

ETIC to Provide Support to Seizenkai Medical Association and Related Company

April 12th, 2012

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”), has decided to provide support to Seizenkai Medical Association 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

Seizenkai Medical Association and Saidaiji Hospitality Service Limited Liability Company (hereafter “Seizenkai”)

2. Name of financial institution jointly applying for rehabilitation support with Seizenkai

The Chugoku Bank, Ltd. (hereafter “Chugoku 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 Seizenkai. However, I ask that after reaching the decision to support, ETIC should encourage Seizenkai 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 Seizenkai 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 of Health, Labour and Welfare: *“Although Seizenkai is situated in the south eastern medical area of the prefecture, a region that has an oversupply of hospital beds, I have no objection to the decision to provide support, because the hospital plays an important role as a provider of secondary emergency medical services and a member of*

the duty hospital roster.

I ask that in implementing the revitalization plan, due consideration is given to the opinion of the Governor of Okayama Prefecture, who is working to ensure that a proper structure exists for the provision of medical services, and that all necessary medical functions continue to be delivered through a system that has an appropriate scale in terms of available hospital beds and other such factors.”

6. Debt purchase application period

From Thursday, April 12th, 2012 for receipt by ETIC no later than Friday, June 15th, 2012.

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, 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 financial institutions providing loans to Seizenkai. 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.

(1) Rationale

Seizenkai is a medical association that operates several facilities, including a hospital, a care facility for the elderly, and a home-visit nursing services center in the Saidaiji district of Higashi-ku in Okayama City.

These medical and care facilities offer a comprehensive range of medical and care services to the local community, and are of high public value. The Okayama Saidaiji Hospital that Seizenkai operates provides emergency medical care, and receives over 800 emergency patients by ambulance per year. In addition to providing a seamless range of medical services covering the stages from the acute phase through to the chronic and recovery phases, the hospital and geriatric care rehabilitation services support the early-return-home of patients in the recovery and chronic phases.

Therefore, if Seizenkai were no longer able to provide these medical and care services, this would have a considerable impact on in-patients, facility residents and

other facility users and home-based patients, and would disrupt service delivery systems in the local community.

ETIC's revitalization of Seizenkai will contribute to the stable supply of medical and care services in the local community.

Seizenkai has a good relationship with Okayama University and other institutions. In addition to maintaining a constant number of medical staff in fields including internal medicine, gastroenterology, orthopedics and neurosurgery, Seizenkai has recruited (from those institutions) nursing directors and other core human resources and has succeeded in increasing the numbers of nursing and rehabilitation care-givers. Since Seizenkai has medical staff who have a high level of management skills, we have determined that there is enough reason for ETIC to support the recovery of Seizenkai.

By providing support in this project, ETIC can present a model case for the revitalization of medical institutions that provide emergency medical care, logistic support for acute-care hospitals, and support for the early-return-home of patients; which will in turn contribute to the accumulation of knowledge of how to revitalize regional medical and care businesses.

(1) The role of ETIC

In this support program, the ETIC will be involved in the development of the business revitalization plan, and will play a specific role in the coordination of the financial and other institutions concerned.

In other words, by requesting financial assistance from the financial and other institutions concerned regarding the subordination of debt and other procedures, ETIC will work to improve the financial state of Seizenkai.

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

Ends

Appendix: Outline of the Business Revitalization Plan

Section 1. Overview of the companies receiving support

1.1 Names of companies

Seizenkai Medical Association and Saidaiji Hospitality Service Limited Liability Company (Hereafter “Seizenkai”)

1.2 Main Business

Hospital and geriatric care facility operations

1.3 Main medical and geriatric facilities

- (1) Okayama Saidaiji Hospital
- (2) Hitachi Elderly Care Center
- (3) Saidaiji Home-visit Nursing Service Center
- (4) Saidaiji Residential Care Support Office

1.4 Office locations

Seizenkai Medical Association: 8-41 Saidaiji Nakanohonmachi, Higashi-ku, Okayama-shi, Okayama Prefecture

Saidaiji Hospital Service: 802-11 Saidaiji Nakano, Higashi-ku, Okayama-shi, Okayama Prefecture

1.5 Number of employees

Seizenkai Medical Association: 300 (including 202 full-time employees)

Saidaiji Hospital Service: 0

1.6 Labor union

None

1.7 Affiliated companies

None

1.8 Main banks

The Chugoku Bank, Ltd. (hereafter “Chugoku Bank”), The Awa Bank, Ltd., others

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

Interest-bearing debt	¥1,443 million
Medical practice revenue	¥1,712 million
Medical practice profit	¥163 million

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

Since its establishment in 1972, Seizenkai operated an orthopedic hospital in the Saidaiji district of Higashi-ku in Okayama City; however, as a result of borrowing to fund investment in a long-term care facility for the elderly and other facilities, the level of interest-bearing debt

grew to ¥3 billion, nearly double that of sales.

Following this investment, as a result of ongoing resignations of key medical and nursing staff, Seizenkai had no choice but to close part of the hospital and reduce the numbers of residents at the long-term care facility for the elderly, however, there is no indication that the debts can be repaid.

In response to this crisis, the current Chairman took office in 2008, and the current hospital Director took office in 2010. They invited from outside part-time doctors, directors of nursing and directors of hospital administration, made organizational improvements, and replaced some of the medical staff. They also improved the hospital's emergency and other medical functions and worked to re-balance income and expenditure.

Despite these efforts, the hospital buildings have become run down over time, and it will be difficult for the hospital to maintain its current medical functions over the medium- and long-term.

With the goal of improving their financial footing so that they are able to steadily maintain and develop their medical functions over the medium- to long-term, Seizenkai, together with Chugoku Bank (the principal financial institution) have applied to ETIC for revitalization support.

Section 3. Outline of the Revitalization Plan

1 Basic policy

(1) Corporate governance

The current hospital Director will become the Chairman, and stabilize the system of corporate governance.

(2) Main initiatives

(1) Maintain and enhance clinical functions

Maintain and enhance clinical functions (particularly the acceptance of emergency patients arriving by ambulance) with a view to building a new hospital in the future

(2) Recruit personnel and invest in equipment

Make progress in the recruitment of medical personnel and the investment in equipment required for (1).

(3) Dissolve corporate relationships

Transfer the assets of Saidaiji Hospital Services to Seizenkai Medical Association, reorganize the business relationship and then liquidate Saidaiji Hospital Services.

2. Business reorganization (structure)

There are no plans to restructure Seizenkai Medical Association's operations.

The assets of Saidaiji Hospital Services will be transferred to Seizenkai Medical Association, the business relationship will be reorganized, and then Saidaiji Hospital Services will be liquidated.

3. Requests to creditors for assistance

Seizenkai will ask the financial institutions concerned if the loan conditions for ¥650 million of the total ¥1,550 million in borrowing from these financial institutions can be altered (converting the loan into a capital-subordinated loan (debt-debt swap)) and the conditions for the remainder of the loans be all made the same. The changes to the loan conditions will come into effect after the transfer of the real estate and other business assets from Saidaiji Hospital Services to Seizenkai Medical Association has been completed.

4. Funding plans

It is assumed that the funds for the payments required in this business revitalization plan will come from the sale of non-business assets and future operating cash flow. Funding after the decision has been made to provide support is expected to be stable. At the present point in time there are no plans for Seizenkai to receive any new financing or other fresh operating capital.

Section 4. Conformance with standards for support

This business revitalization plan meets ETIC's standards for support.

1. Possession of effective management resources

The hospital that Seizenkai operates offers emergency medical services and receives over 800 emergency patients by ambulance per year. The hospital helps shorten the ambulance travel times in the region to the east of Higashi-ku in Okayama City. In Okayama, where there is a shortage of medical facilities, in addition to providing a seamless range of medical services covering the stages from the acute phase through to the chronic and recovery phases, the hospital and geriatric care rehabilitation services support the early return home of patients in the recovery and chronic phases. Seizenkai has good relationships with Okayama University and other institutions. In addition to maintaining a constant number of medical staff in fields including internal medicine, gastroenterology, orthopedics and neurosurgery, Seizenkai has also attracted nursing directors and other core human resources and has succeeded in increasing the numbers of nursing and rehabilitation care-givers, thereby demonstrating

that it has medical staff who have a high level of management skills.

Therefore, we consider that Seizenkai is an operator which has valuable management resources.

2. Standards for productivity improvement

Seizenkai is expected to meet the required standards with respect to productivity within three years of the implementation of this revitalization plan.

3. Standards for financial soundness

Seizenkai is expected to meet the required standards with respect to financial soundness within three years of the implementation of this business revitalization plan.

4. Potential to refinance within three years

Implementation of the business revitalization plan is expected to significantly improve the financial condition of Seizenkai, making it sufficiently possible to fund repayments from sustainable cash flow in accordance with the repayment schedule.

5. Connection with structural oversupply

The hospital operated by Seizenkai is located in the South Eastern medical region of Okayama Prefecture, which is deemed to have an oversupply of general beds.

However, because the hospital provides medical services that are in shortage in the region, including emergency medical care, post intensive care support, and early stage home-based recovery support functions, the plan has been judged as not hindering the resolution of structural oversupply.

6. Status of consultations with workforce

As the company does not have an employees union 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 5: Responsibility of management and governance

1. Responsibility of directors

(1) Seizenkai Medical Association

The Chairperson will resign, but will retain his position as a board member. The hospital Director will assume the role of Chairman.

All other board members who are deemed responsible for the company's situation will resign from their positions and their directors' retirement benefits will be

removed. All business assets held by those board members will be transferred to Seizenkai Medical Association.

(2) Saidaiji Hospital Service

Current directors will resign from their positions, and their directors' retirement benefits will be removed. Further, to ensure the smooth implementation of liquidation proceedings, all debt held by current and former directors will be transferred to Seizenkai Medical Association at a memorandum price.

(3) Guarantee Responsibility

The board members and directors, who are responsible for guaranteeing the company's liabilities, will fulfill part of their responsibility and will also renounce their claims on Seizenkai.

2. Responsibility of investors

(1) Seizenkai Medical Association

All current and former employees of Seizenkai Medical Association that are deemed responsible for its management, will resign from their positions and will forego their rights to request repayment of their investments. Further, following the decision to support, Seizenkai Medical Association is scheduled to promptly become a medical association without equity contribution.

(2) Saidaiji Hospital Service

To ensure the smooth implementation of liquidation proceedings, all shareholders shall transfer the shares that they hold to the management of Seizenkai Medical Association at no cost.

Ends