

ETIC decides to support Daimaru K.K., De-mer K.K. and Marutake Hachinohe Fisheries K.K.

December 22, 2011

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”) has decided to provide support to Daimaru K.K., De-mer K.K. and Marutake Hachinohe Fisheries K.K. (hereafter collectively the “Daimaru Companies”) 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 companies concerned

Daimaru K.K., De-mer K.K. and Marutake Hachinohe Fisheries K.K. (hereafter collectively the “Daimaru Companies”)

2. Name of the financial institutions and the companies jointly applying for rehabilitation support with the Daimaru Companies

The Aomori Bank, Ltd., Japan Finance Corporation, Yoshida Kosan Y.K., and Yoshida Sangyo K.K.

3. Outline of business revitalization plan

Please see appendix

4. Comment 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 objections to this decision.

However, I request that ETIC will, after confirming that support will be provided to the Daimaru Companies, promptly ensure that discussions with workers are conducted and in the course of the provision of advice and guidance in the execution of the business revitalization plan, will observe all applicable laws, and will consult with workers to give due consideration to their stable employment.

5. Comment from State Ministers supervising business activities

Minister of Agriculture, Forestry and Fisheries: I have no objections to this decision.

Given the recognized importance of the seafood processing industry in this region, I ask that in implementing the business revitalization plan, appropriate consultations take place with regional stakeholders with regard to supply stability of processed seafood products and employment security.

6. Debt purchase application period

From Thursday December 22, 2011 for receipt by ETIC no later than Thursday March 1, 2012.

7. Request for temporary suspension

Under Article 27, Clause 1 of the ETIC Act, financial institutions and others 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 only from financial institutions providing loans to the Daimaru Companies. 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 Daimaru Companies operate a seafood processing businesses in Hachinohe City in Aomori Prefecture, mainly handling pickled mackerel. The Daimaru Companies established the Hachinohe Pickled Mackerel brand, and their approximately 130 local employees currently account for around 11% of a total of production of 6,000 tons (according to data from Aomori Prefecture) of pickled mackerel.

In Hachinohe City, the local government, industry and community are working together to build brands such as *Hachinohemaeoki Saba* and *Hachinohe-maeoki Ginsaba*, reflecting the fact that seafood processing, centered on pickled mackerel, is an important industry in Hachinohe City.

The Daimaru Companies use locally produced ingredients and advanced food processing technology, and are recognized by Ministry of Economics, Trade and Industry under the Agricultural Cooperation Promotion Act of Commerce and with the Minister's Prize from the Ministry of Agriculture, Forestry and Fisheries. The business contributes to activity in what is the region's number one industry, with Aomori Prefecture being cited as a model case under the Agricultural Cooperation Promotion Act of Commerce Act.

The Daimaru Companies have useful management resources for the region, and in consideration of the impact on the local economy and revitalization of the region's leading industry, ETIC believes that supporting the Daimaru Companies should contribute to revitalizing the local economy and supporting the lifestyles of the local population.

9.2 Role of ETIC

In deciding to support the Daimaru Companies, ETIC will pursue the smooth progress of the revitalization plan, by coordinating activities which the Daimaru Companies would have found difficult to execute alone, including reconciling the interests of related financial institutions, local sponsor companies and other related parties from a fair and neutral standpoint. ETIC will also join with local companies to inject capital of ¥21 million, and will play a role in securing finance of up to ¥100 million as well as placing management within the company.

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Appendix: Outline of Business Revitalization Plan

Section 1: Overview of company receiving support (as of October 31, 2011)

1.1 Daimaru K.K. (hereafter “Daimaru”)

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| 1. Name of company | Daimaru K.K. |
| 2. Head office | 10-2 Hinode-cho, Oaza-Samemachi, Hachinohe-shi, Aomori-ken |
| 3. Date established | May 2, 1969 |
| 4. Capital | ¥30 million |
| 5. Stock | Number of authorized shares: 80,000 shares Number of outstanding shares: 60,000 shares |
| 6. Major shareholders | Iwao Shimamori; shares held: 26,040; percentage stake: 43.40% |
| 7. Main business | Processed marine products business, trading business、shipping agent business |
| 8. Number of employees | Fulltime: 23; part-time: 36; temporary: 1 (As of Dec. 1, 2011) |
| 9. Main business locations | Head office, #1 processing plant, #2 food processing plant, #2 frozen works plant, #3 frozen works plant (all are located in the vicinity of the head office) |
| 10. Main banks | The Aomori Bank, Ltd., Japan Financing Corporation |
| 11. Financial condition Period to April 2011 | Sales: ¥1,249 million Ordinary income (loss): (¥30 million) Net income (loss): (¥349 million) Net assets(negative): (¥342 million) Total assets: ¥1,640 million |

1.2 De-mer K.K. (hereafter “De-mer”)

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|-----------------------|---|
| 1. Name of company | De-mer K.K. |
| 2. Head office | 1-10-46 Numadate, Hachinohe-shi, Aomori-ken |
| 3. Date established | October 25, 2005 |
| 4. Capital | ¥15 million |
| 5. Stock | Number of authorized shares: 1,200 shares Number of outstanding shares: 300 shares |
| 6. Major shareholders | Daimaru K.K.; shares held: 140; percentage stake:46.67% |

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| 7. Main business | Processed food business |
| 8. Number of employees | Fulltime: 16; part-time: 13; dispatched staff: 1 (as of Dec. 1, 2011) |
| 9. Main business locations | Head office |
| 10. Main banks | The Aomori Bank, Ltd., Japan Financing Corporation, others |
| 11. Financial condition Period to February 2011 | Sales: ¥213 million Ordinary income (loss): (¥47 million) Net income (loss): (¥47 million) Net assets(negative): (¥378 million) Total assets: ¥537 million |

1.3 Marutake Hachinohe Fisheries K.K. (hereafter "Marutake")

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| 1. Name of company | Marutake Hachinohe Fisheries K.K. |
| 2. Head office | 2-8-1 Chikko-gai, Hachinohe-shi, Aomori-ken |
| 3. Date established | January 31, 1955 |
| 4. Capital | ¥72 million |
| 5. Stock | Number of authorized shares: 192,000 shares Number of outstanding shares: 72,000 shares |
| 6. Major shareholders | Chiya Shimamori; shares held: 22,000; percentage stake: 30.56% |
| 7. Main business | Fisheries processing business, trading business, frozen storage business |
| 8. Number of employees | Fulltime: 19; part-time: 20; temporary: 5 (as of Dec. 1, 2011) |
| 9. Main business locations | Head office, wharf freezing works plant (located in Kawaragi, Kaigan, Hachinohe-shi) |
| 10. Main banks | The Aomori Bank, Ltd., Japan Financing Corporation, others |
| 11. Financial condition Period to August 2011 | Sales: ¥877 million Ordinary income (loss): (¥74 million) Net income (loss): (¥131 million) Net assets(negative): (¥280 million) Total assets: ¥891 million |

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

Since Daimaru's establishment in 1936 as a fish distributor and shipping agent, the company has contributed to the local economy as a seafood business, working from the Hachinohe fishing port to supply the area's core fish products such as squid and mackerel nationwide. Marutake was established as a fish wholesaler in 1951, becoming closely integrated into the local area as a seafood business and developing Japan's first pickled mackerel processing operations in 1968.

Due to the depletion of fish stock, exclusive economic sea zones and other factors, fish catches nationwide have fallen. The mackerel market segment has shrunk, and the low-price, high volume direct sales segment has expanded. However, Daimaru and Marutake, which have specialized in sales in the regional market segment and regional wholesale activities, have been unable to respond to changes in the distribution market, and amid a decline in transactions with wholesalers, have continued unprofitable low price transactions with volume stores. As a result, business performance has worsened. In particular, amid a nationwide deflationary trend since the Lehman Shock, demands from volume retailers for lower prices have meant that the company has been unable to stem the fall in sales. It is now difficult for the companies to repay interest-bearing debt through their own cost reduction efforts.

De-mer develops, manufactures and sells processed foods using regional ingredients. It was established in 2005 as a subsidiary of Daimaru with the aim of contributing to the revitalization of the regional economy. It began operations in the same year, having acquired processing and refrigerated storage facilities. However, its level of interest-bearing debt increased, due to factors such as the plant and refrigeration facilities being financed entirely by loans, transactions continued after the acquisitions were significantly unprofitable, and new products developed to expand sales were unable to cover the losses from unprofitable transactions. In addition, moves to eliminate unprofitable transactions resulted in a decline in sales, which were unable to be covered by replacement with sales of new products and cost reduction measures.

Daimaru, De-mer and Marutake (the 'three companies'), having fallen into excessive indebtedness, received support from the financial institutions in the form of halting the payment of loan principal, but had not developed any plan to resume regular transactions and resume loan principal repayments.

At that point, the three companies decided that, given their shared interest in the raw materials of seafood processing, they would hold talks on management reform through business integration. Progress was being made on formulating a joint business revitalization plan when the Great East Japan Earthquake struck, and although the three companies resumed operations using the facilities available to each of them, financial support became indispensable for their continued operation. Accordingly, after discussions among main bank, The Aomori Bank, Ltd., Japan Finance Corporation, and planned investors Yoshida Kosan Y.K., and Yoshida Sangyo K.K., an application was made to ETIC for support.

Section 3: Outline of business revitalization plan

1. Basic policy

The following measures are planned for the three companies prior to separation and for De-mer after company separation.

(1) Strengthen core pickled mackerel sales

The sales strategy for the main business of the three companies, which is the production and sale of pickled mackerel, will be adjusted to meet recent changes in the distribution market and consumer trends. Specifically, the advanced product development capabilities of De-mer (as recognized by the Agricultural Cooperation Promotion Act of Commerce) along with the synergies arising from the strong brands and customer trust held by Daimaru and Marutake, will be used optimally to shift away from a passive sales approach, instead using a more proactive sales method to develop sales with retail operators that are linked with intermediary distributors (receivers, wholesalers, commission agents, etc.) and with food chains. Concomitant with this, pickled mackerel product development will be aimed at meeting the changing needs of consumers.

(2) Optimize production facilities

Each of the three companies has separate processing plants, refrigerated storage and other such facilities, so the scale of plant and products will be optimized to make the most efficient use of capital facilities. Productivity will also be significantly improved by reviewing processes.

(3) Reform personnel system

Concomitant with the integration of the three companies, the compensation, retirement and other such systems will be unified.

(4) Rigorously manage profitability

The organizational structure will be reviewed with the aim of increasing impetus, preventing the reoccurrence of unprofitable transactions, and securing sound earnings. Profitability management and expense reductions will be rigorously pursued, and links between sales and production will be strengthened.

2. Business restructuring

De-mer will become the parent company with 100% ownership of Daimaru and Marutake, and using the company separation method, the operational assets and transferable loans, etc. of Daimaru and Marutake will be transferred to De-mer. The non-continuous debt of De-mer will be assumed by Daimaru as a noncumulative obligation.

Subsequently, De-mer will undergo a 100% capital reduction, and Yoshida Kosan will inject capital by underwriting the issuance of 10 million new ordinary shares and non-voting classified shares for ¥100 million. ETIC will inject capital by underwriting ¥21 million of classified shares with voting rights. Through this procedure ETIC will acquire more than two-thirds of the voting rights in De-mer.

After the company separation, Daimaru and Marutake will be wound up using special liquidation procedures.

3. Request for financial support

Of the ¥3.4 billion owed to financial institutions by the Daimaru Companies, request for debt forgiveness of approximately ¥2.7 billion will be made to financial institutions. (The final amount is subject to change, as non-operating real estate assets will be disposed of with the funds being used to pay off debt.)

4. Financing

For the three companies prior to separation and De-mer after the company separation, it is planned that funding for debt repayment will be provided by ETIC and Yoshida Kosan through financing and capital injection, and by financial institutions, principally Aomori Bank and Japan Finance Corporation, providing new financing. Within this, new finance of a maximum of ¥200 million will be provided by ETIC and financial institutions, with a maximum of ¥200 million provided by capital injection and financing from Yoshida Kosan.

Section 4. Conformance with standards for support

1. Requirements related to standards of support

(1) Useful business resources

The mackerel and other marine product processing business conducted by the three companies is a significant industry in Hachinohe, and the three companies form the foundations of the Hachinohe Pickled Mackerel brand. The three companies currently account for 11% of Hachinohe pickled mackerel production, and employ 130 staffs. Local government has joined with local industry and community to support the establishment of Hachinohe brands, and processing technology using these locally produced foods contributes to the vitality of local primary industry.

(2) Excessive debt

The Daimaru Companies bear an excessive amount of debt compared to revenues. Debt forgiveness and other financial support is essential to the revitalization of the Daimaru Companies.

2. Factors confirming potential for business revitalization

(1) Agreement of main creditors

The Daimaru Companies made a joint application for support with core creditor Aomori Bank, Japan Financing Corporation, and local sponsor companies Yoshida Kosan and Yoshida Sangyo.

(2) Standards for productivity improvement

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

(3) Standards for financial soundness

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

3. Comparison with liquidation value

The liabilities expected to be recovered through the execution of this business revitalization plan exceed the estimated liabilities that could be recovered from conducting bankruptcy proceedings.

4. Potential to refinance within three years

Implementation of the business revitalization plan is expected to significantly improve the financial condition of the Daimaru Companies, enabling them to reach an appropriate level of financial stability for the repayment of debt principal and interest, thereby making refinancing highly possible.

5. Connection with structural oversupply

Under the business revitalization plan, there will be no attempt to increase the supply capacity of the Daimaru Companies. Accordingly, the plan has been judged as not hindering the resolution of structural oversupply as specified in Article 19 of the Act on Special Measures for Industrial Revitalization.

6. Status of consultation with workforce

Although there are no labor unions at the Daimaru Companies, it is planned that meetings with the employees will be scheduled promptly after announcement of the decision 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 investors

The responsibility of the former management team for the current predicament of the Daimaru Companies will be reflected through the resignation of all directors, without directors' retirement benefits. They shall have no role in the management of De-mar after the company separation

Section 6. Responsibility of investors

The responsibility of shareholders will be reflected in the scheduled acquisition without compensation of all shares held by shareholders, using Class Shares Subject to Wholly Call.

Ends