

Banks rein in a Japanese developer

□ EIE's brash chief symbolizes the excesses that swept Japan in the 1980s

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TOKYO — It was bad when the banks sent their people to monitor his debt-laden operations and worse when they slammed the brakes on his hectic pace of property acquisitions. But now the bankers say the three private jets must go.

No, this is not Donald J. Trump, Robert Campeau or some fallen savings and loan owner. Meet Harunori Takahashi, chairman and owner of the privately held EIE International Corp., a big hotel and resort developer struggling under \$6 billion in shaky debt.

This brash, chain-smoking businessman is just one of many Japanese entrepreneurs transformed by the doubling of the yen's value after 1985 into overnight sensations.

Takahashi, 45, charmed lenders and the news media alike, while assembling an empire stretching from Tahiti to 57th Street in Manhattan, where he is building the Regent Hotel designed by I.M. Pei. Although little known in Japan, Takahashi became one of Australia's biggest and most talked about property barons.

Today, Takahashi's predicament symbolizes the excesses that swept corporate Japan in the overheated 1980s — just as they swept Wall Street. As he attempts to adapt to the 1990s, the only question is how much of his grab bag of holdings — ranging from Regent and Hyatt hotels throughout Asia, a floating hotel in Ho Chi Minh City in Vietnam, a thousand-mile railroad being built through Australia's outback and a half-share in Australia's Bond University — he will be able to salvage.

"Mr. Takahashi is good at proceeding on projects very aggressively, and he has a very good eye for assets, but he is not so good at financial calculations or manage-

One developer's holdings

The five branches of EIE International Corporation. Businesses are wholly owned, unless otherwise specified.

TRAVEL, TRANSPORTATION AND HOTEL MANAGEMENT

Sea-Com (60 percent); Regent International Hotels (30 percent; based in Hong Kong); Tobu Air Cargo (40 percent); Blue Line Cruises (51 percent; based in Australia); Indonesia Travel (35 percent); Northern Territories Railroad (1,000-mile railroad being built in central Australia).

ELECTRONICS AND FOOD

Mori Denki (25 percent of the industrial lighting manufacturer); Japan Optronics; Dataland; EIE Softect; Honda Electron and JRJ Health Food.

FINANCIAL SERVICES

Tokyo Security Finance (35 percent); General Lease (51 percent); and Tokyo Kyowa Savings and Loan (managed by EIE).

NONPROFIT ORGANIZATIONS

Bond University in Australia (50 percent); Pacific Basin Sports Foundation; International Information and Science Foundation and International Youth Development Foundation.

PROPERTY

Regent Hotels, built or under construction in London; Milan, Italy; New York; Beverly Hills, Calif.; Huehue, Hawaii; Bangkok, Thailand; Nouméa, New Caledonia, and Fiji. Regent Sydney (51 percent). Hyatt Hotels in Saipan and in Perth, Sanctuary Cove and Sydney, Australia. Izu Century Park. Three hotels in French Polynesia. Park Inns in the United States (51 percent). Barrier Reef Holdings (51 percent of the Australian company that owns a floating hotel in the Saigon River, Ho Chi Minh City, Vietnam).

Office buildings in London, Los Angeles, Australia, New Zealand, Japan and Hong Kong.

Golf courses: 14 in Japan, 4 built or under way elsewhere.

Source: EIE International Corporation

ment," said Yoshiharu Suzuki, general manager of the corporate finance group at Long-Term Credit Bank of Japan, EIE's biggest lender, with almost \$1 billion outstanding.

"So we've decided to send people to supplement the area where he has a weakness, namely in administration. That's so we can have completely harmonious coopera-

tion."

The size of EIE's problems is also a reflection on the euphoria that prevailed at Japanese banks in the heady 1980s. Banks, after all, are supposed to weigh prudently the projects to which they will lend.

Stuart Matthews, an analyst at Barclays de Zoette Wedd, observed, "We're discovering that

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some of the bankers here were just as adventurous as those anywhere in the world."

During a recent interview at his headquarters in downtown Tokyo, which he is about to vacate for less expensive space, Takahashi, a whirl of energy who habitually juggles numerous deals, bridled at the suggestion he had become overextended.

"Tightening up would be the way to describe what we're doing," he said. "We certainly have some properties that don't fit. You'll see us dispose of them. As I've said all along, there's a time for expanding and a time for cleaning house."

For those who regarded Japanese businessmen as unstoppable money machines effortlessly snapping up real estate around the globe, a look at the problems of Takahashi and a half-dozen other large real estate owners provides some sobering insights. But if they share some of the problems of American developers, the solutions being proposed generally differ.

For the most part, bankers are stepping in and overseeing the process in an orderly way, keeping the problems far from courtrooms. In EIE's case, Long-Term Credit Bank heads a recently formed lenders' committee and has sent six executives to help manage the business.

Some of Takahashi's aides grumbled at the imposition of cost controls. "When you get a lot of bankers around, you start worrying about things like counting paper clips," commented Bungo Ishizaki, a former professor who is a senior adviser to EIE. He also suggested getting rid of the jets might not be such a good idea.

"You don't project a conservative image when you're flying around in a 727, that's true," Ishizaki acknowledged. "But if you're doing a deal with the King of Tonga or something, it does make a corporate statement."

But in return for its cooperation with the banks, EIE is likely to receive as much as \$500 million to meet interest payments and finish some projects. And \$1.5 billion worth of properties unrelated to the South Pacific resort business will be put on the market.

Neither Takahashi nor Suzuki would be specific.

As is frequently the case in Japan's tightly regulated economy, the government has played a large role in the ascension of developers such as Takahashi and in their current difficulties.

For years, the Finance Ministry permitted the banks to pump up the real estate market. Then the soaring prices became a political liability as middle-class Japanese found themselves priced out of the housing market.

As a result, the Bank of Japan more than doubled certain key interest rates, squeezing indebted developers. And the Finance Ministry began a campaign to force banks to reduce their lending to speculative developers in Japan or abroad.

Long-Term Credit Bank said it was not being forced to have EIE cut back on its holdings, but acknowledged it was informally reporting all of the measures taken to the Finance Ministry.

Takahashi is a member of a prominent family from western Japan, near Nagasaki, and is descended from a prewar prime minister.

He joined EIE, then an importer of computer tapes and other components in 1977 and eventually bought a majority when its former owner retired.

The company's fortunes soared when the big industrialized nations cut the value of the dollar in half in September 1985, in an effort to reduce Japan's yawning trade surplus and America's trade deficit. The resurgent yen slashed the cost of imports, and EIE's profits jumped.

Those profits were invested first in the Japanese property market, which by then was soaring. Takahashi then began to develop golf courses, another booming business in Japan.

He used the cash generated by selling high-priced memberships to finance his ventures overseas. He and his bankers insisted his domestic holdings remain sound.

Takahashi's friendship with Shintaro Abe, long mentioned as a future prime minister, and Toshio Yamaguchi, a former labor minister, has increased speculation that some of his capital comes from political connections.

For some, this answers the mystery of how he accumulated so much real estate, more than \$7 billion worth, in so short a period.

It did not help Takahashi when the first insider trading case investigated in Japan involved Nisshin Steamship, a company EIE had bought control of several years ago. Takahashi renamed it Sea-Com and used it to hold his interest in the Regent Hotel in Sydney, Australia.

The company's stock price soared when it first announced it would go into the resort business, and the government has said that an investor had advance notice of the move and profited from it. No charges have been filed, and Takahashi was not implicated.

Even with his problems, Takahashi may emerge at the head of a substantial property business.

He has generally concentrated on luxury class hotels and developments. Property experts say EIE may survive if it can complete some projects and raise cash.