

## ETIC to Provide Support to Miyazu Seisakusho

September 17<sup>th</sup>, 2010

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”), has decided to provide support to Miyazu Seisakusho 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(s) of persons or companies concerned

Miyazu Seisakusho Co., Ltd. (hereafter “Miyazu Seisakusho”)

2. Name(s) of financial institutions jointly applying for rehabilitation support with Miyazu Seisakusho

The Ashikaga Bank, Ltd. (hereafter “Ashikaga 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 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 Miyazu Seisakusho. However, I ask that after reaching the decision to support, ETIC should encourage Miyazu Seisakusho 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 Miyazu Seisakusho complies with related laws and regulations, and that Miyazu Seisakusho 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: *“The domestic die making industry is facing significant changes in the operating environment, including a substantial fall in orders since the onset of the global recession and shifts in the demand structure accompanying*

*the rapid development of Asia's manufacturing industry. I therefore believe that the business integration of two of Japan's major die making companies is a significant undertaking. I hope that through steady progress in the business revitalization plan we will see the creation of a cost structure able to compete with developing nations while maintaining Japan's outstanding product quality and delivery management capabilities, with a sustainable employment foundation."*

6. Debt purchase application period

From Friday, September 17<sup>th</sup>, 2010 for receipt by ETIC no later than Wednesday, November 10<sup>th</sup>, 2010

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 (including repayment of bonds) 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 financial institutions providing loans to Miyazu Seisakusho. 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

Miyazu Seisakusho, in the field of manufacturing press dies for the production of automotive components, is an important manufacturing base for automotive production throughout the world. Backed by the world's best technology, the company has a global customer base that includes more than 150 clients in 26 countries, including Japan. The company has considerable brand strength, backed by its global customer base and 60 years of accumulated technology since its founding, and, as a representative Japanese die maker it has contributed to automotive manufacture in many regions, from emerging nations to advanced countries.

Furthermore, since metal dies are a fundamental element of manufacturing, Miyazu Seisakusho's technical skills are contributing to the maintenance and strengthening of the competitiveness of Japanese domestic manufacturing companies.

One of the main themes of this business revitalization plan is the merger of Miyazu Seisakusho with Fuji Technica Inc. (hereafter, "Fuji Technica"), a major domestic metal die manufacturer. It is hoped that this plan, by having ETIC play a catalytic role in the reorganization of an industry in a sector that has been exposed to global competition, will help the industry extricate itself from low profitability brought on by a structural oversupply from domestic manufacturers, and will provide an opportunity for further industrial reorganization in the future. ETIC believes that this plan can be a test case for other industry sectors that face the same issues.

The collapse of Miyazu Seisakusho would damage the businesses of many of its customers (there were 30 projects underway as August 15<sup>th</sup>, 2010) and clients (over 400 companies) and would threaten the livelihoods of its employees (466 as of July 31<sup>st</sup> 2010).

If the company were to fail, there would be ramifications for the local economies in which its businesses are located, and the production plans of automotive manufacturers around the world would be exposed to considerable uncertainty. The effects of the failure of the company on social and economic systems overall are too great to be ignored. Accordingly, ETIC has determined that it is important to support Miyazu Seisakusho so that its business can continue operating.

## 9.2 Role of ETIC

Under the terms of this plan, ETIC will act as a coordinator among the financial institutions and others that are involved with Miyazu Seisakusho, and at the same time coordinate the parties who have an interest in the business integration between Miyazu Seisakusho and Fuji Technica. ETIC will provide indirect support for the coordination of the financial institutions and other parties involved in the special liquidation proceedings which will be conducted mainly by Miyazu Seisakusho so that the integration of its business into that of Fuji Technica can progress smoothly. ETIC has no plans to make any investment in or provide financing to Miyazu Seisakusho.

## Appendix: Outline of the Business Revitalization Plan

### Section 1: Overview of the companies receiving support

#### 1.1 Name of company

Miyazu Seisakusho Co., Ltd. (hereafter, "Miyazu Seisakusho")

#### 1.2 Head office

Sengoku 3-24-1, Oura-gun, Oizumi-machi, Gunma Prefecture

#### 1.3 Date of establishment

April 1, 1967 (business founded in 1950)

#### 1.4 Capital

¥1,514,474,000

#### 1.5 Shares

Number of shares authorized: 400,000 shares

Number of shares issued and outstanding: 320,000 shares

Class of shares

Ordinary shares 237,000 shares

Class A shares 83,000 shares

#### 1.6 Main shareholders

Name of shareholder	Relationship	Ordinary shares		Class A shares	
		Number of shares	Percentage of total	Number of shares	Percentage of total
Tetsuhito Miyamura	Representative Director	51,790	21.9%	-	-
Shinichi Tsukui	Director	32,730	13.8%	-	-
Kinjiro Miyamura	Director	24,388	10.3%	-	-
AAI*	-	24,000	10.1%	83,000	100.0%
Yoshitaka Tsukui	Director	10,850	4.6%	-	-
Other	-	93,242	39.3%	-	-
Totals		237,000	100.0%	83,000	100.0%

\*AAI is an abbreviation for Asia Automotive Investment B.V.

#### 1.7 Main business

Automotive industry metal pressing and resin-type molding dies

#### 1.8 Number of employees

466 (regular employees: 458; contract employees: 7; part-timers: 1)

#### 1.9 Main facility locations

Head office and plant: Oura-gun, Oizumi-machi, Gunma Prefecture

Ota plant: Higashi Kanai-cho, Ota-shi, Gunma Prefecture (operations currently suspended)

#### 1.10 Main banks

The Ashikaga Bank, Ltd.; The Shoko Chukin Bank, Ltd.; Sumitomo Mitsui Banking Corporation; others

1.11 Affiliated companies

Miyazu America Inc.; Miyazu (France) SARL; Miyazu Motherson Engineering Design Limited; Miyazu (Malaysia) SDN.BHD; AES Co., Ltd.

1.12 Financial overview (financial results for the year ended February 28, 2010)

Net sales	¥7,178,830,000
Gross profit (loss)	(¥549,130,000)
Operating income (loss)	(¥2,027,150,000)
Ordinary income (loss)	(¥2,159,240,000)
Net income (loss)	(¥2,053,500,000)
Net assets	(¥1,875,770,000)
Total assets	¥9,934,970,000

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

Miyazu Seisakusho is a major manufacturer of large press dies that are used to stamp out automotive components. The company has brand power and a strong customer base backed by a high level of technical expertise.

Nevertheless, in the face of the cost competitiveness of new metal die-makers in the Asian region, particularly in South Korea and China, since 2000 Japanese domestic metal die-makers—including Miyazu Seisakusho—have lost the price war and have been forced to retreat into the area of high-precision dies where they can take advantage of their technical superiority but where profit margins are slim.

As a result of excessive competition in the high-precision die sector, the Japanese domestic die-making industry has fallen into a vicious cycle where it is having difficulty generating sufficient levels of cash flow and is running low on the funding needed for investment to ensure future competitiveness.

While Miyazu Seisakusho's main customers shifted their orders over to these new metal die-makers, the company neglected its profit and production management and repeatedly made bids with low estimated profit margins in an attempt to secure orders. As a result, the company took on many projects in which it suffered unexpected losses.

As a result, in the last two financial periods the company has accumulated total losses of ¥5 billion and has taken on excessive debt of nearly ¥19 billion. At present, manufacturers in the U.S. and Europe are sounding warnings of the risk of Miyazu Seisakusho failing due to the worsening of its financial condition. Accordingly, they are being cautious in ordering, making it even harder for the company to secure business.

To resolve this situation, Miyazu Seisakusho has agreed to integrate its business with Fuji Technica, another major Japanese domestic metal die-maker.

In cooperation with its main bank, the Ashikaga Bank, Miyazu Seisakusho has concluded a "Memorandum of Understanding for Business Integration" (hereafter, "Memorandum of Understanding") with Fuji Technica and has applied 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**

The main components of this business revitalization plan call for Miyazu Seisakusho to receive assistance from ETIC and to hand its business over to Fuji Technica, one of the "Big Three" companies in the large press metal-die industry along with Miyazu Seisakusho, so that the two companies can integrate their operations. Through this integration, Miyazu Seisakusho will continue its operations and restructure its business. Both Miyazu Seisakusho and Fuji Technica have been in friendly competition with one another over the past several decades in the large press metal-die industry, and both have established their brands and their customer bases globally. Nevertheless, as mentioned earlier, the rapid rise of metal-die manufacturers in emerging nations and the reduction in the number of new car models due to the effects of the global recession have made the business environments for both companies suddenly much more difficult, and the futile war of attrition amongst the Japanese die-makers has put both companies at risk of losing the advantages that they have developed.

In order to resolve the current situation, both companies have chosen to try to restore their innate competitiveness through the integration of their operations.

There are three essential points to this business revitalization plan.

- (1) Withdrawing from the wasteful war of attrition with fellow domestic die-makers in the high-precision die sector in which Japanese companies are internationally competitive
- (2) Creating greater cost competitiveness by strengthening manufacturing plants in the emerging nations
- (3) Building competitive superiority through the combination of product quality control and delivery management skills that both companies possess, together with the enhanced cost competitiveness in (2) above.

The plan will aim to achieve these points and enable Miyazu Seisakusho to be reborn as a profitable large press metal-die manufacturer boasting the world's highest level of product quality.

## 2. Business plan

To realize these three essential points, Miyazu Seisakusho will integrate its business with Fuji Technica so that both can gain the greatest possible benefit from each other's strengths, supplement each other's scarce management resources, ease the domestic oversupply of metal dies, and aim for sustainable increases in competitiveness.

The business plan of the integrated company can be summarized as follows.

- (1) Reform to change the business structure
  - (1) Reduce domestic supply capacity and strengthen profit management of orders (in the large high-precision die sector)
  - (2) Increase orders through manufacturing bases in emerging nations (in sectors other than large high-precision dies)
  - (3) Strengthen financial footing to help secure more orders
- (2) Reform to achieve cost reductions
  - (1) Strengthen profit management and cost management systems
  - (2) Streamline head office functions
- (3) Reform of organizational management and personnel policies

Use the reform of organizational management and personnel policies, which will accompany the business integration, as a lever to achieve a thorough change in business structure (solve excessive competition resulting from the structural oversupply, achieve greater cost competitiveness by strengthening manufacturing plants in the emerging nations, strengthen financial footing to help secure more orders), and build up incremental, steady cost reductions to help the company shed its current low-profit structure.

### 3. Business restructuring

The business integration will come about as a result of Miyazu Seisakusho transferring its business to Fuji Technica. On the September 17<sup>th</sup> 2010, Miyazu Seisakusho and Fuji Technica concluded a Memorandum of Understanding.

Around late December 2010, Miyazu Seisakusho will transfer its entire business to Fuji Technica ("the business transfer") and the operations of Miyazu Seisakusho will become integrated with Fuji Technica operations and will continue as the business of an integrated company.

After the business transfer, Miyazu Seisakusho will be dissolved and liquidated under special liquidation proceedings.

### 4. Request for financial support

While undergoing the corporate restructuring outlined above, Miyazu Seisakusho will repay its creditors with funds received as payment for the business transfer and funds from the realization of assets outside the scope of the transfer, and will request debt forgiveness for debts outstanding following this refund.

The final proportion of debt forgiveness will be determined in the special liquidation proceedings.

### 5. Financing

ETIC believes that the financial aid set forth in this business revitalization plan (the continued purchase by the Ashikaga Bank of documentary bills of exchange with letters of credit) will ensure that there will be no risk of Miyazu Seisakusho becoming short of funds.

### 6. Conformance with standards for support

#### 1. Possession of effective management resources

Miyazu Seisakusho is a one of the world's leading manufacturers of large press dies used for high precision stamping in the automotive industry, capable of short delivery cycles from design through to production. The company has 60 years of accumulated experience and technical development, and has a strong customer base and brand presence, particularly in the area of high precision press dies for body side panels and



fenders.

## 2. Standards for productivity improvement

The company is expected to be able to meet productivity improvement standards within three years of the date of ETIC's decision to provide support.

## 3. Standards for financial soundness

The company is expected to be able to meet standards for financial soundness within three years of the date of ETIC's decision to provide support.

## 4. Connection with structural oversupply

Implementation of the business revitalization plan will lead to the business integration and rationalization of Miyazu Seisakusho and Fuji Technica, contributing to a reduction in structural oversupply.

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.

## 5. Status of consultations with workforce

As part of the revitalization process, 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 4: Responsibility of managers**

The responsibility of the management team of Miyazu Seisakusho will be reflected in the resignation, after implementation of the business transfer, of all current directors and auditors, without directors' retirement benefits.

### **Section 5: Responsibility of shareholders**

Reflecting the responsibility of shareholders, in the special liquidation of Miyazu Seisakusho 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.

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