

## **IRCJ Approves Application for Assistance for Yoshimoto Tochitatemono and Osaka Marubiru**

**Tokyo, January 28, 2004** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Yoshimoto Tochitatemono Co., Ltd. (“Yoshimoto Tochitatemono”) and Osaka Marubiru Co., Ltd. (“Osaka Marubiru”) under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

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

Company names	Yoshimoto Tochitatemono Co., Ltd. Osaka Marubiru Co., Ltd.	
Date of establishment	Yoshimoto Tochitatemono	1954
	Osaka Marubiru	1972
Capital	Yoshimoto Tochitatemono	¥255 million
	Osaka Marubiru	¥400 million
Head offices of both companies	Osaka-fu, Osaka-shi, Kita-ku, Umeda 1-9-20	
Representatives	Yoshimoto Tochitatemono	Haruhiko Yoshimoto
	Osaka Marubiru	Haruyuki Yoshimoto
Number of employees	Yoshimoto Tochitatemono	4
	Osaka Marubiru	82
Outline of businesses	Hotel business The companies manage a single building that contains a hotel and tenanted space. With an excellent location in the Umeda area of Kita-ku, Osaka, the building is a well-known landmark. Although it is called the Umeda Dia Bulding, it is better known as the Osaka Marubiru.	

### **1. Outline of business segment**

#### Accommodation Division

This is the companies’ core business and generates about 40% of its gross profit. Taking advantage of its excellent location, the division has among the highest occupancy rates in Osaka.

#### Functions Division

This division used to generate a similar proportion of profits as the accommodation division. Recently, however, a fall in the number of weddings and banquets has led to a decline in sales and profits. The companies are trying to increase profits by identifying high profit sources and reducing costs, however, unlike the companies’ other divisions, this division suffers from market oversupply in Osaka. As a result the companies plan to divert part of the space for functions to the more profitable Tenant Division.

#### Tenant Division

Located in an excellent position opposite Osaka Station and with connections to the station’s underground shopping mall, the Osaka Marubiru is extremely competitive and generates stable income from tenant rents. The division is positioned to be a key management pillar in the future.

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

Sumitomo Mitsui Banking Corporation

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

#### **A) Business plan**

##### **1. Reforms to the management and administration of each business division**

Both Yoshimoto Tochitatemono and Osaka Marubiru have three business divisions: an accommodation division, a function division, and a tenant division. Each division's management and administration will undergo reforms as on-going concerns. However, there are plans to transfer management resources from the function division, which suffers from oversupply in Osaka, to the more profitable tenant division, and to rebuild the business portfolio.

The accommodation division benefits from its excellent location and room occupancy rates that are among the highest in Osaka. However, because of poor room pricing administration many accommodation products have been under priced, and a significant percentage of the rooms have been generating insufficient profits. Looking ahead, by improving yield control, the division aims to increase profits by raising room prices without reducing the occupancy ratio.

The function division is suffering because of a decline in the number of wedding functions as a result of the effects of the aging of the Japanese population. The number of regular functions remains stable although prices are also declining. In the future this division will focus on increasing profits by selecting functions that generate high profits.

The tenant division will appoint specialist managers and improve tenant administration. It will aim to retain the current level of high rental fees, keep high quality tenants, and quickly replace low rent tenants in order to expand overall rental income. Furthermore, some of the areas used for functions will be transferred to the more profitable tenant division, with the aim of rebuilding the overall business portfolio to be more efficient.

##### **2. Capital investment plans**

A capital injection of ¥1.5 billion from sponsors will be used to make new investments in important facilities to raise the competitiveness of the accommodation division.

##### **3. Other**

Through substantial reductions in employee numbers and salary cuts, the companies have reduced their wage bill to the minimum level needed to run their businesses. There is little room for new restructuring measures in this area and so there are no plans to make any further cuts in staff numbers or salaries.

#### **B) Corporate rehabilitation (structure)**

At present the companies' rehabilitation is expected to involve the following:

1. Following a merger, the operations of Yoshimoto Tochitatemono, which owns the building and the land underneath, and Osaka Marubiru, which manages the hotel, will be integrated and streamlined. Following the merger Yoshimoto Tochitatemono will be the remaining entity.
2. The Yoshimoto family's equity will be reduced 90%, while the equity of other shareholders will be reduced by 50%. There will also be a capital injection of ¥1.5 billion from sponsors, yet to be confirmed.
3. An application will be made under the Law on Special Measures for Industrial Revitalization. Assistance provided by this law will provide special tax exemptions (recognizing appraisal losses as expenses, reducing registration and license taxes) and benefits relating to civil laws (exemptions relating to capital reductions).

## 2. Outline of financial support

Yoshimoto Tochtatemono and Osaka Marubiru have asked the relevant financial institutions to forgive debts of ¥6.6 billion.

### 3. Earnings forecast following business revitalization (sum of both companies' results)

*Millions of yen*

	Year ended March 31, 2003 (Yoshimoto Tochtatemono) Year ended December 30, 2002 (Osaka Marubiru)	Year ending March 31, 2008 (estimate)
Net sales	4,655.1	4,247
Operating income	980.5	791.1
Recurring income	446.5	491.5
Net income	(118.2)	491.5
Interest-bearing debt	20,312.7	9,915.1

### 4. Implications for management

To clarify management responsibility, Yoshimoto Haruhiko, the president of Yoshimoto Tochtatemono and chairman of Osaka Marubiru, will resign his directorship. Yoshimoto Haruyuki, the president of Osaka Marubiru, will resign as president after the new managers assume their position. Furthermore, Yoshimoto Haruhiko will hand over his personal assets to the company's financial institutions to fulfill his obligations as the guarantor on liabilities.

### 5. Implications for shareholders

To clarify the responsibility of shareholders, the Yoshimoto family's equity will be reduced 90% while the equity of other shareholders will be reduced by 50%.

### 6. Outline of revitalization plan and rationale for IRCJ involvement

#### (1) Reason for current problems

The main reasons for the current problems at Yoshimoto Tochtatemono and Osaka Marubiru are 1) massive overspending in the initial stages of the hotel's construction. 2) high borrowing rates on the companies' loans which led to an interest burden that put significant downward pressure on profits. During Japan's bubble period both companies incurred further significant losses after purchasing new buildings and abandoning plans to build art galleries. As a result, they were unable to reduce their huge debt burden and, because of pressure in recent years to reduce the debt principal, they have insufficient capital to make necessary investments in facilities.

#### (2) IRCJ rationale for providing assistance

In spite of the above-mentioned issues, by taking advantage of its excellent location in front of Osaka station and maintaining one of the highest occupancy rates in Osaka, the IRCJ believes that the solid core business can continue to be operated profitably. The IRCJ also believes that by reducing the debt burden, which is the source of the companies' difficulties, and by making important investments in facilities and improving yield management, there is substantial reason to believe the companies' business can recover.

Revitalizing this hotel, which has been a symbol of the area around Osaka station, will strengthen its ongoing ability to draw in customers, which is the foundation of the area's businesses. At the same time, we also believe that improving the efficiency of their business portfolio provides a useful model for the revitalization of other hotels.

**2. Comments from the State Minister In Charge Of Industrial Revitalization And Administrative Reforms\* minister relevant to the company seeking assistance.**

The Minister of Land, Infrastructure and Transport made the following comment:

“The revitalization of these companies will not lead to undue problems in regard to the ongoing establishment of accommodation for tourists from overseas, and we therefore have no concerns regarding this decision to approve support.”

**3. Debt repurchase application period**

January 28, 2004 to February 27, 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.

**4. 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 the companies 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.

**5. 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**

Corporate Planning Department  
The Industrial Revitalization Corporation of Japan  
Tel: 03-6212-6437

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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](http://www.ircj.jp)