<<Note: This English translation is provided for reference purposes only and does not contain all information as described in the Japanese original. If there is any inconsistency or ambiguity between the English version and the Japanese original, the Japanese original shall prevail. >>

May 9, 2019

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Stock Code: 6366
Stock Listing: First Section of the Tokyo Stock Exchange
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Notice Regarding Issuance of Preferred Shares by Third-Party Allotment, Borrowing of Funds and Partial Amendment to Articles of Incorporation

On May 9, 2019, Chiyoda Corporation (the "Company"), at its meeting of the Board of Directors, approved the actions set out in items (i) through (iv) as follows:

(i) The Company enters into a share subscription agreement with Mitsubishi Corporation ("Mitsubishi Corporation" or the "Planned Allottee"), and Class A Preferred Shares (the "Class A Preferred Shares") with a total issue price of 70 billion yen shall be issued by way of a third-party allotment (the "Third-Party Allotment").

(ii) The Company borrows funds from Mitsubishi Corporation Financial & Management Services (Japan) Ltd. ("MCFJ"), a wholly owned subsidiary of Mitsubishi Corporation, and MUFG Bank, Ltd. ("MUFG Bank") (the "Borrowing"). The Borrowing, together with the Third-Party Allotment, are collectively referred to as the "Financing Plan".

(iii) The Company partially amends its articles of incorporation to create a new class of shares known as Class A Preferred Shares (the "Partial Amendment to the Articles of Incorporation") (For further details, please refer to "II. Partial Amendment to the Articles of Incorporation" below.).

(iv) The Company submits proposals for approval of the Third-Party Allotment and Partial Amendment to the Articles of Incorporation to the 91st ordinary general meeting of shareholders (the "Ordinary General Meeting of Shareholders") to be held on June 25, 2019.

An outline summarizing each of the foregoing actions is set out below.

I. Financing Plan

1. Summary of Financing Plan

(1) Outline of Planned Third-Party Allotment

(1) Payment Date:	July 1, 2019
(2) Number of Newly Issued Shares:	Class A Preferred Shares 175,000,000 shares
(3) Issue Price:	400 yen per share
(4) Total Issue Price:	70 billion yen For the estimated amount, after deducting the estimated expenses to be incurred in relation to the Third-Party Allotment, please see "3. Amounts, Usage and Planned Schedule for Expenditure."
(5) Method of Offering or Allocation (Planned Allottee):	All Class A Preferred Shares shall be allotted to Mitsubishi Corporation by way of third-party allotment.
(6) Others:	Please see Appendix 1 "Terms and Conditions of Class A Preferred Shares" for further details. The issuance of Class A Preferred Shares shall be subject to the effectuation of the securities registration statements required under the Financial Instruments and Exchange Act of Japan, and approval of the proposals regarding the Third-Party Allotment and the Partial Amendment to the Articles of Incorporation at the Ordinary General Meeting of Shareholders.

(2) Outline of the Borrowing

(1) Lender:	MCFJ for both (i) and (ii) below
(2) Amount of Borrowing:	(i) 30 billion yen; (ii)60 billion yen
(3) Interest Rate on Borrowing:	(i) The Company and MCFJ have agreed on the loan terms applicable until July 2019. Terms applicable after July 2019 are under discussion. ; (ii) The level of 1.50% (including the guarantee fees)
(4) Drawdown Date:	(i) May 16, 2019; (ii) Planned to be executed by March 2021
(5) Borrowing Period:	(i) Up to 5 years; (ii) Up to 5 years
(6) Collateral:	(i) Applicable; (ii) Not Applicable
(7) Subordination:	(i) Not applicable; (ii) Not applicable

(1) Lender:	MUFG Bank
(2) Amount of Borrowing:	20 billion yen
(3) Interest Rate:	2.50%
(4) Drawdown Date:	July 1, 2019
(5) Borrowing Period:	5 years

(6) Collateral:	Not applicable
(7) Subordination:	Applicable

2. Purpose and Rationale behind the Financing Plan

(1) Background of the Financing Plan

a. The Company's Financial Status and the Necessity for Large-scale Funding

The Company announced in its "Notice of Revisions to the Forecast of Consolidated Results and Dividend", dated October 31, 2018, that due to significant increase of the construction costs of 85 billion yen for the Cameron LNG Project in Louisiana in the U.S. (the "Cameron LNG Project"), it revised downwards its full-year consolidated financial forecast for the fiscal year ended March 31, 2019 as follows: operating loss revised to 87 billion yen (a decrease of 98 billion yen from the previously announced forecast); ordinary loss revised to 87 billion yen (a decrease of 99 billion yen); and loss attributable to owners of parent revised to 105 billion yen (a decrease of 112 billion yen). In addition, as the Company announced in its "Consolidated Financial Results for the Six Months ended September 30, 2018" dated November 9, 2018, the Company recognized an operating loss of 96 billion yen, an ordinary loss of 96 billion yen, and a quarterly loss attributable to owners of parent of 109 billion yen during the six-month period ended September 30, 2018. It was noted in the "Notes on Consolidated Quarterly Financial Statements" in the consolidated quarterly financial statements for the second quarter that substantial doubts arose regarding the Company's ability to continue as a going concern.

As announced in the "Consolidated Financial Results for the Nine Months Ended December 31, 2018" dated February 13, 2019, the Company reported that due to additional loss caused by additional costs to comply with the schedule for the Tangguh LNG project in Indonesia (the "Tangguh LNG Project") and increased costs for the Cameron LNG Project, as described above, the Company accounted an operating loss of 108 billion yen, an ordinary loss of 107 billion yen, and a quarterly loss attributable to owners of parent of 128 billion yen.

Furthermore, as announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2019" dated today, the fiscal year ended March 2019 resulted in an ordinary loss of 193 billion yen, an operating loss of 200 billion yen and a loss attributable to owners of parent of 215 billion yen due to the various reasons including: (i) unexpected increased costs arising out of multiple reworks in the Cameron LNG Project which is in the final stage for the construction of the first liquefaction train; (ii) increased costs of the Cameron LNG Project, after the review of the Company with the help from an outside advisor, in relation to the construction of the second and the third liquefaction trains on the Company's assumption that the same additional costs incurred in the construction of the first liquefaction train will arise since the Company has not found that the productivity at the site improved due to the turnover rate which has continued to be higher than the Company expected even after February 2019; (iii) increased costs of the Tangguh LNG Project that were recorded after the

Company's review in order to minimize delays in progress caused by multiple factors; and (iv) the increased costs after the Company's review of the risks related to litigations and arbitrations as well as the risks related to small- or medium-sized projects in Japan and overseas. Cash flows from operating activities were 38 billion yen (negative) due to the record of profit loss before income taxes of 194 billion yen, and the increase of accounts receivable by 23 billion yen which was offset by the increase of provision for loss on construction contracts by 64 billion yen, the decrease of income and expenditure of working capital (sum of the accounts receivable, cost on uncompleted construction contracts, notes and accounts payable for construction contracts and advances received on uncompleted construction contracts) of 90 billion yen and the decrease of jointly controlled assets of the joint venture by 20 billion yen, resulting in a net free cash flow of 37 billion yen (negative), which is the amount deducting cash flow from investing activities from cash flow from operating activities.

Consequently, the Company fell into a capital deficit as of March 31, 2019 and, because of such capital deficit, the common shares of the Company are expected to enter into the grace period pertaining to delisting from Tokyo Stock Exchange in accordance with the criteria for the delisting. As a result, recovering from such capital deficit is urgently required for the Company.

The Company considers its top priority is to complete ongoing projects, such as the Cameron LNG Project and the Tangguh LNG Project. In order to address this priority, the Company strengthened company wide support for such projects by establishing task forces, as well as, allocating necessary human resources, including site workers, and financial support, which are necessary to comply with the project schedule. The Company has been working on reducing costs, optimizing project cash flow, and negotiating additional contract price adjustments for ongoing projects. The Company has also worked to improve cash flow by implementing cost-cutting measures on General and Administrative expenses as well as by selling unprioritized assets.

However, notwithstanding the Company's best efforts, it became unavoidable to obtain large-scale funding, in order to avoid a cash shortfall and recover from the capital deficit. Thus, as described in "3. (2) Usage of Funds and Expenditure Plan" and "4. Rationale behind the Expenditure Plan”, the Company decided to implement the Financing Plan and to cover its expenditures for: (i) working capital for ongoing projects and future projects (174 billion yen); (ii) restructuring of company structure for the expense reduction (3 billion yen); and (iii) reinforcement of performance of the construction and investment in facilities for IT management (3 billion yen). For those reasons, the Company concluded that implementing the Financing Plan is required as early as possible.

(Notes) 1 Cameron LNG Project:

Engineering, procurement and construction of three liquefaction trains with a projected export of 13.5 million tons per annum of LNG and the export facility located at Hackberry, Louisiana USA, performed by a joint venture named CCJV consisting of Chiyoda International Corporation, a U.S. based wholly owned subsidiary of the Company, and McDermott, and awarded by Cameron LNG LLC.

2 Tangguh LNG Project:

Engineering, procurement and construction of third train of Tangguh LNG located at West Papua, Indonesia performed by a joint venture constituting of Company, PT. Chiyoda International Indonesia, an Indonesian based wholly owned subsidiary of Company, PT. Tripatra Engineers and Constructions, PT. Tripatra Engineering, PT. Saipem Indonesia and PT. Suluh Ardhi Engineering awarded by BP Berau Ltd.

b. Background to Selection of Sponsors

As the Company announced previously, the Company held discussions, for financial support with multiple sponsors. For reference see the Company's "Revisiting the Medium-Term Management Plan (2017-2020) ~Vision for Revival~" dated November 9, 2018. This included discussions with the Company's largest shareholder, Mitsubishi Corporation, in order to secure funds to improve the Company's financial status as well as funds necessary for operating our business.

The Company engaged JP Morgan Securities Japan Co., Ltd. as its financial adviser, and, from the middle of November 2018, made contacts with multiple potential sponsors. Numerous potential sponsors showed preliminary interest as the global market of Company's core business of performing engineering, procurement and construction services for liquefied natural gas ("LNG") facilities has strong potential for growth. The Company held intensive discussions with potential sponsors on the possibility for support while responding to their due diligence requests. After the initial due diligence and discussions concluded, the Company received multiple initial proposals. However, following the initial proposals further due diligence went on, which included the examination of project related risks, including the possibility of the additional costs in the Cameron LNG Project and the Tangguh LNG Project, and potential sponsors determined that it would be difficult to manage the risks associated with projects in which Company is involved without their having sufficient experience in the execution of such projects and prominent knowledge on risk management in relation to the Company's ongoing projects. As a result, potential sponsors started to withdraw or revise the proposals as they thought that in light of the nature of the Company's business it would be difficult to offer alone the funds which are necessary for the Company. From the middle of April 2019, Mitsubishi Corporation became the only potential sponsor that could undertake the size of our funding we needed whether alone or combination of some sponsors.

While negotiation with Mitsubishi Corporation proceeded, the Company attempted to reengage with other potential sponsors to see if they could reconsider their past positions based on terms that relaxed the Company's initial requirements and were comparable to terms under discussion between the Company and Mitsubishi Corporation. However, other potential sponsors did not submit revised proposals. As a result, there were no potential sponsors other than Mitsubishi Corporation which offered to provide funding by way of equity financing which would enable the Company to end its capital deficit and recover from its financial difficulties by improving its cash flow.

In addition, as Mitsubishi Corporation is a business alliance partner, the Company believes Mitsubishi Corporation has a deep understanding of the Company's business. The Company also considers that Mitsubishi Corporation is well positioned to support the Company by dispatching highly skilled human resources to the Company; especially for risk management and sales. The Company may also be able to take advantage of Mitsubishi Corporation's business network to expand its business in the environmental area, where the Company is aiming to grow. Thus, the Company concluded that Mitsubishi Corporation is the best sponsor for improving the Company's corporate value.

c. Background of Proposal from Mitsubishi Corporation and MUFG Bank

As described in "b. Background to Selection of Sponsors", from the middle of November 2018, similar to other potential sponsors, the Company continued to discuss financial support proposals with Mitsubishi Corporation, and, concurrently proceeded with due diligence conducted by Mitsubishi Corporation.

From the Company's point of view, it would be preferable to secure the necessary funds by the equity financing as much as possible since the equity financing improves capital adequacy ratio to an adequate level. However, the Company, in its discussions with Mitsubishi Corporation, carefully considered how to reduce the impact of dilution arising from a third-party allotment on the existing shareholders. In particular, the Company negotiated with Mitsubishi Corporation for financial support with the condition that the dilution ratio does not exceed 300%, considering that a dilution ratio exceeding 300% could subject the Company to the delisting criteria of Tokyo Stock Exchange Inc. (the "TSE"). The Company notes that there is an exception to the delisting criteria but that is subject to the TSE recognizing that there is a small likelihood of infringement on the interests of shareholders and approving application of the exception to the transaction. As part of that process the TSE would have to conduct a comprehensive review of the Third-Party Allotment including the purpose of a third-party allotment, the identity of allottee and the implementing procedures pertaining to changes in the total number of shares authorized to be issued. Taking this into consideration, the Company negotiated with Mitsubishi Corporation so that: (i) the financial support should be a combination of third-party allotment and borrowing; and (ii) the transaction amount of third-party allotment should be around 70 billion yen which is necessary for ending the capital deficit of the Company.

The Company also carefully discussed with Mitsubishi Corporation how to design equity instruments that would reduce the impact of dilution on the existing shareholders as much as possible. The Company and Mitsubishi Corporation agreed on: (i) having put options, in exchange for cash consideration, which are exercisable by an allotee; and (ii) creating call options, in exchange for cash consideration, which are exercisable by the Company. By utilizing such equity instruments, the possibility of large dilution due to the exercise of put options the consideration for which is common shares might be reduced. In addition, the Company also held discussions with MUFG Bank regarding the borrowing of subordinated loans on the condition that payment for the Class A Preferred Shares would be simultaneously executed.

As a result of the above, based on the result of the due diligence and discussions with the Company, Mitsubishi Corporation and MUFG Bank made the proposal outlined below to the Company in the beginning of May 2019.

(i) Mitsubishi Corporation will contribute 70 billion yen by way of the third-party allotment to purchase Class A Preferred Shares from the Company which is necessary to recover from the Company's capital deficit.

(ii) MUFG Bank will provide 20 billion yen in total pursuant to a subordinated loan agreement with the Company.

(iii) Mitsubishi Corporation will cause MCFJ to provide 90 billion yen in total pursuant to a loan agreement with the Company. Among 90 billion yen, a loan of 30 billion yen will be executed prior to the transactions (i) and (ii) above.

(iv) (i), (ii) and a part of (iii) above shall be conducted as a series of transactions and (i) above shall be approved by the shareholders meeting of the Company.

d. Reasons why the Financing Plan was Considered to be the Best Method for the Company and its Shareholders

The proposal from Mitsubishi Corporation and MUFG Bank mentioned in "c. Background of Proposal from Mitsubishi Corporation and MUFG Bank" included a combination of loans and capital contribution and the issuance of Class A Preferred Shares. The Class A Preffered shares have no voting rights at the general meeting of shareholders. As the Class A Preferred Shares might lead to significant dilution of the existing shareholders due to the exercise of put options the consideration for which is common shares, the Company carefully examined such final proposal.

First, prior to the final proposal from Mitsubishi Corporation, the Company relaxed the initial conditions which the Company had notified to potential sponsors in light of the discussions with Mitsubishi Corporation over the equity instruments and attempted to reengage with other potential sponsors to see if they could reconsider their past positions. However, there was no proposal other than that from Mitsubishi Corporation which satisfies the size of amount required by the Company in order to end the capital deficit of the Company as well as improve the liquidity of the Company. As result, the Company decided to seek support from Mitsubishi Corporation and MUFG Bank.

Second, as described in "b. Background to Selection of Sponsors", Mitsubishi Corporation has a deep understanding on the Company's business and has proposed to provide support in the form of human resources and the Company expects that will further enhance the corporate value of the Company.

Based on the above, the Company believes that further strengthening of the business relationship with Mitsubishi Corporation will further stabilize the business foundation of the Company and contribute to the improvement of its corporate value and shareholder value.

The Company considers that the combination of equity financing from Mitsubishi Corporation and associated borrowings with Mitsubishi Corporation and MUFG Bank is the best option as this will quickly resolve the notes regarding the ongoing concern assumption and resolve the business and financial issues faced by the Company for not only short term but for medium-term.

e. Management System After the Financing Plan

The Company is changing its management system simultaneously with approval the Financing Plan. The objective of the change is to have clearer separation between corporate management and project execution and thereby enhance governance.

The changes shall include (1) the number of board members will be reduced from fourteen to ten and (2) the execution of overall project management will be carried out solely by the President & CEO and the CFO; and (3) remaining eight directors, including three Audit and Supervisory Committee Members, will concentrate on management and supervision activities. As four directors among the eight directors are outside and independent directors, the Company believes that this reform will enhance the transparency of the Company's management system. Among the ten directors, three directors worked for Mitsubishi Corporation before and one director is dispatched from Mitsubishi Corporation.

(2) Reason for Selecting the Financing Plan

Before deciding to pursue the Third-Party Allotment, the Company compared and examined various funding approaches as described below. The Company considered that the most important factor is to raise equity funds certainly and promptly in the desired time frame. This is for eliminating the capital deficit of the Company and to improve the cash flow.

At the same time, the Company carefully considered how to keep the dilution as low as possible and to secure the necessary amount of funds to end its capital deficit. From this perspective, the combination of third-party allotment and borrowing is the best methods for addressing this situation.

It should be noted that the Company also considered a public offering to raise capital. However, the Company determined it could not adopt this approach given the notes on the Company's financial statement concerning its ability to continue as a going concern. With regard to a rights offering and a shareholder allotment, since all share options may not be exercised considering the Company's financial status, the Company reached the conclusion this is not an appropriate option for solving the Company's financial problems as the amount of funding that can be raised is uncertain.

On the other hand, the Company believes that a third-party allotment, which has the highest degree of certainty in procuring the required amount, will be the most effective option for the Company if we can select an appropriate sponsor. The Company sought funding under conditions that are more favorable for the Company, and has been negotiating with potential sponsors about the possibility of support including funding through capital contribution since the middle of November 2018. As a result, it turned out that there is no sponsor other than Mitsubishi Corporation who can undertake the required amount of funding by itself or even in a combination with other sponsors. Accordingly, the Company decided to issue Class A Preffered Shares to Mitsubishi Corporation to procure 70 billion yen which is the necessary amount to end the capital deficit. In making this decision the Company also took into consideration the potential impact on stable business operations and the stock price of the Company that could be caused by an immediate change in its shareholder composition. Then the remaining necessary funds of 110 billion yen are to be procured by Borrowing to cover the total required fund 180 billion yen.

In case all of the Class A Preferred Shares are converted to ordinary shares, the number of voting rights that Mitsubishi Corporation will own is 7,869,312 (Assuming there are no Class A Accumulated and Unpaid Dividends and Class A Accrued and Unpaid Dividends) (Please see "c. Put Options and Call Options - (i) Put Options the Consideration for which is Common Shares" of "(3) Overview of Class A Preferred Shares"). The total number of the shares with voting rights will be 9,589,050, which is the sum of the total number of voting rights in the Company as of March 31, 2019 (i.e., 2,589,050 voting rights) and such number of voting rights to be issued upon the exercise of the put options (i.e., 7,000,000 voting rights). As a result, Mitsubishi Corporation will own 82.06% of the shares with voting rights. Accordingly Mitsubishi Corporation falls within the definition of the Specific Underwriter under Article 206-2, Paragraph 1 of the Companies Act. Regarding this point, in the Board of Directors meeting held on May 9, 2019, the Company's Audit and Supervisory Committee expressed the opinion that the Third-Party Allotment, which is amounting to 70 billion yen as equity funds, is required and reasonable considering following points: A) the Third-Party Allotment is the best option considering the Company's situation comparing to other typical methods; B) the usage of the funds is reasonable; C) Mitsubishi Corporation is showing a strong intention to work with the Company on improving management of the Company for long term growth.

(3) Overview of Class A Preferred Shares

a. Dividends

The preferred dividend rate (annual) for the Class A Preferred Shares is set at 3 %. If there is a shortfall in dividend on the shareholders of Class A Preferred Shares during a fiscal year, such shortfall will be carried over into the following fiscal year or into subsequent fiscal years. The shareholders of Class A Preferred Shares may not receive dividends from surplus in excess of the amount of such preferred dividends.

The order of preference on payment of dividends from surplus between the Class A Preferred Shares and common shares is as follows: the amount equal to the unpaid dividends carried over on the Class A

Preferred Shares is paid first; preferred dividends on the Class A Preferred Shares are paid next; and dividends on common shares are paid last.

b. Voting Rights and Restrictions on Assignment

The Class A Preferred Shares do not have voting rights at general meetings of shareholders. Any acquisition of the Class A Preferred Shares by transfer requires the approval of the Company's Board of Directors.

c. Put Options and Call Options

The put options the consideration for which is common shares, put options the consideration for which is cash, and call options the consideration for which is cash are all attached to the Class A Preferred Shares.

(i) Put Options the Consideration for which is Common Shares

The put options the consideration for which is common shares are attached to the Class A Preferred Shares. The put options the consideration for which is common shares attached to the Class A Preferred Shares can be exercised on and after July 1, 2019. The initial conversion price of the put options the consideration for which is common shares is 100 yen (hereinafter referred to as the "Initial Conversion Price").

(ii) Put options the Consideration for which is Cash

The put options the consideration for which is cash are attached to the Class A Preferred Shares. The put options the consideration for which is cash attached to the Class A Preferred Shares can be exercised on and after July 1, 2021, with the limit not more than the distributable amount, and to the extent permissible by law.

The price to be paid upon the exercise of the put option the consideration for which is cash will be the higher of (a) or (b) below:

(a) The amount calculated by multiplying the amount equivalent to the average of the volume weighted average prices (the "VWAPs") in regular trade of the Company's common shares announced by the Tokyo Stock Exchange, Inc. for thirty (30) consecutive Trading Days counting from the forty-fifth (45th) Trading Day prior to the redemption request date (If, during the abovementioned period, any of the events provided in Section 14, Item (3) of Terms and Conditions of Class A Preferred Shares (the "Terms and Conditions") occurs, the average of the VWAPs mentioned above will be adjusted to a value that the Company deems appropriate in accordance with Section 14, Item (3) of Terms and Conditions) by the Base Number of Shares defined below.

(b) The amount calculated by adding the amount equivalent to the accumulated and unpaid dividends and the amount equivalent to the accrued and unpaid dividends to 400 yen.

For the purpose of this (a), "Base Number of Shares" means the value calculated by first adding the amount equivalent to the accumulated and unpaid dividends and the amount equivalent to the accrued and unpaid dividends to 400 yen and then dividing the sum by the conversion price calculated in accordance with Section 14, Items (2) and (3) of Terms and Conditions.

(iii) Call Options the Consideration for which is Cash

The call options the consideration for which is cash are attached to the Class A Preferred Shares. For such call options, at any time on and after July 1, 2021, Mitsubishi Corporation, by giving notice to shareholders of Class A Preferred Shares at least 2 weeks in advance of the Mandatory Redemption Date (defined below), can acquire all or a part of the Class A Preferred Shares in exchange for cash to the extent permissible under law and regulation on the arrival date separately determined by the Company's Board of Directors meeting ("Mandatory Redemption Date").

The price per share of the Class A Preferred Shares to be paid upon the exercise of the call option the consideration for which is cash will be the higher of (a) or (b) below:

(a) The amount calculated by multiplying the amount equivalent to the average of the VWAPs for thirty (30) consecutive Trading Days counting from the forty-fifth (45th) Trading Day prior to the mandatory redemption date (If, during the abovementioned period, any of the events provided in Section 14, Item (3) of Terms and Conditions occurs, the average of the VWAPs mentioned above will be adjusted to a value that the Company deems appropriate in accordance with Section 14, Item (3) of Terms and Conditions) by the Base Number of Shares defined below.

(b) The amount calculated by adding the amount equivalent to the accumulated and unpaid dividends and the amount equivalent to the accrued and unpaid dividends to 400 yen.

For the purpose of this (a), "Base Number of Shares" means the value calculated by first adding the amount equivalent to the accumulated and unpaid dividends and the amount equivalent to the accrued and unpaid dividends to 400 yen and then dividing the sum by the conversion price calculated in accordance with Section 14, Items (2) and (3) of Terms and Conditions.

For more details of the Class A Preferred Shares, please see Appendix 1, "Terms and

Conditions of Class A Preferred Shares."

(4) Measures Assumed in connection with the Financing Plan

Mitsubishi Corporation is underwriting the Third-Party Allotment and a wholly owning parent company of the one of the lenders for the Borrowing, is not the Company's controlling shareholder. However, taking into account the fact that Mitsubishi Corporation holds 86,931,220 common shares of the Company (33.57% of the total voting rights), and that it dispatches one of its directors to the Company, the Company assumed the following measures in the interest of the shareholders, to ensure fairness of the Third-Party Allotment, and to avoid conflicts of interest.

(i) A share value calculation report was obtained from a third-party evaluation organization independent from Mitsubishi Corporation

Please see "(1) Calculation Ground for the amount of Third-Party Allotment - B. The Company Has Obtained a Share Valuation Report from a Third-Party Valuation Institution" of "5. Reasonableness of Issuing Conditions" below.

(ii) Opinions were obtained from independent directors who have no conflicts of interest

Please see "9. Matters Regarding the Procedures of Ethical Actions of a Corporate" below.

(iii) Advice was obtained from a law firm independent from Mitsubishi Corporation

The Company has retained Anderson Mori & Tomotsune, a Japanese law firm independent from Mitsubishi Corporation, as the Company's legal adviser, and obtained necessary legal advice on the methods and processes of decision-making at the meeting of Board of Directors and on other matters, in order to ensure fairness and transparency of the Financing Plan.

(iv) Approval from all directors (including the members of Audit and Supervisory Committee) who have no conflicts of interest.

At the Board of Directors meeting held May 9, 2019 regarding the Third-Party Allotment, the above resolution was unanimously made by all eight directors (including the members of Audit and Supervisory Committee) out of fourteen directors of the Company, where Mr. Hiroshi Sakuma who concurrently serves as an adviser for Mitsubishi Corporation, Mr. Masaji Santo, Masahiko Kojima, Takahiro Kitamoto, and Tetsuya Aiba who previously served as an employee of Mitsubishi Corporation, and Mr. Hirotsugu Hayashi who served as an employee of Mitsubishi Tokyo UFJ Bank (MUFG Bank at present), abstained, in order to enhance fairness, transparency and objectivity, and to avoid conflict of interest in the decision-making.

3. Amounts, Usage and Planned Schedule for Expenditure

(1) Amounts of Financing Plan

The Company expects to procure 180,000,000,000 yen in total by the Financing Plan as detailed below.

(i) Amount of Funds to be procured from the planned Third-Party Allotment

Total Amount to be paid in (yen)	Estimated issuance expenses (yen)	Estimated retained balance (yen)
70,000,000,000	977,750,000	69,022,250,000

(Notes) 1 "Estimated issuance expenses" does not include consumption taxes.

2 The breakdown of estimated issuance expenses is costs for due diligence, registration costs, fees for share value calculation, attorneys' fees, and financial advisers' fees. Such professional advisors' fees include advice on the terms and conditions of the Third-Party Allotment.

(ii) Amount of Funds to be procured from the Borrowing

The amount of funds to be procured from the Borrowing is 110,000,000,000 yen in total.

(2) Specific Usage of Funds to be Procured and Planned Schedule for Expenditure

Specific usage	Amounts	Planned time of expenditure
(i) Procurement of working capital for ongoing projects and future projects:	174,000 million yen	July 2019 to March 2022
(ii) Implementation of restructuring for cost reduction:	3,000 million yen	By December 2020
(iii) Investment in IT for improving construction efficiency:	3,000 million yen	By December 2020

(Notes) 1 Funds will be firmly managed in a bank account until disbursement.

2 70,000,000,000 yen out of the 180,000,000,000 yen to be procured from the Financing Plan will be fully used for "(i) Procurement of working capital for ongoing projects and future projects" in light of the urgent need of working capital.

(i) Procurement of Working Capital for Ongoing Projects and Future Projects

As described in "(1) Background of the Financing Plan - a. The Company's Financial Status and the Necessity for Financing Plan" of "2. Purpose and Rationale behind the Financing Plan", in the consolidated results for the fiscal year ended March 2019, the Company recorded a net loss of 215 billion yen attributable to shareholders of the parent company and a free cash flow of 37 billion yen (negative) due to: (i) significantly increased labor related costs for the Cameron LNG Project arising out of the shortage of site workers, especially skilled craftsman because of the restart of development of shale gas in the U.S. as a result of increase in oil price, and the commencement of full-scale reconstruction work after Hurricane Harvey hit the Gulf of Mexico in the summer of 2017; (ii) significantly increased costs resulting from low productivity at the site due to the remote site location which resulted in the high turnover rate; (iii) unexpected increased costs arising out of multiple reworks in the Cameron LNG Project which is in the final stage for the construction of the first liquefaction train; (iv) increased costs of the Cameron LNG Project in relation to the constructions of the second and third liquefaction trains on the Company's assumption that the same additional costs as the construction of the first liquefaction train will arise since the Company cannot expect the productivity in the site to increase due to the turnover rate which is higher than the Company expected: and (v) increased costs of the Tangguh LNG Project that were recorded after the Company's review in order to minimize delays in progress caused by multiple factors. The Company will allocate funds from the Third-Party Allotment to these projects. In the meantime, the Company will continue negotiations with the clients of these Projects to recover additional costs.

With regard to the Cameron LNG Project, after recording a significant loss in October 2018, the Company has made efforts to improve the productivity of construction sites while concurrently conducting reviews to ensure proper actual budget. Although the Company has recorded further losses, we will continue to exert our efforts to save costs by further negotiations with the client and improvement of construction productivity so that we can minimize the funds to be used for this project in the future.

With regard to Tangguh LNG Project, its progress is significantly affected by multiple factors. While we are currently continuing to negotiate with clients concerning collection of costs that are required to minimize the effects therefrom, the procured funds will be used to cover the required additional costs.

In addition, in the consolidated financial results for the fiscal year ended March 2019, we have recorded 1,016 billion yen as consolidated backlog of contracts. Although we have generally made steady progress in projects awarded in 2018 and onwards and there is no issue in their profitability, fund requirements such as advance payment on behalf of the clients exists for certain projects due to temporary differences in cash inflow and the cash outflow.

With regard to new contracts from this year onward, strong demand for LNG is expected to continue, and requests for proposals from clients remain active. Under such circumstances, we expect to receive orders of large LNG projects as planned. However, since we perform large LNG projects through joint ventures and similar forms, in general, margins are retained at joint ventures accounts until the late stage of the project and accordingly, expenses are expected to temporarily exceed profits in light of the Company's cash flow. We, therefore, expect demand for funds from this perspective too.

In carrying out these ongoing projects and future projects, we will make utmost efforts to minimize such negative cash flow cases as much as possible. However, considering the above mentioned potential demand for funds, the Company believes that it is necessary to secure a substantial amount of liquidity for smooth project execution. Thus, the procured funds will also be allotted for this purpose.

(ii) Implementation of Restructuring for Cost Reduction

The Company plans to further reduce its General and Administrative Expense, and shrink 50% of its oversea operation and optimize domestic group companies by carve out or closure of part of businesses. The Company will spend the funds from Financing Plan for any temporary expenses arising from execution of these actions.

(iii) Investment in IT for Improving Construction Efficiency

As described in the "Notice of the Start of Digital Technology for Enhancement of the Efficiency in Promoting Construction" dated March 25, 2019, which the Company announced on its website, the Company has developed digital technology to improve efficient management of materials, mobilization of workers and operations at construction sites. The Company intends to enhance this new project management program (AWP) to strengthen its competitiveness against competitors and enhance the Company's profitability as well as risk management capability. The Company will spend the funds for this purpose.

(Note) 1. AWP (Advanced Work Packaging) is an approach for project management that was issued by Construction Industry Institute in the U.S. as its best practice led by construction companies and plant owners.

4. Reasonableness of Use of Proceeds

As indicated above in "2. Purpose and Rationale behind the Financing Plan", the Company considers that the use of the funds from the Financing Plan is reasonable, as the Financing Plan is indispensable to end the Company’s capital deficit and resolve substantial doubts concerning the Company's ability to continue as a going concern. At the same time, the use of the proceeds will also help improve the Company's earnings structure.

5. Reasonableness of Issuing Conditions

(1) Calculation Ground for the amount of Third-Party Allotment

A. Specific Contents of the Amount to Be Paid in

The Company held good faith discussions with each of the potential sponsors regarding the method and related terms and conditions for financial assistance in the Company. During such discussions, the results of due diligence, financial condition of the Company, demands on funds, and stock price of common share of the Company had been considered. The Company put priorities on required amount of funds as well as timeline for closing the financing as the Company's financial condition was desperately critical. Under such situation, Mitsubishi Corporation's, proposal was the most in line with the Company's request and the only viable option given the Company's severe financial conditions and required timeline, and the amount to be paid in for the Class A Preferred Shares was determined to be 400 yen per share. The amount to be paid in for the Class A Preferred Shares was finally agreed upon as a result of faithful discussions and negotiations with Mitsubishi Corporation based also on the results of discussions with several potential sponsors. Given the Company's circumstance in which equity financing in a scale of 70 billion yen is necessary in order to resolve the capital deficit, we have determined the amount to be paid in for the Class A Preferred Shares to be the most favorable condition for the Company at this point in time.

In addition, the Company considers it is a reasonable price even considering the Share Valuation Report obtained from the third-party valuation institution as stated in "B. The Company Has Obtained a Share Valuation Report from a Third-Party Valuation Institution" and "C. Determination of the board of directors of the Company regarding the amount to be paid in based on the Share Valuation Report" below. However, there might be a various thoughts as to the valuation of the Class A Preferred Shares since the Class A Preferred Shares do not have a market value and the valuation of class shares is very much complex, which leaves the possibility that different views exist regarding valuation of class shares. Considering these, since the Company cannot completely deny the possibility that the amount to be paid in for the Class A Preferred Shares will be considered as an amount especially favorable to Mitsubishi Corporation under the Companies Act, the Company considers it appropriate to confirm the intention of the shareholders, and decided that the issue of the Class A Preferred Shares through the Third-Party Allotment will be subject to the approval of the Ordinary General Meeting of Shareholders by special resolution.

B. The Company Has Obtained a Share Valuation Report from a Third-Party Valuation Institution

In determining the amount to be paid in for the Class A Preferred Shares based on the results of discussions and negotiations with Mitsubishi Corporation, and for reference in shareholders' exercising their voting rights at the Ordinary General Meeting of Shareholders, the Company requested PLUTUS CONSULTING Co., Ltd. ("PLUTUS"), a third-party appraiser, to evaluate the share value of the Class A Preferred Shares and to submit to the Company a report. The Company obtained a valuation report (the "Share Valuation Report") on May 8, 2019. PLUTUS, a third-party appraiser, does not fall under any related party of the Company or Mitsubishi Corporation and has no material interest to be noted in connection with the Third-Party Allotment. After considering the valuation method for the share value of the Class A Preferred Shares, PLUTUS adopted the evaluation approach of Monte Carlo simulation, which is a common valuation method used for the evaluation. PLUTUS evaluated the fair value of the Class A Preferred Shares by setting certain assumption regarding, among others, the Initial Conversion Price, timing of the exercise of the put options the consideration for which is common shares of the Company or cash, the price of the common shares of the Company, volatilities of the common shares, the dividend yield, the risk free rate and the discount rate. According to the Share Valuation Report, the price of the Class A Preferred Shares per share, which was calculated based on stock price (closing price) of the common shares of the Company as of May 8, 2019, is 1,210 yen. The per share price for the Class A Preferred Shares (i.e., 400 yen) represents a 66.94% discount against the valuation price of the Class A Preferred Shares.

Since there might be a various thoughts as to the valuation of the Class A Preferred Shares since the Class A Preferred Shares do not have the market value and the valuation is very much complex, the Company also received the valuation for the common share of the Company for the reference purposes ranging from 100 yen to 399 yen. Based on these reference numbers, the valuation of the Class A Preferred Shares are from 500 yen to 1,630 yen.

C. Decision of the Board of Directors on Financing Plan

Based on the Share Valuation Report, the amount to be paid in might be considered as a favorable price to Mitsubishi Corporation. However, also according to the Share Valuation Report, assuming that the stock price of the common shares of the Company will become lower than the stock price as of May 8, 2019 (i.e., the record date of the Share Valuation Report), the value of the Class A Preferred Shares is expected to be further lowered.

As described in "(1) Background of the Financing Plan - a. The Company's Financial Status and the Necessity for Large-scale Funding" of "2. Purpose and Rationale behind the Financing Plan", the Company admits that there are some factors including below which were not considered in the Share Valuation Report and the Company also admits that Mitsubishi Corporation considers these factors in considering the amount to be paid in the Class A Preferred Shares:

A) It is possible that the stock price of the common shares of the Company as of May 8, 2019 does not fully reflect the impact arising out of Company's press release reporting the capital deficit of the Company as it is possible that the stock price of the common shares of the Company as of May 8, 2019 is based on the substantial expectations for contribution by Mitsubishi Corporation. As the Company announced on May 6, 2019, which is the immediately preceding day that the downward adjustments to the results to reflect the Company's deficit was officially announced, it has been reported that Mitsubishi Corporation and MUFG Bank have decided to jointly make an investment of over 150 billion yen in the Company. Thus, the stock price of the common shares of the Company may not fully reflect the capital deficit of the Company;

B) It is highly likely that the Company will proceed to the statutory liquidation procedure if the Company does not accept the terms and conditions of the Class A Preferred Shares;

C) The proposal was a reasonable method to revitalize the Company as the interest rate of the borrowing proposed along with the Class A Preferred Shares is at a reasonable level in light of the fact that the Company is in capital deficit; and

D) the total amounts to be paid in provides the sufficient liquidity with the Company for its business operation.

As described in "(1) Background to the Financing Plan" and "(2) Reason for Selecting the Financing Plan" of "2. Purpose and Reason for the Financing Plan", given that the Company needs to conduct the financing in order to end the capital deficit of the Company, resolve the notes on going concern assumption and improve its financial status at an early stage by improving the liquidity, the Company considers that the Third-Party Allotment Method is the best option based on its current situation compared to other common funding options. In addition, the proposal of a third-party allotment from Mitsubishi Corporation was the only one proposal which the Company considers after the negotiation with multiple potential sponsors. In light of above, the Company believes that the amount to be paid in for the Class A Preferred Shares through the Third-Party Allotment will increase the corporate value and shareholder value and will not be disadvantageous to minority shareholders of the Company.

As described in "(1) Background to the Financing Plan" and "(4) Measures Assumed in connection with the Financing Plan" of "2. Purpose and Reason for the Financing Plan", "A. Specific Contents of the Amount to Be Paid In" and "(2) Grounds on which the Company Determined that the Numbers to Be Issued and the Size of the Share Dilution is Reasonable", while the Company admits the Third-Party Allotment might cause substantial dilution, given the Share Valuation Report and the Company's thought that the number of shares to be issued in the Third-Party Allotment and the scale of dilution is reasonable, the Company considers that the Third-Party Allotment will not be unprofitable for minority shareholders of the Company. As such, the Company concluded that the term of the amount to be paid in is reasonable.

(2) Rationale for Determining that the Size of the Potential Share Dilution is Reasonable.

The Class A Preferred Shares to be allotted to Mitsubishi Corporation do not have voting rights at the Company's general meeting of shareholders. However, dilution might occur for existing shareholders if Mitsubishi Corporation exercises the put option attached to the Class A Preferred Shares to convert them to common shares of the Company. If such put option is assumed to be exercised regarding the entire the Class A Preferred Shares where the accumulated unpaid dividends and the accrued unpaid dividends of the Class A Preferred Shares do not exist, the number of the Company's common shares with voting rights would be 700,000,000. As the Company's existing common shares are 260,324,529, accordingly, 269% dilution could potentially occur. The exercise of the put options attached to Class A Preferred Shares, the consideration for which is the common shares of the Company, large dilution is expected to occur.

The purpose of the Third-Party Allotment, is to recover from the Company's capital deficits and remove notes about the Company's ability to continue as an ongoing concern. The Company considers this will lead to the achievement of a solid business and financial base for the entire Company that can realize medium- and long-term growth, and eventually contribute to improving the Company's medium- and long-term corporate value and shareholder value. In addition, the Company believes that establishing a strong transactional relationship with, Mitsubishi Corporation will further stabilize its business base, and contribute to the improvement of the Company's corporate value and shareholder value.

In addition, (i) while the Third-Party Allotment will issue equities at a large scale, such issuance is at a scale that the Company considers necessary to end the Company's capital deficit, (ii) the Third-Party Allotment to Mitsubishi Corporation is considered to be the most appropriate financing method compared to other financing methods, and (iii) the amount to be paid in is considered to be the most favorable terms and conditions for the Company and the existing shareholders at this point in time in light of the severe financial conditions of the Company, discussions with several potential sponsors over the possibility of support and the result of the discussions and negotiations with Mitsubishi Corporation. Based on these factors, the Third-Party Allotment is the best terms for the Company at this point in time, and, even considering the possible large dilution resulting from the Third-Party Allotment, the Company determines that the scale of dilution and the number of shares of the Third-Party Allotment is rational.

6. Reasons for Selecting Planned Allottee, etc.

(1) Outline of Planned Allottee

(1)	Name:	Mitsubishi Corporation
(2)	Address:	3-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo
(3)	Title and Name of Representative:	President and CEO: Takehiko Kakiuchi
(4)	Business:	Sale and production of various products including energy, metals, machinery, chemicals and living essentials products, development of natural resources, infrastructure related business, and finance and logistics business
(5)	Paid in Capital:	204,446,667,326 yen (As of September 30, 2018)
(6)	Date of Registration:	April 1, 1950 (Date of Establishment: July 1, 1954)
(7)	Number of Issued Shares:	1,590,076,851shares (As of September 30, 2018)
(8)	Fiscal Year End:	March
(9)	Number of Employees:	77,476 (Consolidated) (As of March 31, 2018)
(10)	Major Customers:	Corporations within and outside Japan
(11)	Main Banks:	MUFG Bank, Ltd. and Mizuho Bank, Ltd.
(12)	Major Shareholders and Percentage of Shares:	Japan Trustee Services Bank, Ltd.: 8.89% The Master Trust Bank of Japan, Ltd.: 5.97% Tokio Marine & Nichido Fire Insurance Co., Ltd.: 4.50% (As of September 30, 2018)
(13)	Relationships between the Company and Planned Allottee:	
	Capital relationship:	Mitsubishi Corporation directly owns 86,931,220 common shares (33.57% of total voting rights) of the Company.
	Personnel relationship:	Mr. Hiroshi Sakuma, who was an executive officer of Mitsubishi Corporation until March 31, 2019 and is an adviser of Mitsubishi Corporation from April 1, 2019 also serves as a director of the Company.
	Business relationship:	The Company has transactions with Mitsubishi Corporation with respect to the industrial plant and infrastructure area etc.
	Status as a related party:	The Company is an equity-method affiliate of the Planned Allottee.

(14) Operating Results and Financial Status for the Last Three Fiscal Years (Based on IFRS) (Consolidated) (in millions yen, except for special notes):			
Fiscal Year Ended:	March 2016	March 2017	March 2018
Total Equity:	5,017,522	5,789,011	6,265,211
Total Assets:	14,916,256	15,753,557	16,036,989
Equity per Share Attributable to Owners of the Parent (yen):	2,898.23	3,101.43	3,362.34
Revenues:	6,925,582	6,425,761	7,567,394
Profit (loss) before Tax:	(92,823)	601,440	812,722
Profit (loss) for the Year:	(132,664)	480,074	610,416
Profit (loss) for the Year Attributable to Owners of the Parent:	(149,395)	440,293	560,173
Profit (loss) for the Year Attributable to Owners of the Parent per Share (yen):	(93.68)	277.79	353.27
Cash Dividends per Share (yen):	50.00	80.00	110.00

(Notes) 1. The information in the column "Relationships between the Company and Planned Allottee" is as of March 31, 2019.

2. Mitsubishi Corporation is a listed company on the First Section of the TSE. Based on the corporate governance report submitted by Mitsubishi Corporation to the TSE dated December 21, 2018, the Company confirmed that Mitsubishi Corporation has established a basic policy against anti-social forces in which Mitsubishi Corporation is committed to taking a firm stance against anti-social forces and not giving any profits to them (the "Policy"), that Mitsubishi Corporation has ensured, by obtaining a written commitment, that all officers and employees are familiarized with the " Mitsubishi Corporation Code of Conduct," which stipulates the Policy, and that Mitsubishi Corporation has established a system to promptly respond to unexpected situations related to anti-social forces through setting up a special department to maintain the close cooperation with external specialized agencies on a regular basis and promoting the adoption of a clause to combat anti-social forces in contracts and other related documents. Accordingly, the Company considers that Mitsubishi Corporation and its directors and major shareholders are not anti-social forces, nor do they have any relationships with anti-social forces.

3. Mitsubishi Corporation will announce its consolidated operating results and consolidated financial status for the fiscal year ended March 2019 today.

(2) Reasons for Selecting Mitsubishi Corporation

Please see "2. Purpose and Rationale behind the Financing Plan" for an explanation of why the Company decided to select Mitsubishi Corporation.

(3) Mitsubishi Corporation's Policy for Share Holding

While there is no limitation on the exercise period for the put options attached to the Class A Preferred Shares for conversion into common shares of the Company, the Company understands that, at the present moment, Mitsubishi Corporation does not have an intention to exercise the put options immediately and sell the common shares issued to Mitsubishi Corporation through the exercise of the put options. Also, the Company understands that Mitsubishi Corporation intends to assist the Company in achieving its growth and increasing its corporate value with a medium- to long-term perspective.

The Company will obtain a confirmation letter from Mitsubishi Corporation in which Mitsubishi Corporation agrees that: (i) when Mitsubishi Corporation transfers all or part of the Class A Preferred Shares issued by the Company by way of Third-Party Allotment within two years from the payment date, Mitsubishi Corporation will immediately inform the Company of the name and address of the transferee, the number of the Class A Preferred Shares so transferred, the transfer price, the reasons for the transfer and the transaction scheme for the transfer; (ii) the Company will report them to the TSE, and (iii) the reported information will be disclosed to the public. The Company will then submit the confirmation letter to the TSE.

(4) Contents Confirmed with respect to the Funds Required for the Payment by Mitsubishi Corporation

Based on the amount of the consolidated revenue, total assets, total paid in capital, cash and cash equivalents, and term deposits as stated in the Third Quarterly Securities Report for the third quarter of fiscal year 2018 dated February 14, 2019 (i.e., revenue of 12,188,279 million yen, total assets of 16,807,092 million yen, total capital of 6,480,975 million yen, cash and cash equivalents plus term deposits of 1,522,722 million yen), which is the most recent quarterly report submitted by Mitsubishi Corporation to the Director General of Kanto Local Financial Bureau, the Company considers that there will be no hindrance to the payment of the amount to be paid in for the Third-Party Allotment by Mitsubishi Corporation.

(5) Contracts Regarding the Lending and Borrowing of Shares

Not applicable.

7. Major Shareholders and Percentages of Shares Held after the Third-Party Allotment

(1) Common Shares

Prior to the Third-Party Allotment (As of March 31, 2019)	After the Third-Party Allotment

Mitsubishi Corporation	33.39%	Same as on the left
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.95%	
MUFG Bank, Ltd	3.47%	
Northern Trust Co. (AVFC) Re Silchester International Investers International Value Equity Trust	3.21%	
Japan Trustee Services Bank, Ltd. (Trust Account)	1.84%	
Northern Trust Co, (AVFC) Re U.S. Tax Exempted Pension Funds	1.72%	
Mitsubishi UFJ Trust and Banking Corporation	1.64%	
BNY GCM Client Account JPRD AC ISG (FE-AC)	1.35%	
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.21%	
Credit Suisse AG, Dublin Branch Main Equity Account	1.15%	

(2) Class A Preferred Shares

Prior to the Third-Party Allotment (As of March 31, 2019)	After the Third-Party Allotment	
Not applicable	Mitsubishi Corporation	100.00%

8. Future Outlook

The impact of the Financing Plan on the Company's financial results for the fiscal year ending March 31, 2020 has been incorporated into the consolidated financial forecasts for the fiscal year ending March 31, 2020 in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japanese GAAP)" announced May 9, 2019.

9. Matters Regarding the Procedures of Ethical Actions of a Corporate

Because the Third-Party Allotment will cause dilution at a rate of 25% or more and the conversion of Class A Preferred Shares to common shares in the Company will cause a change in the Company's controlling shareholder, it would be needed to obtain an opinion from an independent third-party or confirm the intent of shareholders in compliance with Rule 432 of the Securities Listing Regulations established by the TSE. Therefore, the Company plans to obtain a shareholders' approval about the

Third-Party Allotment by a special resolution at the Ordinary General Meeting of Shareholders.

In addition, in light of the magnitude of the impact on the existing shareholders, the Company appointed Mr. Nobuo Tanaka, a director of the Company, and Mr. Mikio Kobayashi, Mr. Hiroshi Yamaguch and Ms. Mika Narahashi (There four directors are outside directors who have been notified to the TSE as independent officers of the Company and are members of Audit and Supervisory Committee and directors of the Company who are to a certain extent independent from the manager of the Company), in order to ensure fairness, transparency and objectivity in the decision-making process of the Company. The Company consulted them on the Third-Party Allotment, and received the following opinions as of today.

(1) Conclusion

The Third-Party Allotment is deemed necessary and appropriate, and the Third-Party Allotment shall not necessarily be deemed disadvantageous to minority shareholders of the Company.

(2) Reasons

(i) Necessity of the Third Party Allotment

a. Financing needs

It is difficult to resolve the Company's financial difficulties and fundamentally improve its earnings structure without the prompt large-scale financing. The Company is in a situation where, if it were not able to implement fundamental reform including the improvement of cash flow, it would be difficult to continue its business activities, its financial condition would be in an even more difficult position, and its stock price might be significantly impaired. Therefore, there are high financing needs at the Company. In addition, financing through the Third-Party Allotment is also necessary for resolving the capital deficit and the substantial uncertainties with respect to the going concern assumption, and at the same time contributes to the improvement of the earnings structure. Accordingly, it is determined that the use of funds raised by the Financing Plan is reasonable.

b. Necessity of using the Third-Party Allotment

As stated above, the most important factor is to raise equity funds certainly and promptly in the desired time frame in order to eliminate the capital deficit of the Company and improve the financial condition by improving cash flow, given the Company's business performance condition and financial condition.

An equity finance by way of a third-party allotment is the most reliable means for procuring the required amount and might be the most effective option for the Company if an appropriate sponsor can be selected. While the Company has had intensive discussions with a number of potential sponsors on the possibility for support including financial support such as contribution, there is no potential sponsor, except for Mitsubishi Corporation, which is capable of undertaking the same scale of supply of funds as Mitsubishi Corporation, whether solely or jointly by multiple sponsors. It is found that there is no better practical financing means other than the combination of the Third-Party Allotment and Borrowing. Therefore, at this point in time, it would be the best option for the Company to raise funds totaling 180 billion yen of which 70 billion yen which is necessary to eliminate the capital deficit will be raised by way of third-party allotment by issuing Class A Preferred Shares to Mitsubishi Corporation and the remaining amount will be raised by way of borrowing.

c. Summary

As stated above, since there is a need for financing at the Company, and such financing is needed to be made by way of third-party allotment, we believe that the Third-Party Allotment is necessary.

(ii) Reasonableness of the Third-Party Allotment

a. Amount to be paid in and its decision making process

The amount to be paid in for the Class A Preferred Shares was finally agreed upon as a result of faithful discussions and negotiations with Mitsubishi Corporation based also on the results of discussions with several potential sponsors. Given the Company's circumstance in which equity financing in a scale of 70 billion yen is necessary in order to resolve the capital deficit, the Company has determined the amount to be paid in for the Class A Preferred Shares to be the most favorable condition for the Company at this point in time.

There might be a various thoughts as to the valuation of the Class A Preferred Shares since the Class A Preferred Shares do not have a market value and the valuation of class shares is very much complex. The Share Valuation Report, which the Company obtained from a third-party appraiser, points out that, based on the closing price of the common shares of the Company as of May 8, 2019 (i.e., record date of the Share Valuation Report), the Third-Party Allotment is considered substantially beneficial to Mitsubishi Corporation. Meanwhile, it is possible that the stock price of the common shares of the Company as of May 8, 2019 is based on the substantial expectations for contribution by Mitsubishi Corporation, as it has been reported before May 8, 2019 that Mitsubishi Corporation and MUFG Bank have decided to jointly make an investment of over 150 billion yen in the Company. According to the Share Valuation Report, if the stock price had reflected the real corporate value of the Company that is in deficit, it would have become even lower and the value of the Class A Preferred Share would have become lower.

In light of above, we believe that in order to examine the reasonableness of the issue price of the Class A Preferred Shares, decisions must be made based on comprehensive consideration of the following factors: (i) while the stock price of the common shares of the Company as of May 8, 2019 may be based on the substantial expectations for contribution by Mitsubishi Corporation, it may not fully reflect the capital deficit of the Company, since the downward adjustments to the results to reflect the Company's deficit was officially announced on the day following the report that Mitsubishi Corporation and MUFG Bank have decided to jointly make an investment of over 150 billion yen in the Company, (ii) it is highly likely that the Company will proceed to the statutory liquidation procedure and the value of the common shares of the Company becomes zero if the Company does not accept the terms and conditions of the Class A Preferred Shares, (iii) the proposal was a reasonable method to revitalize the Company as the interest rate of the borrowing proposed along with the Class A Preferred Shares is at a reasonable level in light of the capital deficit of the Company, and (iv) the total amounts to be paid in provides the sufficient liquidity with the Company for its business operation.

Furthermore, as the expected dilution ratio resulting from the conversion of the Class A Preferred Shares into common shares of the Company does not exceed 300 percent, and does not constitute the delisting criteria set forth by TSE, the interests of the existing shareholders have been protected to some degrees by maintaining the listing.

Nevertheless, since the Company cannot completely deny the possibility that the amount to be paid in for the Class A Preferred Shares will be considered as an amount especially favorable to Mitsubishi Corporation under the Companies Act, the Company considers it appropriate to confirm the intention of the shareholders, and decided that the issue of the Class A Preferred Shares through the Third-Party Allotment will be subject to the approval of the Ordinary General Meeting of Shareholders by special resolution.

After the comprehensive consideration of terms and situations above, even though the per-share amount to be paid in is significantly lower than the price per Class A Preferred Share described in the Share Valuation Report, the amount to be paid in for the Class A Preferred Share is deemed reasonable and rationale.

b. Dilution

Through the exercise of the put options attached to Class A Preferred Shares, the consideration for which is the common shares of the Company, large dilution is expected to occur.

On the other hand, (i) while the Third-Party Allotment will issue equities at a large scale, such issuance is at a scale that the Company considers necessary to realize the financing, (ii) the Third-Party Allotment to the Planned Allottee is considered to be the most appropriate financing method compared to other financing methods, (iii) the amount to be paid in is considered to be the most favorable terms and conditions for the Company and the existing shareholders at this point in time in light of the severe financial conditions of the Company, discussions with several potential sponsors over the possibility of support and the result of the discussions and negotiations with Mitsubishi Corporation, and is appropriate even in light of the valuation of the share price of the Company provided in the Share Valuation Report. Based on these factors, the Third-Party Allotment is reasonable even considering the possible large dilution resulting from the Third-Party Allotment.

c. Whether sufficient attention has been paid to the interests of the existing shareholders through fair procedures

While Mitsubishi Corporation, the allottee of the Third-Party Allotment, is not a controlling shareholder of the Company, considering that Mitsubishi Corporation is the Company's largest shareholder which holds 86,931,220 common shares (33.57% of the total number of voting rights of the Company), and that the Company accepts the secondment of one director from Mitsubishi Corporation, the Company has, by taking the following measures for avoiding conflicts of interests and for ensuring fairness of the Third-Party Allotment, made a decision on the Third-Party Allotment for the benefit of its shareholders.

(a) Obtaining the Share Valuation Report from a third-party appraiser independent from Mitsubishi Corporation

(b) Obtaining advice from Anderson Mori & Tomotsune, a Japanese law firm independent from Mitsubishi Corporation

(c) Finally obtaining approval from all the directors (including the members of Audit and Supervisory Committee) having no interest

In light of the above measures, we believe that the Third-Party Allotment is based on fair procedures, and sufficient attention has been paid to the interests of the existing shareholders.

d. Summary

As stated above, considering that the conditions of the Third-Party Allotment are rational, and sufficient attention has been paid to the interests of the existing shareholders through fair procedures, the Third-Party Allotment is reasonable.

(iii) Whether the Third-Party Allotment is disadvantageous to minority shareholders

As stated in "(i) Necessity of the Third-Party Allotment" above, considering that the Company needs to raise funds through the Third-Party Allotment, we believe that the Third-Party Allotment will enhance the corporate value of the Company.

In addition, as stated in "(ii) Reasonableness of the Third-Party Allotment", the conditions of the Third-Party Allotment including the amount to be paid in are rationale, and sufficient attention has been paid to the interests of the existing shareholders through fair procedures.

In conclusion, the Third-Party Allotment is not particularly disadvantageous to the shareholders other than Mitsubishi Corporation.

10. Business Results for and Status of Equity Finance Executed in Previous Three Fiscal Years

(1) Business Results for Previous Three Years (on a consolidated basis) (in millions yen, except for special notes)

	Ended March, 2017	Ended March, 2018	Ended March, 2019
Net Sales	603,745	510,873	341,952
Operating Income (loss)	15,680	(12,330)	(199,795)
Ordinary Income (loss)	(3,080)	(10,100)	(192,998)
Net Income (loss)	(41,116)	6,445	(214,948)
Net Income (loss) per Share (yen)	(158.76)	24.89	(830.02)
Dividend per Share (yen)	6.00	7.50	0.00
Consolidated Net Assets per Share (yen)	599.83	608.41	(232.13)

(2) Current Number of Issued Shares and Number of Dilutive Shares (as of March 31, 2019)

Type	Number of Shares	Ratio to Total Number of Issued Shares
Number of Issued Shares	260,324,529	100.00%
Number of Potential Shares at Current Conversion Price (exercise price)	700,000,000	268.89%
Number of Potential Shares at Minimum Conversion Price (exercise price)	—	—
Number of Potential Shares at Maximum Conversion Price (exercise price)	—	—

(3) Recent Stock Prices

(i) Stock Prices for Recent Three Years

	Ended March, 2017	Ended March, 2018	Ended March, 2019
Opening (yen)	830	726	1,007
High (yen)	933	1,110	1,150
Low (yen)	611	537	250
Closing (yen)	718	1,004	264

(ii) Stock Prices for Recent Six Months

	November	December	January	February	March	April
Opening (yen)	462	321	302	328	315	271

High (yen)	462	342	363	393	323	388
Low (yen)	306	250	286	290	263	270
Closing (yen)	322	310	330	309	264	352

(iii) Stock Price on the Business Day Immediately Preceding the Date of Resolution Authorizing the Issuance

	May 8, 2019
Opening (yen)	305
High (yen)	306
Low (yen)	292
Closing (yen)	299

(4) Equity Finance for Recent Three Years

N/A

11. Terms and Conditions of Issuance

Please see Appendix 1 "Terms and Conditions of Class A Preferred Shares".

II. Partial Amendment to the Articles of Incorporation

1. Purpose of the Partial Amendment to the Articles of Incorporation

The Company proposes to amend the Articles of Incorporation in order to issue Class A Preferred Shares as an additional equity security available to the Company and to add corresponding articles to address the Class A Preferred Shares (the "Partial Amendment 1").

Also, the company proposes to amend the Articles of Incorporation which has reflected the Partial Amendment 1 in order to further increase the total number of common shares and class A shares authorized to be issued under Article 6 of the Articles of Incorporation which enables the Company to issue the common shares upon the exercise of the put options (the "Partial Amendment 2"). The Partial Amendment 2 is subject to the approvals of the Ordinary General Meeting of Shareholders of the Third-Party Allotment and Partial Amendment 1, and issuance of the Class A Preferred Shares pursuant to the Third-Party Allotment.

2. Contents of the Partial Amendments to the Articles of Incorporation.

Please see the Appendix 2 and Appendix 3 of the Japanese press releases announced today for the details of the Partial Amendment 1 and Partial Amendment 2.

3. Schedule of the Partial Amendment to the Articles of Incorporation

Board of Directors' resolution submit the proposed Partial Amendment 1 and Partial Amendment 2 to the Articles of Incorporation to the Ordinary General Meeting of Shareholders	May 9, 2019
Resolution of the Ordinary General Meeting of Shareholders	June 25, 2019
Effective date of the Partial Amendment 1 (scheduled)	June 25, 2019
Issuance of Class A Preferred Shares (scheduled)	July 1, 2019
Effective date of the Partial Amendment 2 (scheduled)	July 1, 2019

End

(Appendix 1)

Terms and Conditions for Issuance of Class A Preferred Shares

1. Name of Shares
   Chiyoda Corporation Class A Preferred Shares (the "Class A Preferred Shares")
2. Number of Shares Offered for Subscription
   175,000,000 shares
3. Amount to be Paid in for Shares Offered for Subscription
   400 yen per share
4. Total Amount to be Paid in for Shares Offered for Subscription
   70,000,000,000 yen
5. Stated Capital and Capital Reserve to be Increased

Stated capital:	35,000,000,000 yen (200 yen per share)
Capital reserve:	35,000,000,000 yen (200 yen per share)

6. Payment Date
   July 1, 2019
7. Subscription Period
   July 1, 2019
8. Method of Issuance
   All Class A Preferred Shares will be allotted to Mitsubishi Corporation by a third party allotment.
9. Dividends from Surplus
   (1) Preferred Dividends
   If the Company is to pay dividends from surplus, it shall pay the dividends in cash to shareholders who hold the Class A Preferred Shares (the "Class A Preferred Shareholders") or registered pledgees of the Class A Preferred Shares (the "Registered Class A Preferred Share Pledgees") entered or recorded in the final shareholders register as at the record date for such dividends (the "Record Date for Dividends"), in preference to shareholders who hold common shares (the "Common Shareholders") and registered pledgees of common shares (the "Registered Common Share Pledgees") entered or recorded in the final shareholders register as at the Record Date for Dividends, in the amount provided in Item (2) below for each Class A Preferred Share (the amount to be paid as such dividend will be hereinafter referred to as the "Class A Preferred Dividend").
   (2) Amount of Preferred Dividends
   The amount of the Class A Preferred Dividend per Class A Preferred Share will be the amount calculated by using the following formula on a daily prorated basis assuming a

year to be 365 days (or 366 days, if the business year contains a leap day) for the actual number of days elapsed in the period from and including the first day of the business year (or the payment date, if the Record Date for Dividends belongs to a business year ending on the last day of March 2020) up to and including the Record Date for Dividends. If, however, dividends from surplus are paid to the Class A Shareholders or the Registered Class A Preferred Share Pledgees using a record date prior to the Record Date for Dividends during a business year to which the Record Date for Dividends belongs, the amount to be paid as the Class A Preferred Dividend for each Class A Preferred Share will be reduced by the total amount of the Class A Preferred Dividends per Class A Preferred Share paid at each of such dividends (The Class A Preferred Dividend will be calculated to two (2) decimal places and then rounded off to one (1) decimal place).

<Formula>

Class A Preferred Dividend = JPY 400 × 3.0%

(3) Accumulation Clause

If the total amount of dividends from surplus per share paid to the Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees in any particular business year does not reach the amount of the Class A Preferred Dividend that would be paid if the last day of such business year were the only record date, the amount of such shortfall will be accumulated to the subsequent business years, and the accumulated shortfall amount (the "Class A Accumulated and Unpaid Dividends") will be paid as dividend in the said subsequent business years to the Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees in preference to the payment of the Class A Preferred Dividend and the dividends from surplus to the Common Shareholders and the Registered Common Share Pledgees.

(4) Non-participation Clause

No dividends from surplus in excess of the Class A Preferred Dividend will be paid to the Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees.

10. Distribution of Residual Assets

(1) Preferred Distribution

If the Company is to distribute residual assets, it shall distribute to the Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees, in preference to the Common Shareholders and the Registered Common Share Pledgees, the amount in cash for each Class A Preferred Share calculated by adding the amount equivalent to the Class A Accumulated and Unpaid Dividends and the Amount Equivalent to the Class A Accrued and Unpaid Dividends to JPY 400.

"Amount Equivalent to the Class A Accrued and Unpaid Dividends" is the amount of the preferred dividends obtained, assuming the residual asset distribution date to be the Record

Date for Dividends, by applying the number of days elapsed in the period from and including the first day of the business year (or the payment date, if the residual asset distribution date belongs to a business year ending on the last day of March 2020) up to and including the residual asset distribution date to the formula set forth in Item (2) of Section 9 above.

(2) Non-participation Clause

No distribution of residual assets in excess of the amount provided in Item (1) above will be made to the Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees.

11. Voting Rights

Class A Preferred Shareholders do not have voting rights at general meetings of shareholders.

12. Put Option the Consideration for which is Cash (Redemption Request)

(1) Details of Redemption Request

Each Class A Preferred Shareholder is entitled to request the Company at any time on or after July 1, 2021 to acquire all or part of the Class A Preferred Shares held by such Class A Preferred Shareholder in consideration for cash (the "Redemption Request"). In such case, on the date when such Redemption Request takes effect, the Company shall deliver to the requesting Class A Preferred Shareholder, in exchange for the acquisition by the Company of one (1) Class A Preferred Share, cash consideration in the amount set forth in Item (2) below not exceeding the Distributable Amount within the meaning of Article 461, Paragraph 2 of the Companies Act as of the date of such Redemption Request (the "Redemption Request Date") to the extent permissible under laws and regulations. If a Redemption Request is made in excess of the Distributable Amount as of the Redemption Request Date, the Class A Preferred Shares to be acquired will be determined in proportion to the number of the Class A Preferred Shares for which the Redemption Request is made.

(2) Redemption Price

The redemption price per share of the Class A Preferred Shares will be the higher of (a) or (b) below:

(a) The amount calculated by multiplying the amount equivalent to the average of the volume weighted average prices (the "VWAPs") in regular trade of the Company's common shares announced by the Tokyo Stock Exchange, Inc. (the "TSE") for thirty (30) consecutive Trading Days counting from the forty-fifth (45th) Trading Day prior to the Redemption Request Date (The price will be calculated to two (2) decimal places and then rounded off to one (1) decimal place. If, during the abovementioned period, any of the events provided in Section 14, Item (3) occurs, the average of the VWAPs mentioned above will be adjusted to a value that the Company deems appropriate in accordance with Section 14, Item (3).) by the Base Number of Shares defined below.

For the purpose of this (a), “Base Number of Shares” means the value calculated by first adding the amount equivalent to the Class A Accumulated and Unpaid Dividends and the Amount Equivalent to the Class A Accrued and Unpaid Dividends to JPY 400 and then dividing the sum by the conversion price calculated in accordance with Section 14, Items (2) and (3).

“Trading Day” means the day on which regular trade in the Company’s common shares is conducted on the TSE, excluding the days on which no VWAP is announced by the TSE (the same applies hereafter).

(b) The amount calculated by adding the amount equivalent to the Class A Accumulated and Unpaid Dividends and the Amount Equivalent to the Class A Accrued and Unpaid Dividends to JPY 400.

In this Item, the Amount Equivalent to the Class A Accrued and Unpaid Dividends is calculated by replacing the term “residual asset distribution date” in the calculation of the Amount Equivalent to the Class A Accrued and Unpaid Dividends provided in Section 10, Item (1) with the term Redemption Request Date.”

(3) The Place at which Redemption Requests are Accepted

Stock Transfer Agency Department of Mitsubishi UFJ Trust and Banking Corporation

(4) Effectuation of Redemption Requests

A Redemption Request takes effect when the document necessary for the Redemption Request reaches the place at which Redemption Requests are accepted set out in Item (3) above or on the desired date indicated on that document, whichever is later.

13. Call Option the Consideration for which is Cash (Mandatory Redemption)

(1) Details of Mandatory Redemption

Regardless of the intention of the Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees, the Company may, on or after July 1, 2021 upon the occurrence of the date separately determined by the Board of Directors of the Company (the “Mandatory Redemption Date”), deliver to the Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees, in exchange for the acquisition by the Company of all or part of the Class A Preferred Shares, cash consideration in the amount set forth in Item (2) below not exceeding the Distributable Amount within the meaning of Article 461, Paragraph 2 of the Companies Act as of the Mandatory Redemption Date of the Class A Preferred Shares after giving notice to such Class A Preferred Shareholders or the Registered Class A Preferred Share Pledgees no later than two (2) weeks prior to the Mandatory Redemption Date. When acquiring part of the Class A Preferred Shares, the Class A Preferred Shares to be acquired will be determined in proportion to the number of the Class A Preferred Shares to be acquired.

(2) Mandatory Redemption Price

The mandatory redemption price per share of the Class A Preferred Shares will be the higher of (a) or (b) below:

(a) The amount calculated by multiplying the amount equivalent to the average of the VWAPs for thirty (30) consecutive Trading Days counting from the forty-fifth (45th) Trading Day prior to the Mandatory Redemption Date (The price will be calculated to two (2) decimal places and then rounded off to one (1) decimal place. If, during the abovementioned period, any of the events provided in Section 14, Item (3) occurs, the average of the VWAPs mentioned above will be adjusted to a value that the Company deems appropriate in accordance with Section 14, Item (3).) by the Base Number of Shares defined below.

For the purpose of this (a), "Base Number of Shares" means the value calculated by first adding the amount equivalent to the Class A Accumulated and Unpaid Dividends and the Amount Equivalent to the Class A Accrued and Unpaid Dividends to JPY 400 and then dividing the sum by the conversion price calculated in accordance with Section 14, Items (2) and (3).

(b) The amount calculated by adding the amount equivalent to the Class A Accumulated and Unpaid Dividends and the Amount Equivalent to the Class A Accrued and Unpaid Dividends to JPY 400.

In this Item, the Amount Equivalent to the Class A Accrued and Unpaid Dividends is calculated by replacing the term "residual asset distribution date" in the calculation of the Amount Equivalent to the Class A Accrued and Unpaid Dividends provided in Section 10, Item (1) with the term "Mandatory Redemption Date."

14. Put Option the Consideration for which is Common Shares (Conversion Request)

(1) Details of Conversion Request

Each Class A Preferred Shareholder is entitled to request the Company at any time on or after July 1, 2019 to acquire all or part of the Class A Preferred Shares held by such Class A Preferred Shareholder in exchange for the delivery of common shares in such number as provided in Item (4) below (the "Conversion Request"), and the Company shall deliver the common shares in such number as provided in Item (4) to the extent permissible under laws and regulations in exchange for the acquisition by the Company of the Class A Preferred Shares for which the Conversion Request is made. However, for making a Conversion Request, the Class A Preferred Shareholders must have duly and effectively completed all necessary procedures under domestic and foreign competition laws for acquiring common shares before making a Conversion Request (as regards procedures that require a waiting period, such waiting period has to have expired as well). The date on which the Conversion Request takes effect pursuant to Item (6) below will be hereinafter referred to as the "Conversion Request Effective Date."

(2) Initial Conversion Price

The initial conversion price is JPY 100.

(3) Adjustment of Conversion Price

(a) If any of the following events occurs, the conversion price will be adjusted as set out below:

(i) If the common shares of the Company are subject to a share split or gratis allotment of shares, the conversion price will be adjusted in accordance with the formula set out below. In the case of a gratis allotment of shares, the terms "number of issued common shares before split" and "number of issued common shares after split" in the following formula are deemed to be replaced with "number of issued common shares before gratis allotment (excluding common shares held by the Company at that time)" and "number of issued common shares after gratis allotment (excluding common shares held by the Company at that time)," respectively.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued common shares before split}}{\text{Number of issued common shares after split}}$$

The conversion price after adjustment will apply from the day following the record date for the share split or the day on which the gratis allotment takes effect (or, if a record date for the gratis allotment is determined, from the day following such record date).

(ii) If the common shares of the Company are subject to a share consolidation, the conversion price will be adjusted in accordance with the following formula:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued common shares before consolidation}}{\text{Number of issued common shares after consolidation}}$$

The conversion price after adjustment will apply from day on which the share consolidation takes effect.

(iii) If the Company issues common shares, or disposes of common shares held by the Company, at a paid-in amount below the market price per common share provided in (d) below (excluding the case of a gratis allotment, the case of an acquisition of shares or stock acquisition rights (*shinkabu yoyakuken*) (including those attached to bonds with stock acquisition rights; hereinafter the same in this Item) in exchange for delivery of common shares, the case of an exercise of stock acquisition rights to acquire common shares or the case of a delivery of common shares by amalgamation, stock swap or company split), the conversion price will be adjusted in accordance with formula set out below (the "Conversion Price Adjustment Formula"). If any property other than money is the subject of contribution, "Amount to be paid in per share" in the Conversion Price Adjustment Formula will be the fair value of such property. The conversion price after adjustment will apply from the day following the payment date (or following the last day of a payment period if such payment period is determined) or, if a record date for the allotment of shares to shareholders is determined, from the day following such record date (the "Shareholder Allotment Date"). If the Company disposes of common shares held by it, the terms "number of newly issued shares" and "number of treasury shares" in the following formula are deemed to be replaced with "number of shares disposed of" and "number of treasury shares before disposal," respectively.

$$\begin{array}{c}\text{Conversion price}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Conversion price}\\ \text{before adjustment}\end{array} \times \frac{\left(\begin{array}{c}\text{Number of issued common}\\ \text{shares - Number of}\\ \text{treasury shares}\end{array}\right) + \dfrac{\begin{array}{c}\text{Number of newly}\\ \text{issued shares}\end{array} \times \begin{array}{c}\text{Amount to be}\\ \text{paid in per share}\end{array}}{\text{Market price}}}{\left(\begin{array}{c}\text{Number of issued shares - Number of}\\ \text{treasury shares}\end{array}\right) + \text{Number of newly issued shares}}$$

(iv) If the Company issues or disposes of shares that entitle their holders to receive delivery of common shares at a conversion price per common share below the market price per common share provided in (d) below by causing the Company to acquire such shares or being acquired by the Company (this includes the case of a gratis allotment of shares), then, as of the payment date for such shares (or on the last day of a payment period if such payment period is determined; hereinafter the same in this (iv)), as of the day on which a gratis allotment of shares takes effect, if applicable (or, if a record date for the gratis allotment of shares is determined, such record date; hereinafter the same in this (iv)), or as of the Shareholder Allotment Date, if there is such date, all of the shares to be issued or disposed of will be deemed to have been acquired by the Company and relevant common shares will be deemed to have been delivered on the initial terms, and the amount to be calculated as the "amount to be paid in per share" in the Conversion Price Adjustment Formula using that amount will be the conversion price after adjustment. The conversion price after adjustment will apply from the day following the payment date, or in the case of a gratis allotment of shares, from the day following the day on which such allotment takes effect, or if there is a Shareholder Allotment Date, from the day following that date. Notwithstanding the foregoing, if the consideration for the common shares to be delivered upon acquisition has not been determined as at the point in time mentioned above, the conversion price after adjustment will be calculated assuming that all shares to be issued or disposed of at the time of determination of such consideration have been acquired and relevant common shares have been delivered on the terms as at the point in time when the consideration is determined, and this will apply from the day following the day on which such consideration is determined.

(v) If the Company issues stock acquisition rights that, by being exercised or being acquired by the Company, entitle their holders to receive delivery of common shares at a price whereby the aggregate of the amount to be paid in for the stock acquisition rights per common share and the property to be contributed on exercise of the stock acquisition rights (if any property other than money is the subject of contribution, the fair value of such property; hereinafter the same in this (v)) falls below the market price per common share provided in (d) below (this includes the case of a gratis allotment of stock acquisition rights), then, as of the date of allotment of such stock acquisition rights, as of the day on which a gratis allotment of stock acquisition rights takes effect, if applicable (or, if a record date for the gratis allotment of stock acquisition rights is determined, such record date; hereinafter the same in this (v)), or as of the Shareholder Allotment Date, if there is such date, all of the stock acquisition rights to be issued will be deemed to have been exercised or acquired and relevant common shares will be deemed to have been delivered on the initial terms, and the amount to be calculated as the "amount to be paid in per share" in the Conversion Price Adjustment Formula using the aggregate of the amount to be paid in for the stock acquisition rights per common share and the property to be contributed on exercise of the stock acquisition rights per common share will be the conversion price after adjustment. The conversion price after adjustment will apply from the day following the allotment date of such stock acquisition rights, or in the case of a gratis allotment of stock acquisition rights, from the day following the day on which such allotment takes effect, or if there is a Shareholder Allotment Date, from the day following that date. Notwithstanding the foregoing, if the consideration for the common shares to be issued upon acquisition or exercise has not been determined as at the point in time mentioned above, the conversion price after adjustment will be calculated assuming that all stock acquisition rights to be issued at the time of determination of such consideration have been exercised or acquired and relevant common shares have been delivered on the terms as at the point in time when the consideration is determined, and this will apply from the day following the day on which such consideration is determined.

(b) In addition to the events provided in (a) above, if any of the events provided in (i) through (iii) below occurs, the Company will adjust the conversion price in an appropriate manner after giving prior written notice to the Class A Preferred Shareholders and the Registered Class A Preferred Share Pledgees to that effect and also stating the reasons for such adjustment, the conversion price after adjustment, the day on which such adjusted conversion price becomes effective and any other necessary matters:

(i) If it is necessary to adjust the conversion price because of: a merger; share exchange; acquisition of all issued shares of other joint-stock company through share exchange; share transfer; absorption-type split; succession to all or part of the rights and obligations held by other company in relation to its own business through absorption-type split; or incorporation-type split;

(ii) If two or more events necessitating an adjustment to the conversion price occur consecutively, and in calculating the adjusted conversion price due to one of such events, it is necessary to consider the effect of the other event on the market price that ought to be used in that calculation; or

(iii) If the adjustment of the conversion price is otherwise necessary due to the occurrence of any event that changes or may change the number of issued common shares (excluding the number of common shares held by the Company).

(c) Any calculation necessary in adjusting the conversion price will be made to two (2) decimal places and then rounded off to one (1) decimal place.

(d) The market price per common share to be used in the Conversion Price Adjustment Formula is the average of the VWAPs for thirty (30) consecutive Trading Days counting from the forty-fifth (45th) Trading Day prior to the day to which the adjusted conversion price is applied.

(e) If, as a result of a calculation made in adjusting the conversion price, the difference between the adjusted conversion price and the pre-adjustment conversion price is less than 0.1 yen, no adjustment will be made to the conversion price. However, any adjustment determined to be unnecessary in this (e) will be carried forward to be considered for the calculation of the subsequent adjustments.

(4) Number of Common Shares to be Delivered in Exchange for Acquisition

$$\text{Number of common shares to be delivered in exchange for the acquisition} = \frac{\text{Number of Class A Preferred Shares subject to Conversion Request} \times \begin{array}{l}\text{400 yen} \\ + \text{ Amount equivalent to the Class A Accumulated and Unpaid Dividends} \\ + \text{ Amount Equivalent to the Class A Accrued and Unpaid Dividends)}\end{array}}{\text{Conversion price}}$$

In this Item, the Amount Equivalent to the Class A Accrued and Unpaid Dividends is calculated by replacing the term “residual asset distribution date” in the calculation of the Amount Equivalent to the Class A Accrued and Unpaid Dividends provided in Section 10, Item (1) with the term “Conversion Request Effective Date.”

(5) Place at which Conversion Requests are Accepted

Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation

(6) Effectuation of Conversion Requests

A Conversion Request takes effect when the document necessary for the Conversion Request reaches the place at which Conversion Requests are accepted set out in Item (5) above or on the desired date indicated on that document, whichever is later.

15. Restrictions on Transfer

Any acquisition of the Class A Preferred Shares by transfer will be subject to the approval of the Company’s Board of Directors.

16. Share Consolidation or Split and Gratis Allotment of Shares

Except as otherwise provided by laws and regulations, the Company will not implement share consolidation or split in relation to the Class A Preferred Shares. The Company will not grant to the Class A Preferred Shareholders any right to receive the allotment of shares offered for subscription or stock acquisition rights offered for subscription, nor will it implement a gratis allotment of shares or gratis allotment of stock acquisition rights to the Class A Preferred Shareholders.