

ETIC to Provide Support to Corona Industries Ltd.

May 20th, 2011

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”) has decided to provide support to Corona Industries Ltd. 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

Corona Industries Ltd. (hereafter “Corona Industries”)

2. Name(s) of the financial institution and the other institution jointly applying for rehabilitation support, with Corona Industries

The Shoko Chukin Bank (hereafter “Shoko Chukin”) and Itochu Plastics Inc. (hereafter “CIPS”)

3. Outline of business revitalization plan

Please see appendix

4. Comments from State Ministers in charge of ETIC

Prime Minister, Minister of Internal Affairs and Communications, 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 Corona Industries. However, I ask that after reaching the decision to support, ETIC should encourage Corona Industries 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 Corona Industries complies with related laws and regulations, and that Corona Industries 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 Economy, Trade and Industry: No opinion expressed

6. Debt purchase application period

From Friday, May 20th, 2011 for receipt by ETIC no later than Wednesday, July 20th, 2011

7. Request for temporary suspension

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

8. Treatment of trade and general creditors

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

9. Basis for decision to support

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

9.1 Rationale

The core business of Corona Industries is the manufacture and sale of products and components using decorative, processed or surface-treated aluminium, servicing clients in the automotive, precision equipment, consumer lifestyle, home appliance and other such sectors. Corona Industries is one of only a limited number of domestic operators in the field of aluminium surface processing that can offer a comprehensive service, from moulding through to colour dye impregnation, and is one of the few manufacturers operating large-scale equipment that can efficiently produce high volumes and large items. Corona Industries has advanced capabilities in aluminium anodization and chemical etching, and works closely with large automakers, home appliance manufacturers and other such businesses producing autoparts, digital appliances, mobile phone handsets and other such items. The company also has cutting edge technology called "ALPLAS" in aluminium plastic composites, and is expected to be engaged in related new business development for these composites in a range of areas.

Using the management resources and superior technical capabilities outlined above, Corona Industries has developed a strong customer base, providing a wide range of products to some of Japan's leading manufacturers on the global stage, and

effectively serving as one of the key supporting parts manufacturers for Japan's core export industry.

The collapse of Corona Industries would mean that its customers would be required to find alternative manufacturers, change specifications or take other such steps. This would harm the relationship between producers and end users and cause damage to multiple transaction partners. Moreover, it could lead to the loss of opportunities to make use of this superior technology not only domestically but also overseas among companies in similar industries.

Currently, the high yen and other factors are driving the major domestic customers of Corona Industries to shift their manufacturing bases away from Japan. In the same way, it is also becoming a pressing issue for small- and medium-sized parts makers such as Corona Industries to transfer their manufacturing bases to overseas locations while maintaining technical capabilities within Japan. ETIC believes that supporting Corona Industries has merit not only in terms of its link to supporting Japan's primary export industry, but also as a means of demonstrating a business model and direction for the revitalization of small- and medium-sized Japanese parts makers that have strong technology credentials.

9.2 Role of ETIC

In deciding to support Corona Industries, ETIC's planned role is as follows:

- (1) Act as a coordinator among the financial institutions involved
- (2) Implement a capital injection
- (3) Establish a new financing framework
- (4) Guarantee new financing to be provided by the financial institutions
- (5) Supply management personnel.

With regard to (1) above, ETIC will reduce excessive interest-bearing debt and improve the financial condition of Corona Industries by requesting debt forgiveness from the financial institutional creditors. With regard to (2), Corona Industries will undergo a company separation, forming a new company (the "Continuing Company", detailed later in this document) to carry its continuing operations. ETIC will underwrite ¥892.5 million of ordinary shares in the Continuing Company, thereby providing funding necessary for business restructuring and other such expenses. (The underwriting amount above is the total of the acquisition price of shares in the Continuing Company and a capital

injection.) With regard to (3), ETIC will aim to support the financial strength of the company by addressing the risks of unspecified debt obligations emerging. With regard to (4), ETIC will facilitate funding procurement by guaranteeing a maximum of ¥150 million of the uncollateralized portion of a planned maximum of ¥300 million in financing by Shoko Chukin. With regard to (5), ETIC will place management staff within the Continuing Company to help pursue steady and effective business revitalization.

Appendix: Outline of the Business Revitalization Plan

Section 1: Overview of the companies receiving support

1.1 Name of company

Corona Industries Ltd. (hereafter, "Corona Industries")

1.2 Head office

4-23-8 Takanawa, Minato-ku, Tokyo

1.3 Date of establishment

1957

1.4 Capital

¥100,000,000

1.5 Shares

Number of shares authorized: 400,000 shares

Number of shares issued and outstanding: 200,000 shares

1.6 Main business

The manufacture and sale of products and components using decorative, processed or surface-treated aluminium

1.7 Number of employees

213 (as of March 31, 2011; includes temporary employees, contracted employees and part-timers)

1.8 Labor union

There is no labor union at Corona Industries

1.9 Main banks

1. The Shoko Chukin Bank, Ltd.
2. The Bank of Tokyo Mitsubishi UFJ, Ltd.
3. Japan Finance Corporation
4. The Tokyo Higashi Shinkin Bank
5. The Bank of Yokohama, Ltd.
6. Yachiyo Bank, Ltd.

7. Joyo Bank, Ltd.
8. The Hachijuni Bank, Ltd.
9. The Towa Bank, Ltd.
10. The Tokyo Tomin Bank, Limited
11. Mizuho Bank, Ltd.

1.10 Financial overview (financial results for the year ended March 31st, 2010)

Net sales	¥2,706,000,000
Operating income (loss)	(¥565,000,000)
Ordinary income (loss)	(¥543,000,000)
Net income (loss)	(¥1,007,000,000)
Net assets	(¥572,000,000)
Total assets	¥5,155,000,000

Section 2: Background and circumstances leading to request for ETIC support

Corona Industries was established in 1957 as the continuing company of its predecessor, Corona Shokai, which was established in 1948. For the past 50 years Corona Industries has developed its business with aluminum anodization as its core field of expertise, and has continued to produce high quality decorative aluminium products by combining several different processes, from those related to chemical etching—which is part of the aluminium anodization process—to aluminium surface processing, pressing, sheet metal work, machining, printing and coating.

Backed by a high level of product quality built up over many years, the company works closely with large automakers, home appliance manufacturers, consumer lifestyle product manufacturers and other such businesses around the world, producing decorative parts for automotive interiors, components for mobile phone handsets and digital cameras, and interior and furniture parts. Net sales for the fiscal year to March 2009 was ¥5.2 billion.

In recent years, however, major domestic automakers, home appliance manufacturers and consumer lifestyle product manufacturers have accelerated efforts to relocate production bases to low-cost overseas locations, and this resulted in the closing of the company's Saitama factory.

Meanwhile, from 2008 to 2009, the Yokohama business unit received a sudden increase in

the volume of orders for digital camera components from a particular digital camera manufacturer, which offset the reduction in sales caused by the relocation of major customers to overseas locations. In order to cope with the increase in customer demand, the company made a large-scale capital investment, obtaining a second Yokohama plant in 2006, and a third Yokohama plant in 2008. After the said customer relocated its production base overseas, in order to continue to maintain demand for product components, Corona Industries fulfilled the said customer's request to plan the establishment of a manufacturing plant in Vietnam. Corona Industries invested ¥200 million to establish a local subsidiary in Vietnam, acquired land for the plant, and commenced construction.

Meanwhile, in the process of manufacturing digital camera components to meet the requirements of this customer, a large volume of defective products were manufactured, and Corona Industries suffered significant losses. As a result, Corona Industries lost its account with the customer, a trading partner which it had relied on for approximately 50% of its sales, and the company experienced a sharp reduction in sales.

Furthermore, with a heavy burden of increased interest-bearing debt generated from excessive capital investment, the company had difficulty committing to repayment of the interest and principal. Accordingly, Corona Industries made a request to its bank for an extension on the repayment of its liabilities. At the same time, it made a request to lease creditors for an extension on lease payments as they accounted for a significant amount of the company's liabilities. CIPS, a company which rates the technological capabilities of Corona Industries highly, announced its intention to provide support to Corona Industries, and based on the approval of its banks, Corona Industries received from CIPS a loan of ¥600 million. Using this credit facility to borrow funds, Corona Industries was able to cover operating capital deficiencies and avoid bankruptcy. However, in order to continue business operations, it found that it needed to drastically reduce its interest-bearing liabilities under a framework which would not damage business dealings.

In cooperation with its main bank the Shoko Chukin and CIPS, Corona Industries decided to apply to ETIC for support to ensure business revitalization through transparent and fair means, while minimizing damage to the value of its business by promoting a swift business integration.

Section 3: Outline of business revitalization plan

1. Basic policy

It is planned that ETIC and CIPS will collectively hold all the ordinary shares in a

Continuing Company to be formed through a company separation (merger absorption) of Corona Industries using the Second Company method. Following this, a business plan will be implemented that incorporates the following main points.

(1) Undertake reform to enable a change in business structure

A number of factors, including a downturn in automobile production after the Lehman Shock and the shift of domestic home appliance makers to overseas production bases, have contributed to a shrinking of the domestic market, and the subsequent efforts of industry peers to survive have led to excessive competition. As a means of overcoming this situation, the Continuing Company of Corona Industries will receive support from the sales network of CIPS, with the aim of expanding sales of high added value products using aluminum plastic composites. Production locations will be established overseas, enabling global cost competitiveness at the same time as expanding sales opportunities by being located close to the overseas locations of customer companies. Concomitant with this, the business will actively work to increase demand in the growth markets of emerging markets.

When considering future business direction, it will be necessary to take into account the potential for competitors in China, Taiwan and elsewhere to catch up with Corona Industries' advanced technical capabilities. For this reason, the aluminum plastic composite business will rapidly be developed to encompass new materials such as stainless steel, copper, magnesium and die-cast aluminum.

(2) Reform domestic operations to reduce costs

The domestic market currently suffers from oversupply. Moreover, with a fall in sales, revenue from each order has fallen, with repeated small lot orders leading to frequent handling and a marked loss of manufacturing efficiency. Accordingly, outgoing currently exceed revenues by a significant margin. This situation will be rectified by moving rapidly to stabilize revenues from the domestic business, reducing costs through taking steps such as closing and combining plants, and improving production efficiency by selecting and concentrating orders.

(3) Reform the management structure

The management structure will be strengthened as a means of pursuing effective implementation and sustained benefits from the comprehensive business restructuring and cost cutting measures outlined above. The current vertically

segmented management system is having a strongly negative impact, and the continuation of the old management system has hindered management reform, making comprehensive reform an urgent task.

ETIC and CIPS will work together to comprehensively reform corporate governance of the company, aiming to optimize every aspect of its operations while constructing a management platform that enables efficient decision-making. Specific measures to shift from the inefficient current system will include encouraging a new mindset across the company, introducing KPIs, introducing a unit price administration system, and constructing a human resources system.

2. Business plan

ETIC and CIPS will ultimately hold all the ordinary shares in a Continuing Company that will be established to receive, via a company separation (merger absorption) the continuing operations of Corona Industries, namely the manufacture and sale of products and components using decorative, processed or surface-treated aluminium.

Funds for the expenses related to this company separation, along with funds necessary to implement the business revitalization plan, will be procured through a third-party share issue.

A certain portion of the debt currently owed to CIPS by Corona Industries will, after transfer to the Continuing Company, through consideration-in-kind be converted to equity through a debt equity swap.

Corona Industries will apply for liquidation through special liquidation proceedings after completion of the merger absorption.

3. Request for financial support

Of the estimated ¥4.6 billion currently owed to financial institutions and others by Corona Industries, financial support (effectively, debt forgiveness) will be requested for approximately ¥2.2 billion. (Note: The amount of financial support is based on a calculation of the disposal value of non-operations-related real estate. The final amount of financial support will change, as the amount of loan repayment is linked to the achieved real estate disposal values.)

4. Financing

The Continuing Company will issue ordinary shares for the purposes of financing structural reform, capital expenditure and other such items, of which ETIC will underwrite ¥892.5 million and CIPS will underwrite ¥857.5 million. (This amount includes the amount paid by ETIC for the acquisition of outstanding shares at the time of the establishment of the continuing company, along with the planned debt equity swap by CIPS. The Continuing Company will also receive new financing from Shoko Chukin of a maximum of ¥300 million in working capital, of which ETIC will underwrite a maximum of ¥150 million of the portion for which there is insufficient collateral. Moreover, with regard to potential debt that may arise in the Continuing Company but which cannot yet be determined, ETIC will establish a financing framework to a maximum of ¥150 million. In addition to these measures, the Continuing Company will receive a maximum of ¥700 million in new financing from financial institutions to fund capital expenditure at a subsidiary in Vietnam.

Section 4. Conformance with standards for support

1. Requirements related to standards of support

1.1 Possession of effective management resources

Corona Industries has advanced capabilities in aluminium anodization and chemical etching, and is recognized around the world for its advanced technological abilities. The company also has cutting edge technology in aluminium plastic composites, which can be used in appliances and auto parts. This technology can also be applied to growth markets such as smart phones and tablet computers, and in the future, medical devices. Compared to similar existing technology it has greater strength, higher precision, and uses fewer raw materials. Items manufactured using these technologies are used in Japan's key industries—the automotive and electronics industries—and the technology plays a role in maintaining the competitive advantage of these industries. Therefore, it can be said that Corona Industries possesses effective management resources.

1.2 Excessive indebtedness

Corona Industries carries an excessive amount of debt compared to revenues. Debt forgiveness and other financial support is essential to the revitalization of Corona Industries.

2. Factors confirming potential for business revitalization

2.1 Agreement of main creditors

Corona Industries made a joint application for support with core creditor Shoko Chukin and business sponsor CIPS

2.2 Standards for productivity improvement

The required standards for productivity improvement are expected to be met through the implementation of this business revitalization plan.

2.3 Standards for financial soundness

The required standards for financial soundness are expected to be met through the implementation of this business revitalization plan.

2.4 Comparison with liquidation value

The value of debt able to be recovered upon implementation of the business revitalization plan is estimated to be greater than the value available through liquidation.

2.5 Potential to refinance and for sale of shares within three years

Implementation of the business revitalization plan is expected to significantly improve the financial condition of Corona Industries and enable the continuing company to secure sustainable cash flow, making refinancing sufficiently likely.

2.6 Connection with structural oversupply

Implementation of the business revitalization plan will not increase the supply capacity of Corona Industries. 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 unions

Because there is no labor union at Corona Industries, it is planned that following the decision to provide support, meetings with employees will be promptly scheduled as part of the revitalization process, to explain the main points of the business revitalization plan and consult on employment and working conditions.

Section 5: Responsibility of managers

The responsibility of the management team of Corona Industries will be reflected in the

resignation, after implementation of the business separation, of all current directors and auditors, without directors' retirement benefits. However, following business separation, director Atsushi Yamaguchi is scheduled to be appointed as liquidator to implement the special liquidation proceedings, and will cease to become director on completion of the liquidation process.

Section 6: Responsibility of shareholders

Reflecting the responsibility of shareholders, in the special liquidation of Corona Industries outlined in the business revitalization plan shareholders are not expected to receive any distribution of remaining assets, and will cease to become shareholders on completion of the liquidation process.

ENDS