

## **IRCJ Approves Application for Assistance for Phenix Co., Ltd.**

**Tokyo, August 30, 2004** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Phenix Co., Ltd. (“Phenix”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

### **1. Outline of business approved for assistance**

Company name	Phenix Co., Ltd.
Date of establishment	1953
Capital	¥412 million
Head office	Sendagaya, Tokyo
Representative	Kazuhiko Tajima
Number of employees	435 (as of July 31, 2004)
Outline of business	Phenix manufactures and sells sportswear for a variety of sports. The Company has well-known brands including <i>PHENIX</i> and <i>X-NIX</i> , and has developed advanced technology in areas such as paper pattern templates. Phenix is the market leader in the ski and snowboard sportswear market.

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

Sumitomo Mitsui Banking Corporation

### **3. Outline of revitalization plan for Phenix and rationale for IRCJ involvement**

#### **1. Business Plan**

##### **(1) Review target market and merchandizing**

Lacking a proper business plan, Phenix has continued producing garments in excess of demand, and has continued producing goods that—due to inadequate coordination between the planning, manufacturing and marketing divisions—do not match the needs of the market. In reflection of these factors, target customer groups will be clarified with coordination between each division, and design, quantities, channels and marketing methods will be reviewed with the overall aim of improving product competitiveness.

##### **(2) Develop efficient, low-cost operations**

Efficient, low-cost operations will be developed through actions such as reducing fixed costs to match the smaller overall market, and reviewing duplicated functions.

##### **(3) Quantitative targets**

Target figures for the fiscal year ending May 2008 are for net sales of approximately

¥15.0 billion, and operating income of approximately ¥350 million.

2. Structure

Orix Corporation will sponsor the revitalization of Phenix. Under the governance of Orix, a new company will be formed (hereafter, the 'new company'), which will receive from another company and a consortium also governed by Orix the necessary funding to reconstruct Phenix's business operations. Phenix will be broken up, with the new company taking over its business operations (excepting one part, but including the continued employment of all current employees), and assuming the interest-bearing debt remaining after the completion of financial support. Phenix will then be wound up.

3. Outline of financial assistance

Debt forgiveness of about ¥8.4 billion will be sought from financial institutions.

4. Implications for management

None of the current directors below the level of president will become directors of the new company. The directors will forego accepting any directors' retirement benefits, and will take responsibility for completing the winding up of the company. It is planned that through the transfer or otherwise of shares held in the new company by Phenix, any influence the current directors of Phenix could have over the new company will be eliminated.

5. Implications for shareholders

Phenix will be wound up and liquidated with no residual assets. Shares held by Phenix in the new company will be transferred or similarly handled, and any influence of Phenix shareholders on the new company will be eliminated.

6. IRCJ rationale for providing assistance

Phenix has a number of very well known brands, including *PHENIX*, and is the market leader in ski and snowboard clothing. The Company is currently in a severe situation, however, as management did not respond appropriately to falling personal consumption and a shrinking market following the collapse of Japan's economic bubble, and has been unable to generate sufficient profit to pay back interest-bearing debt. Nevertheless, Phenix has considerable management resources, including the powerful brands notes above and technical capabilities in the development of functional sportswear.

Based on these resources, the business revitalization plan for Phenix includes the elimination of excessive interest-bearing debt, and the provision of funding to reconstruct the business with Orix Corporation as sponsor. Coordination between the planning, manufacturing and marketing divisions will be strengthened, and the target customer groups and merchandizing approach will be reviewed. Fixed costs will also be reduced in line with the smaller market.

The IRCJ believes that by implementing this business revitalization plan there is a strong prospect that the company can be returned to financial health.

**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 August 30, 2004 until October 5, 2004 (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 Phenix 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](http://www.ircj.co.jp)

