

## ETIC to Provide Support to Yamamoto Academy Group

March 29<sup>th</sup> 2012

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”), has decided to provide support to Yamamoto Academy Group under Article 25, Clause 4 of the Enterprise Turnaround Initiative Corporation of Japan Act (Act 63, of 2009, hereafter “the ETIC Act”),

1. Name of company concerned

Yamamoto Academy Group (hereafter “Yamamoto Academy”)

2. Name of financial institution jointly applying for rehabilitation support with Yamamoto Academy

Ehime Shinkin Bank (hereafter “Ehime Shinkin”)

3. Outline of business revitalization plan

Please see appendix.

4. Comments from State Ministers in charge of ETIC

Prime Minister, Minister of Finance, Minister of Economy, Trade and Industry: No opinion expressed

Minister of Health, Labour and Welfare: *“I have no objection to the decision to support Yamamoto Academy. However, I ask that after reaching the decision to support, ETIC should encourage Yamamoto Academy to discuss the situation with employees of the company as soon as possible. I also ask that in advising on and guiding the implementation of the corporate revitalization plan, ETIC should aim to ensure that Yamamoto Academy complies with related laws and regulations, and that Yamamoto Academy also provides adequate opportunities for substantive discussions with the workforce with due consideration of employment stability and other such factors.”*

5. Comment from state minister supervising business activities

Minister of Education, Culture, Sports, Science and Technology: *“In implementing the revitalization plan, I ask that due consideration is given to the opinion of the Governor of Ehime Prefecture, the regional authority for this area, and that efforts are made to reinforce management foundations to ensure that high quality education continue to be*

*delivered to students.”*

6. Debt purchase application period

From Thursday, March 29<sup>th</sup>, 2012 for receipt by ETIC no later than Friday, May 18<sup>th</sup>, 2012.

7. Request for temporary suspension

Under Article 27, Clause 1 of the ETIC Act, financial institutions have been requested not to recover loans or exercise any other rights they may have as creditors, other than those permitted under the corporate revitalization plan, before the end of the debt purchase period as per item 6 above.

8. Treatment of trade creditors

The decision by ETIC to provide support involves requesting financial support and financial adjustment from financial institutions providing loans to Yamamoto Academy. No request for support will be made with regard to trade debt. Therefore there will be no impact on trade creditors.

9. Basis for decision to support

ETIC's basis for deciding to provide support is as follows.

9.1 Rationale

Yamamoto Academy is Ehime Prefecture's second largest incorporated educational institution with a history dating back 66 years, and operates five specialized training academies in Matsuyama city. Yamamoto Academy provides educational services to over 400 students, including minors, and acts as a provider of both education and employment in Ehime Prefecture. The over 10,000 graduates who have studied and attained qualifications with Yamamoto Academy are now contributing to the regional economy. Business failure of Yamamoto Academy would have a significant financial and educational effect on the families of current students and students planning to enroll.

The employment of current teaching staff will be secured by supporting the revitalization of Yamamoto Academy. It can be said that Yamamoto Academies possesses sufficient business resources in that it employs a sufficient number of regional educational staffs necessary to maintain and develop the functions of a specialized training college, it owns facilities located in a highly convenient location in central Matsuyama city, is in an advantageous position to secure student enrolment, and its campus facilities are

expected to be suitable for continued use over the medium term.

Supporting the revitalization of Yamamoto Academy provides one future direction in the event of revitalizing other incorporated educational institutions. While there may be some difficulty coordinating with the highly diverse stakeholders, by taking on the role of coordinator among related parties, ETIC aims to contribute to solving problems faced in the revitalization of incorporated educational institutions.

## 9.2 Role of ETIC

In deciding to support Yamamoto Academy, ETIC's planned role is as follows:

- (1) Act as a coordinator among the financial institutions and other parties involved (including debt purchase).
- (2) Supply management personnel.

With regard to (1) above, ETIC will reduce excessive interest-bearing debt and improve the financial condition of Yamamoto Academy by requesting financial support from financial institutional creditors. With regard to (2), ETIC will place management staff within the organization to strengthen its management structure to support the stable progression of the business revitalization plan.

ETIC will not conduct financing or capital injection in this particular scheme.

Ends

## **Appendix: Outline of the Business Revitalization Plan**

### **Section 1: Overview of the group receiving support**

#### 1.1 Names of group

Yamamoto Academy Group

#### 1.2 Main Business

Operation of specialized training colleges

#### 1.3 Main schools and facilities

(1) Head office and main campus

1-4-1 Ichibancho, Matsuyama City, Ehime Prefecture

(2) Branch campus

1-33 Tsujimachi, Matsuyama City, Ehime Prefecture

#### 1.4 Number of employees

Directors: 7

Full-time staff: 39

Part-time staff: 5

#### 1.5 Labor union

None

#### 1.6 Main banks

Ehime Shinkin Bank

#### 1.7 Financial overview (financial results for year ended March 31, 2011)

Income	¥348 million
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Operating loss	¥168 million
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### **Section 2: Background and circumstances leading to request for ETIC support**

From a business standpoint, Yamamoto Academy's costs increased due to excessive investments in advertising and promotion to attract more students, following a temporary decline in students resulting from a dispute between instructors. However it failed to reach its enrolment target and experienced a significant downturn in profit as a result. In recent years student numbers have begun to increase, and with student numbers expected to be maintained, Yamamoto Academy has reached a stage where it can begin to make a recovery.

From a financial standpoint, in addition to the aforementioned increase in student acquisition costs arising from its strategies to expand student numbers, as a result of continued reliance on loans for cash flow, and impacted by the delay in overhauling its

current high-cost structure, there have been no fundamental improvements to Yamamoto Academy's financial condition.

In terms of management and organization, the board of directors who oversee the management of Yamamoto Academy were unable to achieve the objectives of the business plan that they created themselves, and in addition to the financial situation, the failure to revise the business plan was also a factor contributing to the current situation.

Given the circumstances, Yamamoto Academy, after discussions with Ehime Shinkin, resolved to apply for support from ETIC with the aim of implementing business revitalization by utilizing its management resources, including the high-quality specialized education provided by regional educational staff, its highly convenient central city location, and sound building facilities that should be suitable for continued use over the medium term.

### **Section 3: Outline of business revitalization plan**

#### **1. Basic policy**

Yamamoto Academy has a long history and tradition, and is strongly supported by its graduates. Accordingly, with a basic policy of adopting "a robust and unique management style", Yamamoto Academy will work to achieve drastic improvements in profitability and continue the stable operation of the academy, focusing on "minimalist management" and "value differentiation". Details are as follows:

##### **(1) Minimalist management**

Adjustments will be made to labor costs and fixed costs, and cost control systems will be strengthened so that Yamamoto Academy can shift away from its current high-cost structure, one of the factors contributing to the current situation. Revisions will be made to other such contributing factors including the current management methods and control systems, particularly its low cost/performance student expansion strategy. A system will be established which will enable the introduction of functions to formulate and revise business plans, while a clear control system will be established to evaluate measures for projects and initiatives, and appropriate adjustments will be made to budget allocation.

##### **(2) Value differentiation**

Yamamoto Academy is presently holding a discount campaign based on its current

student acquisition plan and it is struggling with strong price competition from rivals. Yamamoto Academy will shift away from competing on price and work to diversify itself by enhancing the appeal of its schools, including setting targets which utilize traditionally strong areas, establishing educational departments, improving the quality of education provided, and providing career support.

## 2. Structure

### (1) Financial support and financial adjustment scheme

Related financial institutions will implement financial support and financial adjustment following the decision by ETIC to purchase debt.

### (2) Request for financial support

Of the ¥1.7 billion owed to financial institutions by Yamamoto Academy, financial support of approximately ¥1.1 billion will be requested from financial institutions.

### (3) Financing

Following financial support and financial adjustment by financial institutions, debt that can be borne by Yamamoto Academy will be repaid with long-term revenue. Financing of the business is expected to be sufficient, provided that financial support is received in line with the business revitalization plan, along with planned additional financing from Ehime Shinkin for necessary operating cash flow.

## **Section 4. Conformance with standards for support**

### 1. Main clauses in standards for support

#### 1.1 Possession of effective management resources

Yamamoto Academy is an incorporated educational institution that operates the second largest specialized training college in Ehime Prefecture. Yamamoto Academy possesses effective management resources including high quality specialized education provided by regional educational staff, a highly convenient central city location, and campus facilities suitable for continued use over the medium term.

#### 1.2 Excessive indebtedness

Yamamoto Academy carries an excessive amount of debt compared to its revenues. Debt forgiveness and financial support are essential to the revitalization of Yamamoto Academy.

### 2. Standards relating to decision to support

#### 2.1 Agreement of main creditors

The application by Yamamoto Academy was made jointly with main creditor, Ehime Shinkin.

#### 2.2 Standards for productivity improvement

Successful implementation of this business revitalization plan is expected to enable Yamamoto Academy to meet the required standards with respect to productivity.

#### 2.3 Standards for financial soundness

Successful implementation of this business revitalization plan is expected to enable Yamamoto Academy to meet the required standards with respect to financial soundness.

#### 2.4 Comparison with liquidation value

The value of Yamamoto Academy available through implementation of the business revitalization plan is estimated to be greater than the value available through debt recovery on bankruptcy proceedings.

#### 2.5 Potential to refinance within three years

Implementation of the business revitalization plan is expected to significantly improve the financial condition of Yamamoto Academy, enabling it to achieve stable cash flows and making refinancing of debt purchased by ETIC possible within 3 years through the involvement of regional financial institutions.

#### 2.6 Connection with structural oversupply

Implementation of the business revitalization plan will not increase the supply capacity of Yamamoto Academy. Accordingly, the plan has been judged as 'not hindering the resolution of structural oversupply' with reference to Article 19 of the Act on Special Measures for Industrial Revitalization and Industrial Innovation.

#### 2.7 Status of consultations with workforce

As the company does not have an employees union it is planned that meetings with employees will be scheduled promptly after announcement of the decision to provide support, and opportunities provided to discuss employment conditions and other aspects of the business revitalization plan.

### **Section 5: Responsibility of management**

The responsibility of the former management team for the current predicament of Yamamoto Academy will be reflected through the resignation of all directors from their posts directly following the decision to provide support, with the exception of a small number of directors who are required for the revitalization of the academy, and are not responsible or are minimally responsible for the financial downturn of the academy. These selected directors shall retain their positions.

Ends