

IRCJ Approves Application for Assistance for Miyazaki Kotsu Co., Ltd.

Tokyo, January 18, 2005 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Miyazaki Kotsu Co., Ltd (“Miyazaki Kotsu”) and related companies under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of businesses approved for assistance

Company names	Miyazaki Kotsu Co., Ltd. (Core company of the group) Miyazaki Chuo Logistics Co., Ltd. (Freight transportation) Miyako Taxis Co., Ltd. (Taxi business and coach hire business) Miyazaki Kanko Hotel Co., Ltd. (Tourist hotel business) Miyazaki Air-Line Hotel Co., Ltd. (Business hotel operations) Aoshima Resort Co., Ltd. (Resort hotel business) Miyako City (Shopping Center management business) Miyazaki Trading Co., Ltd. (Gift sales business) Miyazaki Building Service Co., Ltd. (Building maintenance) Miyako Restaurants Co., Ltd. (Restaurant business) Miyazaki Tourism Development Business Cooperative
Date of establishment	1926 (Miyazaki Kotsu)
Capital	¥750 million (Miyazaki Kotsu, as of end of March 2004)
Head office	Miyazaki City, Miyazaki Prefecture (Miyazaki Kotsu)
Representative	Iwakiri Tatsuro (Miyazaki Kotsu)
Number of employees	2,257 (including average number of temporary staff, 3,228)
Outline of business	1). Vehicle Transportation Business: Scheduled bus services (general bus lines and long distance highway buses), chartered bus services, taxi services, truck haulage services, airline agency services. Miyazaki Kotsu is the only general bus line operator in Miyazaki Prefecture, providing public transportation in the area. 2). Leisure Service Business: Hotel business, travel agents, tourist hotels, resort Hotels and business hotel that meet the needs of various customers while also owning and operating 'Children's Lands,' the Ikoma Highlands and other major tourist facilities in Miyazaki Prefecture. 3). Retail Services: Shopping center management business. Miyazaki Kotsu operates the largest shopping center in the prefecture.

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

The Miyazaki Bank, Ltd.

The Miyazaki Taiyo Bank Ltd.

3. Outline of revitalization plan for Miyazaki Kotsu

1. Business plan

1. Select and concentrate operations

Miyazaki Kotsu plays a leading role in the foundations of daily life in the area and we aim leverage its brand strength in the region by positioning as core operations the transport businesses, including the scheduled bus and taxi services, and leisure services businesses, including the hotel management operations (focused on wedding and banquet services) and continue these, along with related operations and operations that support profits.

On the other hand, operations where it is difficult to leverage group brand strength and whose competitive environment is expected to become more severe (such as the business hotels, charter freight vehicles and shopping center management operations) will be exited.

2. Selection of a sponsor

Following the IRCJ's decision to provide support, with the cooperation of the main banks it is planned to rapidly seek a sponsor and investors. In the event that selection is delayed, the IRCJ plans to provide initial capital.

In addition, as part of a regional support effort, ¥500 million will be received from the Miyazaki Prefecture small- and medium-sized business support fund

2. Structural reorganization

Currently most of the Miyazaki Kotsu group subsidiaries are 100%-owned subsidiaries of Miyazaki Kotsu, and are actually controlled by the governance structure of the bus company. To overcome this situation, a holding company will be set up to control the group companies, and Miyazaki Kotsu will become one of the group companies on the same level as other group companies.

Based on this, it will be possible to take decisions and allocate business resources in a way that is appropriate for all group companies.

3. Outline of Financial Assistance

Financial assistance (debt forgiveness and DES) of approximately ¥24.4 billion will be sought from financial institutions.

4. Forecasts for the revitalization plan

Consolidated business revitalization plan (Consolidation differs from that reported in financial statements)

	Fiscal period ended March 2004 (actual)	Fiscal period ended March 2008 (target)
Sales	¥25,660 million	¥21,013 million
Operating Income	¥1,974 million	¥1,390 million

5. Implications for management

In order to clarify management responsibility, the president and representative director of Miyazaki Kotsu will forfeit his right to represent the company and will resign as a director. The deputy president will also forfeit his right to represent the company and for the time being will work as a director of Miyazaki Kotsu beneath the new holding company. As head of the bus business he will be involved in discussions with the labor union on the revitalization of the bus business and other matters. In principle, all other directors of Miyazaki Kotsu and directors of group companies will resign. Resigning directors will forego directors' retirement benefits.

6. Implications for shareholders

A 90% capital decrease of Miyazaki Kotsu will take place and as a substantial capital increase will take place the proportional value of shares held by shareholders will be diluted to an equivalent degree.

Also, shares held by the president and deputy president of Miyazaki Kotsu and subsidiaries' presidents will be transferred to the company and cancelled without compensation.

7. IRCJ Rationale for providing assistance

Miyazaki Kotsu operates a large number of businesses ranging from bus and taxi services that support local transportation, hotels that serve a broad customer base, leisure facilities that serve as a focus for tourism, the leading travel agent network in the prefecture and its airline agencies. However, in a monopoly situation, the shortcomings of its services have led to loss of customers, while debts accrued through over-investment in hotels during the bubble economy period have placed the group in an extremely difficult operational situation.

Nevertheless, Miyazaki Kotsu has a very strong brand within the prefecture and by reducing excessive debt and concentrating on bus and taxis transportation services, as well as leisure services such as hotel management (centering on banquet and wedding services) as its main operations, through the concentration and selection of operations and the infusion of expertise from outside companies, the IRCJ believes that there is ample potential for its

revitalization as part of the foundations of daily life in the area. Furthermore, with the cooperation and support of local administrative agencies and with support and the injection of appropriate capital from sponsors, it is believed that industrial revitalization will be more likely.

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.

State ministers in charge of the IRCJ: None expressed
Minister of Land, Infrastructure & Transport:

“Miyazaki Kotsu Co., Ltd. operates monopolistic general bus routes throughout Miyazaki Prefecture, fulfilling a role in the day-to-day life of its inhabitants. Consequently, in implementing its revitalization plan the IRCJ needs to fully consider the maintenance of an appropriate transportation network in the area.”

“In particular, if integration or closure of routes is pursued, in order to maintain and protect the daily transport system the issues fully debated with those concerned in the region.”

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 January 18, 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 Miyazaki Kotsu 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