

IRCJ approves application for assistance for Tsu Matsubishi

Tokyo, October 24, 2003 – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Tsu Matsubishi Co. (“Tsu Matsubishi”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

1. Outline of business approved for assistance

Company name	Tsu Matsubishi Co.
Date of establishment	1955
Capital	¥100 million
Head office	4-10 Higashi Marunouchi, Tsu-shi, Mie Prefecture, Japan
Representative	Noboru Tani
Number of employees	188
Outline of business	Since being founded, management of the only department store in the city of Tsu.

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

The Hyakugo Bank, Ltd.

3. Outline of revitalization plan for Tsu Matsubishi and rationale for IRCJ involvement

1. Structure

i. Support from sponsor

The Japan Recovery Fund, managed by Phoenix Capital Limited, will through a capital injection of ¥600 million take ownership of a majority of shares in Tsu Matsubishi.

ii. Streamlining and improving efficiency of operations

Group companies Tokai Distributors K.K. and Tsu Matsubishi Commercial K.K. will be wound up, with the aim of streamlining and improving the efficiency of operations.

2. Outline of financial assistance

Tsu Matsubishi is requesting debt forgiveness of approximately ¥7.1 billion from the financial institutions concerned.

3. Implications for Management

Noboru Tani, representative director, will resign and have no further part in the management of Tsu Matsubishi. Current representative director Masanori Tani will also resign. Neither director will receive directors’ retirement bonuses, and shares held by each will be cancelled without compensation.

4. Implications for Shareholders

Of the shares held by current shareholders, 90% will be consolidated at the ratio of 10:1 accompanying the reduction in capital. Through its capital injection, the sponsor will become the majority shareholder.

5. IRCJ rationale for providing assistance

The causes of the company’s predicament include chronic indebtedness due to excessive investment to increase floor space without a coherent strategy, and a falling customer count because of a weak product strategy.

Although a major uplift in personal consumption cannot be expected, we believe that a significant improvement in profitability is possible by renovating the store to create an optimal retail structure, and reducing costs—particularly fixed costs—across the board. A new product strategy that targets female shoppers can be expected to generate better customer counts, and undertaken collectively we believe there is high probability that the

above measures can successfully revitalize the business.

Moreover, as the only department store in the Tsu City, Tsu Matsubishi is something of a retail anchor for the region, and its rehabilitation has great significance for the local economy.

4. Comments from the State Minister In Charge Of Industrial Revitalization And Administrative Reforms and from 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

October 24, 2003 to November 27, 2003 (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 Tsu Matsubishi 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 on November 27, 2003, 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 130 employees and is based in Tokyo. For more information please visit www.ircj.jp