

*April 27, 2018*

**Notice Concerning the Third-Party Allotment of New Shares Issued via Debt-equity Swap and Subsequent Changes in Major Shareholders and Other Affiliated Companies**

ARDEPRO Co., Ltd. (“the Company”), at its Board of Directors’ meeting held on April 27, 2018, passed a resolution to make a subscription of shares (third-party allotment of new shares) to be issued via a debt-equity swap.

The Company expects this third-party allotment of new shares to result in changes of major shareholders and other affiliated companies.

**1. Outline of third-party allotment of new shares**

(1) Payment date	May 14, 2018 (Monday)
(2) No. of new shares issued	57,142,800 shares
(3) Issuance price	¥70.00 per share
(4) Total issuance value	¥3,999,996,000; dependent on payment method for contributed assets (debt-equity swap, or DES)
(5) Subscription or allotment method (allotment recipient)	The new shares will be allotted to Dragon Power Co., Ltd. (“Dragon Power”), by way of a private placement.
(6) Details and value of assets to be invested in kind	¥3,999,996,000 (target receivables) to be invested, out of ¥4,800,000,000 in receivables arising from a loan agreement concluded on January 23, 2018, between Dragon Power and the Company
(7) Other	Each of the above items is subject to the effectiveness of notification under the Financial Instruments and Exchange Act. Also, out of ¥3,999,996,000 in principal monetary claims held by Dragon Power against the Company, ¥743,824,334 will be debt-exempted profit.

**2. Purpose and reason for subscription**

The sale of large-scale properties in the Company’s redevelopment adjustment business did not proceed as planned, and the Company’s performance in the fiscal year ended July 2017 was significantly below initial forecasts. Subsequently, the Company concluded a contract to sell real estate for sale. However, that contract was postponed repeatedly and then cancelled due to failure to arrange funds.

On January 24, 2017 the Company issued No. 3 unsecured bonds amounting to ¥4,800 million, underwritten by Dragon Power. The amount paid was ¥480 million, and the benefit amount received as non-monetary assets, instead of paying money, was ¥4,320 million. The redemption date for the No. 3 unsecured bonds was January 23, 2018. However, to continue to secure business funds after the redemption date, the Company concluded a loan agreement on the same day with Dragon Power against the redemption of the No. 3 unsecured bonds issued a year earlier.

With the aims of reducing debt, reducing non-operating expenses (interest expenses), and improving its financial position by enhancing its capital strength, the Company approached Dragon Power about the underwriting of new shares through an investment in kind of ¥4,800 million covering Dragon Power’s claims against the

Company. On the payment date, the two parties decided to adopt the DES method, whereby ¥3,999,996,000, which is part of the Company's borrowings, was set as the object of investment in kind, and ¥3,256,171,666, which was the market price of the investment in kind, was converted to capital.

The DES will enable the Company to reduce interest-bearing debt and lower interest expenses, improve its capital position, and increase its capital-to-assets ratio. (On a side note, if the DES is applied to the ¥3,999,996,000 object of investment in kind, the capital-to-assets ratio at July 31, 2018, would improve from 7.9% to 18.3%, based on the ratio stated in the Consolidated Balance Sheets at the end of the second quarter and trial calculations (assuming no other figures are changed). Interest expenses would also decline by ¥80 million per year.)

### **3. Rationality of issuance conditions, etc.**

#### ***(1) Basis for calculating payment amount and details***

The new shares will be issued at the price of ¥70.00 per share, representing a 9.4% premium over the ¥64.00 closing price on the Second Section of the Tokyo Stock Exchange on the day before the aforementioned Board of Directors' meeting.

The third-party allotment will allow the new shares to be issued under favorable conditions compared with the Company's share price (on the day before the aforementioned Board of Directors' meeting). The Company believes this will be beneficial to existing shareholders because it will improve the Company's financial position and increase its corporate value.

#### ***(2) Basis for decisions on issue volume and rationality of scope of dilution***

The third-party allotment will result in the issue of 57,142,800 new shares (571,428 voting rights). This represents a dilution rate of 20.57% (20.11% on a voting rights basis) when the number of shares issued and outstanding on January 31, 2018 (277,798,955 shares, with 2,841,724 voting rights) is used as the denominator. Therefore, the issue of new shares will result in a substantial dilution of the Company's stock.

However, the third-party allotment is expected to reduce the Company's interest-bearing debt and enhance its capital position. This will improve the Company's financial position, which is expected to make financial institutions adopt a more positive attitude toward the Company when making lending considerations. New borrowings will enable the Company to procure funds for future purchases of real estate for sale.

#### ***(3) Reason for selecting allotment recipient***

Dragon Power, the allotment recipient, is an asset management company of Mr. Tatsuya Akimoto, the largest shareholder of the Company and its real founder. Mr. Akimoto was a controlling shareholder of the Company in the past, but the existence of a controlling shareholder was deemed unfavorable from the perspectives of protecting the interests of minority shareholders and preserving the Company's independence. For this reason, Mr. Akimoto was asked to reduce his share of voting rights to 50% or less. He subsequently sold shares on June 28, 2017, and ceased to be a controlling shareholder. Based on this series of events, under the conditions of the

DES, a request was made that the issue price be determined to ensure that the combined voting rights of Mr. Akimoto (100% owner of Dragon Power) and Dragon Power would fall below the 50% level as a controlling shareholder. This request was accepted.

Based on the above, the Company decided on Dragon Power as the recipient of the third-party share allotment.

#### 4. Major shareholders and shareholder composition after subscription

##### (1) Common stock

Before subscription (as of April 27, 2018)		After subscription	
Tatsuya Akimoto	35.67	Tatsuya Akimoto	29.58%
Japan Securities Finance Co., Ltd.	2.26%	Dragon Power Co., Ltd.	17.07%
CREDIT SUISSE AG ZURICH	1.48%	Japan Securities Finance Co., Ltd.	1.87%
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	1.13%	CREDIT SUISSE AG ZURICH	1.22%
SBI Securities Co., Ltd.	1.00%	NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	0.93%
CREDIT SUISSE AG	0.65%	SBI Securities Co., Ltd.	0.83%
Katsuhide Kobiyama	0.58%	CREDIT SUISSE AG	0.54%
Masao Taniguchi	0.57%	Katsuhide Kobiyama	0.48%
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS MLSCB RD	0.57%	Masao Taniguchi	0.47%
Tsuguo Makima	0.56%	BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS MLSCB RD	0.47%

##### (2) Subsequent changes in major shareholders and other affiliated companies

###### (1) Background of changes

Through the third-party allotment, it is expected that Dragon Power will become a major shareholder. Dragon Power is also expected to come under the category of “other affiliated companies.”

###### (2) Overview of changes

(1) Name	Dragon Power Co., Ltd.
(2) Address	5-4 Maruyama-cho, Shibuya-ku, Tokyo
(3) Representative name and title	Tatsuya Akimoto, Representative Director
(4) Main business	Securities holding, management and trading
(5) Capitalization	¥3 million

(3) No. of voting rights (and shares) held by Dragon Power and the percentage of total voting rights, after third-party allotment

	No. of voting rights (No. of shares)	Percentage of total	Position in list of major shareholders
Before change	0 (0 shares)	0%	—
After change (as of May 14, 2018)	571,428 (57,142,800 shares)	16.74%	2nd

(4) Date of changes

May 14, 2018