomo Mitsui Banking Corporation

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

1. Outline of business plan

1. Selection and concentration of manufacturing lines

The number of models being manufactured will be reduced by approximately 50% from current levels after selection for competitive superiority, and earnings improved by focusing on a reduced number of business segments. Continuing business segments into which management resources have been concentrated will undertake active new product development.

2. Improved manufacturing and sales efficiency

Manufacturing plants and sales offices will be integrated, overseas sales divisions restructured, and the scale of business activities optimized for maximum manufacturing and sales efficiency.

3. Introduction of cost structure responsive to changes in business environment

The cost structure of Miyano will be reformed to make it more responsive to changes in the business environment, through measures such as reviewing the company pension system and increasing the variable portion of employee compensation.

4. Numerical targets

For the fiscal year ending December 2007, the business revitalization plan targets net sales to be at the same level as they are currently, with operating income of approximately 900 million yen.

2. Organizational restructuring

The group will withdraw from non-core businesses. Core businesses will be reorganized through initiatives such as establishing a holding company for overseas marketing companies, and overall group organization will be restructured, and governance clarified, through measures such as management transfers of Group companies.

The business revitalization assumes a capital of input of 2 billion yen by the IRCJ for capital expenditure and other necessary investment.

3. Outline of financial support

Financial support of approximately 2.94 billion yen will be sought from financial institutions, in the form of debt forgiveness or debt equity swaps.

4. Implications for management

Both the current president and the current vice-president will resign as directors, as will the other directors. Any subsequent responsibilities will be decided in cooperation with the IRCJ and other parties. All resigning directors are declining any entitlement to retirement benefits. Eighty percent of shares in Miyano held by directors or by the president's family will be cancelled without compensation following the capital decrease outlined below. This will effectively reduce the share capital of these shareholders by 90%, through the combined effect of reducing total share capital by 50%, and canceling without compensation 80% of the remaining 50% of shares.

5. Implications for shareholders

The relative shareholding of existing shareholders will be reduced, in accordance with the 50% reduction in capital, and the third party allocation of new shares to the IRCJ and others.

6. IRCJ rationale for providing assistance

1. Cause of current situation

Due to factors including over-investment in manufacturing plant during the bubble period and the subsequent burden of interest-bearing debt, Miyano became unable to invest sufficiently in its business and was unable to reform its revenue base. The continued burden on Miyano of high levels of interest-bearing debt has now brought the Company to an intractable position.

2. Possibility of revitalization

At the product level, Miyano holds some leading market shares and has considerable competitive strength. Miyano has strong product development and technical skills in the production of highly rigid, automated NC lathes, and has developed a strong customer base of mainly small and medium sized auto parts makers by working closely with them to meet their needs. Miyano has a leading market share in products such as small and medium sized barwork NC lathes.

The IRCJ believes that there is a strong possibility of successfully revitalizing the company by taking measures such as eliminating excessive interest-bearing debt; investing sufficiently in necessary capital equipment; creating a cost structure that is more responsive to changes in the business environment; and reducing the number of models produced by approximately half by focusing manufacturing efforts on products that have recognized competitive superiority.

The IRCJ also believes that cost structure reforms and other measures to be taken

in the revitalization of Miyano will serve as a model case for the revitalization of industrial machinery manufacturers.

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

The application period for the repurchase of debt from Miyano is from June 4, 2004 to July 13, 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 Miyano 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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The Industrial Revitalization Corporation of Japan
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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 160 employees and is based in Tokyo. For more information please visit www.ircj.co.jp