

ETIC to Provide Support to Joypack KK.

September 29th, 2011

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”) has decided to provide support to Joypack KK. 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
Joypack KK. (hereafter, “Joypack”)
2. Name of financial institution jointly applying for rehabilitation support with Joypack
Kiyo Bank, Ltd. (hereafter “Kiyo 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 Joypack. However, I ask that after reaching the decision to support, ETIC should encourage Joypack 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 Joypack 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.”*
5. Comment from State Minister supervising business activities
Minister for Agriculture, Forestry and Fisheries: *“I have no objection to the decision to support Joypack. Joypack contributes to stable beverage supply in the Kansai region, and in implementing the business revitalization plan I ask that appropriate consultation takes place with regional stakeholders with regard to beverage supply*

stability and employment security.”

6. Debt purchase application period

From Thursday, September 29th, 2011 for receipt by ETIC no later than Thursday, November 24th, 2011

*Under this agreement, no debt purchasing will take place. Accordingly the stated debt purchase application period refers to the amount of time to agree on the control and disposal of debt in accordance with the business revitalization plan (Article 26, Clause 1, Paragraph 2 of the ETIC Act).

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 Joypack. 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

Based in Kainan City, Wakayama Prefecture, Joypack is a beverage bottler commissioned by food companies and other companies in the same industry, to manufacture private-brand beverages such as green tea, and is a member of the Cooperative Association for Small and Medium-sized Private-brand Bottlers. Joypack is essentially the only 2-liter PET bottler in the Kansai region, and it therefore can be said that Joypack's existence is essential to maintaining the supply of private-brand large-sized PET bottle products in Kansai. If Joypack were to collapse, the stable supply of low-cost and trusted large-sized PET bottles would become difficult, causing a significant effect on consumers.

Moreover, Joypack operates a factory in a mountainous area of Wakayama Prefecture, an area where few companies provide employment. In providing support to Joypack, the employment of current personnel can be secured, and more jobs are expected to

be created in accordance with future plans to shift to a 24-hour operational structure to improve operational capacity.

Joypack is able to take maximum advantage of a rich and high-quality Wakayama Prefecture water source, which is highly valued in the Kansai region, and by providing support to Joypack, ETIC will also help to stimulate local industry, including other companies in the same industry who use the water source.

The method of support used in this particular scheme will be a management employee buyout (MEBO), and it is believed that supporting initiatives to establish an independent management structure with a local management focus, will provide a future direction for small to medium-sized companies struggling with succession issues.

Moreover, supporting initiatives which aim to achieve a steady acquisition of orders for low-cost high-quality private-brand beverages while developing mutual relationships within the cooperative association network, provides one future direction in the event of revitalizing small to medium-sized companies

9.2 Role of ETIC

In deciding to support Joypack, besides being actively involved in the development of the business revitalization plan, ETIC will promote smooth progress of the revitalization plan, by coordinating activities which Joypack would have found difficult to execute alone. EITC will not conduct financing, capital injection, or a buyout in this particular scheme.

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Joypack decided to utilize its business resources, including its high quality control capabilities cultivated from its production of national brand products, its high capacity bottling facilities and its rich and plentiful water source, to implement business revitalization through downsizing. In order to find a successful direction for its private brand products business, Joypack became a member of the Cooperative Association for Small and Medium-sized Private-brand Bottlers which improved the prospects of securing a fixed volume of orders from association members, and allowed it to resume operations from April 2008.

After operations resumed, Joypack focused on acquiring orders from customers outside the cooperative association, and sales gradually increased from year to year. Acquiring orders was priority, and Joypack would often accept orders for low profit-margin products or summer-only spot orders. Although Joypack was not making a profit, its deficit margin narrowed from year to year, and it has now reached a stage where it can begin to make a recovery.

From a financial standpoint, almost the entire amount of funding needed for capital investment at the time of establishment was procured through loans. The abovementioned changes which occurred in the business environment caused an imbalance which led to the accumulation of an excessive amount of debt in relation to business scale. Moreover, due to the termination of a contract with a main customer at the time, Joypack's business results declined significantly. At the same time, a drop in real estate prices enlarged its actual net liabilities and lowered its collateral value. As a result, Joypack fell into deep financial difficulty, and to this day has been unable to implement any fundamental measures to improve its financial condition.

In terms of management and organization, Joypack terminated the employment all of its personnel following the freeze of operations in 2007. When operations resumed it rehired the minimum required personnel, and now continues to maintain a very lean structure. All employees under the president are now focused on the acquisition of new customers, and the company has finally found some direction.

As such, Joypack is currently at a stage where it is starting to see a path to recovery from a business and organizational standpoint. However, financial support is essential

for Joypack to make progress with its recovery. Accordingly, Joypack, after discussions with Kiyo Bank, resolved to apply for support from ETIC.

Section 3: Outline of business revitalization plan

1. Basic policy

The plan will focus on fundamentally rectifying the business, financial and organizational issues faced by the company. The basic policy of this plan is to take maximum advantage of 2L PET bottle production capacity, to improve operational efficiency and secure steady revenue, and continue to maintain high quality soft drink production and supply capabilities. Specific details are as follows.

(1) Improvement of profitability

Profitability will be improved through restructuring of management and production structure, cost cutting, and improvements to processing costs.

(2) Acquisition and expansion of sales

Efforts to improve sales will be made by securing year-round products, developing new business channels, and reinforcing the future production framework.

2. Business restructuring (structure)

(1) MEBO through second company method

The new management team and personnel will establish a new Joypack preparation company (hereafter “New Company”), and implement a company separation (absorption separation) wherein all the assets and liabilities pertaining to the operations of its head office factory and others are transferred to the New Company for continued operation. After the company separation Joypack is scheduled to go into liquidation proceedings (second company method).

(2) Request for financial support

Of the ¥1.95 billion owed to financial institutions by Joypack, financial support of approximately ¥1.24 billion will be requested from financial institutions.

(3) Financing

Financing of the business is expected to be sufficient, provided that financial support is received in line with the business revitalization plan, along with seasonal financing and the capital injection from ETIC.

Section 4. Conformance with standards for support

1. Requirements related to standards of support

(1) Useful business resources

Joypack is the largest PET bottling firm in the Kansai region private-brand beverages market. In addition to possessing a valuable mineral water source, Joypack has one of only a few high-speed filling facilities in the Kansai area. It retains high quality control capabilities cultivated from its production of national brand products, and accordingly possesses longstanding useful business resources.

(2) Excessive debt

Joypack bears excessive debt in relation to its profit earning capacity, to the point where it is necessary for it to receive financial support in order to conduct business revitalization, through MEBO.

2. Factors confirming potential for business revitalization

(1) Agreement of main creditors

Joypack made a joint application for support with core creditor Kiyo Bank.

(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.

(4) 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.

(5) Potential to refinance within three years

ETIC will not conduct financing, capital injection, or a buyout in this particular scheme.

(6) Connection with structural oversupply

Under the business revitalization plan, there will be no attempt to increase the supply capacity of Joypack. 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.

(7) Status of consultation with workforce

Although there is no labor union at Joypack, it is planned that meetings with labor union representatives and 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

1. Responsibility of management

(1) Following the approval of the business revitalization plan, the company separation will be conducted and Joypack will go into liquidation proceedings. Following the conclusion of liquidation proceedings, all executive staff will forfeit their positions as executive officers. Moreover, executive staff of Joypack will not become executive officers of the new company.

(2) Removal of right of claim for retirement benefits for executive officers

All rights of executive officers to claim for retirement benefits will be removed.

2. Responsibility of investors

Under the liquidation proceedings, shareholders of Joypack will not receive any distribution of remaining assets, and will effectively have all their shares cancelled.

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