

IRCJ Approves Application for Assistance for Kinugawa Plaza Hotel

Tokyo, January 18, 2005 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Kinugawa Onsen Sansuikaku (Kinugawa Plaza Hotel) (hereafter “Kinugawa Plaza Hotel”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of businesses approved for assistance

Company name	The Kinugawa Onsen Sansuikaku (Kinugawa Plaza Hotel)
Date of establishment	1931
Capital	¥30 million (as of the end of December 2004)
Head office	Fujiwara City, Shioya, Tochigi Prefecture
Representative	Kimiyasu Shoda
Number of employees	32 (as of the end of December, 2004)
Outline of business	Japanese Inn and Onsen Business Kinugawa Onsen Sansuikaku operates a Japanese style inn and onsen (the Kinugawa Plaza Hotel) situated in Nikko National Park, that has 172 rooms with a capacity of 600 people.

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

The Ashikaga Bank, Ltd.

3. Outline of revitalization plan for the Kinugawa Plaza Hotel

1. Business plan

1. Direction of revitalization

Continuing to use such current strengths as chartered open air baths in the gardens and rooms with open air baths en suite and a selection of dining styles while targeting couples, young families and small groups of women, ‘an inn where young people can enjoy themselves’ will be the business concept.

2. Positioning

Establish the facility as one differentiated from other Japanese inns in the Kinugawa area and preferred by a people in their 20s and 30s, by developing its services.

3. Organizational managing structure

- The new board of directors is expected to comprise one representative director who will be an external appointment and two part-time directors, totaling three in all.
- With the aim of strengthening governance of the business a modern operational administration system will be established under the direction of an outside management company.

4. Capital expenditure plans

Perform basic capital expenditure on buildings, air conditioning and electrical equipment. Refurbish guest rooms, dining facilities and public areas.

2. Corporate restructuring

It is planned that after a 100% capital reduction, the Kinugawa Plaza Hotel will receive a ¥300 million capital injection from private investors and the IRCJ.

Also, it is planned that ¥350 million of convertible bonds will be issued and purchased by private investors and the IRCJ. An application under the Law for Special Measures for Industrial Revitalization is also planned.

3. Outline of Financial Assistance

A total of approximately ¥7 billion in financial support will be requested from financial institutions.

4. Projected figures for the revitalization plan

	Fiscal year ended May 2004 (actual)	Fiscal year ending May 2008 (target)
Sales	¥1,569 million	¥1,654 million
Operating Income	¥202 million	¥134 million

5. Implications for management

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

6. Implications for shareholders

As a result of the 100% percent capital reduction, all holdings will be cancelled without compensation.

7. IRCJ Rationale for providing assistance

1) Causes of current financial situation

The main causes of the situation of the Kinugawa Plaza Hotel are: 1. over investment in facilities expansion. 2. Weak marketing strategy (reliance on agents and on large parties of guests). With the decline in sales resulting from a weak economy, the Kinugawa Plaza Hotel was unable to escape from its excessive debt structure and became unable to raise the funds for necessary capital investment.

2). Potential for revitalization

However, the Kinugawa Plaza Hotel does possess facilities such as the charter open air baths and the rooms with open air baths en suite that are likely to attract individual guests.

From now onwards, targeting mainly couples, small groups of women and young families, the business concept will be 'an inn where young people can enjoy themselves'. In order to achieve that target, through the refurbishment of guest rooms and public facilities, strengthening marketing and by raising the standard of service, the IRCJ believes that there is ample potential for successful revitalization. Also, the process can be positioned as an example of a Japanese Inn/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 January 18, 2005 until February 23, 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 Kanto Jidosha 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