

September 20, 2018
 HARAKOSAN CO., LTD.
 Takafumi Okamoto
 Representative Director,
 President and Chief Executive Officer

Notice of the Issuance of the 4th Warrants and Conclusion of an Unsecured Loan Agreement

YAMAGUCHI, Japan, September 20, 2018—HARAKOSAN CO., LTD. (TSE 2nd Section: 8894) (herein after “Harakosan”) announces that at a Board of Directors' meeting held today, it has resolved the Issuance (hereinafter referred to as "the Issuance") of 4th stock acquisition rights (hereinafter referred to as "Warrants") allotted to EVO FUND (Cayman Islands, Representative: Michael Lerch, Richard Chisholm) as a third party allottee, and Conclusion of an Unsecured Loan Agreement (Hereinafter referred to as the "Loan Agreement") with EVOLUTION JAPAN Asset Management Co., Ltd. (Chiyoda-ku, Tokyo, Representative Director Shaun Lawson, hereinafter referred to as "EJAM", and loan under this loan agreement is referred to as "Loan". We collectively refer to the Warrants and Loan Agreement as “The Financing”), and we hereby inform you of the outline as follows. The Issuance will be subject to the approval of advantageous allotment and extraordinary dilution by the Extraordinary General Meeting of Shareholders ("EGM") scheduled to be held on November 9, 2018.

1. Overview of the Issuance

1.	Date of allotment	November 12, 2018
2.	Total Number of Warrants	2,210,000 Warrants (100 share per 1 warrant)
3.	Issue Price	JPY 4.5 per warrant
4.	Number of residual securities from the issuance	221,000,000 Shares
5.	Amount of Funding	JPY 451,945,000 (Breakdown) Issuance of Warrants JPY 9,945,000 Exercise of Warrants JPY 442,000,000
6.	Exercise Price	JPY 2 per share
7.	Allotment Method	Third Party Allotment
8.	Allottee	EVO FUND 2,210,000 Warrants
9.	Others	In regards to above, the allotment will be executed in the form of Warrant Purchase Agreement (hereinafter “WPA”) with the condition that the SRS comes into effect according to the Financial Instruments and Exchange Act and both extraordinary dilution and advantageous allotment is approved at the EGM planned to be held on November 9, 2018.

2. Reason and objective of the Financing

(1) Objective

In response to the global economic recession triggered by the emergence of the US subprime loan problem in 2008, the Company was affected by Japan's economic slowdown, the financial market collapse and the deterioration of real estate market conditions. Since FY2009/02 business performance has deteriorated significantly. With the business environment undergoing a drastic change, we have been working to improve our financial structure, such as sorting out subsidiaries, saving significant costs, selling inventory assets, reducing debt, etc.... Through the disposal of subsidiaries and rationalizing personnel, we have made an effort to create a slim management structure by converting it into a real estate leasing management business and brokerage business that can generate stable earnings. In June 2015, we did an equity finance via third party allotment with the aim to become profitable by setting up new businesses such as purchasing second-hand houses and condominiums for renovation

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and sale, and also acquiring real estate for housing development.

Interest-bearing debt, which amounted to 35,420 million yen in FY2009/02, has been reduced to 1,451 million yen in the third quarter of FY 2018/10, as a result of taking financial improvement measures such as the sale of legacy inventory assets and strengthening the financial base while reducing debt and increasing capital by carrying out a debt to equity swap. However, despite a substantial reduction in interest burden due to the implementation of financial improvement measures, we were still not able to breakeven on a recurring profit basis. The details of previous financial years are as below.

In FY2016/02, we purchased land for housing and second-hand condominiums with raised capital, but despite the fact that we were able to contract the new housing deals, we could not hand over the real estate during the fiscal year due to customer's reasons, therefore we had to sell the property below its book value in order to repay the debt, made loss on valuation of inventory, and could not secure gross profit beyond SG&A, finishing with net loss of 399 million yen.

In FY2017/02, we transitioned to non-consolidated reporting after selling real estate, closing our Tokyo branch, and setting up a new management structure, but the newly sourced houses did not perform so well. The gross profit increased from prior fiscal year, however this increase could not compensate for the rise of SG&A expense. Both operating income and ordinary income were negative. We had net loss of 105 million yen.

As for the irregular reporting period due to fiscal year change to FY2017/10 (non-consolidated), we focused on selling real estate which was leftover from the previous fiscal year and became a sales agent for condominiums while sourcing new real estate. However, we made negative operating income and ordinary income due to the sale of property at below book value, and recorded a net loss of 1,033 million yen due to repayment of debt and impairment losses on fixed assets, etc...

As noted above, despite acquiring 100 million yen of capital raised by third party allotment in June 2015, we were not able to produce earnings, and since operating income and ordinary income were negative, we have not been able to repay the debt from retained earnings. Therefore, regarding the 6 borrowings totaling 1,247 million yen, out of 1,451 million yen debt balance, we are asking banks etc. to extend the maturity of the principal. Currently, we cannot procure funds from the bank etc..., therefore we have examined multiple methods of financing to improve this situation.

As mentioned above, the Company's current debt balance is 1,451 million yen, of which 655 million yen have scheduled repayment and maturity has been extended. But as for the rest, 2 debts with balances of 796 million yen, the creditors are requesting the company to pay the full amount of debt and penalties, with default interest of 14% being charged on all late amounts. Urgent action to resolve this situation is needed. The final amount of default charge has not been fixed yet since negotiations with creditors are still in process, thus we have not recorded these unpaid default charges to our balance sheet yet. The history and background of these 2 debts are as follows.

(i) Debt was incurred with financial institutions in July 2009 to redeem corporate bonds that had been issued to acquire the license for a wind power generation business and provide related working capital. Regarding the debt, we had been delaying repayment (extending the maturity of the loan) due to poor underlying business performance but in July 2013 the due date of the debt arrived and after a request from lender to no longer extend maturity, despite our continuous efforts to negotiate, the debt was transferred to a third party in January 2018.

(ii) A subsidiary secured project financing for a condominium, but since the subsidiary had to go through liquidation due to its poor financial condition, the parent company took over the subsidiary's obligations as a joint guarantor in July 2010, we had been delaying payment (extending the maturity of the loan) due to lack of business performance but on October 2013 the due date of the debt arrived and after request from lender to no longer extend maturity, despite our continuous efforts to negotiate, the debt was transferred to a third party in March 2018.

Both debts are in default and are accruing interest and penalties. After both debts were transferred to third parties, we have continued negotiating with current creditors but we have been continuously requested to repay despite our tight financial situation. Regarding (1) we have continued our efforts to negotiate such as proposing transfer of the credit to one of the group affiliates of EVO FUND, but have not been able to come to an agreement and are being continuously requested to propose a repayment plan. There is a possibility that the creditors will shift to legal enforcement measures such as seizure of

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rental receivables if this situation continues. The real estate income applicable to potential seizure totals approximately 5.7 million yen per month. If such measures are taken, our total monthly rental income would decrease by about 20%. There is a possibility that such a decrease in operating cash flow would lead to a shortfall in our necessary operating capital. If the short term financial position deteriorates, other cooperative financial institutions may take similar procedures such as legal enforcement measures as well. This leads to a further reduction in rental income, and as a result, it is possible that operating cash flow could be reduced to the level where we cannot continue business.

As of the third quarter of FY2018/10, cash and cash equivalents balance is at 205 million yen, of which 128 million yen are deposits from landlords (rent of the property etc.) which leaves actual funds available for business at only 77 million yen. With just this amount of funds, we are covering working capital for the business including salaries of employees and payments to cooperating business entities. If our cash flow deteriorates, there is a possibility that we will not be able to purchase real estate, maintain lease management, continue payments to business partners, or repay principal and interest to creditors. And if such a situation continues, business continuity will be compromised, and in the worst-case scenario there is a possibility that we must file for bankruptcy.

Under such circumstances we have consulted and negotiated with various sponsor candidates but have not been able to find any party that can provide funding sufficient for full repayment to lenders. We received a financing proposal from EVO FUND to raise a total notional of 432 million yen, including a 300 million yen loan agreement, by issuing warrants close to the upper limit of the total number of issuable shares, to be passed with a resolution by EGM.

Although 432 million yen is not an amount that can repay the full amount against the debt of 796 million yen, which we need to deal with as soon as possible, but as a result of consulting various sponsor candidates and investors, we believe that the amount of 432 million yen is the largest, and the maximum of the amount that we can raise at present. Therefore, we will initially use the 300 million yen of loans for the repayment of the above debt to continue our discussions with the respective creditors, and also allocate the 132 million yen if all Warrants are exercised. Whether we can avoid the worst situation for our company such as liquidating a corporation by bankruptcy proceeding due to the doubt of business continuity depends on the result of the consultation with creditors above and it is uncertain. But we believe that for us to negotiate with existing creditors, The Financing is the best way to avoid the worst situation of the company, and we believe that continuing the business with such means will contribute to the profit of existing shareholders.

(2) Overview of Financing Method

In this financing, the company will allocate the warrants to EVO FUND and the company's capital will increase along with the allottee's exercise.

In addition, in the procurement of funds through the Warrants, procurement will be carried out step by step every time the exercise is made by EVO FUND, so the timing of procurement will be uncertain, but as described in to meet the "Amount of funds to be used, usage and expenditure scheduled time (2) Specific use of funds to be procured" we have decided to conclude a Loan Agreement described below with EJAM. The Company has agreed to apply the funds procured through the exercise of the Warrants with scheduled allottee for repayment of Loan under this Loan Agreement. Therefore, funds procured through the exercise of the Warrants will be used for repayment of the loan to limit the amount of this Loan Agreement.

(Overview of Loan Agreement)

1.	Lender	EVOLUTION JAPAN Asset Management Co., Ltd.
2.	Closing Date	November 12, 2018
3.	Loan Amount	JPY 300,000,000
4.	Loan Execution Date	Within a month after the Closing Date※1
5.	Period	1 year from Loan Execution Date※2
6.	Interest	2.0% per annum

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7. Early Redemption	In the event that the Warrants are exercised, the full amount of funds procured by the Company through such exercise will be paid to the Lender by the next trading day (including that day) after the day on which the money exercise amount is paid.
8. Collateral	None

※1 In regards to the execution timing being one month after closing date, this was decided upon discussion between both parties considering items such as the amount of time it takes for the Lender to prepare capital.

※2 Takafumi Okamoto, the Representative Director, has received verbal confirmation from Michael L. Lerch, Founder, President and Global CIO of the Evolution Financial Group, that in principal the Warrants equivalent to 300 million yen are assumed to be exercised within 1 year, but in the case that the exercise amount of 1 year does not reach 300 million yen, extension of maturity can be considered.

(Note) The use of proceeds for the loan is the same as the Warrants Issuance

(3) Reason for choosing the financing method

While considering the method of raising funds suitable for the purpose of the use of funds described in "(1) Reason and objective of the Financing" above, we examined other funding methods described in "(5) Other funding methods" and the characteristics of the scheme described in "(4) Characteristics of the financing method". As a result of these considerations, we decided adopt this scheme to procure the funds necessary for the proposed use of funds stated in the "Procurement of funds" described below "3., Amount of funds to be procured, planned expenditure (2) Procurement of Funds " as having a high probability of closely matching the Company's financing needs.

(4) Characteristics of the financing method

The total amount of funds to be procured is fixed for the Warrants and the exercise price of the warrants and the number of allotted shares are also fixed. The purchase agreement prescribed below is to be concluded with EVO FUND, and also a Loan Agreement is to be concluded with the affiliated company EVOLUTION JAPAN Asset Management Co., Ltd. As described the above "(2) Overview of Financing Method".

① Fixed exercise price and number of warrants

The Exercise Price of the Warrants is fixed at 2 yen in principle, and the Exercise Price will not fluctuate due to changes in the market price in the future. (However, new share issuance with sub-spot issue price etc... might cause a downward adjustment in strike price considering the ratio with an increasing number of shares) In principle, the number of shares subject to the Warrants has also been fixed at the time of the issue to 2,210,000 warrants, and the number of potential shares will not fluctuate due to future fluctuations in the market price (the exercise price and the number of shares to be allotted may be adjusted when adjustment of the exercise price occurs).

② Restriction on transfer under this purchase contract

In this purchase agreement, transfers are restricted with the effect that preliminary approval by the Company's Board of Directors is required for the transfer of the Warrants. As a result, the transfer of warrants from the scheduled allottee to a third party will not be permitted without prior board approval. In the event that there is a request to have the warrants transferred from EVO FUND, in all or part, to a third party, the Board of Directors of the company will decide whether the third party is appropriate after confirming the details and attributes of the third party.

(5) Other funding methods

Generally, in order to raise business funds, it is possible to procure interest by loan, bonds, etc., and procure capital by issuing stocks etc. However, the company has traditionally requested the banks to extend maturity of principal, and as a result we have judged that it would be difficult to implement new borrowing and issue new corporate bonds at present. Also, as we have worked to compress liabilities and reduce interest burdens, but issuing new borrowings and new corporate bonds is not an option.

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Then we considered to increase shareholders' equity by recruiting new share investment and thought to raise funds to make repayments to banks etc.... As far as methods for raising equity finance, there are generally those based on shareholder allotment, public offering and third-party allotment. Shareholder allotments include rights issues, which issue new shares to all shareholders, but given the situation where we are still just in the process of improving our business plan and financials, it is not easy to receive shareholder support. Also the time it takes from launch to actual funding compelled us turn down this option. Also it would be extremely hard to find a securities company to underwrite a public offering while our financial and business condition is in such a situation. Thus we came to choose third party allotment as the most realistic option.

Given the current financial situation of the Company, it is difficult to procure enough capital with general methods, and it was difficult to find investors who would underwrite procurement of a sufficient amount. In this financial situation, we have decided that the procurement of 432million yen, possible with extraordinary dilution as proposed by EVO FUND, is the best option we have currently.

The fund procurement method that combines the Warrants with a fixed exercise price and the loan is economically equivalent to using convertible bonds with a fixed exercise price (CB) and Warrants, but we believe that it is more desirable for us to utilize loans because of the flexibility of the agreement between the parties, such as being repayable from 1 yen and possibility for maturity extension.

(6) Others

Regarding the premium of the Warrants, an independent calculation agent (Tokyo Financial Advisors Co., Ltd., President: Gen Nose; Location: 1-11-28 Nagatacho Chiyoda-ku, Tokyo) based on the JPY 22 stock price of Harakosan, (closing price on September 19, 2018), Exercise price JPY 2, volatility 42.55% (calculated based on monthly stock price between August 2013 to August 2018), Exercise Period of 5 years, Risk Free Rate of -0.060% (based on long term Japanese government bond on September 19, 2018), Discount rate of 32.60% (based on revised CAPM derived of Risk Free Rate of -0.060% + Market Risk Premium of 8.9% × market beta 0.798 + Credit Cost 25.56%), Dividend rate 0%, and various preconditions of the Warrant Purchase Agreement planned between the two parties, used the Monte Carlo Simulation to result in calculating the option value valuation price of JPY 570 per warrant, whereas EVO FUND will purchase one warrant for JPY 4.5, which requires the resolutions of shareholders at the Extraordinary General Meeting planned to be held on November 9, 2018, as there is possibility of advantageous allotment.

With regards to the Company, the funds procured through this financing are funds for repayment of debt, and by using the funds raised for repayment of loans, we will consult with existing creditors to avoid situations that hinder the continuation of our business, including situations such as legal enforcement measures. We believe that using funds to repay borrowings is the best way to continue our business, and we believe that the use of funds for this financing is reasonable.

In addition, we believe that by making maximum use of the company's creditworthiness through efforts with EVO FUND, we will also make progress in talks on financing with other financial institutions, and thus we expect make progress towards completion of our revitalization.

In addition, since this financing requires issuing the maximum number of issuable shares after the expansion of authorized shares by the special resolution of the General Meeting of shareholders, additional equity finance will be difficult for a certain period after this fund raising. We believe that it is best to negotiate with existing creditors with funds raised in this financing since this is the maximum the company will be able to raise for some time. In the case where creditors implement legal enforcements measures, the revenues that have temporarily become profitable in line with our business plan will be significantly affected, as well as the cashflow plan of our company, which is barely managed as of now, and raise the possibility of falling into a situation where both our business plan and cashflow will deteriorate significantly. For this reason, we decided to procure these funds and plan to consult with existing creditors as the best way to avoid the worst outcome for our company.

In addition, we view this financing as a major step towards the long-awaited opportunity to break out of our slump, and by utilizing these funds, we believe that we will regain the company's positioning and make a leap toward a new stage of development. We are determined to work together, both executives and employees as a whole. We would like to thank our shareholders and investors for their understanding.

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3. Amount of funds to be procured, usage and expiration planned timing

(1) Amount of funds to be procured (estimated net proceeds)

①	Total amount to be paid	JPY 451,945,000
②	Approximate amount of issuance expenses	JPY 20,000,000
③	Approximate takeover amount	JPY 431,945,000

(Note)1. The total amount paid is the sum of the following.

Total amount to be paid for the Warrants	JPY 9,945,000
Total amount to be contributed upon exercise of the Warrants	JPY 442,000,000

2. The approximate amount of the issuance expenses is the total amount of survey expenses, registration fee, attorney fee, cost calculation expenses and trust banking expenses, excluding consumption tax and local consumption tax.
3. If the exercise price of the Warrants is adjusted, the total amount paid and the approximate amount of Issue Expenses will increase or decrease. In addition, if warrants are not exercised within the exercise period of the Warrants or if the Company has canceled the Warrants acquired by the Company, the total amount paid in and the estimated amount of Issue Expenses will decrease.

(2) Specific Use of Proceeds

The total amount of funds procured through the issuance of the warrants and the exercise of the warrants by EVO FUND will be approximately 432 million yen, with regard to the specific use of funds to be procured as follows.

Specific use of funds to be procured through the issuance of the Warrants

	Detailed Use	Amount (JPY million)	Expenditure Schedule
①	Repayment principal for the loan provided above	300	December 2018 ~ December 2019
②	Repayment of principal, interest and delinquency charges	132	November 2018 ~ October 2023

For further explanation, we plan the following.

As described in "2. Reason and objective of the Financing (1) Objective", our objective is to repay two liabilities (Total 796 million yen) transferred to third parties in January and March this year by first providing 300 million yen of loans executed within 1 month after issuance of the Warrants which will be used to repay the respective two liabilities above. Afterwards when the Warrants are exercised, the exercised amount will be used to repay the initial 300 million yen loan provided by EVO FUND as stated above ①, and once the exercise amount exceeds the loan repayment amount, exercise from thereon will be used to repay the two liabilities as stated in ②. Although the amount is insufficient for repayment of the full loan amount, in the present situation, where we are not fulfilling our obligations to the creditors, we believe that by making maximum effort to the extent possible by the company, we will avoid critical situations which will hinder the continuation of our business such as legal enforcement measures, which we believe is the company's largest risk right now.

In this financing, the loan of 300 million yen will be executed within one month after conclusion of this Loan Agreement which is to be done at the time of issuance of the warrants, where this amount will be used for repaying existing loans. Subsequently, when the warrants are exercised, it will be allocated to repayment of the Loan from EVO FUND based on the borrowing agreement with EVO FUND. After the cumulative exercise price of the Warrants reaches 300 million yen, which is the amount of the Loan, and after repaying the full amount of the Loan, the exercised amount shall be allocated to the repayment to existing creditor.

For the purpose of these measures, the company decided to launch the issuance of warrants on September 20, 2018. Until the funds are used for the above use of proceeds, the funds will be kept in our deposit account.

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4. Rationality of Use of Funds

As described in "3. Amount of funds to be procured, usage and expiration planned timing", we will discuss with existing borrowers so that actions such as those that hinder the continuation of our business by legal means including legal enforcement measures will be avoided and we believe that the use of such funds is reasonable as it is considered to be the best way to continue our business. Therefore, we believe that this funding procurement will contribute to the profit of all stakeholders including existing shareholders by improving corporate value over the medium to long term.

5. Rationality of Issuing Conditions

(1) Basis for calculating the Premium

It was decided as a result of several consultations with EVO FUND with respect to the amount to be paid for the warrants (4.5 yen per each warrant), based on the Exercise Price (2 yen) of the warrants, considering the Company's net asset value per share.

In regards to the payment amount of the warrants (4.5 yen per warrant), the Company considered that there is a possibility that it may fall under conditions that are particularly advantageous to EVO FUND, and on November 9, 2018 decided to hold an Extraordinary General Meeting to receive shareholder's approval.

In determining the terms and conditions for issuance of the warrants, the Company considered that it is necessary to calculate the fair value in order to explain to the shareholders, and requested Tokyo Financial Advisors Co., Ltd. (representative: Gen Nose, Address: 11-28 Nagatacho-cho, Chiyoda-ku, Tokyo), a third-party appraiser, taking into account the issuance terms of the Warrants and the terms set forth in the Warrants Purchase Agreement. .

The independent calculation agent, based on the JPY 22 stock price of Harakosan (closing price on September 19, 2018), Exercise price at JPY 2, volatility of 42.55% (calculated based on monthly stock price between August 2013 to August 2018), Exercise Period of 5 years, Risk Free Rate of -0.060% (based on long term Japanese government bond on September 19, 2018), Discount rate of 32.60% (based on revised CAPM derived of Risk Free Rate of -0.060% + Market Risk Premium of 8.9% × market beta of 0.798 + Credit Cost of 25.56%), Dividend rate 0%, and various preconditions of the Warrant Purchase Agreement planned between the two parties, used the Monte Carlo Method to report the option value to be JPY 570 per warrant.

As the premium is significantly smaller than the value calculated by third-party valuation agencies, and the exercise price is also 2 yen per share, so it seems that the exercise will be based on the trend of stock price and trading volume and the proportion of voting rights held at that time, so depending on the stock price the exercise of the warrants may or may not progress.

In addition, as mentioned above, we could not find investors who would undertake the same level of financing, and it is anticipated by issuing the warrants to EVO FUND would also lead to the strengthening of items to be improved by the company with urgency, we believe that the initiatives with EVO FUND will contribute greatly to our revitalization, and we have judged that we would be able to gain an understanding from our shareholders.

Below, we describe each condition which is the prerequisite of the calculation by Monte Carlo Method.

i. Regarding EVO FUND's exercising the rights, for the prerequisite of calculation of the Monte Carlo Method, if the stock price of the last day of the exercise period (November 13, 2023) is above the exercise price, the assumption is that EVO FUND will exercise all of its remaining warrants. Regarding the prerequisite for during the exercise period, the Monte Carlo Method is calculated together with the least-square method. To explain in detail, the exercise value of when the warrant is exercised and value of when the warrant is withheld continuously is put into comparison, to determine that when the exercise value is higher than the value when withheld is higher, the warrants are assumed to be exercised.

ii. Regarding the dilution of the stock price, the effect of dilution on the value of existing stock when new shares are issued at an exercise price lower than market price is put into consideration with the following calculation.

Stock Price after exercise = $(\text{Stock price at exercise} \times \text{shares already issued} + \text{shares issued through exercise}) / (\text{shares already issued} + \text{shares issued through exercise})$

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iii. Regarding liquidity of shares, the assumption that the maximum amount that can be exercised in one trading day to be 42,685 shares (10% of 426,850 shares which is the median of daily average volume of the most recent one year period) is set into place. The 10% is based on the 100% rule by the "Cabinet Office Ordinance on Restrictions on Securities" (which is the rule to limit trading volume to 100% of traded volume in order to prevent market fairness and soundness from being impaired by market manipulation etc. accompanying the purchase of treasury shares) and considering that it is a very commonly used prerequisite, and an average of 10-20% of treasury shares to be traded in the market will only have minimum impact to market, 10% is a reasonable number to apply. Also, for the warrants that are not exercised during the exercise period, it is assumed that a block trade will occur at the last day of the exercise period (November 13, 2018) and the costs relating to such transactions are considered as well. For such costs, past public offerings and sales are considered to derive a reasonable price.

iv. After regarding all of the above, we compared the fair value of the Warrants (JPY 570 per Warrant) and purchase value (JPY 4.5 per warrant) to conclude that the conditions are advantageous due to the fact that the purchase price is lower than the price of fair value.

(2) Basis for judging that the issue quantity and the scale of dilution of shares are reasonable

The maximum number of shares of the Company to be newly issued upon the exercise of the Warrants is 221,000,000 shares (2,210,000 in number based on voting rights) and the number of shares subject to the warrants is fixed, there is no change in the number of shares to be delivered after issue.

The maximum number of shares is 299.90% (voting rights (299.96%)) to the total number of issued shares of the Company 73,692,398 (Number of voting rights 736,757) as of April 30, 2018. Therefore, it is expected that the dilution ratio will be 25% or more, and according to Article 432 of the listing of securities of the Tokyo Stock Exchange, Inc. (hereinafter referred to as "TSE"), we have decided to confirm the intention of shareholders at our Extraordinary General Meeting of Shareholders scheduled to be held on November 9, 2018.

For reference, the average volume per day during the last 6 months is 724,506, 0.33% of the maximum number of shares 221,000,000 issued by this capital increase (including potential shares).

As stated separately, the holding policy of EVO FUND allows for sales of shares according to stock price or market trends. In the event that EVO FUND sells these shares on the market, there is a possibility that the profit of existing shareholders will be damaged by the impact on the company's stock price.

However, as we have already stated above, with this financing, we are expecting to rebuild our company by resolving the current situation where we are asking banks etc. to extend repayment of the principal, and to get out of this situation, we believe that the issuance quantity and the scale of dilution by this capital increase are reasonable and we believe that our shareholders will understand the needs of this financing.

6. Reason for selecting allottee

(1) Outline of allottee

1) Designation	EVO FUND
2) Location	c/o Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
3) Grounds for foundation	Tax-exempt limited liability company based on the laws of the Cayman Islands
4) Purpose of formation	Investment
5) Date of formation	December 2006
6) Total investment amount	Paid-in capital: US\$1.00 Net assets: Approximately US\$24.1 million
7) Investors, investment	Paid-in capital: EVO Feeder Fund 100%

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	ratio, and outline of investors	Net assets: Equity capital 100%	
8)	Names and titles of representatives	Director: Michael L. Lerch Director: Richard Chisholm	
9)	Overview of Japanese agent	EVOLUTION JAPAN SECURITIES Co., Ltd. 4-1 Kioi-cho, Chiyoda-ku, Tokyo Representative Director: Shaun Lawson	
10)	Relationship between Harakosan and said fund	Relationships between Harakosan and said fund	Not applicable
		Relationships between Harakosan and representatives of said fund	Not applicable
		Relationships between Harakosan and Japanese agent of said fund	Not applicable

Note: Information on the allottee is as of December 31, 2017.

* Harakosan has checked past newspaper articles, the web, and other media and confirmed that no relationships with anti-social forces exist with the allottee (which was introduced via EVOLUTION JAPAN SECURITIES Co., Ltd.) and its 100% investor, EVO Feeder Fund (c/o Intertrust Corporate Services (Cayman) Limited 190 Elsin Avenue, George Town, Grand Cayman KY1-9005, Cayman Island; Directors: Michael L. Lerch and Richard Chisholm), nor that such relationships exist with Mr. Michael L. Lerch or Mr. Richard Chisholm, who are executives of the two companies. The allottee has also submitted to Harakosan a written pledge stating it has absolutely no relationships with anti-social forces. Furthermore, to ensure the utmost care, Harakosan retained D-Quest Holdings, Inc. (12F Ryumeikan-honten Bldg., 3-4 Kandasurugadai, Chiyoda-ku, Tokyo, 101-0062 Japan; President and CEO: Taisuke Wakiyama) a third-party research institute specialized in a variety of research, including company and credit research, to conduct research on the allottee; the allottee's 100% investor, EVO Feeder Fund; EVO Feeder Fund's 100% investor, Evolution Capital Investments LLC (774 Mays Blvd. Ste. #10 Incline Village, Nevada 89451 USA; Chief Investment Officer: Michael L. Lerch); Evolution Capital Investments LLC's single investor, Mr. Michael L. Lerch; and Mr. Richard Chisholm, an executive of the allottee and EVO Feeder Fund. As a result of this research, including collation with databases that JP Research & Consulting possesses, at the present date Harakosan has received reports indicating that the allottee, its investors, and executives are not involved with anti-social forces.

Harakosan's comprehensive judgment based on the above is that neither the allottee nor its investors or executives are involved with anti-social forces. Accordingly, the company has submitted to the Tokyo Stock Exchange a note of confirmation of non-involvement with anti-social forces.

(2) Reason for choosing allottee

When the company explained to EVOLUTION JAPAN Securities Co., Ltd. (4 - 1, Chiyoda-ku, Tokyo, Representative Director Shaun Lawson) about the consideration of financing, the company received a proposal. Also, on the premise that the financing will be with EVO FUND, we received feedback that by utilizing the global network of EVO FUND, there is possibility that further negotiations with financial institutions would be possible, hence we considered EVO FUND as a candidate.

Generally, in order to raise funds, it is possible by debt financing, bonds, etc., or by issuing stocks etc. However, the Company has traditionally requested banks to extend repayment of principal, and management judged that it is difficult to implement new loans and issuance of new corporate bonds in such a situation. Also, as we have worked to compress liabilities and reduce interest burdens, issuing new corporate bonds was also not an option.

So we intend to increase shareholder equity by issuing new shares to secure funds for repayment to banks etc.... As to the method of issuance, there are generally those based on shareholder allocation, public offering and third-party allocation. As one form of shareholder allotments, there are rights issues etc... to all shareholders, however, while our business plan and financial situation is still in development, we considered the difficulty of taking such time, from date of resolution to completion, to raise more capital from shareholders and Warrants holders. As for a public offering, we have judged that it is

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difficult to find securities companies willing to underwrite the issue, considering the current financial situation of the company and the size of market capitalization. So we thought that the method by third-party allocation is most realistic.

Next, in considering which type of third-party allotment financing is appropriate and negotiating the method of investment, there was a request from EVO FUND to finance gradually. In the situation that we are asking banks etc. to delay repayment of principal, we asked for investment according to the situation of negotiation, and came to an agreement that EVO FUND will execute loans of 300 million yen, and also purchase the warrants. By allocating the warrants, capital reinforcement can be made from EVO FUND according to our funding needs within the period of exercise of the warrants. We decided that the exercise by EVO FUND during the exercise period would support our cashflow and the 300 million yen loan could be used for repayment which would support our negotiations with creditors, hence we decided to accept EVO FUND's proposal and issue warrants in order to raise funds for repayment of our debt.

The allottee is a fund (a tax-exempt limited liability company based on the laws of the Cayman Islands) established in December 2006 for the purpose of investing in listed companies. As for its investment performance, the allottee has participated in projects involving financing through third-party allotment of Warrants for multiple listed companies. The allottee is a fund managed based on project introductions and investment-related information provided from EJAM. The allottee has no investors other than EVO Feeder Fund, a wholly owned subsidiary of Evolution Capital Investments LLC. With the exception of short-term loans from prime brokers, the allottee is fully self-financing its working capital. Also, Mr. Michael L. Lerch, that company's Director, is the sole investor in Evolution Capital Investments LLC.

The allottee's affiliated company, EVOLUTION JAPAN SECURITIES Co., Ltd., was in charge of arranging this funding, as part of its mediation business for the purchase by its affiliated company. EVOLUTION JAPAN SECURITIES Co., Ltd. is a wholly owned subsidiary of British Virgin Islands-based Tiger Inn Enterprises Limited (Craigmuir Chambers, PO Box 71, Road Town, Tortola VG1110, British Virgin Islands; Directors: Michael L. Lerch and Richard Chisholm).

We believe that in the short term, the terms and conditions of this issuance has potential to be against our shareholder's benefit, but by working together with EVO FUND, we would be able to strengthen our financial foundations, leverage relationships with national/international financial institutions which could lead to further financing to support our revitalization from the current situation and support our company's core business.

Also, we believe that EVO FUND is the best partner for us to be able to regain our business performance, and as a result, the best choice to make for our investors.

Note: The Warrants, intermediated through EVOLUTION JAPAN SECURITIES Co., Ltd., a member of the Japan Securities Dealers Association, shall be allotted to the allottee, and are subscribed in accordance with the Japan Securities Dealers Association's "Rules Concerning Handling of Allotment of New Shares to Third Party, Etc." (self-regulatory rules).

(3) Allottee's holding policy

The objective of the allottee is pure investment, and the decision to sell or to hold the shares to be acquired through the exercise of the Warrant will depend on the stock price and trading volume. EVO FUND has informed us, in principle it intends to support the improvement of Harakosan's corporate value, and at the same time, consider taking measures including the sale of shares depending on the share performance. However, the possibility of EVO FUND holding shares for a prolonged period of time due to stock performance and financial situations cannot be denied, we plan not to set any limitations on the number of shares to be held or shareholder ratio of EVO FUND.

We have been informed, that in the case of selling a part of the shares, EVO FUND will make the most efforts to consider market conditions to the extent possible.

Also, we have verbal confirmation that EVO FUND will give consideration to selling the shares based on the stock performance, and while there is no provision for exercise on volume, the possibility of the shares to be acquired through the exercise of the Warrants being sold at an early stage cannot be denied. However, EVO FUND evaluates Harakosan as a company that would regain performance by leveraging the Issuance, Harakosan does not anticipate a situation where EVO FUND would sell shares

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in a short period to cause a material decline in the stock price, and Harakosan has verbally confirmed this stance with EVO FUND

As for Harakosan, if EVO FUND sells a large number of shares acquired through this Issuance when the stock price is falling, there is a possibility that it will further accelerate the decline in stock price, or in the case where the stock price is rising, it may hinder the rise of the stock price, which means that it cannot be denied that the Issuance could be disadvantageous for the existing shareholders. However, Harakosan believes taking steps toward early revitalization with the cooperation of EVO FUND will result in a timely improvement of corporate value, which has led Harakosan to determine that the Issuance is the best out of all choice that can be considered at present, and that the holding policy of EVO FUND is inevitable, which may result in considering measures including selling the shares in an early stage depending on the stock price.

(4) Confirmation on the property required for the payment by the allottee

We have reviewed outstanding net asset reports of several prime brokers of EVO FUND as of August 31, 2018, which stands as proof for EVO FUND's assets, and confirmed that there is enough capital for the payment of total amount of the warrants on the deadline of application.

(5) Agreement on Stock Borrow

Not Applicable

7. Major shareholders and ownership ratio after the Issuance

Shareholders	Ratio
Hoosiers Holdings Inc.	1.88%
Yasuyuki Deguchi	1.77%
JPLLC CLIENT SAFEKEEPING ACCOUNT (Proxy: Citibank, N.A., Tokyo Branch)	1.63%
UBS AG SINGAPORE (Proxy: Citibank, N.A., Tokyo Branch)	1.36%
Akira Fujii	1.36%
Shuichi Yotsumoto	1.36%
Fukuya Kato	1.36%
Seiji Nishimoto	1.12%
Fumio Mori	1.09%
Japan Securities Finance Co., Ltd.	1.06%

Notes:

1. The ratio of major shareholders prior to the Issuance is based on the shareholder registry as of April 30, 2018.
2. The allottee shall hold the Warrants for the purpose of investment, and may sell Harakosan's common shares acquired through exercise of the Warrants. Accordingly, after the allottee's exercise of the Warrants, no agreement regarding the long-term holding of Harakosan's common shares has been entered into; therefore, no post-allotment ratio is stated.

8. Future Prospect

We will notify you as soon as we become aware of the impact of this financing on the results for the current fiscal year.

9. Matters concerning procedures under the Code of Corporate Conduct

Since the dilution ratio is 25% or more, this capital increase requires obtaining an opinion from an independent third party or a shareholder's intention confirmation procedure stipulated in Article 432 of the securities listing regulations prescribed by the TSE. Therefore, the topic of this third-party allotment will be included in the proposal at EGM, and after explaining the necessity and reasonableness of the Issuance, and upon approval of the proposal, the company will confirm the intention of the shareholders.

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10. Business performance and equity finances for the most recent three years

(1) Operating results for the last three years

Settlement term	FY2015/02 Consolidated	FY2016/02 Consolidated	FY2017/02	FY2017/10
Net sales (Thousands of yen)	4,530	2,495	827	556
Operating income (Thousands of yen)	Δ397	Δ276	Δ80	Δ27
Ordinary income (Thousands of yen)	Δ538	Δ309	Δ104	Δ39
Net income (Thousands of yen)	Δ577	Δ399	Δ105	Δ1,033
Net income per share (Yen)	Δ14.79	Δ5.47	Δ1.44	Δ14.03
Dividends per share (Yen)	-	-	-	-
Net assets per share (Yen)	20.99	16.19	15.03	0.95

- Note: 1. As a result of completion of the liquidation procedure of LEBEC CORP., Which was a consolidated subsidiary as of July 29, 2016, the Company has no subsidiary and has not prepared consolidated financial statements since the fiscal year ended February 2017.
2. The fiscal year end was changed from the end of February to the end of October as a result of the 31st Ordinary General Meeting of Shareholders' Meeting held on May 26, 2017. Therefore, the 32nd term is eight months from March 1, 2017 to October 31, 2017.

(2) Number of issued shares and residual securities (As of April 30, 2018)

	Number of shares	Percentage relative to the number of issued shares
Number of issued shares	73,692,398 Shares	100.00%
Number of residual securities at the conversion price (exercise price) at present	0 Shares	0.00%
Number of residual securities at the lower-limit of the conversion price (exercise price)	0 Shares	0.00%
Number of residual securities at the upper-limit of the conversion price (exercise price)	0 Shares	0.00%

(3) Stock Performance of the last three years

① Last 3 years

	Year ended February 2016	Year ended February 2017	Year ended October 2017
Opening price	JPY 55	JPY 25	JPY 25
Highest price	JPY 57	JPY 32	JPY 34
Lowest price	JPY 20	JPY 19	JPY 20
Closing price	JPY 25	JPY 25	JPY 27

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③ Last six months performance

	April	May	June	July	August	September
Opening price	JPY 23	JPY 23	JPY 21	JPY 24	JPY 23	JPY 23
Highest price	JPY 25	JPY 24	JPY 32	JPY 25	JPY 24	JPY 26
Lowest price	JPY 21	JPY 21	JPY 21	JPY 22	JPY 22	JPY 22
Closing price	JPY 24	JPY 21	JPY 25	JPY 23	JPY 24	JPY 22

Note: September 2018 Stock performance is as of September 19, 2018

④ Share prices on the business day immediately preceding the date of resolution at the Board of Directors meeting relative to said issuance

	September 19, 2018
Opening price	JPY 22
Highest price	JPY 23
Lowest price	JPY 22
Closing price	JPY 22

(4) Equity Financing in the past three years

Not Applicable

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APPENDIX

**Terms and Conditions for the Issuance of
HARAKOSAN CO., LTD. 4th Stock Acquisition Rights**

1. Designation of Stock Acquisition Rights HARAKOSAN CO., LTD. 4th Stock Acquisition Rights (hereinafter the “warrants”)
2. Total amount to be paid for the Warrants JPY 9,945,000
3. Deadline for applications November 12, 2018
4. Date of allotment and due date of payment November 12, 2018
5. Method for Subscription All the Warrants shall be allotted to EVO FUND (the “Allottee”) via third party allotment.
6. Class and number of shares underlying the Warrants and the calculation method for the number
 - (1) The class of shares underlying the Warrants shall be common shares of Harakosan.
 - (2) The number of shares underlying the Warrants shall be 221,000,000 shares (One hundred shares per Warrant, hereinafter, the “Number of Shares Allotted”).
In the event Harakosan conducts a stock split or a reverse stock split, the number of underlying shares shall be adjusted according to the following formula. However, such adjustment shall be made on the number of shares underlying the Warrants that have not been exercised at that point in time, and fractional amounts of less than one share resulting from the adjustment shall be truncated.
Number of shares after adjustment = Number of shares before adjustment x Split or reverse-split ratio. Separately, if the need to adjust the number of underlying shares arises, the number of underlying shares shall be adjusted appropriately and within reason by resolution of Harakosan’s Board of Directors.
7. Total number of Warrants 2,210,000 units
8. Amount to be paid for each Warrants JPY 4.5 per Warrant
9. Value of the property contributed in exercising the Warrants and the calculation method
 - (1) The value of property invested in exercising each of the Warrants shall be the exercise price (defined below) times the Number of Shares Allotted. However, resulting fractional amounts of less than one yen shall be truncated.
 - (2) The value of the invested property per share when Harakosan’s common shares are delivered (hereinafter, new issuance of Harakosan’s common shares or disposal of those held by Harakosan shall be referred to as delivery) through exercise of the Warrants (hereinafter, the “Exercise Price”) shall initially be JPY 2.
10. Adjustment of the Exercise Price
 - (1) In the case The Issuer’s common shares are delivered by reason of any event as stipulated in Item (2) of this Paragraph after the allotment of the Warrants, or the Issuer issues is deemed to have issued any common shares for a consideration per share less than the Exercise Price in effect immediately prior to the issuance of such common shares, then the Exercise Price for those shares underlying the Warrant held immediately prior to each such issuance shall be the lower price of either the price reduced to the consideration per share received by the Issuer upon such issue or sale , or the price adjusted in accordance with the following equation (hereinafter, the “Exercise Price Adjustment Formula”).

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$$\begin{array}{l} \text{Exercise Price} \\ \text{After} \\ \text{Adjustment} \end{array} = \begin{array}{l} \text{Exercise Price} \\ \text{before adjustment} \end{array} \times \frac{\text{Number of shares already issued}}{\text{Number of shares already issued} + \text{Number of common shares delivered}}$$

- (2) The cases in which the Exercise Price is adjusted according to the Exercise Price Adjustment Formula and the timing for applying the Exercise Price after adjustment shall be as set forth below.
- ① If Harakosan's common shares are newly delivered at an amount to be paid lower than the market price (set forth in Item (4), 2) of this Paragraph), (except for the cases of (i) the delivery of Harakosan's common shares in exchange for the acquisition of shares with a put option or the acquisition of shares subject to call or (ii) the delivery of Harakosan's common shares at the request or exercise of stock acquisition rights, bonds with stock acquisition rights, or other instruments or rights that allow a request of the delivery of Harakosan's common shares), the Exercise Price after adjustment shall apply on and after the day following the due date of payment (such date shall be the last day of the payment period for subscription if such a period for subscription is established; hereinafter, the same shall apply) or on or after the day following the date of allotment to shareholders for subscription, if such date is established.
 - ② If Harakosan's common shares are issued through a stock split or a gratis allotment of shares, the Exercise Price after adjustment shall apply on and after the day following the reference date for the stock split; on and after the day following the reference date on which ordinary shareholders are granted the right to receive the allotment in a gratis allotment of Harakosan's common shares, if such a reference date exists; or on and after the day following the effective date for the allotment if a reference date does not exist on which ordinary shareholders are granted the right to receive the allotment in a gratis allotment of Harakosan's common shares, or in the event of a gratis allotment of Harakosan's common shares to shareholders (excluding ordinary shareholders).
 - ③ In the event of an issue (including a gratis allotment) of Harakosan's common shares in exchange for the acquisition of issued shares with a put option, for which the delivery of Harakosan's common shares is at a price lower than the market price (set forth in Item (4), 2) of this Paragraph) is determined; or in the event of an issue (including a gratis allotment) of stock acquisition rights, bonds with stock acquisition rights, or other instruments or rights that allow a request of the delivery of Harakosan's common shares at a price lower than the market price (set forth in Item (4), 2) of this Paragraph), the Exercise Price after adjustment shall be calculated by applying the Exercise Price Adjustment Formula mutatis mutandis on the assumption that all issued shares with a put option, stock acquisition rights, bonds with stock acquisition rights, or other instruments or rights are requested or exercised at the initial acquisition price or the Exercise Price and that Harakosan's common shares are delivered, and the Exercise Price after adjustment shall be applied on or after the day following the due date of payment (the date of allotment for stock acquisition rights or bonds with stock acquisition rights, and the effective date for gratis allotments). However, if a reference date exists for this allotment of rights, the Exercise Price after adjustment shall be applied on or after the day following that date. Notwithstanding the above, if consideration for Harakosan's common shares delivered upon request or exercise is not determined at the time shares acquired with a put option, stock acquisition rights, bonds with stock acquisition rights, and other instruments or rights are issued, the Exercise Price after adjustment shall be calculated by applying the Exercise Price Adjustment Formula mutatis mutandis on the assumption that all issued shares acquired with a put option, stock acquisition rights, bonds with stock acquisition rights, and other instruments or rights are requested or exercised on the conditions set at the time such consideration is determined, and that Harakosan's common shares are delivered, and the Exercise Price after adjustment shall be applied on or after

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the day following the date on which such consideration is determined.

- ④ If Harakosan's common shares are delivered at a price lower than the market price (set forth in Item (4), 2) of this Paragraph) in exchange for the acquisition of shares subject to call or stock acquisition rights subject to call (including those attached to bonds with stock acquisition rights) issued by Harakosan, the Exercise Price after adjustment shall be applied on or after the day following the acquisition date.
- ⑤ For transactions corresponding to Item 1) or 3) of this section, if a reference date for the allotment of rights is established, and approval by the General Meeting of Shareholders, the Board of Directors, or other Harakosan institution on a date after such reference date on which the transaction becomes effective is set as a condition, the Exercise Price after adjustment shall be applied on or after the day following the date of such approval, notwithstanding the provisions of Items 1) or 3) of this section. In such a case, the following formula shall be used to determine the number of shares of Harakosan's common stock to be delivered to the holders of stock acquisition rights corresponding to Warrants exercised from the day following such reference date to the date of approval of such transaction.

$$\text{Number of Shares} = \frac{(\text{Exercise Price before adjustment} - \text{Exercise Price after adjustment}) \times \text{Number of shares delivered at the Exercise Price before adjustment within the applicable period}}{\text{Exercise Price after adjustment}}$$

Fractional amounts of less than one share shall be truncated, and no cash adjustment shall be made.

- (3) If the difference between the Exercise Price after adjustment and the Exercise Price before adjustment, both of which have been calculated according to the Exercise Price Adjustment Formula, remains below one (1) yen, the Exercise Price shall not be adjusted. Provided, however, that if Harakosan adjusts the Exercise Price for any reason requiring such an adjustment thereafter, Harakosan shall use the value that deducts the aforementioned difference from the Exercise Price before adjustment instead of the Exercise Price before adjustment in the Exercise Price Adjustment Formula.
- (4) Calculations using the Exercise Price Adjustment Formula shall be performed according to the following provisions.
 - ① Fractional amounts of less than one 1 yen shall be calculated to the third decimal place with the resulting numbers rounded off to the second decimal place.
 - ② The market price used in the Exercise Price Adjustment Formula shall be the higher of either, the average value of the closing prices of Harakosan's common shares in regular trading (excluding the days without a closing price as of the trading date) on the Tokyo Stock Exchange over 30 Trading Days that start from the 45th Trading Day prior to the day when the Exercise Price after adjustment is first applied (the reference date, in case of Item (2), 5) of this Paragraph) or, the closing price value of one trading day prior to the application of price adjustment. In this case, when calculating the average value, numbers below one yen shall be calculated to a second decimal place with the resulting numbers rounded off to the first decimal place.
 - ③ The number of common shares already issued, which is used in the Exercise Price Adjustment Formula, shall be the difference after deducting from the number of issued common shares of Harakosan the number of Harakosan's common shares held thereby on the reference date if it is established, or if not established, the day one month prior to the day when the Exercise Price

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after adjustment is first applied. For cases corresponding to Item (2), 2) of this Paragraph, the number of common shares delivered that is used in the Exercise Price Adjustment Formula shall not include the number of Harakosan's common shares that are allotted to Harakosan's common shares owned by Harakosan as of the reference date.

- (5) Except for cases that require an adjustment of the Exercise Price set forth in Item (2) of this Paragraph, Harakosan may adjust the Exercise Price in the following cases, as required.
- ① When an adjustment of the Exercise Price becomes necessary due to consolidation of shares, a merger in which Harakosan is the surviving company, an absorption-type company split in which Harakosan is the successor company, or a share exchange making Harakosan the wholly owning parent company;
 - ② When an adjustment of the Exercise Price becomes necessary because of any other event that causes or might possibly cause a change to the number of issued common shares of Harakosan has occurred; and/or
 - ③ If two or more events that require the adjustment of the Exercise Price have occurred at extremely short intervals, in considering the market price that should be used in calculating the Exercise Price after adjustment associated with or resulting from one cause, it is necessary to take into account the effects attributable to the other cause or causes.
- (6) Harakosan shall inform, in advance, the rights holders in writing of the intent and reason(s) of such revision or adjustment, the Exercise Price before revision or adjustment, the Exercise Price after revision or adjustment, the commencement date to apply the Exercise Price after revision or adjustment and other necessary matters by the day immediately preceding the date of the commencement date for application. Provided, however, that if Harakosan cannot inform the rights holders of the aforementioned information by the day immediately preceding the date of application, including in the case of Item (2), 5) of this Paragraph, Harakosan shall inform promptly on and after the date for application.

11. Exercisable period for the Warrants

The period during which the Warrants can be exercised shall be from November 13, 2018 (including that date) to November 13, 2023 (including that date).

12. Other conditions for exercising the Warrants Partial exercise of each Warrant shall not be permitted.

13. Reasons for acquiring the Warrants

Acquisition of Warrants by Harakosan do not exist for this Warrant.

14. Issuance of instruments for stock acquisition rights

Harakosan shall not issue certificates for stock acquisition rights relative to the Warrants.

15. Increase in capital stock and legal capital surplus in the case of the issuance of new shares through the exercise of the Warrants

In the event of share issuance by exercising the Warrants, the amount to be contributed to capital stock shall be half the upper limit of an increase in capital stock and legal capital surplus calculated in accordance with Article 17, Paragraph (1) of the Rules of Corporate Accounting (with any fractional amounts less than one yen resulting from such calculation rounded up). The increase in legal capital surplus in the event of share issuance by exercising the Warrants shall be the amount deducting the amount to be contributed to capital stock from the upper limit of an increase in capital stock and legal capital surplus.

16. Method for the Exercise Request of stock acquisition rights

(1) When making an exercise request of the Warrants, the rights holder must provide notification of necessary matters at the exercise request location stated in Paragraph 18 during the exercisable period for the Warrants provided in Paragraph 11.

(2) When making an exercise request of the Warrants, the rights holder must provide notification of

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