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Date: July 18, 2019

Company Name: Akebono Brake Industry Co., Ltd.
Representative: Chairman, President & CEO Hisataka Nobumoto
(Securities Code: 7238 TSE First Section)

Re: Issuance of Class Shares through Third-Party Allotment,
Partial Amendments to the Articles of Incorporation, and
Reduction of Amounts of Capital Stock and Legal Capital Surplus

Akebono Brake Industry Co., Ltd. (the “Company” or “we”) hereby announces that the Board of Directors of the Company, at its meeting held today, passed a resolution for items 1. and 2. below.

1. The Company will enter into an investment agreement (the “Investment Agreement”) with Japan Industrial Solutions Fund II (the “Planned Allottee”) to issue a total of 20,000,000,000 yen of the Class A Shares through third-party allotment to the Planned Allottee (the “Capital Increase through Third-Party Allotment”).
2. The Company will convene its extraordinary general meeting of shareholders scheduled to be held on September 27, 2019 (the “Extraordinary General Meeting of Shareholders”) and submit, to the Extraordinary General Meeting of Shareholders, agendas regarding (i) the partial amendments to the Articles of Incorporation relating to the creation of the provisions for the Class A Shares, etc. (the “Amendments to the Articles of Incorporation”, for details, please see “II. Partial Amendments to the Articles of Incorporation” below); (ii) the Capital Increase through Third-Party Allotment; and (iii) the reduction of the amounts of capital stock and legal capital surplus, and the transfer of such amounts to other capital surplus to be conducted as of December 31, 2019, as the effective date, on the condition that the Capital Increase through Third-Party Allotment be effected (the “Reduction of the Amount of Capital Stock, etc.”, for details, please see “III. Reduction of the Amount of Capital Stock, etc.” below). (For details, please see the notice “Re: Convocation of the Extraordinary General Meeting of Shareholders and Setting of the Record Date for Convening the Extraordinary General Meeting of Shareholders” disclosed today.)

I. The Capital Increase through Third-Party Allotment

1. Overview of the Offering

(1) Payment period	From September 30, 2019 to December 31, 2019 (Notwithstanding the above, it has been agreed upon with the Planned Allottee, in the Investment Agreement, that the payment will be made on September 30, 2019. However, if the Proposed Business Turnaround Plan (as defined below) is not resolved by the business day preceding September 30, 2019, the payment will be made on a date on which three (3) business days elapse after the date on which all of the conditions precedent to the payment obligation as set forth in the Investment Agreement are satisfied or waived or on a date (which is limited to a date during the payment period) that is separately agreed upon by and between the Company and the Planned Allottee.)
(2) Number of shares to be issued	20,000 shares of Class A Shares
(3) Issue price	1,000,000 yen per share
(4) Total issue price	20,000,000,000 yen For the estimated amount less the estimated issuance expenses, please see “3. Amounts, Usage and Scheduled Timing of Use of the Funds to be Procured” below.
(5) Method of subscription or allotment (Planned Allottee)	All of the Class A Shares will be allotted to Japan Industrial Solutions Fund II through third-party allotment.
(6) Other	For details, please see Appendix I “Terms and Conditions of Class A Shares.” The issuance of the Class A Shares is subject to the conditions that approval of the following proposals is obtained at the Extraordinary General Meeting of Shareholders: (i) the Amendments to the Articles of Incorporation; (ii) the Capital Increase through Third-Party Allotment; (iii) the Reduction of the Amount of Capital Stock, etc.; and (iv) the election of one (1) person (or two (2) persons, if it is decided to nominate two (2) candidates pursuant to the provision of the Investment Agreement) designated by the Planned Allottee as an outside director of the Company (the “Election of Outside Director”); and that at the continuation meeting of the creditors’ meeting for a resolution on a proposed business turnaround plan scheduled to be held on September 18, 2019 with respect to the specified certified dispute resolution proceedings under the Act on Strengthening Industrial Competitiveness (the “Business Turnaround ADR Proceedings”), the proposed business turnaround plan

	formulated by the Company (the “Proposed Business Turnaround Plan”) is resolved by agreement of all creditors under the Business Turnaround ADR Proceedings (the “Creditors”).
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2. Purpose and Reason for Offering

(1) Background to and purpose of offering

The group of the Company (the “Group”) states as its corporate mission “Through ‘Friction and Vibration, their Control and Analysis,’ we are determined to protect, grow and support every individual life,” and based on its management policy, i.e., “Customer needs first, Technology realignment, and Establishing a global network,” the Group contributes to society through unique idea and approach, and strives for establishing its position as essential and unprecedented existence among the borderless society.

Under such situation, with respect to the Group, due to the disruption of production in North American operations occurring in the fiscal year ended March 31, 2015, there were operating losses recognized twice consecutively in the North American operations for the fiscal year ended March 31, 2016, and, at the same time, since a substantial amount of impairment loss was recognized, the entire consolidated financial condition deteriorated. Accordingly, in the previous mid-term business plan “akebono New Frontier 30 – 2016,” with the goal of further strengthening competitiveness and establishing a management foundation, centered on product-based business development on a global base, the Company established the three key objectives of “Rebuilding the North American operations,” “Establishing global networks based on product based business units,” and “Expanding high performance brake business and recreating European operations,” and the Company carried out activities aimed at a “Return to a sound financial structure” by achieving these objectives.

Among the above key objectives, with respect to “Rebuilding the North American operations,” the Company implemented fundamental organizational reforms by strengthening the local-led management system and transitioning from management focused on sales to management focused on profit. Specifically, we worked to improve the profitability of unprofitable products with the cooperation of automakers, and returning to our foundation of “safety, quality, delivery,” the Company improved indirect operations, including improving productivity and reducing selling, general and administrative expenses, thereby returning to profitability in the fiscal year ended March 31, 2018. However, in the fiscal year ended March 31, 2019, the final year of the previous mid-term business plan, further management challenges occurred, such as the increase of costs due to a spike in the raw materials markets and the failure of the planned reduction of the fixed cost in response to reduced sales resulting from lack of orders of new-model vehicles, and the local-led management system which had been strengthened in the preceding year could not fully cope with those challenges, and as a result, the Company recorded large-scale losses. Also, with respect to “Establishing global networks based on product-based business units,” as business diversification continues to increase on a global level, to further deepen collaboration among its businesses being

operated in Japan, North America, Europe, and Asia, the Company launched a product-based business unit structure (BU structure), which would not be restricted to regions. Specifically, the Company established five BUs: 1) Foundation BU (BU responsible for disc brakes, drum brakes and other mechanical parts), 2) Friction Material BU (BU responsible for brake pads, linings, and other friction materials), 3) HP BU (BU responsible for high performance disc brakes), 4) Aftermarket BU, and 5) Infrastructure and Mobility BU. In and after the fiscal year ended March 31, 2017, starting from Japan and Asia, the Company began to develop the BU structure also in North America in January 2019 as the Company worked to establish global networks (furthermore, in April 2019 the Company consolidated the HP BU into the Foundation BU, resulting in four BUs). With respect to “Expanding high performance brake business and recreating European operations,” the Company applied the high performance brake technology cultivated in F1 to the mass-market products and worked to diversify and create high added value in the products. In the Slovakia Plant established in May, 2014, the Company manufactured high performance brakes, and, as of the fiscal year ended March 31, 2019, the Company produced approximately one million pieces annually. In our Arras Plant in France, another one of our European locations, we worked to enhance local management to improve competitiveness, organize our manufacturing system, and improve productivity, making efforts to achieve a prompt return to profitability and to secure orders for new models.

Thus, we temporarily achieved the key objectives set forth in the previous mid-term business plan, including returning to profitability in the North American operations, and aimed to “Return to a sound financial structure”. However, since then, there have been new issues in the North American operations, including the withdrawal of U.S. car manufacturers from passenger car production and the lack of orders for brake products for the next model due to disruption of production in connection with the rapid increase of orders, and the Company could not free itself from the severe management situation and financial position.

Amid these conditions, in order to establish a strong profit structure and thoroughly improve the financial position, as of January 29, 2019, the Company and its subsidiaries, i.e., Akebono Brake Corporation, Akebono Brake Mexico S.A. de C.V., Akebono Brake Slovakia s.r.o., Akebono Corporation (Guangzhou), Akebono Corporation (Suzhou), and A&M Casting (Thailand) Co., Ltd. (the “Companies”) formally applied for the Business Turnaround ADR Proceedings with the Japanese Association of Turnaround Professionals, the operator handling the Business Turnaround ADR Proceedings, and the application was accepted on the same day. Also, on the same day, the Companies sent notices of standstill to all of the financial institutions under the joint names of the Companies and the Japanese Association of Turnaround Professionals (requests for temporary stop of return of principal of borrowings). At the creditors’ meeting for the explanation of the outline of the Proposed Business Turnaround Plan held on February 12, 2019, the Company explained the outline of the Proposed Business Turnaround Plan to all of the financial institutions, and the Company obtained the consent

(ratification) with respect to the above notices of standstill from the financial institutions, as well as their authorization to extend the period of the standstill until the closing of the creditors' meeting for a resolution on the Proposed Business Turnaround Plan (in the event the meeting is postponed or continued, this includes the postponed or continued date). At the creditors' meeting for discussing the Proposed Business Turnaround Plan held on April 8, 2019, in addition to reporting on then current status of the formulation of the Proposed Business Turnaround Plan, the Company obtained approval from the financial institutions for holding an additional meeting on June 11, 2019, as a continuation of the meeting held on April 8, 2019.

At the continued creditors' meeting for discussing the Proposed Business Turnaround Plan and the creditors' meeting for a resolution on the said plan held on June 11, 2019, in addition to reporting on the status of the formulation of the Proposed Business Turnaround Plan as of the said date, the Company obtained approval from the financial institutions for continuing the Business Turnaround ADR Proceedings in order to continue the consultation about the Proposed Business Turnaround Plan, and holding an additional meeting on July 22, 2019 (planned), as a continuation of the continued creditors' meeting for discussing the Proposed Business Turnaround Plan and holding the continued creditors' meeting for a resolution on the said plan on September 18 (planned), as well as for continuously granting the right of preferential payment for claims related to pre-DIP financing funds based on commitment line agreements, etc.

With respect to the details of the above matters, please see "Notice on Application for and Acceptance of Business Turnaround ADR Proceedings" as of January 30, 2019, "Notice on Establishment and Agreement of First Creditors' Meeting under Business Turnaround ADR Proceedings" as of February 12, 2019, "Notice on Holding Creditors' Meeting for Discussing Proposed Business Turnaround Plan under Business Turnaround ADR Proceedings" as of April 8, 2019, and "Notice on Holding Creditors' Meeting for Discussing Proposed Business Turnaround Plan and Creditors' Meeting for Resolution on Proposed Business Turnaround Plan under Business Turnaround ADR Proceedings" as of June 11, 2019. While the Company aims at completing the Business Turnaround ADR Proceedings, as the completion of the Business Turnaround ADR Proceedings requires agreement on the Business Turnaround Plan by all of the financial institutions, in order to prepare the relevant Proposed Business Turnaround Plan, the discussion with the financial institutions is still needed.

While it takes a considerable amount of time to complete the Business Turnaround ADR Proceedings, the consolidated operating profit of the Group remained at 0.2 billion yen for the business year ended on March 31, 2019, due to the impact of significant increase of raw material price mainly in Japan and North America and delay in the measures to optimize the production system and central functions in response to decline in orders. In addition, as a substantial amount of impairment loss was recognized in North America, Europe and Thailand, it resulted in a net loss of approximately 18.3 billion yen attributable to the owners of the parent, and negative shareholders' equity in the consolidated balance sheet amounted to 5.5 billion yen(*). As a result, due to

the conflict with the provisions of financial restrictions and the difficulty in implementing the agreed repayments of some bank borrowings, the Group is now in the condition where there are events and situations that pose significant doubts about the assumptions of a going concern.

(*Note) As disclosed in “Notice on Recognition of Extraordinary Loss” dated today, the Company will recognize the extraordinary loss of 7.8 billion yen in the first quarter of the fiscal year ending March 31, 2020, as the amount to be incurred concerning the quality issues of the parking brake which the Company and its consolidated subsidiaries manufactured and sold in the past.

In this manner, the financial condition and current cash flow of the Group are both deteriorated. In order to solve this situation and to realize profit structure reform and recovery of its performance, it is urgent to achieve raising a large amount of capital funds as well as improvement of profitability and stabilization of cash flow in Japan and abroad through implementation of structural reform toward fundamental improvement of financial position.

Upon such situation, in formulating the Proposed Business Turnaround Plan under the Business Turnaround ADR Proceedings, the Company reached conclusion that in order to free the Company from the above stated severe management situation, establish a strong profit structure and thoroughly improve its financial position, and to turnaround the business of the Company, it is essential that the Company secure the funds and the resource for accomplishment of the structural reform, by obtaining the provision of capital funds and various support in terms of business from sponsors, as well as by obtaining the financial institutions’ agreement on the financial support, and at the same time the Company improve its financial position and current cash flow, and early and thoroughly resolve the financial and business issues of the Group. In light of this conclusion, for the purpose of concrete consolation with sponsors, the Company appointed PwC Advisory LLC as the financial advisor, and, in order to find the sponsor who would provide capital funds, the Company has requested more than 40 companies and financial investors as the sponsor candidates to consider investment, since the filing for the Business Turnaround ADR Proceedings. As a result of such search for sponsors, several companies expressed their primary intentions, and several financial investors among them actually proceeded with due diligence. Furthermore, as a result of such due diligence, the Company selected, as the sponsor, the Planned Allottee which offered reasonable assistance consistent with the purposes of the turnaround of the business of the Company through establishing a strong profit structure and thoroughly improving the financial position, and expressed their final legally binding intention with respect to such sponsor support.

While the Company has continued negotiating with the Planned Allottee, the Company at the same time has pursued the possibility of receiving support from other sponsor candidates. However, the Company has not been able to obtain reasonable proposals for sponsor support from anyone other than the Planned Allottee. On the other hand, the Company decided that the Planned Allottee is the best sponsor candidate, as partner to improve the corporate value of the Company, because the Planned Allottee is the investor who understands

the business objectives and management policies of the Company, and the content of its support is, as stated in (2) below, reasonable enough for the Company to expect the realization of turnaround of the business of the Company.

(2) Reason for Selecting the Capital Increase through Third-Party Allotment

Before deciding to pursue the Capital Increase through Third-Party Allotment, the Company compared and examined various funding approaches as described below. The Company considered that the most important factor is, in light of the financial situation of the Company stated above, to raise equity funds certainly and promptly in the desired time frame, in order to thoroughly improve the financial position of the Company.

For example, with respect to the issuance of common shares through a public offering, as per the “matters regarding the going concern assumption” described in the notes to the consolidated financial statement of the Company published for the financial results for the fiscal year ended March 31, 2019, the Company determined that it would be difficult to successfully implement a public offering after an underwriting examination by a securities company. With respect to a gratis allotment of stock acquisition rights (rights offering) that would allocate the stock acquisition rights to the existing shareholders or a gratis allotment of shares that would allocate the shares to the existing shareholders, because all stock acquisition rights may not be exercised due to determinations by shareholders in light of stock price trends etc. and because it would not be clear whether all of the shareholders would respond to the shareholder allotment, the amount that can be raised is uncertain and the Company reached the conclusion that it is currently not an appropriate option for the Company, which needs to successfully raise a certain amount of funds.

On the other hand, the Company believes that a capital increase through third-party allotment of class shares, which can undoubtedly procure the required amount, and which, depending on its design, would make it possible to avoid the sharp dilution of shares or the change in the shareholder composition will be the most effective option for the Company if the Company selects an appropriate sponsor and reaches agreement about the reasonable design. Therefore, as described in (1) above, 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 filing for the Business Turnaround ADR Proceedings. As a result, the Planned Allottee offered sponsor support including conducting the Capital Increase through Third-Party Allotment. Accordingly, the Company decided to aim at reconstruction from its severe management situation as stated in (1) above, by raising the equity funds necessary for structural reform, through issuance of the Class A Shares, which would restrain a sharp dilution and would not cause an immediate change in the shareholder composition, to the Planned Allottee through the third-party allotment. Also the Company reached conclusion that the best possible approach for the Company would be to procure 20 billion yen, in order to thoroughly improve its financial position and to obtain the funds for

medium-to-long term growth, at the same time with solving huge and various issues such as conducting thorough reformation of its earning structure in Japan and abroad, especially by optimization of size of the plants, relocation of the business bases and rationalization thereof in Japan, North America and Europe. 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 a sharp dilution and an immediate change in its shareholder composition in respect of conducting a capital increase through third-party allotment of common shares.

If the Class A Shares are allotted to the Planned Allottee through the Capital Increase through Third-Party Allotment, on the assumption that the rights to request acquisition in exchange for common shares are exercised regarding all of the Class A Shares (upon premise that neither the Amount Equivalent to Class A Cumulative Accrued Dividends nor the Daily Prorated Accrued Preferred Dividend Amount exists), the maximum number of voting rights related to the Company's common shares to be distributed will be 3,875,000 units (the amount equivalent to a maximum principal amount of 31,000,000,000 yen (calculated by multiplying the paid-in principal 20 billion yen by the maximum Premium for Acquisition in Exchange for Common Shares (as defined in (3) (ii) below) of 1.55); utilizing the Initial Acquisition Price (as defined in (3) (ii) below) of 80 yen). In this case, the ratio to the total number of 1,331,686 voting rights related to the Company's issued common shares based on the shareholders' register as of March 31, 2019 will be approximately 291.0%. As such, dilution of the Company's common shares would potentially occur to a certain extent by the Capital Increase through Third-Party Allotment. However, the Capital Increase through Third-Party Allotment will strengthen the profit base and will stabilize the financial position of the Company, and, as described in (3) (ii) below, it has been agreed in the Investment Agreement that unless the Conversion Restriction Removal Event (defined in (3) (ii) below) occurs, the Planned Allottee will not exercise the right to request acquisition in exchange for common shares until June 30, 2022 (inclusive), thereby avoiding early dilution of common shares and securing time to enhance corporate value through implementation of structural reform of business, as well as the scheme is designed in such a way that allows the Company to control the dilution caused by the exercise of the right to request acquisition in exchange for common shares attached to the Class A Shares to a certain extent. As shown by the above, the Company implemented measures to lessen the potential impact of dilution on the existing shareholders. Furthermore, as stated in (1) above, with respect to the Business Turnaround ADR Proceedings, in addition to the approval by all of the financial institutions that are the Creditors for extending the period of standstill until the closing of the creditors' meeting for a resolution on the Proposed Business Turnaround Plan, the Company will request all of the financial institutions that are the Creditors to agree to the Proposed Business Turnaround Plan, the content of which includes the financial support by the discharge of a substantial amount of debt. In light of the burden which the Company will request the financial institutions to take in order to realize the turnaround of the business of the

Company, the Company believes that the extent of the dilution by the Capital Increase through Third-Party Allotment, which may affect the existing shareholders, will be within a reasonable amount.

Also, because the ratio of the maximum number of voting rights to be held by the Planned Allottee upon acquisition of the Class A Shares (3,875,000 units) to the sum of such voting rights and the total number of voting rights related to the Company's issued common shares based on the shareholders' register as of March 31, 2019, i.e., 1,331,686 units will be approximately 74.4%, the Company considered whether the Planned Allottee should be treated as a Special Subscriber as set forth in Article 206-2, Paragraph 1 of the Companies Act. With respect to this issue, while the Class A Shares do not have voting rights at the general meetings of shareholders, because there is a provision on the payment of preferred dividends and there are no price adjustment provisions regarding the acquisition price for the right to request acquisition in exchange for common shares, it is impossible to deny the possibility that the acquisition right will not be exercised if the market price of common shares of the Company in the future is less than the Initial Acquisition Price. However, the "Premium for Acquisition in Exchange for Common Shares," which is the basis for calculating the number of common shares of the Company to be acquired through the exercise of the relevant right to request acquisition, will automatically increase with the passage of time from 1.13 up to 1.55. Therefore, it can be assumed that the exercise of the right to request acquisition in exchange for common shares will be economically reasonable even if the market price of common shares of the Company is below the Initial Acquisition Price to a certain degree. Given that the likelihood of the exercise of the right to request acquisition in exchange for common shares is relatively high, it was determined that it would be reasonable to treat the Planned Allottee as a Special Subscriber as set forth in Article 206-2, Paragraph 1 of the Companies Act. In this regard, five (5) Audit & Supervisory Board Members of the Company (three (3) of which are outside Audit & Supervisory Board Members) expressed their opinion that the Capital Increase through Third-Party Allotment is reasonable in light of the facts that the Company needs to raise the equity funds on a large scale, the Capital Increase through Third-Party Allotment can be evaluated as the best option that the Company can take, compared with other common funding methods, the usage of funds of the Capital Increase through Third-Party Allotment is reasonable, and the Planned Allottee is the best sponsor candidate, as partner to improve the corporate value of the Company, etc. There are no outside director opinion that differs from the judgment by the Board of Directors.

(3) Overview of the Class A Shares

(i) Preferred Dividends

The preferred dividend rate of the Class A Shares is set at 4.0% a year until March 31, 2020, 4.5% a year from April 1 2020 to March 31 2021, 5.0% a year from April 1, 2021 to March 31, 2022, 5.5% a year from April 1, 2022 onward. The Class A shareholders are entitled to receive dividends in priority to common shareholders. If preferred dividends for the Class A shareholders are

insufficient in a business year, the amount of such shortfall will be accumulated for the following business year and beyond. The Class A shareholders are not entitled to receive dividends of common shares of the Company in addition to the said preferred dividends.

(ii) Right to Request Acquisition in Exchange for Common Shares

The rights to request acquisition in exchange for common shares are attached to the Class A Shares. Although the Terms and Conditions of the Class A Shares allow the Class A Shareholders to request that the Company, at any time on and after October 1, 2019, acquire all or part of the Class A Shares with common shares of the Company as consideration, the Planned Allottee is entitled to exercise the right to request acquisition in exchange for common shares only on or after July 1, 2022 in accordance with the provision of the Investment Agreement. However, under certain circumstances including those outlined below (the “Conversion Restriction Removal Event”), the Planned Allottee is entitled to exercise the right to request acquisition in exchange for common shares of the Company even before July 1, 2022.

- (1) If loan, bond or any other financial indebtedness of the Company is accelerated;
- (2) If there is breach (limited to material breach) of any of the obligations or representations and warranties under the Investment Agreement;
- (3) With respect to the issued and outstanding common share of the Company, if any event that should be the ground for delisting from Tokyo Stock Exchange, Inc. (the “TSE”) occurs, or there exists any possibility of occurrence of such event (excluding those events based on waiver of claim);
- (4) If the Company does not file an annual securities report or quarterly report pursuant to the Financial Instruments and Exchange Act by the statutory deadline;
- (5) If the Planned Allottee receives a notice in writing from the Company that the Class A Shares held by the Planned Allottee will be acquired based on the exercise of the call options for money attached to the Class A Shares, and the cumulative number of the Class A Shares to be acquired by exercise of the relevant call option is 10,000 or more (the maximum number of shares subject to the request for acquisition in case of this item (5) is 10,000);
- (6) If the amount of the consolidated net asset of the Company as of the end of the relevant business year falls below, or is reasonably expected to fall below, certain amount at the time of finalization of the consolidated financial statements for the business year ending on March 31, 2020 or any subsequent business years; and
- (7) If the amount of the consolidated operating profit of the Company as of the end of the relevant business year becomes negative, or is reasonably expected to become negative, at the time of finalization of the consolidated financial statements for the business year ending on March 31, 2020 or any subsequent business years.

The number of common shares to be delivered when the rights to request acquisition in exchange for common shares attached to the Class A Shares are exercised will be the number obtained by multiplying the number of the Class A Shares subject to the relevant exercise by the sum of (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the following factor (the “Premium for Acquisition in Exchange for Common Shares”) and (ii) the total amount of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount, and dividing that product by the acquisition price.

Until June 30, 2020	: 1.13
From July 1, 2020 to June 30, 2021	: 1.20
From July 1, 2021 to June 30, 2022	: 1.27
From July 1, 2022 to June 30, 2023	: 1.34
From July 1, 2023 to June 30, 2024	: 1.41
From July 1, 2024 to June 30, 2025	: 1.48
From July 1, 2025 onward	: 1.55

The acquisition price is to be initially the amount equivalent to the average value of the Volume Weighted Average Price (the “VWAPs”; calculated to the second decimal place below one (1) yen and rounded to the first decimal place) in ordinary trading of the common shares of the Company, published by the TSE, over 30 consecutive trading days prior to September 30, 2019 (the “Initial Acquisition Price”); provided, however, that if the Initial Acquisition Price exceeds 100 yen (the “Initial Maximum Acquisition Price”), then the Initial Acquisition Price will be the Initial Maximum Acquisition Price, and if the Initial Acquisition Price falls below 80 yen (the “Initial Minimum Acquisition Price”), then the Initial Acquisition Price will be the Initial Minimum Acquisition Price.

(iii) Right to Request Acquisition in Exchange for Money

The right to request acquisition in exchange for money is attached to the Class A Shares. Although the Terms and Conditions of the Class A Shares allow the Class A Shareholders to request that the Company, at any time on and after October 1, 2019, acquire all or part of the Class A Shares with money as consideration, when, with respect to the money to be delivered to the Class A Shareholders upon exercise of the right to request acquisition in exchange for money, the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the number of the Class A share subject to the relevant exercise exceeds 6,600 million yen, the Class A Shareholders is not entitled to the relevant exercise.

However, in accordance with the provision of the Investment Agreement, the Planned Allottee is not entitled to exercise the right to request acquisition in exchange for money attached to the Class A shares until June 30, 2022 (inclusive), unless the Conversion Restriction Removal Event occurs. In addition, even on and after July 1, 2022, only when the capital-asset ratio on a

consolidated basis after payment of monetary consideration is 20% or more or when the Conversion Restriction Removal Event occurs, the Planned Allottee may exercise the right to request acquisition in exchange for money.

The amount of money to be delivered when the rights to request acquisition in exchange for money attached to the Class A Shares are exercised will be the amount calculated by multiplying the number of Class A Shares subject to the relevant exercise by the sum of (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the following factor, and (ii) the total amount of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount.

Until June 30, 2020	: 1.05
From July 1, 2020 to June 30, 2021	: 1.12
From July 1, 2021 to June 30, 2022	: 1.19
From July 1, 2022 to June 30, 2023	: 1.26
From July 1, 2023 to June 30, 2024	: 1.33
From July 1, 2024 to June 30, 2025	: 1.40
From July 1, 2025 onward	: 1.47

(iv) Call Option for Money

Any time on or after October 1, 2019 upon coming of the date determined separately by the Company's Board of Directors (the "Date of Redemption for Money"), the Company may acquire all or part of Class A Shares (in the case of a partial acquisition, limited to the case in which the number of shares to be acquired will be the whole-number multiple of 1,000 shares) in exchange for a money consideration to the extent permitted by laws and regulations by giving a written notice (which shall be irrevocable) to the Class A Shareholders at least 14 trading days in advance of the Date of Redemption for Money.

The amount of money to be delivered when the call options for money attached to the Class A shares are exercised will be the amount calculated by multiplying the number of Class A Shares to be acquired by the Company upon the call options by the sum of (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the following factors, determined according to the timing of the Date of Redemption for Money, and (ii) the total amount of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount.

In the case of a partial acquisition of the Class A Shares, the Company will determine which Class A Shares to acquire from the Class A Shareholders on pro-rata basis or other rational methods set by the Board of Directors of the Company.

Until June 30, 2020	: 1.08
From July 1, 2020 to June 30, 2021	: 1.15
From July 1, 2021 to June 30, 2022	: 1.22
From July 1, 2022 to June 30, 2023	: 1.29

From July 1, 2023 to June 30, 2024	: 1.36
From July 1, 2024 to June 30, 2025	: 1.43
From July 1, 2025 onward	: 1.50

(v) Voting Rights and Restrictions on Transfer

Unless otherwise specified, no voting rights at general meetings of shareholders shall be attached to the Class A Shares.

Although there are no restrictions on transfer of the Class A Shares, pursuant to the Investment Agreement if the Planned Allottee sells the Class A Shares to a third party during the period until June 30, 2022 (inclusive), the Planned Allottee shall consult in good faith with the Company in advance as to the details, such as the party to which the shares will be sold, the method for sales and the timing for sales.

For details of the Class A Shares, please see the Appendix I “Terms and Conditions of Class A Shares”.

3. Amounts, Usage and Scheduled Timing of Use of the Funds to be Procured

(1) Amounts of funds to be procured

(i) Total amount to be paid in	20,000,000,000 yen
(ii) Estimated issuance expenses	70,000,000 yen
(iii) Estimated retained balance	19,930,000,000 yen

* The “Estimated issuance expenses” is the amount equivalent to registration and license tax.

(2) Specific usage of funds to be procured

Specific usage	Amount (million yen)	Scheduled timing of use
(i) Funds for structural reform (Japan)	5,362	October 2019 through March 2022
(ii) Funds for structural reform (the United States)	6,983	October 2019 through December 2020
(iii) Funds for structural reform (Europe)	2,583	October 2019 through March 2020
(iv) Funds for capital expenditure	5,002	October 2019 through December 2022

* Funds procured will be managed in a bank account until they are spent for the above usage.

As described in “2. Purpose and Reason for Offering, (1) Background to and purpose of offering” above, after the fiscal year ended March 31, 2015, due to the operating losses and impairment loss recorded, which resulted from the disruption of production in North American operations, the Group’s entire consolidated financial

condition deteriorated, and, in addition, due to the new issues in North American operations, including the lack of orders for the next model, which resulted from the disruption of production, the Group recorded a significant amount of impairment loss for the fiscal year ended March 31, 2019. Accordingly, the financial condition has been damaged and it has become difficult to procure new funds due to a decline in the Group's creditworthiness. Current cash flow of the Group has deteriorated to the extent that the Group requests the financial institutions to temporarily suspend repayment of the principal on its borrowings. In order to solve this situation promptly and to realize profit structure reform and recovery of its performance, it is urgent to achieve raising a large amount of capital funds as well as improvement of profitability and stabilization of cash flow in Japan and abroad through implementation of structural reform toward fundamental improvement of financial position. Therefore, as the funds necessary for such structural reform and as growth funds for the Group's mid-to long-term growth after the implementation of structural reform, the proceeds from the Capital Increase through Third-Party Allotment will be appropriated as follows.

(i) Funds for structural reform (Japan)

In Japan, with the cooperation of automobile manufacturers, the Group will optimize the plant size according to the decline in revenue, and, at the same time, will work to improve profitability by transferring unprofitable products abroad and reviewing the back-office divisions of the Head Office. As the funds for the implementation of such structural reform, approximately 5.4 billion yen is expected to be used. Furthermore, funds will be managed strictly across the Group by establishing a strict approval process with respect to expenditure items such as capital expenditures, development costs and parent-subsidiary loans.

(ii) Funds for structural reform (the United States)

In the United States, the production system used at plants will be fundamentally reviewed in response to the expected reduction in sales, and, with the cooperation of automobile manufacturers, the plant size will be optimized. In addition, the Group seeks to improve profitability by streamlining procurement and improving productivity simultaneously with optimizing the plant size. In respect of funds, the Group seeks to manage funds in strict compliance with the approval process for various expenditure items. As the funds necessary for the realization of the above-mentioned optimization of plant size, streamlining of procurement, and improvement of productivity, approximately 7.0 billion yen of the proceeds from the Capital Increase through Third-Party Allotment is expected to be used.

(iii) Funds for structural reform (Europe)

In Europe, business locations will be reviewed fundamentally, and the structural reform, including restructuring and reorganization of business locations, will be implemented. As for the funds necessary for the realization of the above-mentioned restructuring and reorganization of business locations, approximately 2.6 billion yen of the proceeds from the Capital Increase through Third-Party Allotment is expected to be used.

(iv) Funds for capital expenditure

In order to achieve the business turnaround plan while achieving mid-to long-term growth, as well as fundamental improvement of financial position, profit structure reform and recovery of its performance through structural reform, it is

essential to improve profitability and stabilize cash flows in Japan and abroad, and, at the same time, (a) make capital investments to continue securing orders from major automobile manufacturers, (b) invest in the development of electric appliances and other products in response to the recent changes in the environment in the automobile braking industry, (c) invest in expanding sales of Chinese automobile manufacturers from the perspective of capturing mid-to long-term market growth, and (d) make capital investments to maintain and strengthen competitiveness in the industrial equipment and railway sector. Therefore, as the funds for capital expenditure necessary for the realization of the above-mentioned growth investment, approximately 5.0 billion yen of the proceeds from the Capital Increase through Third-Party Allotment is expected to be used.

4. Views on the Reasonableness of the Usage of Funds

The Company will appropriate the funds to be procured by the Capital Increase through Third-Party Allotment for the structural reform toward the early fundamental improvement of financial position and funds for capital expenditure for future growth (for breakdowns, please see “3. (2) Specific usage of funds to be procured” above) in order to improve the profitability, stabilize the cash flow in Japan and abroad and achieve the mid-to long-term growth of the Company. At the same time, the Company will work to increase equity capital and strengthen the financial base, with the aim to achieve stable and long-term growth of the Company’s business by establishing framework for maintaining and improving the flexibility of fund procurement, conducting stable and continued transactions with financial institutions, and reducing the financial costs as well as by increasing cash reserves.

Thus, the implementation of the Capital Increase through Third-Party Allotment will contribute to further enhance the Company’s corporate value. Therefore, the Company believes that the usage of funds as indicated above is reasonable.

5. Reasonableness of the Terms and Conditions, etc. of Issuance

(1) Calculation grounds for amount to be paid in and the content of calculation

With respect to the method and details of contribution relating to the Capital Increase through Third-Party Allotment, in order to realize the fund procurement on terms most favorable to the Company, the Company sincerely consulted with the Planned Allottee taking into account matters such as the Company’s severe management condition and financial position, the Company’s requirement for raising a large amount of capital funds, and the Company’s current share price, and, as a result, the amount to be paid in per Class A Share was determined to be 1,000,000 yen. The Company believes that such amount to be paid in per Class A Share is reasonable taking into account comprehensively the facts such as that the Planned Allottee will bear substantial risk in the Capital Increase through Third-Party Allotment in light of the merchantability of the Class A Shares, as well as the above-mentioned background of negotiations and the severe situation surrounding the Company.

However, as there are various views regarding the valuation of class shares, the Company requested that PLUTUS CONSULTING Co., Ltd. (address: 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo; representative: Mahito Noguchi, Representative Director) (“PLUTUS”), which is a third-party evaluation organ

independent of the Company, analyze the value of the Class A Shares, and obtained a valuation report for the Class A Shares (the “Valuation Report”) from PLUTUS. In reference to certain assumptions concerning the Company’s actions (the payment of preferred dividends until the expected maturity date (June 30, 2024), the exercise of the call option for money on the expected maturity date, or other actions) and certain assumptions concerning the Planned Allottee’s actions (the exercise of the right to request acquisition in exchange for money for a portion of the Class A shares (the number reaching the upper limit set forth in the Terms and Conditions stated in 2. (3) (iii) above) on July 1, 2022, on which such right becomes exercisable pursuant to the provisions of the Investment Agreement, the choice as to whether to exercise the right to request acquisition in exchange for common shares or not, whichever has a higher degree of economic reasonableness, if the Company exercises the call option, and other actions), based on the terms and conditions attached to the Class A Shares and certain assumptions (the expected range of the Company’s common share value based on the current situation under which the Company is in the process of the Business Turnaround ADR Proceedings, the period until the expected maturity date, i.e., approximately 4.75 years, volatility, the discount rate of approximately 8.64%, the preferred dividend rate, the call option, the right to request acquisition, etc.), PLUTUS has calculated the fair value of the Class A Shares using the Monte Carlo Simulation, which is a general valuation model for share options. The Valuation Report states that the price per Class A Share is 1,114,000 yen to 1,699,000 yen.

As described above, the Company believes that the amount to be paid in for the Class A Shares is reasonable. However, in light of the above valuation results in the Valuation Report of PLUTUS, the Company must determine that the amount to be paid in for the Class A Shares (1,000,000 yen per share) is particularly favorable for the Planned Allottee under the Companies Act. Therefore, the Company decided to issue the Class A Shares on the condition that approval by a special resolution of the general meeting of shareholders regarding an issuance of shares with particularly favorable conditions be obtained, pursuant to Article 199, Paragraph 2 of the Companies Act, at the Extraordinary General Meeting of Shareholders.

(2) Grounds on which the Company determined that the number of shares to be issued and the size of the share dilution are reasonable

The Company is financing a total of 20,000,000,000 yen by issuing 20,000 shares of the Class A Shares. Considering the aforementioned purpose of issuing the Class A Shares and the usage of funds, the Company has determined that the number of the Class A Shares to be issued is reasonable.

Although the Class A Shares do not carry voting rights at general meetings of shareholders, existing shareholders may be affected by the impact of dilution due to exercise of the right to request acquisition in exchange for common shares, which is attached to the Class A Shares.

If the Class A Shares are allotted to the Planned Allottee through the Capital Increase through Third-Party Allotment, assuming that the right to request acquisition in exchange for common shares are exercised regarding all of the Class A Shares, (on the assumption that there are no Amount Equivalent to Class A

Cumulative Accrued Dividends and Daily Prorated Accrued Preferred Dividend Amount) the maximum number of voting rights related to the Company's common shares to be distributed will be 3,875,000 units (the amount equivalent to a maximum principal amount of 31,000,000,000 yen (calculated by multiplying the paid-in principal 20,000,000,000 yen by the maximum Premium for Acquisition in Exchange for Common Shares of 1.55; utilizing the initial acquisition price of 80 yen). In this case, the ratio to the total number of 1,331,686 voting rights related to the Company's issued common shares based on the shareholders' register as of March 31, 2019 will be approximately 291.0%.

Although dilution of the Company's common shares would occur if the common shares of the Company are distributed by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares, as described above, (i) the Capital Increase through Third-Party Allotment will strengthen the profit base and stabilize the financial position of the Company; (ii) as described in 6. (2) (ii) below, it has been agreed in the Investment Agreement that unless the Conversion Restriction Removal Reason occurs, the Planned Allottee will not exercise the right to request acquisition in exchange for common shares until June 30, 2022, (inclusive) thereby avoiding early dilution of common shares and securing time to enhance corporate value through implementation of structural reform of business; (iii) an upper limit (1.55) is set on the Premium for Acquisition in Exchange for Common Shares, which is the basis for calculation of the number of common shares to be delivered by exercising the right to request acquisition, and the initial acquisition price is fixed (provided, however, that the acquisition price will be adjusted under certain circumstances); and (iv) the Class A Shares are attached with call options for money that the Company is entitled to exercise at any time on or after October 1, 2019. Considering these, this scheme is designed in such a way that allows the Company to control the dilution caused by the exercise of the right to request acquisition in exchange for common shares to a certain extent by carrying out a mandatory redemption of the Class A Shares based on its own judgment. As shown by the above, the Company implemented measures to lessen the potential impact of dilution on the existing shareholders. Furthermore, as stated in 2. (1) above, with respect to the Business Turnaround ADR Proceedings, in addition to the approval by all of the financial institutions that are the Creditors for extending the period of standstill until the closing of the creditors' meeting for a resolution on the Proposed Business Turnaround Plan, the Company will request all of the financial institutions that are the Creditors to agree to the Proposed Business Turnaround Plan, the content of which includes the financial support by the discharge of debt of a substantial amount. In light of the burden which the Company will request the financial institutions to take in order to realize the turnaround of the business of the Company, the Company believes that the extent of the dilution by the Capital Increase through Third-Party Allotment, which may affect the existing shareholders, will be within a reasonable amount.

6. Reasons, etc. for Selecting the Planned Allottee

(1) Outline of the Planned Allottee

(1) Name	Japan Industrial Solutions Fund II	
(2) Location	2-2-2 Marunouchi, Chiyoda-ku, Tokyo	
(3) Grounds, etc. for incorporation	Limited Partnership Act for Investment	
(4) Purpose of formation	Acquisition, etc. of securities	
(5) Partnership formation date	October 27, 2016	
(6) Total amount of investment	105 billion yen	
(7) Overview of limited liability partners	Development Bank of Japan Inc. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.	
(8) Overview of operating partner (Unlimited liability partner) (General Partner)	Name	Japan Industrial Solutions Co., Ltd.
	Location	2-2-2 Marunouchi, Chiyoda-ku, Tokyo
	Name and title of representative	Shinichi Saito, Chairman & Representative Director Yuichi Hiromoto, President & CEO
	Description of business	Investment businesses etc.
	Capital stock	100,000,000 yen
(9) Relationships of the Company with the said fund and the operating partner	Relationship between the Company and the said fund	No direct or indirect contribution has been made to the said fund by the Company, parties concerned with the Company, or companies of the Company.
	Relationship between the Company and the operating partner	There are no capital, personal, or transactional relationships to be stated between the Company and the said company.

*1 Overview of limited liability partners describes the major limited liability partners. Capital contribution ratio of the limited liability partners is not shown as it is not disclosed by the Planned Allottee.

*2 In the Investment Agreement, the Planned Allottee has made representations and warranties

to the effect that the Planned Allottee and its unlimited liability partners have no relationships whatsoever with antisocial forces, and at the same time the Company obtained oral confirmation by the Planned Allottee that its limited liability partners do not fall under the antisocial forces. In addition, the Company has determined that, through the confirmation of the corporate history, officers, major shareholders and the status of establishment of the internal control system, etc. described in the annual securities report of each major limited liability partner of the Planned Allottee and through interviews of operating partners of the Planned Allottee, the Planned Allottee and its major limited liability partners have no relationships whatsoever with antisocial forces, and submitted a confirmation letter to that effect to the TSE.

(2) Reason for selecting the Planned Allottee

With respect to the reason for selecting the Planned Allottee, please see “2. Purpose and Reason for Offering”

The Company and the Planned Allottee have agreed to enter into the Investment Agreement on matters regarding the sponsor support including contributions to the Company, and the outline of the Investment Agreement is as follows.

(i) Matters the Company must comply with

The Company has made the following covenants to the Planned Allottee:

- (1) The Company shall use its best effort to ensure that the business turnaround plan is achieved;
- (2) The Company shall submit, upon recommendation from the Advisory Committee on Designation of Officer, an agenda and a proposal to elect one (1) person (or two (2) persons, if it is decided to nominate two (2) candidates pursuant to the provision of the Investment Agreement) designated by the Planned Allottee as the outside director of the Company to each of the Company’s general meetings of shareholders, the agenda of which includes the appointment of directors, and use practicably possible and reasonable efforts to have such proposal approved, shall permit the relevant outside director to attend, as the observer at the management meetings of the Company etc., and shall take in up to two (2) seconded employees elected by the Planned Allottee;
- (3) The Company shall hold the monitoring meeting regarding the implementation status of the business turnaround plan, and report the summary of the results of the said meeting to the Board of Directors of the Company;
- (4) Unless prior written consent by the Planned Allottee is obtained (the Planned Allottee may not unreasonably refuse, withhold or delay such consent), the Company shall not conduct a certain matters (such as making amendments to the Articles of Incorporation, etc.; issuing shares, etc.; acquiring treasury shares and splitting shares; distributing dividend of surplus; otherwise disposing dividend of surplus (excluding those for the compensation of deficiencies); disposing of certain important

properties; implementing certain business alliances; establishing subsidiaries; and acquiring shares, disposing of and transferring businesses, and implementing reorganization, etc. accompanying formation of a corporate group; acquiring certain properties; making certain loans or guarantees, etc.; making amendment to the business turnaround plan (excluding those minors); suspending or ceasing the implementation thereof, or any other conducts requiring the special resolution at the general meeting of shareholders). Also, if a certain important event occurs, the Company shall promptly report to that effect in writing to the Planned Allottee, and consult in good faith with the Planned Allottee about how to respond thereto;

- (5) With the aim to realize the dividends of surplus regarding the Class A Shares to the Planned Allottee to the extent reasonable under the Company's financial policy, the Company shall use its reasonable efforts to take necessary measures, such as the reduction of the amount of the Capital Stock and the Legal Capital Surplus, to generate the amount to be distributed upon consultation with the Planned Allottee, and also shall use its reasonable effort to take necessary measures to generate funds required for dividend of surplus upon consultation with the Planned Allottee.
- (6) During the period until the date when the Planned Allottee conducts the investment, the Company shall consult in good faith with the Planned Allottee in advance about the matters concerning material personnel issues and the decisions as to reorganization, and the Company shall establish the new management system (meaning the composition of the Directors, the Audit & Supervisory Board Members and the Executive Officers) with the content satisfactory to both of the Company and the Planned Allottee.

- (ii) Restrictions on exercising the right to request acquisition in exchange for common shares or money

The Planned Allottee is not entitled to exercise the right to request acquisition in exchange for common shares or money attached to the Class A shares from the payment date until June 30, 2022 (inclusive), unless the Conversion Restriction Removal Event occurs. Also, with respect to the right to request acquisition in exchange for money, even on and after July 1, 2022, only when the capital-asset ratio on a consolidated basis after payment of monetary consideration is 20% or more or when the Conversion Restriction Removal Event occurs, the Planned Allottee may exercise the right to request acquisition in exchange for money.

If the Planned Allottee sells the Class A Shares to a third party the Planned Allottee is required to ensure that the party to which the shares will be sold pledges to the Company to comply with such restrictions on exercise as equal to the aforementioned restrictions on exercise.

- (iii) Consultation in good faith as to transfer, etc.

Under the Investment Agreement, if the Planned Allottee sells the Class A Shares to a third party during the period until June 30, 2022 (inclusive), the

Planned Allottee shall consult in good faith with the Company in advance as to the details, such as the party to which the shares will be sold, the method for sales and the timing for sales.

(iv) Conditions precedent to the payment obligation

The conditions precedent for the Planned Allottee's obligation to pay for the Class A Shares are as follows:

- (1) The business turnaround plan (the content of which includes the financial support from the Creditors by the discharge of debt) is resolved, with the content which does not conflict with the Capital Increase through Third Party Allotment.
- (2) All other procedures necessary to make the Reduction of the Amount of the Capital Stock etc. effective have been completed, subject to the completion of the Capital Increase through Third Party Allotment as a condition precedent.
- (3) Those proposals regarding the Amendments to the Articles of Incorporation, the Capital Increase through Third-Party Allotment, the Reduction of the Amount of Capital Stock, etc., and the Election of Outside Director are approved at the Extraordinary General Meeting of Shareholders.
- (4) The issued and outstanding common shares of the Company are listed on the First Section of the TSE, and there are no grounds for delisting or changing the designation to the Second Section, and the TSE has not decided through guidance or notice that such events are likely to occur (excluding those events based on waiver of claim).
- (5) After the execution of the Investment Agreement, no such event occurs nor is reasonably expected to occur, which gives material adverse effect to the Group or its financial condition, operating results, cash flow, business, asset or debt.

(3) Planned Allottee's policies for holding shares

The Company has received an explanation from the Planned Allottee that they plan to hold the Class A Shares over a medium term in principle.

The Planned Allottee is not entitled to exercise the rights to request acquisition in exchange for common shares attached to the Class A shares until June 30, 2022 (inclusive), unless the Conversion Restriction Removal Event occurs.

Although there are no restrictions on transfer of the Class A Shares, pursuant to the Investment Agreement if the Planned Allottee sells the Class A Shares to a third party during the period until June 30, 2022 (inclusive), the Planned Allottee shall consult in good faith with the Company in advance as to the details, such as the party to which the shares will be sold, the method for sales and the timing for sales.

The Company plans to obtain written confirmations from the Planned Allottee by the payment date, to the effect that the Planned Allottee will agree that in the event the Planned Allottee transfer all or part of the Class A Shares, which are shares to be allotted, within two (2) years from the payment date, the Planned

Allottee will report in writing the details of the said transfer, such as the name and address of the transferee, the number of transferred shares, the transfer date, the transfer price, the reason for transfer, and the method of transfer, to the Company without delay, and that the Company reports the said contents of the report to the TSE and that the said details of the report will be made publicly available.

(4) Contents of confirmation with the Planned Allottee regarding funds required for the payment

The Company obtained a report that the Planned Allottee would be able to complete the preparation of funds required for the payment by the payment date. In addition, the Company judged that the Planned Allottee would be able to secure sufficient funds for the subscription to the shares to be allotted by the payment date, upon checking financial reports of each limited liability partner of the Planned Allottee.

7. Major Shareholders after the Offering and Their Shareholding Ratios

(1) Common shares

Before the Capital Increase through Third-Party Allotment (as of March 31, 2019)		After the Capital Increase through Third-Party Allotment
Toyota Motor Corporation	11.62%	Same as on the left.
Isuzu Motors Limited	9.08%	
Aisin Seiki Co., Ltd.	2.35%	
Akebono Brake SEIWAKON Employees' Shareholding Association	1.88%	
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.61%	
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.61%	
Marubeni-Itochu Steel Inc.	1.50%	
KYB Corporation	1.50%	
SECOM CO., LTD.	1.50%	
SUZUKI MOTOR CORPORATION	1.31%	

*1 Shareholding ratios in the table above are rounded down to the second decimal place using the figures on the shareholders' register as of March 31, 2019. There are 2,722 thousand shares of treasury stock beneficially held by the Company, while they are not described in the above table.

*2 The number of common shares to be distributed by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares (the number of dilutive shares of the Class A Shares) is not included in the calculation of the major shareholders and their shareholding ratios of the common shares after the Capital Increase through Third-Party Allotment, as it is difficult to reasonably estimate that number at this stage.

(2) Class A Shares

Before the Capital Increase through Third-Party Allotment (as of July 18, 2019)	After the Capital Increase through Third-Party Allotment
Not applicable	Japan Industrial Solutions Fund II 100%

8. Future Prospects

Although the funds to be raised as a result of the Capital Increase through Third-Party Allotment will be used for the funds for structural reform and capital expenditure of the Company, the specific impact on the performance of the Company is currently examining. Once the actual amount of the impact on the performance becomes clear, the Company will promptly disclose such information.

9. Procedures for Corporate Code of Conduct

The Capital Increase through Third-Party Allotment will result in the dilution rate of 25% or more. Consequently, the Company plans to obtain an approval by a special resolution at the Extraordinary General Meeting of Shareholders as procedures for confirming the intent of shareholders as provided for in Article 432 of the Securities Listing Regulations set forth by the TSE.

In addition, in light of the magnitude of the impact on the existing shareholders, the Company appointed Mr. Tomohiro Katayama, Mr. Hitoshi Takahashi and Mr. Yuji Itagaki, outside Audit & Supervisory Board Members (They are outside Audit & Supervisory Board Members who have been notified to the TSE as independent officers of the Company) as persons who are to a certain extent independent from the managers 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 Capital Increase through Third-Party Allotment, and received the following opinions as of July 18, 2019.

(1) Conclusion

The Capital Increase through Third-Party Allotment is deemed necessary and appropriate.

(2) Reasons

(i) Necessity of the Capital Increase through Third Party Allotment

a. Financing needs

With respect to the Group, due to the disruption of production in North American operations occurring in the fiscal year ended March 31, 2015, there were operating losses recognized twice consecutively in the North American operations for the fiscal year ended March 31, 2016, and, at the same time, since a substantial amount of impairment loss was recognized, the entire consolidated financial condition deteriorated. Accordingly, in the previous mid-term business plan “akebono New Frontier 30 – 2016,” with the goal of further strengthening competitiveness and establishing a management foundation, centered on product-based business development on a global base, the Company established the three key objectives of “Rebuilding the North American operations,” “Establishing

global networks based on product based business units,” and “Expanding high performance brake business and recreating European operations,” and the Company carried out activities aimed at a “Return to a sound financial structure” by achieving these objectives. However, since then, there have been new issues in the North American operations, including the withdrawal of U.S. car manufacturers from passenger car production and the lack of orders for brake products for the next model due to disruption of production in connection with the rapid increase of orders, and the Company could not free itself from the severe management situation and financial position.

Amid these conditions, in order to establish a strong profit structure and thoroughly improve the financial position, as of January 29, 2019, the Company and its subsidiaries, i.e., Akebono Brake Corporation, Akebono Brake Mexico S.A. de C.V., Akebono Brake Slovakia s.r.o., Akebono Corporation (Guangzhou), Akebono Corporation (Suzhou), and A&M Casting (Thailand) Co., Ltd. (the “Companies”) formally applied for the Business Turnaround ADR Proceedings with the Japanese Association of Turnaround Professionals, the operator handling the Business Turnaround ADR Proceedings, and the application was accepted on the same day. After that, while the Company aims at completing the Business Turnaround ADR Proceedings and proceeds necessary procedures and discussions, as the completion of the Business Turnaround ADR Proceedings requires agreement on the Proposed Business Turnaround Plan by all of the financial institutions, in order to prepare the Proposed Business Turnaround Plan, the discussion with the financial institutions is still needed.

While it takes a reasonable amount of time to complete the Business Turnaround ADR Proceedings, the consolidated operating profit of the Group remained at 0.2 billion yen for the business year ended on March 31, 2019, due to the impact of significant increase of raw material price mainly in Japan and North America and delay in the measures such as optimization of the production system and central functions etc. in response to decline in orders. In addition, as a substantial amount of impairment loss was recognized in North America, Europe and Thailand, it resulted in a net loss of approximately 18.3 billion yen attributable to the owners of the parent, and negative shareholders’ equity in the consolidated balance sheet amounted to 5.5 billion yen. As a result, due to the conflict with the provisions of financial restrictions and the difficulty in implementing the agreed repayments of some bank borrowings, the Group is now in the condition where there are events and situations that pose significant doubts about the assumptions of a going concern.

In this manner, the financial condition and current cash flow of the Group are both deteriorated. In order to solve this situation and to realize profit structure reform and recovery of its performance without delay, it is urgent to achieve improvement of profitability and stabilization of cash flow in Japan and abroad through implementation of structural reform of business toward fundamental improvement of financial position.

Providing the necessary amount of funds for such structural reform of business is impossible, so the Company needs to raise a large amount of capital funds.

As stated above, the funding needs of the Company is deemed appropriate.

b. Reasonableness of using the Capital Increase through Third-Party Allotment

It is considered that the most important factor is, in light of the financial situation of the Company stated above a., to raise a large amount of capital funds certainly and promptly in the desired time frame, in order to thoroughly improve the financial position of the Company.

For example, with respect to the issuance of common shares through a public offering, as per the “matters regarding the going concern assumption” described in the notes to the consolidated financial statement of the Company published for the financial results for the fiscal year ended March 31, 2019, it would be difficult to successfully implement a public offering after an underwriting examination by a securities company. With respect to a gratis allotment of stock acquisition rights (rights offering) that would allocate the stock acquisition rights to the existing shareholders or a gratis allotment of shares that would allocate the shares to the existing shareholders, because all stock acquisition rights may not be exercised due to determinations by shareholders in light of stock price trends etc. and because it would not be clear whether all of the shareholders would respond to the shareholder allotment, the amount that can be raised is uncertain and it is not an appropriate option, at this point, for the Company, which needs to successfully raise a certain amount of funds.

On the other hand, a capital increase through third-party allotment of class shares can undoubtedly procure the required amount, and, depending on its design, would make it possible to avoid the sharp dilution of shares or the change in the shareholder composition. Accordingly, the Company believes that a capital increase through third-party allotment of class shares will be the most effective option for the Company if the Company selects an appropriate sponsor and reaches agreement about the reasonable design. In this respect, the Company appointed PwC Advisory LLC as the financial advisor, and, in order to find the sponsor who would provide capital funds to the Company, the Company requested a large number of companies and financial investors as the sponsor candidates to consider investment, since the filing for the Business Turnaround ADR Proceedings. As a result, the Planned Allottee offered reasonable assistance consistent with the purposes of the turnaround of the business of the Company through establishing a strong profit structure and thoroughly improving the financial position, and expressed their final legally binding intention with respect to such sponsor support. The Planned Allottee can be evaluated as the best sponsor candidate, as partner to improve the corporate value of the Company, because the Planned Allottee is the investor who understands the business objectives and management policies of the Company, and the content of its support is considered to be reasonable enough for the Company to expect the realization of turnaround of the business of the Company.

In addition, the Company decided to procure 20 billion yen in total, as the necessary amount of funds for implementation of structural reform toward fundamental improvement of financial position and as the funds for medium-to-long term growth of the Group, through issuance of the Class A Shares, which would restrain a sharp dilution and would not cause an immediate change in the shareholder composition, to the Planned Allottee through the capital increase through third-party allotment. Also, it is possible to judge that such fund raising would be the best possible approach for the Company. In making this decision, the Company also took

into consideration the potential impact on stable business operations and the stock price of the Company.

As stated above, using the Capital Increase through Third-Party Allotment is deemed appropriate.

c. Summary

As stated above, the Capital Increase through Third-Party Allotment is deemed necessary.

(ii) Reasonableness of the Capital Increase through Third-Party Allotment

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

PLUTUS CONSULTING Co., Ltd. which is a third-party evaluation organ independent of the Company, estimates that the price per Class A Share is 1,114,000 yen to 1,699,000 yen. In light of such valuation results, the Company must determine that the amount to be paid in for the Class A Shares (1,000,000 yen per share) is particularly favorable for the Planned Allottee under the Companies Act. Therefore, it is decided to issue the Class A Shares on the condition that approval by a special resolution of the general meeting of shareholders regarding an issuance of shares with particularly favorable conditions be obtained, pursuant to Article 199, Paragraph 2 of the Companies Act, at the Extraordinary General Meeting of Shareholders. However, with respect to the method and details of contribution relating to the Capital Increase through Third-Party Allotment, in order to realize the fund procurement on terms most favorable to the Company, the Company sincerely consulted with the Planned Allottee taking into account matters such as the Company's severe management condition and financial position, the Company's requirement for raising a large amount of capital funds, and the Company's current share price, and, as a result, the amount to be paid in per Class A Share is determined to be 1,000,000 yen. Accordingly, it is believed that such amount to be paid in per Class A Share is deemed to be reasonable to a certain extent, taking into account comprehensively the merchantability of the Class A Shares and the facts such as that the Planned Allottee will bear substantial risk in the Capital Increase through Third-Party Allotment, as well as the above-mentioned background of negotiations and the severe situation surrounding the Company.

b. Dilution

Although the Class A Shares do not carry voting rights at general meetings of shareholders, existing shareholders may be affected by the impact of dilution due to exercise of the right to request acquisition in exchange for common shares, which is attached to the Class A Shares.

If the Class A Shares are allotted to the Planned Allottee through the Capital Increase through Third-Party Allotment, assuming that the right to request acquisition in exchange for common shares are exercised regarding all of the Class A Shares, (on the assumption that there are no Amount Equivalent to Class A Cumulative Accrued Dividends and Daily Prorated Accrued Preferred Dividend Amount) the maximum number of voting rights related to the Company's common shares to be distributed will be 3,875,000 units (the amount equivalent to a maximum principal amount of 31,000,000,000 yen (calculated by multiplying the paid-in

principal 20,000,000,000 yen by the maximum Premium for Acquisition in Exchange for Common Shares of 1.55; utilizing the Initial Acquisition Price of 80 yen). In this case, the ratio to the total number of 1,331,686 voting rights related to the Company's issued common shares based on the shareholders' register as of March 31, 2019 will be approximately 291.0%.

However, although dilution of the Company's common shares would occur if the common shares of the Company are distributed by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares, as described above, (i) the Capital Increase through Third-Party Allotment will strengthen the profit base and stabilize the financial position of the Company; (ii) it has been agreed in the Investment Agreement that unless the Conversion Restriction Removal Event occurs, the Planned Allottee will not exercise the right to request acquisition in exchange for common shares until June 30, 2022 (inclusive), thereby avoiding early dilution of common shares and securing time to enhance corporate value through implementation of structural reform of business; (iii) an upper limit (1.55) is set on the Premium for Acquisition in Exchange for Common Shares, which is the basis for calculation of the number of common shares to be delivered by exercising the right to request acquisition, and the Initial Acquisition Price is fixed (provided, however, that the acquisition price will be adjusted under certain circumstances); and (iv) the Class A Shares are attached with call options for money that the Company is entitled to exercise at any time on or after October 1, 2019. Considering these, this scheme is designed in such a way that allows the Company to control the dilution caused by the Planned Allottee's exercise of the right to request acquisition in exchange for common shares to a certain extent by carrying out an early redemption of the Class A Shares based on its own judgment. As shown by the above, the Company implemented measures to lessen the potential impact of dilution on the existing shareholders.

Furthermore, with respect to the Business Turnaround ADR Proceedings, in addition to the approval by all of the financial institutions that are the Creditors for extending the period of standstill until the closing of the creditors' meeting for a resolution on the Proposed Business Turnaround Plan, the Company will request all of the financial institutions that are the Creditors to agree to the Proposed Business Turnaround Plan, the content of which includes the financial support by the discharge of debt of a substantial amount. In light of the content of the financial support which the Company will request the financial institutions to offer in order to realize the turnaround of the business of the Company, it can be assessed that the extent of the dilution by the Capital Increase through Third-Party Allotment, which may affect the existing shareholders, will be within a reasonable amount, and in consistent with the common interests of the shareholders in the future.

c. Summary

As stated above, the Capital Increase through Third-Party Allotment is deemed appropriate.

10. Operating Results for and Status of Equity Finance Executed in the Past Three Years

(1) Operating results (consolidated) for the past three years

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	266,099 million yen	264,921 million yen	243,668 million yen
Operating profit	4,223 million yen	8,143 million yen	215 million yen
Ordinary profit (loss)	761 million yen	5,796 million yen	(2,808 million yen)
Net profit (loss) attributable to shareholders of the parent	354 million yen	782 million yen	(18,264 million yen)
Net earnings (loss) per share	2.66 yen	5.87 yen	(137.09 yen)
Dividend per share	0 yen	0 yen	0 yen
Net assets per share	188.20 yen	202.80 yen	21.55 yen

(2) Current number of issued shares and dilutive shares (as of June 30, 2019)

	Number of shares	Ratio to total number of issued shares
Number of issued shares	135,992,343 shares	100%
Number of dilutive shares at the current conversion price (exercise price)	302,000 shares	0.22%
Number of dilutive shares at minimum conversion price (exercise price)	-	-
Number of dilutive shares at maximum conversion price (exercise price)	-	-

* The number of dilutive shares in the above table is all attributable to stock options.

(3) Recent share prices

(i) Share prices for the past three years

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Opening	275 yen	346 yen	286 yen
High	396 yen	414 yen	381 yen
Low	178 yen	249 yen	120 yen
Closing	348 yen	286 yen	124 yen

(ii) Share prices for the past six months

	January 2019	February	March	April	May	June
Opening	178 yen	165 yen	167 yen	124 yen	131 yen	105 yen
High	218 yen	180 yen	167 yen	170 yen	145 yen	127 yen

Low	158 yen	157 yen	120 yen	124 yen	103 yen	99 yen
Closing	165 yen	166 yen	124 yen	129 yen	104 yen	105 yen

(iii) Share price on the business day immediately preceding the date of resolution authorizing the issuance

	July 17, 2019
Opening	116 yen
High	117 yen
Low	114 yen
Closing	116 yen

(4) Equity finance executed in the past three years
Not applicable.

11. Terms and Conditions of Issuance

Please see Appendix I “Terms and Conditions of Class A Shares”.

12. Schedule for Issuance of the Class Shares A

July 18, 2019 (Thursday)

Resolution of the Board of Directors relating to the Capital Increase through Third-Party Allotment, and the submission, to the Extraordinary General Meeting of Shareholders, of the agenda regarding the Capital Increase through Third-Party Allotment; and execution of the Investment Agreement

September 27, 2019 (Friday)

Resolution at the Extraordinary General Meeting of Shareholders (planned)

From September 30, 2019 (Monday)
to December 31, 2019 (Tuesday)

Payment period (planned)

(Notwithstanding the above, it has been agreed upon with the Planned Allottee, in the Investment Agreement, that the payment will be made on September 30, 2019. However, if the Proposed Business Turnaround Plan is not resolved by the business day preceding September 30, 2019, the payment will be made on a date on which three (3) business days elapse after the date on which all of the conditions precedent to the payment obligation as set forth in the Investment Agreement are satisfied or waived or on a date (which is limited to a date during the payment period) that is separately agreed upon by and between the Company and the Planned Allottee.)

II. Partial Amendments to the Articles of Incorporation

1. Reasons for Amendments to the Articles of Incorporation

In order to allow the Class A Shares to be issued, we will create the Class A Shares as a new class of shares of the Company and establish new provisions regarding the Class A Shares in the Articles of Incorporation. The Articles of Incorporation will increase the total number of authorized common shares and the class shares in preparation for the issuance of common shares by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares.

The Amendments to the Articles of Incorporation is subject to the conditions that necessary approval of the following proposals is obtained at the Extraordinary General Meeting of Shareholders: (i) the Capital Increase through Third-Party Allotment, (ii) the Reduction of the Amount of Capital Stock, etc. and (iii) the Election of Outside Director.

2. Contents of Amendments to the Articles of Incorporation

The contents of amendments to the Articles of Incorporation are as described in Appendix II “Contents of Amendments to the Articles of Incorporation”.

3. Schedule for Amendments to the Articles of Incorporation

July 18, 2019 (Thursday)	Resolution of the Board of Directors relating to the submission, to the Extraordinary General Meeting of Shareholders, of the agenda regarding the Amendments to the Articles of Incorporation
September 27, 2019 (Friday)	Resolution at the Extraordinary General Meeting of Shareholders (planned) Effective date of the Amendments to the Articles of Incorporation (planned)

III. The Reduction of the Amount of Capital Stock, etc.

1. Purpose of the Reduction of the Amount of Capital Stock, etc.

In order to establish a healthy financial position early and prepare for an agile and flexible capital policy in the future, the Company decided on the Reduction of the Amount of Capital Stock, etc. in conjunction with the issuance of the Class A Shares and to transfer the amount to other capital surplus which constitutes the distributable amount.

The Reduction of the Amount of Capital Stock, etc. is subject to the conditions that the payment with respect to the Capital Increase through Third-Party Allotment is made, and that necessary approval of the following proposals is obtained at the Extraordinary General Meeting of Shareholders: (i) the Amendments to the Articles of Incorporation, (ii) the Capital Increase through Third-Party Allotment and (iii) the Election of Outside Director.

2. Outline of the Reduction of the Amount of Capital Stock, etc.

(1) Amount of capital stock to be reduced

10,000,000,000 yen

(2) Amount of legal capital surplus to be reduced

10,000,000,000 yen

(3) Method of the Reduction of the Amount of Capital Stock, etc.

After implementing the Reduction of the Amount of Capital Stock, etc. as mentioned above in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, the Company will transfer the entire amounts of capital stock and legal capital surplus reduced to other capital surplus.

3. Schedule for the Reduction of the Amount of Capital Stock, etc.

July 18, 2019 (Thursday)	Resolution of the Board of Directors relating to the submission, to the Extraordinary General Meeting of Shareholders, of the agenda regarding the Reduction of the Amount of Capital Stock, etc.
August 27, 2019 (Tuesday)	Public notice with respect to statements of objection by creditors (planned)
September 27, 2019 (Friday)	Resolution at the Extraordinary General Meeting of Shareholders (planned) Final deadline for statements of objection by creditors (planned)
December 31, 2019 (Tuesday)	Effective date of the Reduction of the Amount of Capital Stock, etc. (planned)

4. Future Prospects

The Reduction of the Amount of Capital Stock, etc. is a process of transferring

capital stock and legal capital surplus to the accounts of other capital surplus in the net assets section of the Company's balance sheet and will not change the amount of net assets, and there will be no impact on the Company's operating results.

Appendix I

Terms and Conditions of Class A Shares

1. Name of Shares
Akebono Brake Industry Co., Ltd. Class A Shares (the “Class A Shares”)
2. Number of Shares Offered for Subscription
20,000 shares
3. Amount to be Paid in for Shares Offered for Subscription
1,000,000 yen per share
4. Capital Stock and Legal Capital Surplus to be Increased
Capital Stock 10,000,000,000 yen (500,000 yen per share)
Legal Capital Surplus 10,000,000,000 yen (500,000 yen per share)
5. Total Amount to be Paid in
20,000,000,000 yen
6. Payment Period
From September 30, 2019 to December 31, 2019
7. Method of Issuance
Through third-party allotment, 20,000 shares will be allotted to Japan Industrial Solutions Fund II.
8. Dividends of Surplus
 - (1) Class A Preferred Dividends
If the Company is to distribute dividends out of surplus setting a certain day belonging to a business year as the record date, the Company shall make, in accordance with the order of priority of payment set forth in 16-(1) below, pecuniary distribution of surplus to the holders of the Class A Shares (the “Class A Shareholders”) or the registered pledgees of the Class A Shares (together with the Class A Shareholders, the “Class A Shareholders/Pledgees”) entered or recorded in the latest shareholders’ register as at the record date for the distribution of the relevant dividends (the “Dividend Record Date”) in the amount per Class A Share as set forth in (2) below (hereinafter such amount of money paid per Class A Share as a dividend shall be referred to as the “Class A Preferred Dividend”). If the amount obtained by multiplying the Class A Preferred Dividend by the number of Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.
 - (2) Amount of Class A Preferred Dividend
The amount of the Class A Preferred Dividend shall be calculated (i) for the amount of money calculated by multiplying 1,000,000 yen (the “Amount Equivalent to Paid-in Amount”) by 4.0%, if the Dividend Record Date belongs to a business year ending on or before March 31, 2020; (ii) for the amount of money calculated by multiplying the Amount Equivalent to Paid-in Amount by 4.5%, if the Dividend Record Date belongs to any business year starting on or after April 1, 2020 and ending on or before March 31, 2021; (iii) for the amount of money calculated by multiplying the Amount Equivalent to Paid-in

Amount by 5.0%, if the Dividend Record Date belongs to any business year starting on or after April 1, 2021 and ending on or before March 31, 2022; and (iv) for the amount of money calculated by multiplying the Amount Equivalent to Paid-in Amount by 5.5%, if the Dividend Record Date belongs to any business year starting on or after April 1, 2022, on a daily prorated basis based on a 365-day year (or a 366-day year if the relevant business year has a leap day) by reference to the actual number of days from and including the first day of the business year to which the relevant Dividend Record Date belongs (or September 30, 2019, if the relevant Dividend Record Date belongs to the business year ending on March 31, 2020) to and including the relevant Dividend Record Date (the division shall be performed at the end of the computation and the amount shall be calculated to the hundredth of one (1) yen and rounded off to the nearest tenth of one (1) yen). Provided, however, that if dividends of surplus have been paid to the Class A Shareholders/Pledgees with the record date being any day preceding the relevant Dividend Record Date within the business year to which the relevant Dividend Record Date belongs, the amount of the Class A Preferred Dividend with respect to the relevant Dividend Record Date shall be the amount after the deduction of the total amount of the Class A Preferred Dividends for such preceding dividends.

(3) Non-participation Clause

The Company shall not pay dividends of surplus to the Class A Shareholders/Pledgees in excess of the sum of the amount of the Class A Preferred Dividend and the Amount Equivalent to Class A Cumulative Accrued Dividends (as specified in the following item). Provided, however, that the foregoing shall not apply to any dividends of surplus as stipulated in Article 758, item 8-(b) or Article 760, item 7-(b) of the Companies Act which are paid in any absorption-type demerger procedures conducted by the Company or any dividends of surplus as stipulated in Article 763, Paragraph 1, item 12-(b) or Article 765, Paragraph 1, item 8-(b) of the Companies Act which are paid in any incorporation-type demerger procedures conducted by the Company.

(4) Accumulation Clause

If the total amount of dividends of surplus per share paid to the Class A Shareholders/Pledgees with each record date being a certain day belonging to a business year (excluding the dividend of the Amount Equivalent to Class A Cumulative Accrued Dividends (as defined below) accumulated in accordance with this (4) with respect to the Class A Preferred Dividends for each of the business years preceding the relevant business year) falls short of the amount of the Class A Preferred Dividends for the relevant business year (which means the amount of the Class A Preferred Dividend calculated in accordance with (2) above assuming that a dividend of surplus is paid with the record date being the last day of the relevant business year and without applying the proviso of (2) above to such calculation), the amount of such shortfall shall be accumulated for the business years following that business year (the “Business Year Involving Shortfall” in this (4)). In such case, the accumulated amount shall be, from and including the day following the annual shareholders

meeting for the Business Year Involving Shortfall (the “Annual Meeting for Business Year Involving Shortfall” in this (4)) to and including the day on which the accumulated amount is distributed to the Class A Shareholders/Pledgees, the amount so deferred plus interest thereon compounded annually for each of the business years following the Business Year Involving Shortfall (however, the first year shall be from and including the day following the Annual Meeting for Business Year Involving Shortfall to and including the last day of the business year following the Business Year Involving Shortfall), calculated (i) at the interest rate of 4.0% per annum, if the relevant business year is a business year ending on or before March 31, 2020; (ii) at the interest rate of 4.5% per annum, if the relevant business year is a business year starting on or after April 1, 2020 and ending on or before March 31, 2021; (iii) at the interest rate of 5.0% per annum, if the relevant business year is a business year starting on or after April 1, 2021 and ending on or before March 31, 2022; and (iv) at the interest rate of 5.5% per annum if the relevant business year is a business year starting on or after April 1, 2022. Such calculation shall be made on a daily prorated basis based on a 365-day year (or a 366-day year if the relevant business year has a leap day). In such a calculation, the division shall be performed at the end of the computation and the amount shall be calculated to the second decimal place below one (1) yen and rounded to the first decimal place. The amount accumulated pursuant to this item (the “Amount Equivalent to Class A Cumulative Accrued Dividends”) shall be distributed to the Class A Shareholders/Pledgees in accordance with the order of priority of payment set forth in 16-(1) below.

9. Distribution of Residual Assets

(1) Distribution of Residual Assets

If the Company distributes its residual assets, the Company shall pay to each Class A Shareholder/Pledgee the sum of the Amount Equivalent to Paid-in Amount, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount as specified in (3) below per Class A Share (the “Class A Residual Assets Distribution Amount”) in cash in accordance with the order of priority of payment set forth in 16-(2) below. Provided, however, that in this (1), if the date on which the residual assets are distributed (the “Distribution Date”) is within the period from and including the day following a Dividend Record Date to the date of payment of the dividend of surplus whose record date is the relevant Dividend Record Date, the Amount Equivalent to Class A Cumulative Accrued Dividends shall be calculated by deeming that there occurs no distribution of dividend of surplus whose record date is the relevant Dividend Record Date. If the amount obtained by multiplying the Class A Residual Assets Distribution Amount by the number of the Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.

(2) Non-participation Clause

The Company shall not make distribution of residual assets to the Class A Shareholders/Pledgees other than as provided for in (1) above.

(3) Daily Prorated Accrued Preferred Dividend Amount

The daily prorated accrued preferred dividend amount per Class A Share shall be the amount equivalent to the Class A Preferred Dividend calculated in accordance with 8-(2) above assuming that the Class A Preferred Dividends are paid in the business year to which the Distribution Date belongs, with the record date being the Distribution Date (hereinafter the daily prorated accrued preferred dividend amount per Class A Share shall be referred to as the “Daily Prorated Accrued Preferred Dividend Amount”).

10. Voting Rights

Unless otherwise provided for by law, the Class A Shareholders shall not be entitled to vote at general meetings of shareholders.

11. Right to Request Acquisition in Exchange for Common Shares

(1) Right to Request Acquisition in Exchange for Common Shares

On or after October 1, 2019, each Class A Shareholder may at any time request the Company to acquire, in exchange for the delivery of such number of common shares as specified in (2) below (the “Common Shares subject to Request”), all or part of the Class A Shares held by that Class A Shareholder (the “Request for Acquisition in Exchange for Common Shares”), and the Company shall deliver the Common Shares subject to Request to the relevant Class A Shareholder in exchange for the acquisition of the Class A Shares to which the relevant Request for Acquisition in Exchange for Common Shares is related, to the extent permitted by laws and regulations.

(2) Number of Common Shares Delivered in Exchange for Acquisition of Class A Shares

The number of common shares delivered in exchange for the acquisition of the Class A Shares shall be the number obtained by dividing (a) the amount obtained by multiplying the number of the Class A Shares concerning the Request for Acquisition in Exchange for Common Shares by (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the Premium for Acquisition in Exchange for Common Shares as specified below and by (ii) the sum of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount, by (b) the acquisition price set forth in (3) and (4) below. In this 11, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount is to be calculated by respectively replacing “day when distribution of residual assets is made” and “Distribution Date” in the calculation of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount with the “day when the Request for Acquisition in Exchange for Common Shares took effect.” If the total number of common shares delivered in exchange for the acquisition of the Class A Shares to which the Request for Acquisition in Exchange for Common Shares is related includes any fraction less than one (1) share, such fraction shall be rounded down. In such case, the Company shall not make the delivery of money as provided for in Article 167, Paragraph 3 of the Companies Act.

“Premium for Acquisition in Exchange for Common Shares” means the rate corresponding to the relevant category set forth in the following items according to whether the effective date of the Request for Acquisition in Exchange for Common Shares falls within any of the periods listed below:

- (i) Until June 30, 2020 : 1.13
- (ii) From July 1, 2020 to June 30, 2021 : 1.20
- (iii) From July 1, 2021 to June 30, 2022 : 1.27
- (iv) From July 1, 2022 to June 30, 2023 : 1.34
- (v) From July 1, 2023 to June 30, 2024 : 1.41
- (vi) From July 1, 2024 to June 30, 2025 : 1.48
- (vii) From July 1, 2025 : 1.55

(3) Initial Acquisition Price

The amount equivalent to the average value (calculated to the second decimal place below one (1) yen and rounded to the first decimal place; hereinafter the same) of the Volume Weighted Average Price (the “VWAP”) in ordinary trading of the Company’s common shares published by Tokyo Stock Exchange, Inc. (the “TSE”) over 30 consecutive Trading Days prior to September 30, 2019. However, if the Initial Acquisition Price exceeds 100 yen (subject to the adjustment of Item (5) below, “Initial Maximum Acquisition Price”), then the Initial Acquisition Price will be the Initial Maximum Acquisition Price, and if the Initial Acquisition Price falls below 80 yen (subject to the adjustment of Item (5) below, “Initial Minimum Acquisition Price”), then the Initial Acquisition Price will be the Initial Minimum Acquisition Price. If during the period of these 30 Trading Days an event provided for in Item (4) below occurs, then the average VWAP above will be adjusted to a value that the Company judges appropriate in accordance with Item (5) below. “Trading Day” means a day on which ordinary trade in the Company’s common shares is conducted on the TSE, and it does not include days where there is no VWAP announcement (hereinafter the same).

(4) Adjustment of Acquisition Price

- (a) Upon the occurrence of any of the events listed below, the acquisition price shall be adjusted as follows:
 - (i) If the Company is to implement a share split of its common shares or gratis allotment of its common shares, the acquisition price shall be adjusted in accordance with the formula below. In the case of a gratis allotment of shares, “Number of issued common shares before split” and “Number of issued common shares after split” in the formula below shall be respectively deemed to be replaced with “Number of issued common shares before gratis allotment (excluding the common shares then held by the Company)” and “Number of issued common shares after gratis allotment (excluding the common shares then held by the Company).”

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

The acquisition price after adjustment shall apply as from the day

following the record date for the share split or as from the effective date of the gratis allotment of shares (or if the record date for the gratis allotment has been set, as from the day following such record date), as the case may be.

- (ii) If the Company consolidates its common shares, the acquisition price shall be adjusted in accordance with the formula below.

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

The acquisition price after adjustment shall apply as from the effective date of the consolidation of shares.

- (iii) If the Company issues common shares or disposes of any of the common shares held by the Company at a paid-in amount below the market value per common share as specified in (d) below (excluding by way of gratis allotment of shares, acquisition of shares or stock acquisition rights (including those attached to bonds with stock acquisition rights; hereafter the same in this (4)) in exchange for the delivery of common shares, exercise of stock acquisition rights to acquire common shares, or delivery of common shares by virtue of merger, share exchange (*kabushiki kokan*) or demerger), the acquisition price shall be adjusted in accordance with the formula below (the “Acquisition Price Adjustment Formula”). If any property other than money is contributed, “Paid-in amount per share” in the Acquisition Price Adjustment Formula shall be the appropriately appraised value of such property. The acquisition price after adjustment shall apply as from the day following the payment date (or if a payment period has been set, the last day of such payment period), or if a record date for the allotment to shareholders has been set, as from the day following such record date (the “Shareholder Allotment Date”), as the case may be. If the Company is to dispose of any of the common shares held by it, “Number of newly issued common shares” and “Number of common shares held by the Company” in the formula below shall be respectively deemed to be replaced with “The number of common shares held by the Company to be disposed of” and “The number of common shares held by the Company before the disposition.”

$$\text{Acquisition price after adjustment} = \text{Acquisition price before adjustment} \times \frac{\begin{array}{c} \text{Number of newly issued common shares} \times \text{Paid-in amount per share} \\ \text{(Number of issued common shares} \\ \text{- Number of common shares held by the Company)} \end{array} + \text{Market value per common share}}{\begin{array}{c} \text{(Number of issued common shares - Number of common shares held by the Company)} \\ \text{+ Number of newly issued common shares} \end{array}}$$

- (iv) If the Company makes an issuance or disposal of shares (including gratis allotment of shares) which entitles the holders thereof to receive, by having or letting the Company acquire such shares, the delivery of

common shares at an acquisition price per common share below the market value per common share as set forth in (d) below, the acquisition price after adjustment shall be the amount calculated by causing “Paid-in amount per share” in the Acquisition Price Adjustment Formula to be substituted by the amount determined by deeming that all of the shares issued or disposed of have been acquired in accordance with the initial terms and conditions and common shares have been delivered on the payment date for such shares (if a payment period has been set, on the last day of such payment period; hereafter the same in this (iv)), or on the effective date of gratis allotment of shares (or if a record date for gratis allotment of shares has been set, on such record date; hereafter the same in this (iv)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the payment date, or as from the day following the effective date of gratis allotment of shares, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the shares issued or disposed of will have been acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment shall apply as from the day following the date on which such consideration has been determined.

- (v) If the Company makes an issuance of stock acquisition rights (including gratis allotment of stock acquisition rights) which entitles the holders thereof to receive, by exercising or having the Company acquire such stock acquisition rights, to receive the delivery of common shares at a price wherein the sum of the paid-in amount of such stock acquisition right per common share and the amount per common share of the property contributed upon the exercise of such stock acquisition rights (if any property other than money is contributed, the appropriately appraised value of such property; hereafter the same in this (v)) is less than the market value per common share as set forth in (d) below, the acquisition price after adjustment shall be the amount calculated by causing “Paid-in amount per share” in the Acquisition Price Adjustment Formula to be substituted by the sum of the paid-in amount of stock acquisition right per common share and the amount per common share of the property contributed upon the exercise of stock acquisition rights, deeming that all of the stock acquisition rights issued have been exercised or acquired in accordance with the initial terms and conditions and common shares have been delivered on the allotment date of such stock acquisition rights, on the effective date of gratis allotment of stock acquisition rights (or if a record date for gratis allotment of stock acquisition rights has been set,

on such record date; hereafter the same in this (v)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the allotment date of such stock acquisition rights, as from the day following the effective date of the gratis allotment of stock acquisition rights, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition or exercise has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the stock acquisition rights issued will have been exercised or acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment shall apply as from the day following the date on which such consideration has been determined. Provided, however, that the adjustment of the acquisition price under this (v) shall not apply to any stock acquisition rights to acquire common shares that are issued for the purpose of granting stock options to any of the directors, statutory auditors (*kansayaku*), executive officers (*shikkoyaku*) or other officers or employees of the Company or any subsidiary of the Company.

- (b) In addition to the events set forth in (a) above, if there is any circumstance falling under any of (i) through (iii) below, the Company shall submit to the Class A Shareholders/Pledgees a prior written notification to that effect, stating the acquisition price after adjustment, the date of application and any other necessary matters, and shall appropriately adjust the acquisition price.
 - (i) If an adjustment of the acquisition price is required for a merger, share exchange (*kabushiki kokan*), acquisition of all issued shares in another stock company (*kabushiki kaisha*) by way of share exchange (*kabushiki kokan*), share transfer (*kabushiki iten*), absorption-type demerger (*kyushu bunkatsu*), succession of all or part of the rights and obligations held by another company in relation to its business by way of absorption-type demerger (*kyushu bunkatsu*) or incorporation-type demerger (*shinsetsu bunkatsu*);
 - (ii) Where two (2) or more events requiring adjustment of the acquisition price have occurred in succession, if the determination of the market value to be used in the calculation of the acquisition price after adjustment for one of the events needs to take into consideration the effects of the other event(s); or
 - (iii) If an adjustment of the acquisition price is otherwise required owing to a change in the number of issued common shares (excluding the number of common shares held by the Company) or the occurrence of any event which may result in such a change.
- (c) In the calculations needed for an adjustment of the acquisition price, the price shall be calculated to the second decimal place below one (1) yen and

rounded to the first decimal place.

- (d) The market value per common share as used in the Acquisition Price Adjustment Formula shall be the average value of the VWAP published by the TSE over the 30 consecutive Trading Days prior to the day from which the acquisition price after adjustment applies (or if any event requiring an adjustment of the acquisition price is published through the company announcements disclosure service provided by the TSE, the date of such publication).
 - (e) If the difference between the acquisition price after adjustment and the acquisition price before adjustment as calculated for the purpose of adjustment of the acquisition price is less than 0.1 yen, the acquisition price shall not be adjusted. Provided, however, that any adjustment deemed unnecessary under this (e) shall be carried over and taken into account in the subsequent calculations for the adjustment.
- (5) Adjustment of Initial Maximum Acquisition Price and Initial Minimum Acquisition Price
- When adjusting the acquisition price in accordance with the provision in Item (4) above, the Initial Maximum Acquisition Price and the Initial Minimum Acquisition Price will be adjusted by applying the provision in Item (4) above after respectively replacing the “acquisition price” with “Initial Maximum Acquisition Price,” and the “Initial Minimum Acquisition Price.”
- (6) Place for Acceptance of Request for Acquisition in Exchange for Common Shares
- The shareholders register administrator’s office for handling of related affairs:
4-5 Marunouchi 1-chome, Chiyoda-Ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division
- (7) Effectuation of Request for Acquisition in Exchange for Common Shares
- A Request for Acquisition in Exchange for Common Shares shall come into effect at the later of (i) the time when the documents necessary for the Request for Acquisition in Exchange for Common Shares reach the place for acceptance of the Request for Acquisition in Exchange for Common Shares as stated in (6) above or (ii) the intended effective date as stated in the above-mentioned documents.
- (8) Method of Delivery of Common Shares
- After the effectuation of the Request for Acquisition in Exchange for Common Shares, the Company shall deliver common shares to each Class A Shareholder which has made the Request for Acquisition in Exchange for Common Shares by recording an increase in the number of the book-entry transfer shares in the “Shares Held” section of the transfer account book managed by Japan Securities Depository Center, Incorporated or of any account management institution designated by the relevant Class A Shareholder.

12. Right to Request Acquisition in Exchange for Money

- (1) Right to Request Acquisition in Exchange for Money
- On or after October 1, 2019, each Class A Shareholder may at any time request the Company to acquire, in exchange for the delivery of such amount of

money as specified in (2) below, all or part of the Class A Shares held by that Class A Shareholder (the “Request for Acquisition in Exchange for Money”), and the Company shall deliver such amount of money as specified in (2) below to the relevant Class A Shareholder in exchange for the acquisition of the Class A Shares to which the relevant Request for Acquisition in Exchange for Money is related, to the extent permitted by laws and regulations. Provided, however, that such Class A Shareholder may not make such Request for Acquisition in Exchange for Money if the cumulative sum of the amount calculated by multiplying the Amount Equivalent to the Paid-in Amount per Class A Share among the money delivered to Class A Shareholder pursuant to the Request for Acquisition in Exchange for Money by the number of Class A Shares related to such Request for Acquisition in Exchange for Money exceeds 6,600 million yen.

(2) Amount of Money Delivered in Exchange for Acquisition of Class A Shares

The amount of money delivered in exchange for the acquisition of the Class A Shares shall be the amount obtained by multiplying the number of the Class A Shares concerning the Request for Acquisition in Exchange for Money by (i) the Amount Equivalent to Paid-in Amount per Class A Share by the Premium for Acquisition in Exchange for Money as specified below and by (ii) the sum of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount. In this 12, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount is to be calculated by respectively replacing “day when distribution of residual assets is made” and “Distribution Date” in the calculation of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount with the “day when the Request for Acquisition in Exchange for Money took effect.”

“Premium for Acquisition in Exchange for Money” means the rate corresponding to the relevant category set forth in the following items according to whether the effective date of the Request for Acquisition in Exchange for Money falls within any of the periods listed below:

- (i) Until June 30, 2020 : 1.05
- (ii) From July 1, 2020 to June 30, 2021 : 1.12
- (iii) From July 1, 2021 to June 30, 2022 : 1.19
- (iv) From July 1, 2022 to June 30, 2023 : 1.26
- (v) From July 1, 2023 to June 30, 2024 : 1.33
- (vi) From July 1, 2024 to June 30, 2025 : 1.40
- (vii) From July 1, 2025 : 1.47

(3) Place for Acceptance of Request for Acquisition in Exchange for Money

The shareholders register administrator’s office for handling of related affairs:
4-5 Marunouchi 1-chome, Chiyoda-Ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division

(4) Effectuation of Request for Acquisition in Exchange for Money

Prior Notice for the Request for Acquisition in Exchange for Money shall come into effect at the later of (i) the time when the documents necessary for Prior Notice for the Request for Acquisition in Exchange for Money reach the

place for acceptance of the Request for Acquisition in Exchange for Money as stated in (3) above or (ii) the intended effective date as stated in the above-mentioned documents. The Request for Acquisition in Exchange for Money comes into effect on the date when the Request for Acquisition in Exchange for Money was made related to such Prior Notice for the Request for Acquisition in Exchange for Money.

13. Call Option for Money

At any time on or after October 1, 2019, upon the arrival of the date separately specified by the board of directors of the Company (the “Date of Redemption for Money”), the Company may acquire all or part of the Class A Shares in exchange for money by giving written notice (which shall be irrevocable) to the Class A Shareholders/Pledgees at least 14 days prior to the Date of Redemption for Money, to the extent permitted by laws and regulations (provided, however, that partial acquisitions may be made only in increments of 1,000 shares) (the “Redemption for Money”), and the Company shall, in exchange for the acquisition of the Class A Shares subject to the relevant Redemption for Money, deliver to the Class A Shareholders such amount of money as is obtained by multiplying (i) the sum of (a) the Amount Equivalent to Paid-in Amount per Class A Shares multiplied by the Redemption Factor set forth below and (b) the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount, by (ii) the number of the Class A Shares subject to the relevant Redemption for Money. In this 13, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount is to be calculated by respectively replacing “date on which the residual assets are distributed” and “Distribution Date” in the calculation of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount with “Date of Redemption for Money.” If the money delivered in exchange for the acquisition of the Class A Shares subject to the Redemption for Money includes any fraction less than one (1) yen, such fraction shall be rounded down.

In the case of a partial acquisition of the Class A Shares, the number of Class A Shares to be acquired from each Class A Shareholder shall be determined on a pro rata basis or by any other reasonable method specified by the board of directors of the Company.

“Redemption Factor” means the rate corresponding to the relevant category set forth in the following items according to whether the Date of Redemption for Money falls within any of the periods listed below:

- (i) Until June 30, 2020 : 1.08
- (ii) From July 1, 2020 to June 30, 2021 : 1.15
- (iii) From July 1, 2021 to June 30, 2022 : 1.22
- (iv) From July 1, 2022 to June 30, 2023 : 1.29
- (v) From July 1, 2023 to June 30, 2024 : 1.36
- (vi) From July 1, 2024 to June 30, 2025 : 1.43
- (vii) From July 1, 2025 : 1.50

14. Exclusion of Claim for Being an Additional Seller in relation to Acquisition of Treasury Shares

The provisions of Paragraphs 2 and 3 of Article 160 of the Companies Act shall not apply in the case where the Company resolves at a general meeting of shareholders to acquire all or part of the Class A Shares held by certain Class A Shareholders by agreement with such Class A Shareholders.

15. Consolidation or Split of Shares; Allotment of Shares for Subscription

- (1) The Company shall not split or consolidate the Class A Shares.
- (2) The Company shall not grant the Class A Shareholders rights for allotment of shares for subscription or rights for allotment of stock acquisition rights for subscription.
- (3) The Company shall not make a gratis allotment of shares or gratis allotment of stock acquisition rights to the Class A Shareholders.

16. Priority

- (1) The order of priority of payment of the Class A Preferred Dividend, the Amount Equivalent to Class A Cumulative Accrued Dividends and the dividends of surplus to the holders of common shares and the registered pledgees of common shares (collectively, the “Common Shareholders/Pledgees”) shall be as follows: (i) the Amount Equivalent to Class A Cumulative Accrued Dividends; (ii) the Class A Preferred Dividends; and (iii) the dividends of surplus to the Common Shareholders/Pledgees.
- (2) The order of priority of payment of distribution of residual assets to the Class A Shares and the common shares shall be as follows: (i) distribution of residual assets for the Class A Shares; and (ii) distribution of residual assets for common shares.
- (3) If the amount available for the dividends of surplus or distribution of residual assets by the Company falls short of the total amount necessary to pay the dividends of surplus or to make the distribution of residual assets for a certain priority rank, the payment of dividends of surplus or distribution of residual assets shall be made on a pro rata basis according to the amount necessary to make the payment of dividends of surplus or distribution of residual assets with respect to that rank.

END

Appendix II

Contents of Amendments to the Articles of Incorporation

(Amendments are underlined.)

Current Articles of Incorporation	Proposed amendment
<p>Article 6 Total Number of Authorized Shares</p> <p>The total number of shares that can be authorized for issue by the Company shall be 440,000,000.</p> <p>(New)</p>	<p>Article 6 Total Number of Authorized Shares</p> <p>The total number of shares that can be authorized for issue by the Company shall be <u>543,000,000</u> and the total <u>number of class shares that can be authorized for issue by the Company shall be as follows.</u></p> <p><u>Common shares: 543,000,000 shares</u></p> <p><u>Class A Shares: 20,000 shares</u></p> <p><u>Article 6.2 Class A Shares</u></p> <p><u>The contents of the Class A Shares issued by the Company shall be set forth in the following paragraph to Paragraph 10.</u></p> <p><u>2. Dividends of Surplus</u></p> <p><u>(1) Class A Preferred Dividends</u></p> <p><u>If the Company is to distribute dividends out of surplus setting a certain day belonging to a business year as the record date, the Company shall make, in accordance with the order of priority of payment set forth in Item 1 of Paragraph 10, pecuniary distribution of surplus to the holders of the Class A Shares (the “Class A Shareholders”) or the registered pledgees of the Class A Shares (together with the Class A Shareholders, the “Class A Shareholders/Pledgees”)</u></p> <p><u>entered or recorded in the latest shareholders’ register as at the record date for the distribution of the relevant dividends (the “Dividend Record Date”) in the amount per Class A Share as set forth in the following item (hereinafter such amount of money paid per Class A Share</u></p>

	<p><u>as a dividend shall be referred to as the “Class A Preferred Dividend”). If the amount obtained by multiplying the Class A Preferred Dividend by the number of Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.</u></p> <p><u>(2) Amount of Class A Preferred Dividend</u></p> <p><u>The amount of the Class A Preferred Dividend shall be calculated (i) for the amount of money calculated by multiplying 1,000,000 yen (the “Amount Equivalent to Paid-in Amount”) by 4.0%, if the Dividend Record Date belongs to a business year ending on or before March 31, 2020; (ii) for the amount of money calculated by multiplying the Amount Equivalent to Paid-in Amount by 4.5%, if the Dividend Record Date belongs to any business year starting on or after April 1, 2020 and ending on or before March 31, 2021; (iii) for the amount of money calculated by multiplying the Amount Equivalent to Paid-in Amount by 5.0%, if the Dividend Record Date belongs to any business year starting on or after April 1, 2021 and ending on or before March 31, 2022; and (iv) for the amount of money calculated by multiplying the Amount Equivalent to Paid-in Amount by 5.5%, if the Dividend Record Date belongs to any</u></p>
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	<p><u>business year starting on or after April 1, 2022, on a daily prorated basis based on a 365-day year (or a 366-day year if the relevant business year has a leap day) by reference to the actual number of days from and including the first day of the business year to which the relevant Dividend Record Date belongs (or September 30, 2019, if the relevant Dividend Record Date belongs to the business year ending on March 31, 2020) to and including the relevant Dividend Record Date (the division shall be performed at the end of the computation and the amount shall be calculated to the hundredth of one (1) yen and rounded off to the nearest tenth of one (1) yen). Provided, however, that if dividends of surplus have been paid to the Class A Shareholders/Pledgees with the record date being any day preceding the relevant Dividend Record Date within the business year to which the relevant Dividend Record Date belongs, the amount of the Class A Preferred Dividend with respect to the relevant Dividend Record Date shall be the amount after the deduction of the total amount of the Class A Preferred Dividends for such preceding dividends.</u></p> <p><u>(3) Non-participation Clause</u> <u>The Company shall not pay dividends of surplus to the Class A Shareholders/Pledgees in excess of the sum of the amount of the Class A Preferred Dividend and the Amount Equivalent to Class A</u></p>
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	<p><u>Cumulative Accrued Dividends (as specified in the following item). Provided, however, that the foregoing shall not apply to any dividends of surplus as stipulated in Article 758, item 8-(b) or Article 760, item 7-(b) of the Companies Act which are paid in any absorption-type demerger procedures conducted by the Company or any dividends of surplus as stipulated in Article 763, Paragraph 1, item 12-(b) or Article 765, Paragraph 1, item 8-(b) of the Companies Act which are paid in any incorporation-type demerger procedures conducted by the Company.</u></p> <p><u>(4) Accumulation Clause</u></p> <p><u>If the total amount of dividends of surplus per share paid to the Class A Shareholders/Pledgees with each record date being a certain day belonging to a business year (excluding the dividend of the Amount Equivalent to Class A Cumulative Accrued Dividends (as defined below) accumulated in accordance with this item with respect to the Class A Preferred Dividends for each of the business years preceding the relevant business year) falls short of the amount of the Class A Preferred Dividends for the relevant business year (which means the amount of the Class A Preferred Dividend calculated in accordance with Item 2 of this paragraph assuming that a dividend of surplus is paid with the record date being the last day of the relevant business year and</u></p>
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	<p>without applying the proviso of Item 2 of this paragraph to such calculation), the amount of such shortfall shall be accumulated for the business years following that business year (the “Business Year Involving Shortfall” in this item). In such case, the accumulated amount shall be, from and including the day following the annual shareholders meeting for the Business Year Involving Shortfall (the “Annual Meeting for Business Year Involving Shortfall” in this item) to and including the day on which the accumulated amount is distributed to the Class A Shareholders/Pledgees, the amount so deferred plus interest thereon compounded annually for each of the business years following the Business Year Involving Shortfall (however, the first year shall be from and including the day following the Annual Meeting for Business Year Involving Shortfall to and including the last day of the business year following the Business Year Involving Shortfall), calculated (i) at the interest rate of 4.0% per annum, if the relevant business year is a business year ending on or before March 31, 2020; (ii) at the interest rate of 4.5% per annum, if the relevant business year is a business year starting on or after April 1, 2020 and ending on or before March 31, 2021; (iii) at the interest rate of 5.0% per annum, if the relevant business</p>
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	<p><u>year is a business year starting on or after April 1, 2021 and ending on or before March 31, 2022; and (iv) at the interest rate of 5.5% per annum if the relevant business year is a business year starting on or after April 1, 2022. Such calculation shall be made on a daily prorated basis based on a 365-day year (or a 366-day year if the relevant business year has a leap day). In such a calculation, the division shall be performed at the end of the computation and the amount shall be calculated to the second decimal place below one (1) yen and rounded to the first decimal place. The amount accumulated pursuant to this item (the “Amount Equivalent to Class A Cumulative Accrued Dividends”) shall be distributed to the Class A Shareholders/Pledgees in accordance with the order of priority of payment set forth in Item 1 of Paragraph 10.</u></p> <p><u>3. Distribution of Residual Assets</u></p> <p><u>(1) Distribution of Residual Assets</u></p> <p><u>If the Company distributes its residual assets, the Company shall pay to each Class A Shareholder/Pledgee the sum of the Amount Equivalent to Paid-in Amount, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount as specified in Item 3 of this paragraph per Class A Share (the “Class A Residual Assets Distribution Amount”) in cash in accordance with the order of priority of payment set forth in</u></p>
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	<p><u>Item 2 of Paragraph 10. Provided, however, that in this item, if the date on which the residual assets are distributed (the “Distribution Date”) is within the period from and including the day following a Dividend Record Date to the date of payment of the dividend of surplus whose record date is the relevant Dividend Record Date, the Amount Equivalent to Class A Cumulative Accrued Dividends shall be calculated by deeming that there occurs no distribution of dividend of surplus whose record date is the relevant Dividend Record Date. If the amount obtained by multiplying the Class A Residual Assets Distribution Amount by the number of the Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.</u></p> <p><u>(2) Non-participation Clause</u> <u>The Company shall not make distribution of residual assets to the Class A Shareholders/Pledgees other than as provided for in the preceding item.</u></p> <p><u>(3) Daily Prorated Accrued Preferred Dividend Amount</u> <u>The daily prorated accrued preferred dividend amount per Class A Share shall be the amount equivalent to the Class A Preferred Dividend calculated in accordance with Item 2 of Paragraph 2 assuming that the Class A Preferred Dividends are paid in the business year to which the</u></p>
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	<p><u>Distribution Date belongs, with the record date being the Distribution Date (hereinafter the daily prorated accrued preferred dividend amount per Class A Share shall be referred to as the “Daily Prorated Accrued Preferred Dividend Amount”).</u></p> <p><u>4. Voting Rights</u></p> <p><u>Unless otherwise provided for by law, the Class A Shareholders shall not be entitled to vote at general meetings of shareholders.</u></p> <p><u>5. Right to Request Acquisition in Exchange for Common Shares</u></p> <p><u>(1) Right to Request Acquisition in Exchange for Common Shares</u></p> <p><u>On or after October 1, 2019, each Class A Shareholder may at any time request the Company to acquire, in exchange for the delivery of such number of common shares as specified in the following item (the “Common Shares subject to Request”), all or part of the Class A Shares held by that Class A Shareholder (the “Request for Acquisition in Exchange for Common Shares”), and the Company shall deliver the Common Shares subject to Request to the relevant Class A Shareholder in exchange for the acquisition of the Class A Shares to which the relevant Request for Acquisition in Exchange for Common Shares is related, to the extent permitted by laws and regulations.</u></p> <p><u>(2) Number of Common Shares Delivered in Exchange for Acquisition of Class A Shares</u></p> <p><u>The number of common shares</u></p>
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	<p><u>delivered in exchange for the acquisition of the Class A Shares shall be the number obtained by dividing (a) the amount obtained by multiplying the number of the Class A Shares concerning the Request for Acquisition in Exchange for Common Shares by (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the Premium for Acquisition in Exchange for Common Shares as specified below and by (ii) the sum of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount, by (b) the acquisition price set forth in Items 3 and 4 of this paragraph. In this paragraph, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount is to be calculated by respectively replacing “day when distribution of residual assets is made” and “Distribution Date” in the calculation of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount with the “day when the Request for Acquisition in Exchange for Common Shares took effect.” If the total number of common shares delivered in exchange for the acquisition of the Class A Shares to which the Request for Acquisition in Exchange for Common Shares is related</u></p>
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	<p><u>includes any fraction less than one (1) share, such fraction shall be rounded down. In such case, the Company shall not make the delivery of money as provided for in Article 167, Paragraph 3 of the Companies Act.</u></p> <p><u>“Premium for Acquisition in Exchange for Common Shares” means the rate corresponding to the relevant category set forth in any of (i) through (vii) below according to whether the effective date of the Request for Acquisition in Exchange for Common Shares falls within any of the periods listed below:</u></p> <p>(i) <u>Until June 30, 2020</u> <u>: 1.13</u></p> <p>(ii) <u>From July 1, 2020 to June 30, 2021</u> : 1.20</p> <p>(iii) <u>From July 1, 2021 to June 30, 2022</u> : 1.27</p> <p>(iv) <u>From July 1, 2022 to June 30, 2023</u> : 1.34</p> <p>(v) <u>From July 1, 2023 to June 30, 2024</u> : 1.41</p> <p>(vi) <u>From July 1, 2024 to June 30, 2025</u> : 1.48</p> <p>(vii) <u>From July 1, 2025</u> <u>: 1.55</u></p> <p><u>(3) Initial Acquisition Price</u></p> <p><u>The amount equivalent to the average value (calculated to the second decimal place below one (1) yen and rounded to the first decimal place; hereinafter the same) of the Volume Weighted Average Price (the “VWAP”) in ordinary trading of the Company’s common shares published by Tokyo Stock Exchange, Inc. (the “TSE”) over 30 consecutive Trading Days prior to September 30, 2019. However,</u></p>
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	<p><u>if the Initial Acquisition Price exceeds 100 yen (subject to the adjustment of Item 5 of this paragraph, “Initial Maximum Acquisition Price”), then the Initial Acquisition Price will be the Initial Maximum Acquisition Price, and if the Initial Acquisition Price falls below 80 yen (subject to the adjustment of Item 5 of this paragraph, “Initial Minimum Acquisition Price”), then the Initial Acquisition Price will be the Initial Minimum Acquisition Price. If during the period of these 30 Trading Days an event provided for in Item 4 of this paragraph occurs, then the average VWAP above will be adjusted to a value that the Company judges appropriate in accordance with Item 5 of this paragraph. “Trading Day” means a day on which ordinary trade in the Company’s common shares is conducted on the TSE, and it does not include days where there is no VWAP announcement (hereinafter the same).</u></p> <p><u>(4) Adjustment of Acquisition Price</u></p> <p><u>(a) Upon the occurrence of any of the events listed below, the acquisition price shall be adjusted as follows:</u></p> <p><u>(i) If the Company is to implement a share split of its common shares or gratis allotment of its common shares, the acquisition price shall be adjusted in accordance with the formula below. In the case of a gratis</u></p>
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	<p><u>allotment of shares, “Number of issued common shares before split” and “Number of issued common shares after split” in the formula below shall be respectively deemed to be replaced with “Number of issued common shares before gratis allotment (excluding the common shares then held by the Company)” and “Number of issued common shares after gratis allotment (excluding the common shares then held by the Company).”</u></p> $\frac{\text{Acquisition price after adjustment}}{\text{Acquisition price before adjustment}} = \frac{\frac{\text{Number of issued common shares before split}}{\text{Number of issued common shares after split}} \times \text{Acquisition price before adjustment}}{\text{Acquisition price before adjustment}}$ <p><u>The acquisition price after adjustment shall apply as from the day following the record date for the share split or as from the effective date of the gratis allotment of shares (or if the record date for the gratis allotment has been set, as from the day following such record date), as the case may be.</u></p> <p><u>(ii) If the Company consolidates its common shares, the acquisition price shall be adjusted in accordance with the</u></p>
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	<p><u>formula below.</u></p> $\frac{\text{Acquisition price after adjustment}}{\text{Acquisition price before adjustment}} = \frac{\text{Number of issued common shares before consolidation}}{\text{Number of issued common shares after consolidation}}$ <p><u>Number of issued common shares after consolidation</u></p> <p>(iii) <u>If the Company issues common shares or disposes of any of the common shares held by the Company at a paid-in amount below the market value per common share as specified in (d) of this item (excluding by way of gratis allotment of shares, acquisition of shares or stock acquisition rights (including those attached to bonds with stock acquisition rights; hereafter the same in this item) in exchange for the delivery of common shares, exercise of stock acquisition rights to acquire common shares, or delivery of common shares by virtue of merger, share exchange (<i>kabushiki kokan</i>) or demerger), the acquisition price shall be adjusted in accordance with the formula below (the “Acquisition Price Adjustment Formula”).</u></p> <p><u>If any property other</u></p>
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	<p> <u>than money is contributed, “Paid-in amount per share” in the Acquisition Price Adjustment Formula shall be the appropriately appraised value of such property. The acquisition price after adjustment shall apply as from the day following the payment date (or if a payment period has been set, the last day of such payment period), or if a record date for the allotment to shareholders has been set, as from the day following such record date (the “Shareholder Allotment Date”), as the case may be. If the Company is to dispose of any of the common shares held by it, “Number of newly issued common shares” and “Number of common shares held by the Company” in the formula below shall be respectively deemed to be replaced with “The number of common shares held by the Company to be disposed of” and “The number of common shares held by the Company before the disposition.”</u> </p>
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	<p> <u>shares (if a payment period has been set, on the last day of such payment period; hereafter the same in this (iv)), or on the effective date of gratis allotment of shares (or if a record date for gratis allotment of shares has been set, on such record date; hereafter the same in this (iv)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the payment date, or as from the day following the effective date of gratis allotment of shares, of as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the shares issued or disposed of will have been acquired in accordance with the</u> </p>
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	<p><u>terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment shall apply as from the day following the date on which such consideration has been determined.</u></p> <p>(v) <u>If the Company makes an issuance of stock acquisition rights (including gratis allotment of stock acquisition rights) which entitles the holders thereof to receive, by exercising or having the Company acquire such stock acquisition rights, to receive the delivery of common shares at a price wherein the sum of the paid-in amount of such stock acquisition right per common share and the amount per common share of the property contributed upon the exercise of such stock acquisition rights (if any property other than money is contributed, the appropriately appraised value of such property; hereafter the same in this (v)) is less than the market value per common share as set forth in (d) of this item, the acquisition price</u></p>
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	<p> <u>after adjustment shall be the amount calculated by causing “Paid-in amount per share” in the Acquisition Price Adjustment Formula to be substituted by the sum of the paid-in amount of stock acquisition right per common share and the amount per common share of the property contributed upon the exercise of stock acquisition rights, deeming that all of the stock acquisition rights issued have been exercised or acquired in accordance with the initial terms and conditions and common shares have been delivered on the allotment date of such stock acquisition rights, on the effective date of gratis allotment of stock acquisition rights (or if a record date for gratis allotment of stock acquisition rights has been set, on such record date; hereafter the same in this (v)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the allotment date of such stock acquisition rights, as from the day following the effective date of the gratis</u> </p>
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	<p> <u>allotment of stock acquisition rights, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition or exercise has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the stock acquisition rights issued will have been exercised or acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment shall apply as from the day following the date on which such consideration has been determined. Provided, however, that the adjustment of the acquisition price under this (v) shall not apply to any stock acquisition rights to acquire common shares that are issued for the purpose of granting stock</u> </p>
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	<p><u>options to any of the directors, statutory auditors (<i>kansayaku</i>), executive officers (<i>shikkoyaku</i>) or other officers or employees of the Company or any subsidiary of the Company.</u></p> <p>(b) <u>In addition to the events set forth in (a) of this item, if there is any circumstance falling under any of (i) through (iii) below, the Company shall submit to the Class A Shareholders/Pledgees a prior written notification to that effect, stating the acquisition price after adjustment, the date of application and any other necessary matters, and shall appropriately adjust the acquisition price.</u></p> <p>(i) <u>If an adjustment of the acquisition price is required for a merger, share exchange (<i>kabushiki kokan</i>), acquisition of all issued shares in another stock company (<i>kabushiki kaisha</i>) by way of share exchange (<i>kabushiki kokan</i>), share transfer (<i>kabushiki iten</i>), absorption-type demerger (<i>kyushu bunkatsu</i>), succession of all or part of the rights and obligations held by another company in relation to its business by way of absorption-type demerger (<i>kyushu</i></u></p>
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	<p><u>bunkatsu)</u> or <u>incorporation-type</u> <u>demerger</u> (<u>shinsetsu</u> <u>bunkatsu</u>);</p> <p>(ii) <u>Where two (2) or more</u> <u>events</u> <u>requiring</u> <u>adjustment of the</u> <u>acquisition price have</u> <u>occurred in succession,</u> <u>if the determination of</u> <u>the market value to be</u> <u>used in the calculation</u> <u>of the acquisition price</u> <u>after adjustment for one</u> <u>of the events needs to</u> <u>take into consideration</u> <u>the effects of the other</u> <u>event(s); or</u></p> <p>(iii) <u>If an adjustment of the</u> <u>acquisition price is</u> <u>otherwise required</u> <u>owing to a change in the</u> <u>number of issued</u> <u>common shares</u> <u>(excluding the number</u> <u>of common shares held</u> <u>by the Company) or the</u> <u>occurrence of any event</u> <u>which may result in</u> <u>such a change.</u></p> <p>(c) <u>In the calculations needed</u> <u>for an adjustment of the</u> <u>acquisition price, the price</u> <u>shall be calculated to the</u> <u>second decimal place below</u> <u>one (1) yen and rounded to</u> <u>the first decimal place.</u></p> <p>(d) <u>The market value per</u> <u>common share as used in</u> <u>the Acquisition Price</u> <u>Adjustment Formula shall</u> <u>be the average value of the</u> <u>VWAP published by the</u> <u>TSE over the 30</u> <u>consecutive Trading Days</u> <u>prior to the day from which</u> <u>the acquisition price after</u></p>
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	<p><u>adjustment applies (or if any event requiring an adjustment of the acquisition price is published through the company announcements disclosure service provided by the TSE, the date of such publication).</u></p> <p><u>(e) If the difference between the acquisition price after adjustment and the acquisition price before adjustment as calculated for the purpose of adjustment of the acquisition price is less than 0.1 yen, the acquisition price shall not be adjusted. Provided, however, that any adjustment deemed unnecessary under this (e) shall be carried over and taken into account in the subsequent calculations for the adjustment.</u></p> <p><u>(5) Adjustment of Initial Maximum Acquisition Price and Initial Minimum Acquisition Price</u> <u>When adjusting the acquisition price in accordance with the provision in the preceding item, the Initial Maximum Acquisition Price and the Initial Minimum Acquisition Price will be adjusted by applying the provision in the preceding item after respectively replacing the “acquisition price” with “Initial Maximum Acquisition Price,” and the “Initial Minimum Acquisition Price.”</u></p> <p><u>(6) Place for Acceptance of Request for Acquisition in</u></p>
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	<p><u>Exchange for Common Shares</u> <u>The shareholders register</u> <u>administrator's office for</u> <u>handling of related affairs:</u> <u>4-5 Marunouchi 1-chome,</u> <u>Chiyoda-Ku, Tokyo</u> <u>Mitsubishi UFJ Trust and</u> <u>Banking Corporation,</u> <u>Corporate Agency Division</u></p> <p>(7) <u>Effectuation of Request for</u> <u>Acquisition in Exchange for</u> <u>Common Shares</u> <u>A Request for Acquisition in</u> <u>Exchange for Common Shares</u> <u>shall come into effect at the</u> <u>later of (i) the time when the</u> <u>documents necessary for the</u> <u>Request for Acquisition in</u> <u>Exchange for Common Shares</u> <u>reach the place for acceptance</u> <u>of the Request for Acquisition</u> <u>in Exchange for Common</u> <u>Shares as stated in the</u> <u>preceding item or (ii) the</u> <u>intended effective date as stated</u> <u>in the above-mentioned</u> <u>documents.</u></p> <p>(8) <u>Method of Delivery of</u> <u>Common Shares</u> <u>After the effectuation of the</u> <u>Request for Acquisition in</u> <u>Exchange for Common Shares,</u> <u>the Company shall deliver</u> <u>common shares to each Class A</u> <u>Shareholder which has made</u> <u>the Request for Acquisition in</u> <u>Exchange for Common Shares</u> <u>by recording an increase in the</u> <u>number of the book-entry</u> <u>transfer shares in the "Shares</u> <u>Held" section of the transfer</u> <u>account book managed by</u> <u>Japan Securities Depository</u> <u>Center, Incorporated or of any</u> <u>account management institution</u></p>
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	<p><u>designated by the relevant Class A Shareholder.</u></p> <p><u>6.Right to Request Acquisition in Exchange for Money</u></p> <p><u>(1) Right to Request Acquisition in Exchange for Money</u></p> <p><u>On or after October 1, 2019, each Class A Shareholder may at any time request the Company to acquire, in exchange for the delivery of such amount of money as specified in the following item, all or part of the Class A Shares held by that Class A Shareholder (the “Request for Acquisition in Exchange for Money”), and the Company shall deliver such amount of money as specified in the following item to the relevant Class A Shareholder in exchange for the acquisition of the Class A Shares to which the relevant Request for Acquisition in Exchange for Money is related, to the extent permitted by laws and regulations. Provided, however, that such Class A Shareholder may not make such Request for Acquisition in Exchange for Money if the cumulative sum of the amount calculated by multiplying the Amount Equivalent to the Paid-in Amount per Class A Share among the money delivered to Class A Shareholder pursuant to the Request for Acquisition in Exchange for Money by the number of Class A Shares related to such Request for Acquisition in Exchange for Money exceeds 6,600 million yen.</u></p>
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	<p><u>(2) Amount of Money Delivered in Exchange for Acquisition of Class A Shares</u></p> <p><u>The amount of money delivered in exchange for the acquisition of the Class A Shares shall be the amount obtained by multiplying the number of the Class A Shares concerning the Request for Acquisition in Exchange for Money by (i) the Amount Equivalent to Paid-in Amount per Class A Share by the Premium for Acquisition in Exchange for Money as specified below and by (ii) the sum of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount. In this paragraph, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount is to be calculated by respectively replacing “day when distribution of residual assets is made” and “Distribution Date” in the calculation of the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount with the “day when the Request for Acquisition in Exchange for Money took effect.”</u></p> <p><u>“Premium for Acquisition in Exchange for Money” means the rate corresponding to the relevant category set forth in any of (i) through (vii) according to whether the effective date of the Request</u></p>
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	<p><u>for Acquisition in Exchange for Money falls within any of the periods listed below:</u></p> <p><u>(i) Until June 30, 2020</u> <u>: 1.05</u></p> <p><u>(ii) From July 1, 2020 to June 30, 2021 : 1.12</u></p> <p><u>(iii) From July 1, 2021 to June 30, 2022 : 1.19</u></p> <p><u>(iv) From July 1, 2022 to June 30, 2023 : 1.26</u></p> <p><u>(v) From July 1, 2023 to June 30, 2024 : 1.33</u></p> <p><u>(vi) From July 1, 2024 to June 30, 2025 : 1.40</u></p> <p><u>(vii) From July 1, 2025</u> <u>: 1.47</u></p> <p><u>(3) Place for Acceptance of Request for Acquisition in Exchange for Money</u> <u>The shareholders register administrator's office for handling of related affairs:</u> <u>4-5 Marunouchi 1-chome,</u> <u>Chiyoda-Ku, Tokyo</u> <u>Mitsubishi UFJ Trust and Banking Corporation,</u> <u>Corporate Agency Division</u></p> <p><u>(4) Effectuation of Request for Acquisition in Exchange for Money</u> <u>Prior Notice for the Request for Acquisition in Exchange for Money shall come into effect at the later of (i) the time when the documents necessary for Prior Notice for the Request for Acquisition in Exchange for Money reach the place for acceptance of the Request for Acquisition in Exchange for Money as stated in the preceding item or (ii) the intended effective date as stated in the above-mentioned</u></p>
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	<p><u>documents. The Request for Acquisition in Exchange for Money comes into effect on the date when the Request for Acquisition in Exchange for Money was made related to such Prior Notice for the Request for Acquisition in Exchange for Money.</u></p> <p><u>7. Call Option for Money</u></p> <p><u>At any time on or after October 1, 2019, upon the arrival of the date separately specified by the board of directors of the Company (the “Date of Redemption for Money”), the Company may acquire all or part of the Class A Shares in exchange for money by giving written notice (which shall be irrevocable) to the Class A Shareholders/Pledgees at least 14 days prior to the Date of Redemption for Money, to the extent permitted by laws and regulations (provided, however, that partial acquisitions may be made only in increments of 1,000 shares) (the “Redemption for Money”), and the Company shall, in exchange for the acquisition of the Class A Shares subject to the relevant Redemption for Money, deliver to the Class A Shareholders such amount of money as is obtained by multiplying (i) the sum of (a) the Amount Equivalent to Paid-in Amount per Class A Shares multiplied by the Redemption Factor set forth below and (b) the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount, by (ii) the number of the Class A Shares subject to the relevant Redemption for Money. In this paragraph, the Amount Equivalent to Class A Cumulative Accrued Dividends and the Daily Prorated Accrued Preferred Dividend Amount is to be calculated by respectively</u></p>
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	<p><u>shall not apply in the case where the Company resolves at a general meeting of shareholders to acquire all or part of the Class A Shares held by certain Class A Shareholders by agreement with such Class A Shareholders.</u></p> <p><u>9. Consolidation or Split of Shares; Allotment of Shares for Subscription</u></p> <p>(1) <u>The Company shall not split or consolidate the Class A Shares.</u></p> <p>(2) <u>The Company shall not grant the Class A Shareholders rights for allotment of shares for subscription or rights for allotment of stock acquisition rights for subscription.</u></p> <p>(3) <u>The Company shall not make a gratis allotment of shares or gratis allotment of stock acquisition rights to the Class A Shareholders.</u></p> <p><u>10. Priority</u></p> <p>(1) <u>The order of priority of payment of the Class A Preferred Dividend, the Amount Equivalent to Class A Cumulative Accrued Dividends and the dividends of surplus to the holders of common shares and the registered pledgees of common shares (collectively, the “Common Shareholders/Pledgees”) shall be as follows: (i) the Amount Equivalent to Class A Cumulative Accrued Dividends; (ii) the Class A Preferred Dividends; and (iii) the dividends of surplus to the Common Shareholders/Pledgees.</u></p> <p>(2) <u>The order of priority of payment of distribution of residual assets to the Class A</u></p>
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<p>Article 8 Number of Shares per Unit-Base</p> <p>One hundred (100) shares shall constitute one (1) unit-base for all purposes of transaction.</p> <p>(New)</p>	<p><u>Shares and the common shares shall be as follows: (i) distribution of residual assets for the Class A Shares; and (ii) distribution of residual assets for common shares.</u></p> <p>(3) <u>If the amount available for the dividends of surplus or distribution of residual assets by the Company falls short of the total amount necessary to pay the dividends of surplus or to make the distribution of residual assets for a certain priority rank, the payment of dividends of surplus or distribution of residual assets shall be made on a pro rata basis according to the amount necessary to make the payment of dividends of surplus or distribution of residual assets with respect to that rank.</u></p> <p>Article 8 Number of Shares per Unit-Base</p> <p>One hundred (100) shares shall constitute one (1) unit-base <u>of common shares of the Company and one (1) share shall constitute one (1) unit-base of Class A Shares of the Company</u> for all purposes of transaction.</p> <p><u>Article 18-2 Meeting of Class Shareholders</u></p> <p><u>18-2.1 Provision under Article 14 shall be applied to a meeting of class shareholders held on the same day as an ordinary general meeting of shareholders.</u></p> <p><u>18-2.2 Provisions under Articles 15, 16 and 18 shall be applied mutatis mutandis to a meeting of class shareholders</u></p>
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	<p><u>18-2.3 Provision under Article 17.1 and provision under Article 17.2 shall respectively be applied mutatis mutandis to the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 1 of the Companies Act and the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 2 of the Companies Act.</u></p>
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