

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

**Tokyo, December 8, 2004** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by hotel operator Tanakaya Co., Ltd. (“Tanakaya”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

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

Company name	Tanakaya Co., Ltd.
Date of establishment	1963
Capital	¥10 million (as of November 30, 2004)
Head office	Shiobara-machi, Nasu-gun, Tochigi
Representative	Saburo TANAKA
Number of employees	25 (as of November 30, 2004)
Outline of business	<i>Onsen</i> (hot spring) resort hotel operation Tanakaya operates a 38-room Japanese inn at the Ooami Onsen at the entrance to the Shiobara onsen village

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

The Ashikaga Bank, Ltd.

### **3. Outline of revitalization plan for Tanakaya**

#### **1. Business plan**

##### 1. Operational approach

Operations will be managed to emphasize Tanakaya’s key selling points—the plentiful, high-quality nature of its onsen pools, and its location in a natural environment. Marketing will target customers group that particularly value a genuine, natural onsen experience, with the aim of offering an atmosphere of absolute relaxation and onsen enjoyment.

##### 2. Pricing strategy

A pricing structure will be established with reference to three key factors—competitor comparisons, customer demand, and company costs—with the aim of establishing prices at the higher end of the market in the region. The range of souvenirs and other products for sale will also be addressed in order to boost revenues within the hotel complex.

##### 3. Management strengthening

While retaining the benefits of a family-style business, a modern management approach and stronger governance will be introduced under the guidance of an outside operational support company.

##### 4. Capital expenditure

Plans include demolishing deteriorated structures, rebuilding the outside onsen

baths and renovating guest rooms.

## **2. Business restructuring**

A 100% capital reduction of Tanaka will be implemented, followed by an injection of ¥30 million of capital by private investors and the IRCJ. A ¥60 million convertible bond issue will also take place, underwritten by private investors and the IRCJ.

An application is planned under the special measure law on industrial revitalization.

## **3. Outline of financial assistance sought**

A total of approximately ¥900 million in financial support will be sought from financial institutions.

## **4. Quantitative targets under the revitalization plan**

Millions of yen	FY ended May 2004	FY ending May 2008 (target)
Net sales	245	274
Operating income (loss)	(18)	44

## **5. Implications for management**

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

## **6. Implications for shareholders**

All current shares will be cancelled without compensation with the 100% capital reduction.

## **7. IRCJ rationale for providing assistance**

### Cause of current financial situation

The primary causes of Tanakaya's current situation are 1) over-investment in new construction and 2) a weak management strategy. Sales fell in a poor economic environment, the company was unable to overcome its high debt structure, and it has been unable to secure necessary capital funding.

### Potential for revitalization

Tanakaya's core strengths are its plentiful, high-quality onsen baths and its natural environment. Future management will be directed at private (rather than group) guests, particularly those with a clear preference for the best in onsen quality and environment, with the concept of operating a hotel that offers absolute relaxation and onsen enjoyment. Capital will be expended on facilities improvement, and the sales structure strengthened. One of the current three buildings will be demolished, and the reduction of excess facilities will reduce costs at the same time as services are improved. The IRCJ believes that with these initiatives there is ample potential for the business revitalization of Tanakaya. The process can also be positioned as a representative resort/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 December 8, 2004 until January 13, 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 Tanakaya 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](http://www.ircj.co.jp)