



PACIFICA CAPITAL SUBMITS FIRST SHAREHOLDER PROPOSAL IN HISTORY OF KATAKURA INDUSTRIES

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FOR IMMEDIATE RELEASE

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Pacifica Capital K.K., a Tokyo-based real estate developer and private equity investor, is pleased to announce that it has submitted a shareholder proposal naming its President & CEO, Seth Sulkin, as a candidate for outside director of Katakura Industries Co., Ltd.

Katakura (TSE: 3001), founded in 1920, is a diversified manufacturer that was once a major silk producer. Currently, however, most of its assets and profits derive from commercial real estate. According to Katakura, Pacifica's proposal, which will be voted upon at the annual general meeting on March 29, is the first made by a shareholder since the company's listing in 1949.

In explaining the reasons for submitting the proposal, Sulkin said "Katakura owns a huge development site in Saitama City that has the potential to transform the company, yet management is too focused on its mostly money-losing manufacturing businesses. I would like to offer my experience in developing shopping centers throughout Japan to help Katakura make maximum use of a prime, station-front site."

In a research report issued in September 2011, Macquarie Capital Securities (Japan) Limited estimated the market value of Katakura's real estate holdings at 198.5 billion yen, compared to a market capitalization at the time of only 28.2 billion. This resulted in Katakura having a market cap to real estate market value ratio of only 13%, the sixth lowest among Japanese listed companies, according to Macquarie.

"Before proposing my candidacy, I met with Katakura management a number of times to learn more about their development plans and make suggestions on how to increase value," Sulkin explained. "The company has released no detailed information about the development project and their target opening of 2014 is looking increasingly challenging. Following several fruitless discussions with management, I then met with several other shareholders to discuss what could be done to help the company and they supported a proposal that I join the board."

Sulkin, who has done business in Japan for more than 17 years, is fluent in Japanese and a widely recognized expert in commercial real estate development and investment. He is on the executive committee of the Japan arm of the Urban Land Institute, the world's leading real estate industry organization. He is also co-chair of the Architecture, Construction and Real Estate Committee of the American Chamber of Commerce in Japan. Sulkin received a master's degree from Stanford University, specializing in Japanese economic development practices.

“My goal in joining Katakura's board is to help create a world-class, mixed-use urban development that will generate a steady stream of profits for the company, add thousands of new jobs and successfully transition the company away from unprofitable, old-line manufacturing,” Sulkin added. “I hope that all Katakura shareholders frustrated by a huge decline in the stock price over the last several years and a lack of focus on the company's key asset will see the merit in these ideas and vote for me as director.”

Katakura currently has two “outside” directors, although both formerly worked for financial institutions doing business with the company. “The recent scandals at Olympus show the need for truly independent directors to participate in management,” Sulkin said. “Katakura's president and managing director both come from its main bank and none of the directors fully represents the interests of all shareholders. The company's slow and insular decision-making would be dramatically improved by a fresh and independent voice on the board.”

On February 17, Katakura announced its opposition to Pacifica's proposal of Sulkin as an outside director, claiming its two “outside” directors are sufficient to ensure corporate governance. In a separate press release on the Saitama development project also dated February 17, the company admitted that it had been forced to change its development plans, but announced no new details, despite what it called numerous inquiries from shareholders. “This press release shows little progress is being made on the development project and is further evidence of why a real outside director is needed,” Sulkin said in response.

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