

ETIC to Provide Support to Fujisho Printing Inc.

February 3rd, 2011

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”) has decided to provide support to Fujisho Printing Inc. 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
Fujisho Printing Inc. (hereafter, “Fujisho”)
2. Name(s) of financial institutions jointly applying for rehabilitation support with Fujisho
The Yamagata Bank, Ltd. (hereafter “Yamagata 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 Fujisho. However, I ask that after reaching the decision to support, ETIC should encourage Fujisho 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 Fujisho complies with related laws and regulations, and that Fujisho 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 Thursday, February 3rd, 2011 for receipt by ETIC no later than Wednesday, April 20th, 2011

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 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 Fujisho. 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

Fujisho was established in 1946 in Yamagata Prefecture as a press printing company. The company subsequently expanded beyond commercial printing, into publication printing, business form printing, and art printing, and has made significant contributions to the region's informational, cultural and lifestyle industries as a comprehensive printing services company. (A major printing firm ranked second in the Tohoku region and first in Yamagata Prefecture by sales).

Locally known as FUJISHO, the company maintains a trusting relationship with the local community, and making use of Tohoku's most advanced printing equipment, the firm receives support from a wide range of customers, including government agencies, schools, major distribution firms, and financial institutions, from both inside and outside Yamagata prefecture. If Fujisho were to collapse there could be major ramifications not only to the company itself, but also to the local economy.

Moreover, because logistics costs are high in the printing industry, it is vital for the local economy to have a locally based printing services company.

Accordingly ETIC has determined that providing support to a company with such special characteristics clearly represents the revitalization of a small-to-medium sized local enterprise which possesses effective management business resources yet lacks managerial capability, and at the same time would be a model case for the revitalization within a single region of a local company that is closely connected with the regional economy.

9.2 Role of ETIC

Under the terms of this plan, ETIC will: (1) Act as a coordinator among the financial institutions and others that are involved with Fujisho, (2) Implement a capital injection of ¥10 million, (3) Deploy management personnel and other such resources.

With regard to (1) above, ETIC will reduce excessive interest-bearing debt and improve the financial condition of Fujisho by requesting debt forgiveness from financial institution creditors. With regard to (2), ETIC will provide funding for business restructuring and related expenses by underwriting the issue of ¥10 million of ordinary shares. With regard to (3), ETIC, subsequent to the capital injection outlined in (2) above, will deploy management and other personnel into the company to support the implementation of the business revitalization plan.

Ends

Section 1: Overview of the companies receiving support

1.1 Name of company

Fujisho Printing Inc. (hereafter “Fujisho”)

1.2 Head office

1-3-1 Kitamachi, Yamagata-shi, Yamagata Prefecture

1.3 Date of establishment

December 10th, 1953 (founded January 1946)

1.4 Capital

¥100,000,000

1.5 Shares

Number of shares authorized: 900,000 shares

Number of shares issued and outstanding: 400,000 shares

1.6 Main shareholders (as of March 31, 2010)

Name of Shareholder	Relationship	Number of shares held	Percentage of total
Yuji Fujihara	President of the company	115,767	28.9%

1.7 Main business

General printing and digital image processing services

1.8 Number of employees

374 (including domestic and overseas subsidiary employees and part-time employees, as of March 31st, 2010)

1.9 Main facility locations

Head office (Yamagata Prefecture), Tokyo office, Sendai office, Koriyama office, Saitama sales office, Akita sales office, Niigata sales office, Zaonomori plant, Saitama plant

1.10 Main banks

The Yamagata Bank, Ltd., Saitama Resona Bank, Ltd., others

1.11 Affiliated companies

“wing8” “WING BOX” “becip” “Fujisho Darian Digital Company” (Fujisho Darian), Fujisho Vietnam Digital Co., Ltd (Fujisho Vietnam)

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

Net sales ¥6,127,490,000

Gross profit	¥684,730,000
Operating income	¥4,170,0000
Net assets	¥158,900,000
Total assets	¥4,888,460,000

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

Fujisho was established in 1946 in Yamagata Prefecture as a press printing company, and subsequently became a regionally-focused printing company, making a significant contribution to the local economy by providing services such as printing of fliers and publications for local companies and printing of materials for government agencies. In October 2006 the company established a new plant in Saitama, and actively implemented sales activities to generate greater demand in the Kanto region. In the fiscal year to March 2008, the company had reached sales of ¥6.5 billion.

Nevertheless, in the face of the economic downturn, the company was hit with advertising budget cuts from regular clients, a decline in plant capacity utilization, costs related to the lease of rotary presses, and an increase in interest-bearing debt from the establishment of the new Saitama plant, which pushed the company into a state of financial crisis.

In October 2009, Fujisho made a request through the Yamagata Prefecture Committee for the Revitalization of Small and Medium-size Enterprises, for the temporary suspension of payments to financial institutions, and searched ways in which to implement a comprehensive reform. Despite such efforts, and coupled with the ongoing economic downturn, the company lost sight of revenue growth potential. With limited results from efforts to cut costs, Fujisho determined that it would be difficult to implement business reform alone, and subsequently, in September 2010, concluded its application for business revitalization, with the Yamagata Prefecture Committee for the Revitalization of Small and Medium-size Enterprises.

In order to resolve this situation, Fujisho consulted with its principal financial organization, Yamagata Bank, and agreed to apply to ETIC to undergo a drastic reconstruction through a transparent and fair process with the support of ETIC, while minimizing damage to Fujisho's enterprise value.

Section 3: Outline of business revitalization plan

1. Business Plan

(1) Basic policy

The main components of this business revitalization plan call for Fujisho to take drastic measures to remedy the cause of problems with its managerial structure. Further, the basic policy of the revitalization plan is to pursue further streamlining of operations and secure steady income, while working to build a production system that provides high quality low cost printing.

(2) Essential measures.

(1) Reconstruction of production system

Closing the Saitama plant and concentrating plant functions into the Zaonomori plant to optimize the production system and improve the profit structure.

(2) Shift sales order activities to a profit focus

Aiming to gain a greater comprehension of the level of profitability of a transaction at the time of initial estimation and order by strengthening cost controls. Using such cost controls to significantly reduce unprofitable transactions and secure optimal profits.

(3) Rejuvenation of sales system

Improving relations with existing customers by dividing customers into segments and developing specific sales activities for each segment.

(4) Optimization of personnel

Offering personnel an early retirement option in accordance with the reconstruction of the production system as stated in (1) above. Conducting a review of pay levels for remaining personnel.

(5) Cost reduction in production management

Reviewing subscription methods such as lowering order costs by raising paper subscription lot prices. Reducing costs by improving the rates of paper loss.

(6) Reorganization of management structure

Reorganizing the current management structure, and improving transparency, while strengthening the strategic planning and decision-making capacity of the board of directors.

(7) Reorganization of personnel policies

Building a fair and appropriate wage structure that reflects performance reviews, and adopting a performance rating system based on appropriate goal setting and results for each function within the company framework.

2. Business restructuring

(1) Liquidation of subsidiaries

Fujisho is scheduled to absorb its subsidiary “becip” and will withdraw from and liquidate its business in Vietnam, which is one of its overseas subsidiaries (overseas

subsidiaries consist of “Fujisho Darian Digital Company” and Fujisho Vietnam Digital Co., Ltd.).

Moreover, the decision on whether to retain or liquidate “wing8” and “WING BOX” will be made hereafter.

(2) Company Separation

Fujisho will establish a new wholly owned subsidiary (hereafter, the “New Company”), after which all the assets and liabilities pertaining to Zaonomori plant will be transferred through company separation (absorption separation) to the New Company (second company method). After the company separation, Fujisho (hereafter, the “Former Company”) will be liquidated through special liquidation proceedings (effective debt forgiveness).

Further, the New Company will issue ¥10 million of ordinary shares to finance restructuring costs, capital expenditure and other such items, and ETIC will purchase those shares.

(3) Request for financial support

Of the ¥3,631 million owed to financial institutions by Fujisho, financial support of approximately ¥2,043 million will be requested from financial institutions (Note: The amount of financial support is based on a calculation of the current disposal value of non-operations-related real estate held by the companies. 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

ETIC believes that the capital injection from ETIC and the facility to procure working capital from Yamagata Bank, will ensure that there will be no risk of Fujisho becoming short of funds.

(5) Numerical Targets (Summary)

Although Fujisho anticipates sales decreasing significantly from current levels due to the closure of the Saitama plant, it anticipates net sales of ¥3,265 million, operating income of ¥45 million and EBITDA of ¥138 million for the fiscal year ending March 2014.

Section 4. Conformance with standards for support

1. Possession of effective management resources

Fujisho uses Tohoku's most advanced printing equipment, and is a general printing firm which is proudly ranked second in the Tohoku region and first in Yamagata Prefecture in its industry by sales.

Known locally as FUJISHO, the company receives support from over 2,000 clientele, who range from government agencies, schools, major distribution firms, and financial

institutions from both inside and outside Yamagata prefecture. Further, Fujisho possesses a system that is capable of providing a one-stop shop for all printing services, including commercial printing, publication printing, business form printing, and art printing, and accordingly possesses effective management resources.

2. Excessive indebtedness

Fujisho carries ¥3.6 billion of interest-bearing debt, an excessive amount compared to revenues. Debt forgiveness and financial support are essential to the revitalization of Fujisho.

3. Factors confirming potential for business revitalization

3.1 Agreement of main creditors

The application by Fujisho was made jointly with Yamagata Bank.

3.2 Standards for productivity improvement

Successful implementation of this business revitalization plan is expected to increase ROE by at least two percentage points, and increase the tangible fixed asset turnover ratio by at least five percentage points.

3.3 Standards for financial soundness

Through implementation of this business revitalization plan, the ratio of interest-bearing debt to cash flow will be within ten times, and current revenues will be greater than current expenses.

4. Comparison with liquidation value

The value of Fujisho's debt on liquidation is estimated to be less than the value available through implementation of the business revitalization plan.

5. Potential to refinance within three years

Implementation of the business revitalization plan is expected to significantly improve the financial condition of Fujisho, enabling it to reach steady a level of cash flow, and making refinancing highly possible.

6. Connection with structural oversupply

Implementation of the business revitalization plan will not increase the supply capacity of Fujisho. 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.

7. Status of consultations with workforce

There are no labor unions connected with Fujisho. Employee briefings on the situation are planned.

Section 5: Responsibility of management

The responsibility of the former management team for the current predicament of Fujisho will be reflected through the resignation of all directors, without directors' retirement benefits.

Section 6: Responsibility of shareholders

Shareholders of Fujisho, during the special liquidation process of the former company after company separation, will not receive any distribution of remaining assets, and will effectively have all their shares cancelled.

Ends