

May 13, 2019
HARAKOSAN CO., LTD.
Takafumi Okamoto
Representative Director,
President and Chief Executive Officer

**Notice of Issuance of Class Shares by Third Party Allotment
(Equity Contribution in Kind (Debt Equity Swap))**

YAMAGUCHI, Japan, May 13, 2019—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 of Class A Shares (herein after “Class Shares”) allotted to MAJOR LERCH LP (Delaware State, U.S.A, Representative: Michael Lerch), TOMODACHI INVESTMENT LP (Delaware State, U.S.A, Representative: Michael Lerch) , and US/JAPAN BRIDGE FINANCE LP(Delaware State, U.S.A, Representative: Michael Lerch) (herein after “the allottees”) through the method of third party allotment (herein after “the allotment”) as described in the following “I. Items regarding the Issuance of Class A Shares by Third Party Allotment”, as well as refer to special resolution approval at the Extraordinary General Meeting (herein after “EGM”) scheduled to be held on July 2, 2019 for partial changes to the Articles of Incorporation for the issuance of class shares, and also refer to the class shareholders meeting for shareholders which hold common shares together (hereinafter the “Class Shareholder’s Meeting”. We also notify here that we have come to a resolution to refer to the EGM for “The extraordinary dilution and advantageous allotment through issuance of Class A shares”, “Partial Change in Articles of Incorporation regarding Business Objectives” and “Assignment of 2 Directors (excluding directors of Audit Committee Etc.)”.

The payment for the issuance of the Class Shares through Third-Party Allotment will be made through the debt equity swap method. In addition, the issuance of the Class Shares will be subject to approval (by special resolution) in the General Meeting of Shareholders, with regard to the amendment of the Company's Articles of Incorporation including the establishment of the Class Shares and under condition that the Securities Registration Statement under the Financial Instruments and Exchange Act takes effect.

In addition, we hereby inform you, as of today, 1,160,000 (equivalent to 116,000,000 Common Shares) of the Company's 4th Warrants issued to EVO FUND on November 12, 2018, were exercised, confirming payment of JPY 232 million as of today. The total number of issued shares of our company is 189,692,398 shares as of today. For details of the exercise, please see “Notice of the Exercise of Warrants” separately disclosed today.

Lastly, as a result of the exercise of warrants, there will be a change in our company’s parent company and major shareholder. For details, please see “Change in largest shareholder, parent company and major shareholder” separately disclosed today.

I. Items regarding the Issuance of Class A Shares by Third Party Allotment

1. Overview of the Issuance

1. Date of allotment	July 3, 2019
2. Total Number of Shares	4,640,771 Class A Shares (100 common shares per 1 class share)
3. Issue Price	JPY 145 per Class A Share
4. Total Payment Amount	JPY 672,911,795 all by Equity Contribution in Kind (Debt Equity Swap)
5. Property and amount to be contributed in kind	<p>Monetary claims that the below three LPs hold towards HARAKOSAN CO., LTD. JPY 672,911,795 out of Total JPY 938,357,453 (Principal: JPY905,152,000 Interest: JPY33,205,453). Breakdowns are as below.</p> <p>JPY 367,868,625 of the monetary claim of JPY 600,167,671 which MAJOR LERCH LP holds (Principal: JPY600,000,000 Interest: JPY167,671).</p> <p>Claim : From Loan Provided on January 25, 2019 ※1</p> <p>Initial Creditor : EVOLUTION JAPAN Asset Management Co.,</p>

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

	<p>Ltd. (Claim from Loan provided on January 25, 2019)</p> <p>Principal : Total JPY600,000,000 (Initial Principal JPY600,000,000)</p> <p>Maturity: April 30, 2021※2</p> <p>Interest: 0.1 % p.a.</p> <p>Method of Repayment: In full at maturity</p> <p>JPY 152,521,585 of the monetary claim JPY 169,094,891 which TOMODACHI INVESTMENT LP holds (Principal: JPY152,576,000 Interest: JPY16,518,891).</p> <p>Claim : From Loan provided on October 19, 2007. ※1</p> <p>Initial Creditor : Resona Bank Ltd. (Claim from Loan Contract provided on October 19, 2007.)</p> <p>Principal : Total JPY152,576,000 (Initial Principal JPY686,000,000)</p> <p>Maturity : March 12, 2021※2</p> <p>Interest : 0.1% p.a.</p> <p>Method of Repayment : In full at maturity</p> <p>JPY 152,521,585 of the monetary claim of JPY 169,094,891 which US/JAPAN BRIDGE FINANCE LP holds (Principal: JPY152,576,00 Interest: JPY16,518,891).</p> <p>Claim : From Loan provided on October 19, 2007. ※1</p> <p>Initial Creditor : Resona Bank Ltd. (Claim from Loan Contract provided on October 19, 2007.)</p> <p>Principal : Total JPY152,576,00 (Initial Principal JPY686,000,000)</p> <p>Maturity : March 12, 2021※2</p> <p>Interest : 0.1% p.a.</p> <p>Method of Repayment : In full at maturity</p> <p>※1 Transfer of Debt In regard to the debt initially provided on January 25, 2019, as disclosed on March 13, 2019 in “Change in Creditor”, the debt was transferred to Major Lerch LP, a related company of the original creditor’s group company. Also, in regard to the Loan provided on October 19, 2007, the debt was transferred to an affiliated entity of the group EVO FUND belongs to, as disclosed on December 12, 2018, and then transferred to Tomodachi Investment LP and US/Japan Bridge Finance LP as co-assignee which was disclosed on March 20, 2019.</p> <p>※2 Maturity In regards to the equity contributed in kind, in regards to Company Law, it is usually obligated to be inspected by inspectors, lawyers, certified accountants or tax accountants etc., but since the property to be contributed in kind is a monetary claim which the obligator is the issuing company and the amount is within the range of the book balance of the company and also available for confirmation, the inspection is exempt (Corporate Law Article 207, No.9-5). However, since the monetary claim in regard to this exemption is one that has already fulfilled its benefit of time, it has been agreed by all parties that the monetary claim to be contributed in kind will reach maturity</p>
--	--

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

	<p>as of July 3, 2019 Issuance Date. For these reasons, there will be no inspections conducted.</p> <p>Also, in regards to the claims of Major Lerch LP, Tomodachi Investment LP and US/Japan Bridge Finance LP, those amounting to 33 million yen, which are not included in the contribution in kind will be forgiven, after our request for exemption, and be treated as an extraordinary gain for this fiscal year.</p>
6. Allotment Method	Third Party Allotment
7. Allottees and no. of Shares	<p>Major Lerch LP : 2,537,025 Shares</p> <p>Tomodachi Investment LP : 1,051,873 Shares</p> <p>US/Japan Bridge Finance LP : 1,051,873 Shares</p>
8. Others	<p>In regards to above, the allotment will be executed with the condition that the SRS comes into effect according to the Financial Instruments and Exchange Act and changes in Articles of Incorporation including authorization of the Class Shares and agendas concerning the Allotment (special resolutions) is approved at the EGM planned to be held on July 2, 2019.</p> <p>In addition, the Class Shareholders do not have voting rights and there are no restrictions to transfer.</p> <p>The Class Shares have a put option to convert into common shares with the acquisition price at JPY0. And put option for cash does not exist.</p> <p>For details, see “Class A Shares Issuance Prospectus” in the Appendix</p>

2. Reason and Objective of the Issuance

(1) Reason and 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 and sale, and also acquiring real estate for housing development.

Interest-bearing debt, which amounted to 35,420 million yen at the end of FY2009/02, has been reduced to 1,451 million yen at the end 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. As a result of above, we made positive net income in FY2018/02 as first time after finance. 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 the customer's situation, therefore we had to sell the property below its book value in order to repay the debt, made a loss on valuation of inventory, and could not secure gross profit beyond SG&A, finishing with a 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 the 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 a net loss of 105 million yen.

As for the irregular reporting period due to fiscal year change to FY2017/10 (non-consolidated),

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

we focused on selling real estate which was leftover from the previous fiscal year and became a sales agent for condominiums while sourcing other new real estate. However, we made negative operating income and ordinary income due to the sale of property at below book value due to repayment of debt, and impairment losses on fixed assets, etc., the resulted in net loss of 1,033 million yen.

In FY2018/10 (non-consolidated), we received commissions from the completion of delivery for agency sales of condominiums handled by our business alliance partners, and recorded net income of 4 million yen as a result of selling a single building and securing stable earnings in the real estate leasing management business.

As described above, the third-party allotment carried out in June 2015 secured 100 million yen, which helped to secure a profitable fiscal year, but we have yet to reach financial capacity to repay our interest-bearing debts through our profits.

In addition, as mentioned above, the balance of interest bearing debt as of the end of October 2018 is 1,449 million yen, and for the other 4 debts amounting to 653 million yen, we are either repaying on an agreed schedule or under good terms with the lender, have postponed the repayment of principal. But for the 2 debts amounting to 796 million yen, the creditors were 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 was necessary. 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 the 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 performance, 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 a request from the 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 were in default and were accruing interest and penalties. After both debts were transferred to third parties, we had continued negotiating with the new creditors, but we were continuously requested to repay in full, despite our tight financial situation. Under such circumstances we consulted and negotiated with various sponsor candidates but were not able to find any party that could 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, by issuing warrants close to the upper limit of the total number of issuable shares after expansion of number of authorized shares, which was to be passed with a resolution by EGM.

Although 432 million yen was not an amount that would repay the full amount against the debt of 796 million yen, which we need to deal with as soon as possible, 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 amount we could raise. We conducted an EGM on November 9, 2018 and issued our 4th warrants to EVO FUND following shareholder approval. Afterwards, we continued our negotiations and made resolutions as follows.

For debt (i), we reached a repayment agreement on January 23, 2019 where we recognized 70,789 thousand yen at the time of agreement, which was the amount for delayed charges we had not recognized, as an extraordinary loss. As we did not have the capital for direct repayment, we executed a loan agreement with EVOLUTION JAPAN Asset Management, an affiliate of EVO FUND Group, and used its proceeds for repayment.

For debt (ii), the debt as transferred to an affiliate of EVO FUND Group on December 12, 2018 and a new extended maturity as March 12, 2021 and interest rate as 0.1% upon transfer with the new creditor.

As a result of the above, the interest-bearing debt as of January 2019 end is 1,556 million end

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

and there is no defaulted debt. However, for 1,355 million yen out of the 1,556 million yen debt, we are continuously requesting deferment of principal repayment to the banks and creditors and have also been considering options for repayment. As stated above, for our previous fiscal year, we achieved a profitable year (FY2018/10) but plan to become negative this year (FY2019/10) due to record of default penalty, and also Q1 FY2019/10 result was negative. Therefore repayment by the cash flow of our current business will take significant amount of time to repay the existing debt, we could not consider options which put the risk of our debt losing benefit of time. Also, another consideration aspect was our net assets as of Q1 FY2019/10 was 99 thousand yen, which needed to be recovered. The exercise of the 4th warrants which were issued on November 12, 2018 would strengthen our equity and also serve to decrease our debt balance, but this would still be insufficient to repay all of our existing debt, which is the outstanding management issue.

Therefore, in order to decrease our interest bearing debt and strengthen our equity, we consulted EVOLUTION JAPAN Securities Co., Ltd. (4-1 Chiyoda-ku, Toyko Representative Director: Shaun Lawson) which is an affiliate of EVO FUND which the 4th warrants were allotted too, and received a proposal of this financing.

As mentioned above, EVOLUTION FINANCIAL GROUP, a group which EVO FUND belongs, under the direction of founder and global CIO Michael Lerch, have been supporting our company's revitalization as sponsors since last year, starting from negotiations regarding our interest bearing debt which had lost benefit of time to providing us with debt financing with favorable interest rates which we could expect from no other investors. Also, as disclosed separately today in "Notice of change in Articles of Incorporation" section "Regarding change in the Articles of Business Objectives", we came to a decision that this change will contribute to business restructuring and improvement of corporate value for the company enabling us to consider new business opportunities with EVOLUTION FINANCIAL GROUP. Also as disclosed separately today in "Notice of Appointment of Directors", we plan to welcome two outside directors from the group.

With this Debt to Equity Swap, our interest-bearing debt will decrease by total of 905 million yen by allocating the 232 million yen raised from the exercise of the 4th warrants to repaying existing debt, resulting to a balance of 651 million yen. And at the same time our equity balance will increase by 672 million yen and support our equity ratio significantly. With these reasons, we have decided to pursue this third-party allotment through debt equity swap.

(2) Reason for choosing the finance scheme

The finance scheme has the merits and demerits described in "(3) Characteristics of Third-party Allotment" below. As a result, as described in [Comparison with other financing methods], the Third-Party Allotment is the best solution on improving the Company's financial condition as described in "(1) Reason and Objective of the Financing" above. Also, regarding the impact to existing shareholders due to this issuance of Class Shares, it can be derived that the large dilution would have considerable effect, but given the volume of issued shares and dilution is something that is not avoidable for the continuation of our business, we believe that we will be able to receive understanding from our shareholders.

(3) Characteristics of the finance scheme

[Merits]

① Increase of capital and improvement of financial condition

The Company will reduce debt of JPY 672 million by this DES and increase its capital by issuing the equivalent number of shares. This enables the avoidance of the interest burden of debt and to contribute to the interests of our shareholders through the improvement of the company's financial condition.

[Demerits]

① No funding available

As the issue of the new class shares is by in-kind contribution of monetary claims that the allottees have with respect to the Company, there is no handing over actual funding.

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

② Large-scale dilution

The number of common stock of the Company scheduled to be issued when all the class shares are converted under the initial conditions is 464,077,100 shares (4,640,771 based on voting rights), and the amount of dilution based on the increase of outstanding shares to 189,692,398 shares (1,896,757 voting rights) due to today's exercise is 244.65% (244.67% based on voting rights) which results in large scale dilution.

[Comparison with other financing methods]

On this occasion of issuance, the company considered multiple ways to raise funds, such as debt from financial institutions, public offering, third-party allotment, rights offering, and bond issuance, as a method to achieve the Company's purpose but none were considered to be feasible.

① Debt from financial institutions

With regard to borrowings from financial institutions, as the amount of funds raised is entirely debt, we believe that our financial soundness will decrease, and we will not meet our purpose for financing.

② Public offering

Although the issuance of new shares by public offering will enable us to raise funds in a timely manner, the stock supply and demand will also deteriorate immediately, so the direct impact on stock prices will be significant, and taking into account the amount of funding etc. for this financing whether a securities company which would underwrite such an offering actually exists is uncertain, and even if such a securities company exists, it may be considered that underwriting examination requires considerable time and costs such as increase in underwriting fees. Therefore, it was excluded from the candidates for funding methods.

③ Rights offering

With regard to the rights offering, which is an increase in capital by gratis allotment of stock acquisition rights, there are merits that can limit the effects of dilution among existing shareholders, but taking into account the current situation of the company, whether a securities company which would underwrite such an offering actually exists is uncertain, and even if such a securities company exists, it may be considered that underwriting examination requires considerable time and costs such as increase in underwriting fees. Therefore, it was excluded from the candidates for funding methods.

④ Bonds

We believe that raising funds by using bonds will not meet the company's purpose, as it is possible to raise funds at one time, but the amount of procured money will become debt and the financial soundness will decline.

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

(1) Amount of funds to be procured

Total Payment Amount	-
Total Cost for Issuance	JPY 13,300,000

Note: 1. The third-party allotment will not be funded because it adopts the debt equity swap method, so the debt of our company will decrease by the same amount as the total payment amount of Class A shares of JPY 672, 911, 795.

Note: 2. The approximate issuance costs are the total of research costs, registration costs, attorneys' fees and trust bank expenses, etc. Consumption tax and local consumption tax are not included.

(2) Specified Use of Proceeds

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

The third-party allotment is a Debt Equity Swap in the form of Equity Contribution in Kind so there will be no actual funds raised. Also, the details of use of proceeds for monetary claims regarding the in-kind contribution are as below. For details of the monetary claims can be found in “1. Items regarding the Issuance of Class A Shares by Third Party Allotment 1. Overview of the Issuance (5) Property and amount to be contributed in kind”.

① Claims that MAJOR LERCH LP holds

Use of Proceeds	Amount	Timing of Use
Repayment of debt from financial institution	JPY367,868,625 which is part of the loan balance JPY600,167,671 (principal JPY600,000,000, interest JPY167,671)	Jan 2019

Note: We borrowed with the objective of redemption cost of bonds which were originally issued for working capital and license acquisition cost for our then wind energy business as maturity was arriving on July 2007 and all the funds were applied to that use.

② Claims that TOMODACHI INVESTMENT LP holds

Use of Proceeds	Amount	Timing of Use
Project Financing for Condominiums	JPY152,521,585 which is part of the loan balance JPY169,094,891 (principal JPY152,576,000, interest JPY16,518,891)	Oct 2007

Note: We borrowed from a financial institution in order to finance for the site purchase, construction costs, etc. of a condominium for sale in Funabashi City, Chiba Prefecture, and all funds were applied to that use.

③ Claims that US/JAPAN BRIDGE FINANCE LP holds

Use of Proceeds	Amount	Timing of Use
Project Financing for Condominiums	JPY152,521,585 which is part of the loan balance JPY169,094,891 (principal JPY152,576,000, interest JPY16,518,891)	Oct 2007

Note: We borrowed from a financial institution in order to finance for the site purchase, construction costs, etc. of a condominium for sale in Funabashi City, Chiba Prefecture, and all funds were applied to that use.

Also, the current status of the 4th warrants allotted to EVO FUND on November 12, 2018 is as below. The warrants use of proceeds, as disclosed on January 25, 2019 in “Change in Use of Proceeds for 4th Warrants”, have changed to repayment of principal for our existing creditors.

Use of Proceeds	Amount Raised	Period of Use
Repayment of Principal for Debt	232 Million Yen	May – June 2019

4. Rationality of Use of Funds

As of January 2019, interest-bearing debt is 1,556 million and there is no defaulted debt. However, for 6 of the debt totaling 1,356 million yen out of the 1,556 million yen debt, we are continuously requesting deferment of principal repayment to the banks and creditors and have also been considering options for repayment. Also, another consideration aspect for our management issues was our net assets as of Q1 FY2019 was 99 thousand yen, which needed to be improved. For this third party allotment, as it is a Debt to Equity Swap, there will not be any funds raised, but as this financing will allocate new shares to creditors who can support the rebuilding of this company, while simultaneously reducing interest bearing debt and increasing our capital ratio, we concluded that there is rational for our company to pursue this third party allotment. Although there will not be any monetary payments involved and the company notes it is under Going Concern, there will be no effect in the financing needs for day to day business.

5. Rationality of Issuing Condition

(1) Basis for calculating the Premium

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

The payment price (JPY145 per 1 Class A Share) was decided upon after multiple discussions with the allottees based on the consideration of our company's net assets per share being JPY0.97 as of October end 2018 and other risks such as the delisting risk of the company, to other possible future negative impacts to our financials.

The price above, considering the fact that exercise of the put option of the Class A Shares are equivalent to issuing 100 Common Shares, 1 Common Share would be equivalent to JPY1.45, which would result in 87.92% discount in comparison to JPY12 which is the closing price of the previous business day prior to this financing resolution by the board of directors.

In addition to this new issuance of Class Shares, with the given above discount ratio, we considered that there is a possibility that this allotment could fall under advantageous allotment specifically for the allottees and have decided to hold an EGM scheduled on July 2, 2019 to receive our shareholder's approval.

However, we have so far consulted with multiple investors in strengthening our capital structure, but we have not been successful in finding any investors who are willing to underwrite the similar size of capital increase as the allottees, which leads us to believe that by having these allottees underwrite the Class Shares, our most critical issue, which is our financial base, will become stronger, leading to possible improvement and recovery of creditability from financial institutions and opportunities to find potential new lenders. Therefore, we believe that this allotment will contribute greatly to our revitalization, resulting in our decision to seek the understanding and support of our investors.

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

The Class Shares which will be issued are equivalent to 464,077,100 Common Shares (4,640,771 Voting Rights) once converted, which would result in 244.65 % (244.67% voting rights) dilution when considering the scheduled exercise of 1,160,000 warrants (equivalent to 116,000,000 common shares, 1,160,000 Voting Rights) which is planned for the same date as the resolution of this allotment where outstanding shares would be 189,692,398 shares (1,896,757 voting rights).

Therefore, since the dilution is expected to be beyond 25%, under Article 432 of the Tokyo Securities Exchange's Securities Listing Regulations, we will hold an EGM scheduled on July 2, 2019 to receive our shareholders approval.

For reference, the average volume per day during the last 6 months is 781,887 shares, 0.17% of the number of 464,077,100 shares issued by this capital increase (including potential shares).

As stated separately, the holding policy of the allottees allows for sales of shares according to stock price or market trends. In the event that the allottees sell these shares in the market, there is a possibility that the returns of existing shareholders will be adversely impacted by corresponding moves in the company's stock price.

However, as we have already stated above, with this financing, we are expecting to rebuild our company by decreasing our debt burden and also increasing our capital ratio, resulting in a better financial condition which will enable us to pursue further resolution of debt repayments where we are still requesting creditors extension of principal repayment. Due to these reasons, 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) Name	MALOR LERCH LP
2) Location	160 Greentree Dr. Ste 101, Dover, Kent County, DE 19904
3) Grounds for Foundation	Limited Partnership based on Laws of Delaware, USA
4) Purpose of formation	Investment
5) Date of formation	July 14, 2015
6) Total investment amount	Paid-in capital: US\$1

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

		Net assets: Approximately US\$1		
7)	Investors, investment ratio, and outline of investors	Investors: 100% Michael Lerch Managing Member of Longevity Advisors LLC and Director of Evo Fund (the General Partners)		
8)	Overview of General Partners	General Partner 1	Name	Longevity Advisors LLC
			Location	c/o National Registered Agents, Inc., 160 Greentree Dr. Ste. 101, Dover, DE 19904, USA
			Japanese Agent	None
			Name and Title of Representative	Managing Partner: Michael Lerch Authorized Signatory: Richard Chisholm
			Purpose for formation	Investment
			Investment Amount	Paid-in capital: US\$100 Net assets: Approximately US\$100
			Investor, ratio and outline	Michael Lerch 100%
	General Partner 2	Name	EVO FUND	
		Location	c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Ave., George Town, Grand Cayman, KY1-9005, Cayman Islands	
		Japanese Agent	EVOLUTION JAPAN SECURITIES Co., Ltd. 4-1 Kioi-cho, Chiyoda-ku, Tokyo Representative Director: Shaun Lawson	
		Name and Title of Representative	Director: Michael Lerch Director: Richard Chisholm	
		Purpose for formation	Investment	
		Investment Amount	Paid-in capital: US\$1 Net assets: Approximately US\$46.28 million	
		Investor, ratio and outline	Michael Lerch 100%	
9)	Overview of Japanese agent	Name	EVOLUTION JAPAN SECURITIES Co., Ltd.	
		Location	4-1 Kioi-cho, Chiyoda-ku, Tokyo	
		Name and title of representative	Representative Director: Shaun Lawson	
		Objective of formation	Financial Instruments Business	
		Capital	JPY994,058,875	
10)	Relationship between Harakosan and said fund	Relationships between Harakosan and said fund	The company owes debt to this LP, principal of JPY600,000,000 and interest of JPY167,671	
		Relationships between Harakosan and representatives of said fund	The GP of this LP, EVO FUND, exercised the company's 4 th Warrants as of today and now holds 116,000,000 Shares (61.15% of outstanding shares) and 1,050,000 4 th Warrants	
		Relationships between Harakosan and Japanese agent of said fund	Not applicable	

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

Translation Purposes Only

1)	Name	TOMODACHI INVESTMENT LP	
2)	Location	160 Greentree Dr. Ste 101, Dover, Kent County, DE 19904	
3)	Grounds for Foundation	Limited Partnership based on Laws of Delaware, USA	
4)	Purpose of formation	Investment	
5)	Date of formation	May 21, 2016	
6)	Total investment amount	Paid-in capital: US\$1 Net assets: Approximately US\$1	
7)	Investors, investment ratio, and outline of investors	Investors: 100% Michael Lerch Managing Member of Longevity Advisors LLC and Director of Evo Fund (the General Partners)	
8) Overview of General Partners	General Partner 1	Name	Longevity Advisors LLC
		Location	c/o National Registered Agents, Inc., 160 Greentree Dr. Ste. 101, Dover, DE 19904, USA
		Japanese Agent	None
		Name and Title of Representative	Managing Partner: Michael Lerch Authorized Signatory: Richard Chisholm
		Purpose for formation	Investment
		Investment Amount	Paid-in capital: US\$100 Net assets: Approximately US\$100
		Investor, ratio and outline	Michael Lerch 100%
	General Partner 2	Name	EVO FUND
		Location	c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Ave., George Town, Grand Cayman, KY1-9005, Cayman Islands
		Japanese Agent	EVOLUTION JAPAN SECURITIES Co., Ltd. 4-1 Kioi-cho, Chiyoda-ku, Tokyo Representative Director: Shaun Lawson
		Name and Title of Representative	Director: Michael Lerch Director: Richard Chisholm
		Purpose for formation	Investment
		Investment Amount	Paid-in capital: US\$1 Net assets: Approximately US\$46.28 million
		Investor, ratio and outline	Michael Lerch 100%
9) Overview of Japanese agent	Name	EVOLUTION JAPAN SECURITIES Co., Ltd.	
	Location	4-1 Kioi-cho, Chiyoda-ku, Tokyo	
	Name and title of representative	Representative Director: Shaun Lawson	
	Objective of formation	Financial Instruments Business	
	Capital	JPY994,058,875	
10) Relationship between Harakosan and said fund	Relationships between Harakosan and said fund	The company owes debt to this LP, principal of JPY152,576,000 and interest of JPY16,518,891	
	Relationships between Harakosan and representatives of said fund	The GP of this LP, EVO FUND, exercised the company's 4 th Warrants as of today and now holds 116,000,000 Shares (61.15% of outstanding shares) and 1,050,000 4 th Warrants	
	Relationships between	Not applicable	

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

Translation Purposes Only

	Harakosan and Japanese agent of said fund		
1) Name	US/JAPAN BRIDGE FINANCE LP		
2) Location	160 Greentree Dr. Ste 101, Dover, Kent County, DE 19904		
3) Grounds for Foundation	Limited Partnership based on Laws of Delaware, USA		
4) Purpose of formation	Investment		
5) Date of formation	April 20, 2017		
6) Total investment amount	Paid-in capital: US\$1 Net assets: Approximately US\$1		
7) Investors, investment ratio, and outline of investors	Investors: 100% Michael Lerch Managing Member of Longevity Advisors LLC and Director of Evo Fund (the General Partners)		
8) Overview of General Partners	General Partner 1	Name	Longevity Advisors LLC
		Location	c/o National Registered Agents, Inc., 160 Greentree Dr. Ste. 101, Dover, DE 19904, USA
		Japanese Agent	None
		Name and Title of Representative	Managing Partner: Michael Lerch Authorized Signatory: Richard Chisholm
		Purpose for formation	Investment
		Investment Amount	Paid-in capital: US\$100 Net assets: Approximately US\$100
		Investor, ratio and outline	Michael Lerch 100%
	General Partner 2	Name	EVO FUND
		Location	c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Ave., George Town, Grand Cayman, KY1-9005, Cayman Islands
		Japanese Agent	EVOLUTION JAPAN SECURITIES Co., Ltd. 4-1 Kioi-cho, Chiyoda-ku, Tokyo Representative Director: Shaun Lawson
		Name and Title of Representative	Director: Michael Lerch Director: Richard Chisholm
		Purpose for formation	Investment
		Investment Amount	Paid-in capital: US\$1 Net assets: Approximately US\$46.28 million
		Investor, ratio and outline	Michael Lerch 100%
9) Overview of Japanese agent	Name	EVOLUTION JAPAN SECURITIES Co., Ltd.	
	Location	4-1 Kioi-cho, Chiyoda-ku, Tokyo	
	Name and title of representative	Representative Director: Shaun Lawson	
	Objective of formation	Financial Instruments Business	
	Capital	JPY994,058,875	
10) Relationship between Harakosan and said fund	Relationships between Harakosan and said fund	Not appl The company owes debt to this LP, principal of JPY152,576,000 and interest of JPY16,518,891icable	
	Relationships between Harakosan and representatives of said fund	The GP of this LP, EVO FUND, exercised the company's 4 th Warrants as of today and now holds 116,000,000 Shares (61.15% of outstanding shares) and 1,050,000 4 th Warrants	

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

	Relationships between Harakosan and Japanese agent of said fund	Not applicable
--	---	----------------

Note: Allottees, officers of the allottees or major shareholders (main investors) have confirmed that they have nothing to do with anti-social forces, and the company has submitted to the Tokyo Stock Exchange a note of confirmation of non-involvement with anti-social forces.

For further investigation, we have conducted third party investigation by D-quest Holdings, regarding Michael Lerch and the allottees and have confirmed with their database that there is no relationship between the allottees, its directors and investors to any anti-social forces.

(2) Reason for Choosing Allottee

Our company, as noted above in (2. Reason and Objective of the Financing), have worked to improve the financial health and business soundness under a severe environment. We issued warrants to EVO FUND in November 2018, which were half exercised as of today, and as disclosed in our press release in December 2018, “Notice of change in Creditor and Extension of Loan Maturity”, EVO FUND’s group intervened when our negotiations with the previous creditors were deadlocked by acquiring the debts and replacing the previous debt’s high interest rate with a generously low interest rate, and in all matters have continuously supported us.

These improvements notwithstanding, our debt balance is large relative to our net asset balance, both making extensions of further loans difficult, and exposing the company to continued risk of delisting due to a fall in market capitalization and liabilities in excess of assets at large. Thus, we decided to consult with EVO FUND and EVOLUTION JAPAN Securities Co., Ltd. (4 - 1, Chiyoda-ku, Tokyo, Representative Director Shaun Lawson) about the need for some kind of treatment for this situation and consequently received a proposal on this allotment to the three creditors.

Given the current situation of the company, it was difficult for other investors to execute similar proposals, and after taking the decision that such third-party allotment would be beneficial for the betterment of the company’s future, we chose the three allottees.

(3) Allottee’s Holding Policy

The objective of the allottees is pure investment. The allottee, through EVOLUTION FINANCIAL GROUP, which the 100% investor of the allottees, Michael Lerch, is Founder and Global CIO, plans to provide supporting measures to the company to contribute to the restructuring of the company and to the improve the growth prospects of the company, and to secure such position as an investor, plan to hold a certain amount of voting rights as well as send 2 officers to the company. Also, the allottees have mentioned that there is not any confirmed timing of conversion to common shares due to the various factors such as the company’s stock performance, volume and the status of consideration for new businesses, and regarding voting rights, exercise of such rights would be executed depending on the corporate situation regardless of the number or percentage of holdings they own. Lastly, we have been informed, that in the case of selling a part of the shares, the allottees will make every effort to consider market conditions to the extent possible.

We plan to receive a confirmation letter from the allottees, when there is a transfer regarding all or part of the class shares or converted shares (from class shares) within 2 years, the allottees will report this to us, which then we will report to the TSE for public disclosure.

(4) Confirmation on the Property Required for the Payment by the Allottee

This third-party allotment, as it is in the method of Debt Equity Swap, does not need the certainty of payment. As the properties required are claims the allottees hold, we have confirmed out accounting books to confirm the balance and existence of these claims as well as each debt’s standings from the initial debt to transferred debt using the necessary documentations for legal requirements.

Also, when property required is in kind, usually based on corporate law, a lawyer, investigator or accountant is required to review and investigate the existence of the claims unless the

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

balance is within the range of the accounting books of the company. However, these necessities are only for such claims which have lost the benefit of time. Therefore, for this third-party allotment, the company and allottees have agreed that the maturity of the debt claims of the allottees will be until the issuance date (July 3, 2019) for the property to be required for this debt equity swap. For these reasons, we do not require any investigator or expert for such investigations.

(5) Agreement on Stock Borrow
Not Applicable.

7. Major Shareholders and Ownership Ratio after the Issuance

Before Offering (As of October 31, 2018)			After Offering (If all Class Shares are converted)		
Japan Securities Finance Co., Ltd.	1,760,100	2.39%	MAJOR LERCH LP (Proxy: EVOLUTION JAPAN Securities Co., Ltd.)	253,702,500	38.81%
Hoosiers Holdings Inc.	1,388,900	1.88%	EVO FUND (Proxy: EVOLUTION JAPAN Securities Co., Ltd.)	116,000,000	17.74%
JPLLC CLIENT SAFEKEEPING ACCOUNT (Proxy: Citibank, N.A., Tokyo Branch)	1,199,100	1.63%	TOMODACHI INVESTMENT LP (Proxy: EVOLUTION JAPAN Securities Co., Ltd.)	105,187,300	16.09%
UBS AG SINGAPORE (Proxy: Citibank, N.A., Tokyo Branch)	1,000,000	1.36%	US/JAPAN BRIDGE FINANCE LP (Proxy: EVOLUTION JAPAN Securities Co., Ltd.)	105,187,300	16.09%
Akira Fujii	1,000,000	1.36%	Japan Securities Finance Co., Ltd.	1,760,100	0.27%
Shuichi Yotsumoto	1,000,000	1.36%	Hoosiers Holdings Inc.	1,388,900	0.21%
Fukuya Kato	1,000,000	1.36%	JPLLC CLIENT SAFEKEEPING ACCOUNT (Proxy: Citibank, N.A., Tokyo Branch)	1,199,100	0.18%
SBI Securities Co., Ltd.	824,000	1.12%	UBS AG SINGAPORE (Proxy: Citibank, N.A., Tokyo Branch)	1,000,000	0.15%
Fumio Mori	800,000	1.09%	Akira Fujii	1,000,000	0.15%
Masaaki Kumagai	775,000	1.05%	Shuichi Yotsumoto	1,000,000	0.15%
Total	10,748,000	14.59%	Total	587,425,200	89.85%

Note: 1. The above ratio is calculated by rounding off the third decimal place.

Note: 2. The ratio of major shareholders prior to the Issuance is based on the shareholder registry as of October 31, 2018.

Note: 3. The calculation of the shareholding ratio after the offering is based on the premise that all the Options attached to this Class Shares have been exercised under the initial conditions, and the increase in the number of issued shares by the stock acquisition rights exercised today is 116 million is also included.

8. Future Prospect

With regard to the impact of this third-party allotment, because the method of debt equity swap (debt equity swap) is adopted, the amount of capital increase corresponds to an increase in capital and a decrease in interest-bearing debt, thus improving our financial status. In addition, with regard to the impact on the business results for the current Fiscal Year, it is expected that expenses will increase due to the issuance costs, and the interest burden will decrease, but we will notify you as soon as it becomes clear.

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

(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 by majority of approvals by the shareholders who exercise, excluding EVO FUND, the company will confirm the intention of the shareholders.

9. Business Performance and Equity Financing for the Most Recent Three Years

(1) Operating Results for the Last Three Years

	FY2017/02	FY2017/10	FY2018/10
Net sales (Thousands JPY)	827,597	556,540	863,189
Operating income (Thousands JPY)	Δ80,567	Δ27,436	26,578
Ordinary income (Thousands JPY)	Δ104,950	Δ39,684	4,640
Net income (Thousands JPY)	Δ105,844	Δ1,033,641	4,647
Net income per share (JPY)	Δ1.44	Δ14.03	0.06
Dividends per share (JPY)	—	—	—
Net assets per share (JPY)	15.03	0.95	0.97

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, 2019)

	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	221,000,000 Shares	299.90%
Number of residual securities at the lower-limit of the conversion price (exercise price)	221,000,000 Shares	299.90%
Number of residual securities at the upper-limit of the conversion price (exercise price)	221,000,000 Shares	299.90%

(3) Stock Performance for the Last Three Years

① Last Three Years

	FY2017/02	FY2017/10	FY2018/10
Opening price	JPY 25	JPY 25	JPY 28
Highest price	JPY 32	JPY 34	JPY 32
Lowest price	JPY 19	JPY 20	JPY 13
Closing price	JPY 25	JPY 27	JPY 14

② Last Six Months

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

	2018 December	2019 January	February	March	April	May
Opening price	JPY 13	JPY 9	JPY 9	JPY 9	JPY 10	JPY 10
Highest price	JPY 14	JPY 12	JPY 11	JPY 12	JPY 13	JPY 13
Lowest price	JPY 8	JPY 9	JPY 8	JPY 8	JPY 9	JPY 10
Closing price	JPY 9	JPY 10	JPY 9	JPY 9	JPY 10	JPY 12

Note: Information for May is as of May 10, 2019

- ③ Share prices on the business day immediately preceding the date of resolution at the Board of Directors meeting relative to said issuance

	May 10, 2019
Opening price	11 円
Highest price	13 円
Lowest price	11 円
Closing price	12 円

(4) Equity Financing in the past Three Years
• Issuance of 4th Warrants through third party allotment

Issue Date	November 12, 2018	
Total Number of Warrants	2,210,000 Warrants	
Premium	JPY4.5 per share	
Exercise Price	JPY2 per share	
Amount of Funding	JPY451,945,000 (Details below) Issuance Premium JPY9,945,000 Warrant Exercise JPY442,000,000	
Allottee	EVO FUND	
Outstanding Shares as of Issuance	73,692,398 Shares (As of April 30, 2018)	
Number of residual securities from the issuance	221,000,000 Shares	
Current Status of Exercise	Exercised 116,000,000Shares	
Funds Currently Raised	JPY232,000,000	
Initial Use of Proceeds at time of Issuance	1 . Repayment principal for the loan provided above 2 . Repayment of principal, interest and delinquency charges	JPY 300mln JPY 132mln
Expenditure Timing at time of Issuance	1 . December 2018 ~December 2019 (1 st Use of Proceeds) 2 . November 2018 ~October 2023 (2 nd Use of Proceeds)	
Current Status of Use	Unused	

Note: The warrants use of proceeds, as disclosed on January 25, 2019 in “Change in Use of Proceeds for 4th Warrants”, have changed to repayment of principal for our existing creditors.

- (2) Number of Common Shares to be delivered by acquisition
 The number of common shares delivered in exchange for the acquisition of Class A shares is the multiplied amount resulted in Number of Class A Shares by acquisition ratio specified in this item (3) to the number of Class A shares in the acquisition request (however, in accordance to item 4 below). Also, when the number of Common Shares after calculation is below 1 share, it shall be rounded down, and in this case, monetary claims do not exist as stipulated in Company Act Article 167 No. 3.
- (3) Initial Acquisition Ratio
 The Ratio will be initially 100.
- (4) Adjustment to Acquisition Ratio
 (a) If the issuing company changes the number of issued common shares of the issuing company or may change it after each issue date of the Class A shares on each event listed in this item (b), by adjusting the acquisition ratio according to (hereinafter referred to as “acquisition ratio adjustment formula”).

$$\text{Adjusted Acquisition Ratio} = \frac{\text{Pre-adjustment Ratio} \times (\text{No. of Shares Issued Already} + \text{No. common shares delivered/disposed})}{\text{No. of common shares delivered/disposed} \times \text{Market Value}}$$

Market Value

- (b) Instances where the acquisition ratio is adjusted by the acquisition ratio adjustment formula and the application timing of the adjusted acquisition ratio are as follows.
- ① When distributing new common shares of the issuer, below the Market Value defined in this article (c)② (including gratis allotment) (however, excluding occasions such as common share distribution based on puttable share conversion, exercise of warrants or CBs with acquisition rights, corporate split-ups, acquisition and mergers or share swaps.) the Adjusted Acquisition Ratio is applied from one day after payment date (if the case is gratis allotment, legal effective date and if there is a series of dates for the offering, the last date of the offering period, in place of the payment date) or if a record date is sent for the particular offering, one day after the record date.
 - ② If the issuing company's common stock is issued by stock split, the Adjusted Acquisition Ratio will apply from the day after the record date for the stock split.
 - ③ When distributing new common shares based on puttable shares in exchange of common shares below the Market Value defined in this article (c)② or through the exercise of Warrants or CBs or other securities in exchange of common shares below the Market Value defined in this article (c)②(including gratis allotment), the Adjusted Acquisition Ratio calculation shall be applied, with such underlying shares to be deemed already exercised with initial acquisition ratios, on the day after payment date (or allotment date if the underlying is warrants or CBs). However, if there is a record date set for the particular allotment, the Adjusted Acquisition Ratio is to be applied the day after the record date.
 - ④ When distributing common shares below the Market Value defined in this article (c)② based on puttable class shares or puttable warrants (including CBs), the Adjusted Acquisition Ratio shall be applied on

Note: This document is an English translation of publicly announced matters related to Notice of Issuance of class shares by third party allotment (Equity Contribution in Kind (debt equity swap)), and not for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail in all respects

