

ETIC to Provide Support to Murosaki Shoten

September 29th, 2011

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”), has decided to provide support to Murosaki Shoten Co., 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 persons or companies concerned

Murosaki Shoten Co., Ltd. (hereafter “Murosaki Shoten”)

2. Name of financial institutions jointly applying for rehabilitation support with Murosaki Shoten

The San-In Godo Bank, Ltd; Nihonkai Shinyo Bank

3. Outline of business revitalization plan

Please see appendix.

4. Comments from State Ministers in charge of ETIC

Prime Minister, Minister of Internal Affairs, 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 Murosaki Shoten. However, I ask that after reaching the decision to support, ETIC should encourage Murosaki Shoten to discuss the situation with employees 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 Murosaki Shoten complies with related laws and regulations, and that the company also provides adequate opportunities for substantive discussions with the workforce with due consideration of employment stability and other such factors.”*

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5. Comment from state minister supervising business activities

Minister of Agriculture, Forestry and Fisheries: *“I have no objection to the decision to support Murosaki Shoten. Given the regional importance of this fishing operation, I ask that in implementing the business revitalization plan, appropriate consultations take place with regional stakeholders with regard to supply stability and employment security.”*

6. Debt purchase application period

From Thursday, September 29th, 2011 for receipt by ETIC no later than Friday November 18th, 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, 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 the waiver of debt only from the financial institutions providing loans to Murosaki Shoten. 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

Murosaki Shoten operates from Hamada Fishing Port, the largest fishing base in Shimane Prefecture, and with a fleet of multiple vessels is unique among the companies that participate in the offshore trawling operations that are the core fishing activity in the region. In the Hamada region, salt-cured flounder, black-throat sea perch and other such species caught in

trawling operations are a local specialty, supporting multiple seafood processing businesses around Hamada Port, which together with the trawling industry are a key driver of the regional economy.

Murosaki Shoten has significant management resources, as outlined above, and plays a central role in the regional economy. Failure of the company would bring considerable disruption to Hamada Fishing Port, while having a negative affect on the entire region. ETIC believes that supporting the revitalization of Murosaki Shoten can contribute to the maintenance and development of the regional economy.

To address the issue of aging vessels in the Murosaki Shoten fleet, a plan has been formulated by the Hamada Regional Fisheries Structural Reform Project Committee, which comprises fisheries stakeholders from Shimane Prefecture and Hamada City. Under the plan, the existing fleet will undergo a large-scale overhaul, greatly reducing the investment required compared to constructing new vessels. This will contribute to business performance by stabilizing operations and reducing maintenance costs, and should also provide a fishing industry revitalization model that can be applied not only to Hamada Fishing Port's aging fleet but also to fleets in other fishing ports.

9.2 Role of ETIC

In deciding to support Murosaki Shoten, ETIC's planned role is as follows:

- (1) Act as a coordinator among the financial institutions involved
- (2) Provide capital
- (3) Supply management personnel.

With regard to (1) above, ETIC will reduce excessive interest-bearing debt and improve the financial condition of Murosaki Shoten by requesting debt forgiveness from financial institutional creditors. With regard to (2), ETIC will provide capital for structural reform initiatives by underwriting ¥6,100,000 of ordinary shares to be issued by a new company that will receive the continuing operations of Murosaki Shoten. With regard to (3), ETIC will place management staff within the new company after it has been capitalized in line with (2) above,

to support steady implementation of the business revitalization plan.

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Appendix: Outline of the Business Revitalization Plan

Section 1: Overview of the companies receiving support

1.1 Names of companies

Murosaki Shoten Co., Ltd. (hereafter “Murosaki Shoten”)

1.2 Headquarters

1343 Gotsu-City, Gotsu-machi, Shimane Prefecture

1.3 Main business

Fishing and refrigerated warehousing

1.4 Number of employees

Full-time employees: 62

Part time: 8

Foreign work experience staff: 14

Total employees: 84

1.5 Main banks and other financing organizations

1. The San-In Godo Bank, Ltd
2. Nihonkai Shinyo Bank
3. Shimane Prefecture
4. Japan Finance Corporation
5. Shimane Guarantee

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

Sales	¥1,187 million
Operating loss	¥4 million

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

Since its establishment in 1924, Murosaki Shoten has developed its business in the Shimane Prefecture cities of Hamada and Kotsu, firstly with trawling (from 1924), then canning (1954),

ceramics (manufacture and sale of slate roof tiles from 1969) and refrigerated warehousing (1992).

However, amid a worsening operating environment, the company had to withdraw from its canning operations in 1991 and its ceramics operations in 2007. The withdrawal from these businesses resulted in a significant debt burden.

The refrigerated warehousing business was impacted on opening by falling catches from Hamada Fishing Port, compounded by a worsening economic environment after the collapse of the economic bubble, with the result that the business has not been able to secure sufficient revenues.

In the trawling business, the company currently operates a total of three trawlers—two trawlers out of Hamada Fishing Port and one trawler out of Shimoseki Fishing Port—and catch levels are stable. Nonetheless, all the vessels are around 20 years old, and with repair fees increasing it has become necessary to take some form of remedial action. However, factors such as the debt remaining from the withdrawal from canning and slate tile operations mean that the company is unable to retain sufficient earnings to construct new vessels.

Under these circumstances, carrying a high debt level and with no prospect of being able to repay the funds, the company approached ETIC for support.

Section 3: Outline of business revitalization plan

1. Basic policy

Fishing operations will be positioned as the core business, and management resources will be concentrated in this area. Specifically, a business transfer procedure will be used to continue the fishing operations and revitalize the business in a New Company (the 'second company' method).

The refrigerated warehousing business will be sold to a third party and revitalized under the

management of the acquirer.

2. Request for financial support from financial institutions, etc.

Of the ¥1,350 million owed to financial institutions and others by Murosaki Shoten (current estimated figure) financial support (effectively, debt forgiveness) will be requested for approximately ¥1,110 million.

3. Financing

The New Company will secure funding necessary for revitalization under the business plan from sources such as the San-In Business Revitalization Support #2 Limited Liability Investment Partnership and from ETIC. Working capital will be provided through a new financing framework established by The San-In Godo Bank, Ltd and Nihonkai Shinyo Bank.

Section 4. Conformance with standards for support

1. Main clauses in standards for support

1.1 Possession of effective management resources

Murosaki Shoten is a major supplier of flounder, black-throat sea perch and other such species used in the local salt-cured seafood specialties of the Hamada City, Shimane Prefecture, and as such contributes to the local seafood processing industry. The company is an important operator of fishing trawlers, with two vessels (out of a total of five in Hamada Port). Murosaki Shoten therefore has effective management resources.

1.2 Excessive indebtedness

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

2. Standards relating to decision to support

2.1 Agreement of main creditors

The application by Murosaki Shoten was made jointly with its main creditors, The San-In

Godō Bank, Ltd and Nihonkai Shinyō Bank.

2.2 Standards for productivity improvement

Implementation of this business revitalization plan is expected to meet all standards for productivity improvement.

2.3 Standards for financial soundness

Implementation of this business revitalization plan is expected to meet the required standards with respect to financial soundness.

2.4 Comparison with liquidation value

The value of Murosaki Shoten available through implementation of the business revitalization plan is estimated to be greater than the value available through debt recovery on liquidation.

2.5 Potential to refinance within three years

Implementation of the business revitalization plan is expected to significantly improve the financial condition of Murosaki Shoten operating as the New Company, enabling it to secure stable ongoing cash flow and making refinancing highly possible.

2.6 Connection with structural oversupply

Implementation of the business revitalization plan is not aimed at increasing the supply capacity of Murosaki Shoten operating as the New Company. 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 part of the revitalization process, it is planned that meetings with labor union representatives and employees will be scheduled promptly after announcement of the decision by ETIC to provide support, and opportunities provided to discuss aspects of the

business revitalization plan, along with employment and working conditions.

Section 5: Responsibility of management and governance

In order to reflect management responsibility for the situation, the current representative director of Murosaki Shoten will not be appointed to the board of the New Company.

Section 6: Responsibility of shareholders

After transfer of the fishing and refrigerated warehousing operations, unutilized real estate will be sold and the company will be liquidated promptly under special liquidation procedures. Under these procedures the shareholders of Murosaki Shoten will not receive any distribution of remaining assets.

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