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(Stock Exchange Code 6330)

January 28, 2019

To Shareholders with Voting Rights:

Haruo Nagamatsu
President & Chief Executive Officer
Toyo Engineering Corporation
5-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo

**NOTICE OF CONVOCATION OF
THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the Extraordinary General Meeting of Shareholders of Toyo Engineering Corporation (the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:30 p.m. on Friday, February 8, 2019, Japan time.

- 1. Date and Time:** Tuesday, February 12, 2019, at 10:00 a.m. Japan time
(Doors of the venue open at 9:00 a.m.)
- 2. Place:** Shin-Marunouchi Conference Square, Shin-Marunouchi Building 9F,
5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
Proposals to be resolved:
 - Proposal 1:** Partial Amendments to the Articles of Incorporation
 - Proposal 2:** Issuance of Class A Preferred Shares Through Third-Party Allotment
 - Proposal 3:** Election of 1 Director
 - Proposal 4:** Reduction of Capital Reserves

4. Guide for Exercising Voting Rights:

Please exercise your voting rights through one of the following methods.

(1) Attending the meeting:	When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Please bring this convocation with you as a material for the meeting.
(2) In writing:	Please indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:30 p.m. on Friday, February 8, 2019, Japan time.
(3) Via the Internet, etc.:	Access the website for exercising voting rights specified by the Company (https://www.web54.net/), follow the instructions on the screen and enter your vote for or against the proposals using the “Code for the Exercise of Voting Rights” and the “Password” printed on the enclosed Voting Rights Exercise Form and send it no later than 5:30 p.m. on Friday, February 8, 2019, Japan time. Institutional investors may use the “Electronic Voting Platform” operated by ICJ, Inc., as an electromagnetic method for exercising voting rights for this Extraordinary General Meeting of Shareholders of the Company.

Notes:

1. In the event that voting rights are exercised both in writing and via the Internet, etc., the vote via the Internet, etc., shall be deemed valid. In the event that voting rights are exercised multiple times via the Internet, etc., the most recent vote shall be deemed valid.
 2. In the event that you attend this general meeting of shareholders after exercising your voting rights in writing or via the Internet, etc., the vote at this general meeting of shareholders shall be deemed valid.
- If any situation arises that requires amendments to the Reference Documents for the General Meeting of Shareholders, the revised versions will be disclosed on the Company’s website (<https://www.toyo-eng.com/jp/ja/>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

In order to enable the Company to issue class A preferred shares, it is proposed to add class A preferred shares as new class of shares by establishing new provisions on class A preferred shares and other requisite provisions in the Articles of Incorporation of the Company. For reasons for issuing class A preferred shares, please see Proposal 2 “Issuance of Class A Preferred Shares Through Third-Party Allotment.”

2. Details of the amendments

Details of the amendments are as follows:

(Amended parts are underlined.)

Current	Proposed amendment
Chapter I General Provisions Articles 1.~5. (Omitted)	Chapter I General Provisions Articles 1.~5. (Same as current)
Chapter 2 Shares (Total Number of Issuable Shares)	Chapter 2 Shares (Total Number of Issuable Shares <u>and Total Number of Class Shares Authorized to Be Issued</u>)
Article 6. The total number of shares that can be issued by the Company shall be one hundred million (100,000,000). (New)	Article 6. The total number of shares that can be issued by the Company shall be one hundred million (100,000,000). <u>(2) The total number of class shares authorized to be issued by the Company shall be, for each class of shares, as follows:</u> <u>Common shares</u> <u>100,000,000 shares</u> <u>Class A preferred shares</u> <u>25,000,000 shares</u>
Articles 7.~12. (Omitted)	Articles 7.~12. (Same as current)

Current	Proposed amendment
(New)	<u>Chapter 2.2</u>
(New)	<u>Class A preferred shares</u>
	<u>(Dividends of surplus)</u>
	<u>Article 12.2</u>
	<u>When the Company pays dividends of surplus to shareholders holding common shares (hereinafter referred to as “common shareholders”) and registered pledgees of common shares (hereinafter referred to as “registered common pledgees”), the Company shall pay dividends to shareholders holding class A preferred shares (hereinafter referred to as “class A shareholders”) and registered pledgees of class A preferred shares (hereinafter referred to as “registered class A preferred pledgees”) stated or recorded in the final register of shareholders on the record date for the said dividends of surplus, in the same amount per share as dividends per common share and at the same priority level as dividends of surplus, to common shareholders and registered common pledgees.</u>
(New)	<u>(Distribution of residual assets)</u>
	<u>Article 12.3</u>
	<u>(1) Preferred distribution amount</u>
	<u>If the Company distributes residual assets, it shall pay ¥740 per class A preferred share (to be appropriately adjusted upon share consolidation or split, allotment of shares without contribution, or any other similar event with regard to class A preferred shares) to class A preferred shareholders and registered class A pledgees prior to common shareholders and registered common pledgees.</u>
	<u>(2) Non-participation clause</u>
	<u>Residual assets shall not be distributed to class A preferred shareholders and registered class A pledgees other than as specified above.</u>
(New)	<u>(Voting right)</u>
	<u>Article 12.4</u>
	<u>Class A preferred shareholders shall not have a voting right at the General Meeting of Shareholders.</u>
(New)	<u>(Share consolidation, split and allotment of shares without contribution)</u>
	<u>Article 12.5</u>
	<u>(1) Share split, consolidation</u>
	<u>If the Company splits or consolidates its shares, it shall split or consolidate each of common shares and class A preferred shares at the same time and ratio.</u>
	<u>(2) Allotment of shares without contribution</u>
	<u>If the Company performs an allotment of shares without contribution, it shall allocate each of common shares and class A preferred shares without contribution at the same time and ratio.</u>

Current	Proposed amendment
(New)	<u>(Put options, the consideration for which is common shares)</u> <u>Article 12.6</u> <u>A Class A preferred shareholder may request the Company to acquire the whole or a part of class A preferred shares they possess in exchange for the delivery of common shares at any time to the extent as permitted by laws and regulations. The Company shall deliver one common share to the requesting class A preferred shareholder in exchange for the acquisition of one class A preferred share pertaining to the acquisition request.</u>
Chapter 3 General Meeting of Shareholders Articles 13.~19. (Omitted)	Chapter 3 General Meeting of Shareholders Articles 13.~19. (Same as current)
(New)	<u>(General meeting of class shareholders)</u> <u>Article 19.2</u> <u>Provisions from Article 13 through Article 19 shall apply mutatis mutandis to general meetings of class shareholders.</u>
Articles 20.~42. (Omitted)	Articles 20.~42. (Same as current)

Proposal 2: Issuance of Class A Preferred Shares Through Third-Party Allotment

For the reasons described in 1. below, pursuant to the provisions of Article 199 of the Corporation Law, it is proposed to issue class A preferred shares through third-party allotment as described in 2. below.

As the dilution of shares of the Company by 25% or greater can occur following the issuance of class A preferred shares through the proposed third-party allotment, an approval by shareholders is requested at this extraordinary general meeting of shareholders as a procedure for confirming shareholders' intentions pursuant to the provisions of Article 432 of the Securities Listing Regulations prescribed by the Tokyo Stock Exchange.

It should be noted that the issuance of shares for subscription pertaining to this proposal shall be subject to the approval and adoption of Proposal 1 "Partial Amendments to the Articles of Incorporation" as proposed and the effectuation of the partial amendments to the Articles of Incorporation.

1. Reasons for issuing class A preferred shares through the proposed third-party allotment (including reasons for issuing shares for subscription at a price particularly favorable to subscribers)

(1) Details of the proposed third-party allotment

As shown in the Consolidated Financial Statement for the previous period released on May 15, 2018, the Company posted a net loss attributable to owners of parent of ¥26.8 billion in the previous consolidated fiscal year due to a further deterioration in revenue from the ethylene manufacturing facility project for the U.S., resulting in the erosion of its equity capital. Since the primary reasons for the deterioration in revenue included the extension of the construction period due to the fact that construction work did not progress as initially planned, which was caused by a decline in productivity of construction workers and others, and the occurrence of additional cost due to the revision of the construction management system, the Company, in the wake of a deterioration in revenue, has so far worked on improving productivity through consultation and coordination including the review of construction subcontractors, in order to redress problems including a decline in productivity which caused the deterioration in revenue. With regard to the ethylene manufacturing facility project for the U.S., the site work has already been almost completed, and the project has moved on to the pilot operation stage, aiming at the delivery within this fiscal year. The Company has thus continued its effort for the completion of the ethylene manufacturing facility project for the U.S. that caused a deterioration in revenue. The Company acknowledges that it is most important to complete the ethylene manufacturing facility project for the U.S. as presently planned and to make the EPC (*1) business profitable. The Company upholds a policy to reinforce its efforts focusing on (1) the follow-up to the ethylene manufacturing facility project for the U.S., (2) the reformation of business structure, (3) the reinforcement of organizational capacity, and (4) the reinforcement of the financial base, in accordance with the Revitalization Plan which the Group laid down for recovering trust in it by stakeholders. Furthermore, as disclosed in briefing materials for the second quarter of the fiscal year ending March 2019 titled "Management Policy Update," dated November 8, 2018, a steady progress has been made in each area of such efforts, and the Company plans to reinforce its efforts in each of those areas. On the other hand, operations other than the said project have been steady, with the new order for this period expected to be ¥300.0 billion owing to the reinforcement of order management and the company-wide implementation of measures for reinforcing global operation coordination and management, which the Company has continued to work on. Under the recognition that it is most important to complete the

ethylene manufacturing facility project for the U.S. within this fiscal year and to achieve profitability of the EPC business in the current period, the Company intends to continue to strengthen its efforts toward recovering trust by stakeholders.

On one hand, there is a concern for the risk that the deterioration in equity capital due to the ethylene manufacturing facility project for the U.S. that caused a deterioration in revenue, may become a matter of concern regarding the continued stable relations with clients and financial institutions, including an impact of a decline in trust by clients on new project orders. The Company acknowledges that it is an urgent imperative to recover eroded equity capital and intends to address this pressing issue by the implementation of financing through the proposed third-party allotment.

It was judged that, under such a circumstance, in reinforcing equity capital eroded and reconstructing a stable management base early, it was conducive to the maintenance and improvement of the Company's long-term corporate value to implement financing by the method of third-party allotment to investors who kindly understand the business and management policy of the Company. It was thus resolved by the Board of Directors to issue class A preferred shares at its meeting held on November 28, 2018. It is intended to recover eroded equity capital, which has been a pressing issue, by the implementation of financing through third-party allotment and to strive for reinforcing our business base and achieving our stable growth with a concerted effort by the whole company in accordance with the Revitalization Plan. As a result of the proposed third-party allotment, the equity-to-asset ratio is expected to be improved from 10.8% as of the end of September 2018 to approximately 17%, which the Company considers secures the level of capital required for future business operations.

(*1) EPC collectively refers to engineering, procurement, and construction, which are major operations in plant construction.

(2) Reasons and purposes for financing through the proposed third-party allotment

The Company has considered a variety of financing methods, provided that they contribute to the improvement of its corporate value, in order to increase equity capital to stabilize transactions with financial institutions and enhance credit while considering interest of existing shareholders and to appropriate funds for the expansion of business portfolio, the promotion of plant operation and maintenance support services using IoT, the promotion of R&D and component technology development, ICT (information and communication technology) investment including the facilitation of digital transformation (*2) in EPC execution, and other purposes including administrative work improvement and corporate base reinforcement. Although public stock offering, allotment to shareholders, etc. intended for general investors were also considered, it was judged that public stock offering could not be said to be an optimal financing method in light of the present trend of the Company's performance and that allotment to shareholders could not be either because the final amount of financing would be uncertain. In addition, since, as mentioned above, the purpose of financing is to improve the Company's corporate value by increasing equity capital to stabilize transactions with financial institutions and enhance credit and by appropriating funds for the expansion of business portfolio, the promotion of plant operation and maintenance support services using IoT, the promotion of R&D and component technology development, ICT investment including the facilitation of digital transformation in EPC execution, and other

purposes including administrative work improvement and corporate base reinforcement, financing by means such as borrowing from financial institutions and bond issuing was considered undesirable. It was thus judged optimal to raise capital-like funds from third parties. Furthermore, in light of the impact of an instantaneous change in shareholder composition expected upon the hypothetical implementation of a third-party allocation of common shares on stable business operations and the Company's stock price, it was determined to allocate class A preferred shares, which do not affect shareholder composition immediately after their issuance, to Integral Team Limited Partnership, an intended recipient managed by an affiliate of Integral Corporation and provided with investment advice by Integral Corporation, which kindly understands the Company's management policy and future growth strategy, and Innovation Alpha Team L.P. (hereinafter referred to as "Intended Recipients").

(*2) EPC execution reform through digital technology

(3) Reasonability of issuance terms, etc.

a. Basis for calculating the amount to be paid in and its specific description

As a result of due diligence on the Group by the Intended Recipients and after the consultations and negotiations with the Intended Recipients, it was resolved by the Board of Directors of the Company that the amount to be paid for class A preferred shares should be ¥740 per share in reference of the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors pertaining to the proposed third-party allotment (November 27, 2018, hereinafter referred to as the "Record Date") (hereinafter referred to as the "Company's Common Share Closing Price") and the prior transition of the Company's stock price. The amount represents a 11.1% discount on the Company's Common Share Closing Price on the Record Date (rounded down to one decimal place; the same applies hereinafter to the calculation of a discount rate).

It also represents a 11.5% discount on the average closing price of ¥837 (rounded down to the nearest yen; the same applies hereinafter to the calculation of an average closing price) for 1 month before and including the Record Date (from October 29, 2018 to November 27, 2018), a 16.2% discount on the average closing price of ¥884 for 3 months before and including the Record Date (from August 28, 2018 to November 27, 2018), and a 10.8% discount on the average closing price of ¥830 for 6 months before and including the Record Date (from May 28, 2018 to November 27, 2018).

In considering the amount to be paid for class A preferred shares, it was judged to be reasonable to refer to the Company's Common Share Closing Price on the Record Date and the transition of the stock price as the economic conditions of class A preferred shares have properties close to those of the economic conditions of the Company's common shares because of characteristics including but not limited to the following. The dividend of class A preferred shares is of the same priority level and the same amount as that of common shares of the Company. A put option the consideration for which is one common share that can be exercised on and after the payment date is attached to a class A preferred share. A class A preferred share is not subject to call option.

It is considered to be possible that the amount to be paid in for class A preferred shares falls under "a price particularly favorable to subscribers for the shares for subscription" per the Corporation Law because, in

addition to the fact that a discount on the Company's Common Share Closing Price on the Record Date is over 10%, there are various views on methods for calculating the fair value of class shares which do not have an objective market price. Therefore, for the issuance of class A preferred shares, it was decided to obtain its approval by a special resolution pursuant to Article 199, Paragraphs 2 and 3 of the Corporation Law at this extraordinary general meeting of shareholders.

b. Grounds for the judgment that the amount of issuance and the scale of share dilution are reasonable

If put options of class A preferred shares the consideration for which is common shares are exercised, 20,270,300 common shares will be issued at maximum, and the rate of voting rights dilution obtained by dividing 202,703 potential voting rights of holders of class A preferred shares issued through the proposed third-party allotment by 382,255 voting rights of holders of 38,558,507 shares which have been issued by the Company as of September 30, 2018 is 53.03% at maximum (rounded to two decimal places: the same applies hereinafter to the calculation of a proportion). The proportion of new shares among the total of new and existing shares will be 34.65% on a voting right basis.

On one hand, the Company intends to increase equity capital to stabilize transactions with financial institutions and enhance credit through the proposed third-party allotment, and the Company also intends to use funds raised through the proposed third-party allotment effectively for the expansion of business portfolio, the promotion of plant operation and maintenance support services using IoT, the promotion of R&D and component technology development, ICT (information and communication technology) investment including the facilitation of digital transformation in EPC execution, and other purposes including administrative work improvement and corporate base reinforcement. The Company's obtaining such funds through the proposed third-party allotment is considered to contribute to the recovery of trust through the recovery of equity capital, the reinforcement of business base, and stable growth. It will lead to the improvement of its corporate value in a medium- to long-term. Although it will cause dilution for existing shareholders, it is judged to contribute to the improvement of the corporate value of the Company in a medium- to long-term.

For above reasons, the Board of Directors of the Company judges that, even though the proposed third-party allotment will dilute the potential ration of voting per common share of the Company, the scale of its potential dilution is reasonable.

(4) Reasons for the selection of Intended Recipients and other matters

a. Profiles of Intended Recipients

(i) Integral Team Limited Partnership

(1)	Name	Integral Team Limited Partnership	
(2)	Address	2-1-1 Marunouchi, Chiyoda-ku, Tokyo	
(3)	Ground for establishment, etc.	Limited Partnership Act for Investment	
(4)	Purpose of incorporation	The partnership was incorporated for the purpose of improving the corporate value and share value of the Company.	
(5)	Date of incorporation	November 7, 2018	
(6)	The total amount of investment	¥13,200 million	
(7)	Investors, investment ratio, and the profiles of investors	Team Limited Partnership 99.85%	
(8)	Profile of managing partners	Name	Integral Team Corporation
		Address	2-1-1 Marunouchi, Chiyoda-ku, Tokyo
		Position and name of the representative	Representative Director: Satoko Hasegawa
		Description of business	Investment, management, and administration of assets pertaining to the Investment Limited Partnership
		Capital	¥500,000
(9)	Relationship between the Company and this fund	Relationship between the Company and this fund	There is no particularly notable capital, personal, or transactional relationship.
		Relationship between the Company and managing partners	There is no particularly notable capital, personal, or transactional relationship.

(ii) Innovation Alpha Team L.P.

(1)	Name	Innovation Alpha Team L.P.	
(2)	Address	PO Box 309, Ugland House Grand Cayman, KY 1-1104 Cayman Islands	
(3)	Profile of the local agent	Not applicable	
(4)	Ground for establishment, etc.	Limited Partnership pursuant to the Cayman Islands Exempted Limited Partnership Law	
(5)	Purpose of incorporation	The partnership was incorporated for the purpose of improving the corporate value and share value of the Company.	
(6)	Date of incorporation	July 3, 2018	
(7)	The total amount of investment	¥2,060 million	
(8)	Investors, investment ratio, and the profiles of investors	IAT L.P. 99.99%	
(9)	Profile of managing partners	Name	IAT Partners Ltd.
		Address	PO Box 309, Ugland House Grand Cayman, KY 1-1104 Cayman Islands
		Position and name of the representative	Director John Cullinane
		Description of business	Investment, management, and administration of assets pertaining to the Limited Partnership
		Capital	one US dollar
(10)	Relationship between the Company and this fund	Relationship between the Company and this fund	There is no particularly notable capital, personal, or transactional relationship.
		Relationship between the Company and managing partners	There is no particularly notable capital, personal, or transactional relationship.
		Relationship between the Company and the local agent	Not applicable

b. Reasons for the selection of Intended Recipients

Integral Corporation, which provides investment advice to Integral Team Limited Partnership and Innovation Alpha Team L.P., Intended Recipients, is an equity investment company which invests in listed and unlisted companies, etc. in Japan. The word “integral,” which is the company’s name, means “the result of a mathematical integration” and the company has an ideal of making long-term equity investments by constructing a relationship of trust with invested companies and successively implementing measures conducive to the sustained enhancement of corporate value. It has a policy of sharing the “same objectives and time horizon of management” with invested companies and providing optimal management support in both managerial and financial areas toward maximizing their corporate value while respecting their business policies. In addition, it aims at the lasting growth and development of an invested company’s business by making investment and distributing resources based the long-term perspective of an invested company jointly with it, instead of pursuing short-term profit through cost reduction and operation streamlining only.

While the Company has considered various methods for recovering its equity capital eroded due to a deterioration in revenue from the ethylene manufacturing facility project for the U.S., including public stock offering and allotment to shareholders, since January 2018, it was judged that financing by the method of third-party allotment was optimal in light of the present situation of the Company's performance and the certainty of the final amount of financing. The Company has subsequently been reviewing investors who can approve the Company's policy for the improvement of its medium- to long-term stock value and its corporate value. Under such a circumstance, in the middle of March 2018, the Company received a proposal from Integral Corporation for recapitalization through third-party allotment and has since continued consultation with Integral for due diligence and its deeper understanding of the Company's management policy and other features. As a result, the need of the Company was understood which desired highly stable capital financing and financing in the form that considers existing shareholders, and an agreement was reached on capital increase through preferred shares without voting rights, which do not cause an instantaneous change in shareholder composition, to which no condition is attached that causes a decrease in equity capital such as preferred dividend or put option the consideration for which is cash. The implementation of the proposed third-party allotment was therefore judged to contribute to the improvement of the corporate value of the Company, and Integral Team Limited Partnership and Innovation Alpha Team L.P., managed by an affiliate of Integral Corporation and provided with investment advice by Integral Corporation, were selected as Intended Recipients.

Since, as a result of the proposed third-party allotment, Integral Team Limited Partnership and Innovation Alpha Team L.P. will jointly hold 20,270,300 class A preferred shares, if class A preferred shares are converted into the Company's common shares through the exercise of put options, a large-scale dilution will occur, resulting in a decline in the economic interest of existing shareholders and a decline in their ration of voting. The Company, however, thinks that the proposed third-party allotment will contribute to the recovery of trust through the recovery of equity capital, the reinforcement of its business base, and its stable growth and therefore judged that it would lead to the improvement of its corporate value in a medium- to long-term. While share dilution for existing shareholders may occur, a contribution will be made to the improvement of the Company's corporate value in a medium- to long-term. Integral Corporation approves the management policy of the Company, the policy of the Revitalization Plan, etc. and intends to respect the independence of the Company to the maximum extent after the proposed third-party allotment. Therefore, Integral Team Limited Partnership and Innovation Alpha Team L.P., managed by an affiliate of Integral and provided with investment advice by Integral, were judged to be the most appropriate parties to be Intended Recipients and selected as such.

c. Holding Policy of Intended Recipients

While no limit is set for the exercisable period regarding the conversion into the Company's common shares through the exercise of put options attached to class A preferred shares, as indicated in "(2) Reasons and purposes for financing through the proposed third-party allotment," Integral Team Limited Partnership and Innovation Alpha Team L.P. plan to hold class A preferred shares for the purpose of striving for the improvement of the corporate value of the Company and the maximization of its share value based on performance stabilization and growth while taking care that the issuance of class A preferred shares do not

immediately affect shareholder composition, in light of an impact of an instantaneous change in shareholder composition on stable business management and stock price. The Company plans to obtain a pledge from each Intended Recipient that they agree to the following: if an Intended Recipient transfers the whole or a part of class A preferred shares issued by the proposed third-party allotment to a third party within 2 years from the payment date, the Intended Recipient will report the detail of the transfer to the Company in writing, which will be reported by the Company to the Tokyo Stock Exchange and made available for public inspection.

d. What was confirmed with regard to the existence of assets required for the payment by Intended Recipients

(i) Integral Team Limited Partnership

When a capital call is made by Integral Team Corporation, which is an unlimited liability partner of Integral Team Limited Partnership, to Team Limited Partnership, which is a limited liability partner of Integral Team Limited Partnership, in accordance with the provisions of its limited partnership agreement for investment, payment will be made by Team Limited Partnership to the bank account of Integral Team Limited Partnership. Integral Team Corporation, an unlimited liability partner of Integral Team Limited Partnership, will make payment for the proposed third-party allotment to the relevant place for payment by using funds from Team Limited Partnership.

Team Limited Partnership is constituted in accordance with the limited partnership agreement for investment among Integral 3 Limited Partnership, whose limited liability partners are mainly qualified institutional investors (major banks, trust banks, life insurance companies, etc. in Japan), Integral Corporation, and Integral Team Corporation, which is an unlimited liability partner.

The Company has received an oral report by Integral Team Corporation, an unlimited liability partner of Integral Team Limited Partnership, to the effect that it is certain that it can receive funds necessary for the payment for the proposed third-party allotment by Integral Team Limited Partnership from Team Limited Partnership.

(ii) Innovation Alpha Team L.P.

When a capital call is made by IAT Partners Ltd., a General Partner of Innovation Alpha Team L.P., to IAT L.P., an LP investor of Innovation Alpha Team L.P., in accordance with the provisions of the Limited Partnership Agreement of Innovation Alpha Team L.P., payment will be made by IAT L.P. to the bank account of Innovation Alpha Team L.P. IAT Partners Ltd., which is a General Partner of Innovation Alpha Team L.P., will make payment for the proposed third-party allotment to the relevant place of payment by funds from IAT L.P.

IAT L.P. is constituted in accordance with the limited partnership agreement between Innovation Alpha L.P., whose LP investors are major overseas investors, and IAT Partners Ltd., a General Partner of IAT L.P.

The Company has received an oral report by IAT Partners Ltd., a General Partner of Innovation Alphas Team L.P., to the effect that it is certain that it can receive funds necessary for the payment for the proposed third-party allotment by Innovation Alpha Team L.P. from IAT L.P.

Based on the above and also the past investment track record of Integral Corporation, a major investor for managing partners of each Intended Recipient, the Company has judged that the payment for the proposed third-party allotment is certain.

2. Outlines of the issuance of class A preferred shares

- | | |
|---|---|
| (1) Class of shares for subscription | Class A preferred shares |
| (2) Number of shares for subscription | 20,270,300 shares |
| (3) Amount to be paid for shares for subscription | ¥740 per share |
| (4) Capital and capital reserves to be increased | |
| Capital | ¥7,500,011,000 (¥370 per share) |
| Capital reserves | ¥7,500,011,000 (¥370 per share) |
| (5) Total amount to be paid in | ¥15,000,022,000 |
| (6) Payment period | From February 13, 2019 to March 29, 2019 |
| (7) Issuing method | |
| | By the method of third party allotment, 17,576,600 shares will be allocated to Integral Team Limited Partnership and 2,693,700 shares will be allocated to Innovation Alpha Team L.P. |
| (8) Description of class A preferred shares | |
| | Please see Proposal 1 “Partial Amendments to the Articles of Incorporation” for the description of class A preferred shares. |

Proposal 3: Election of 1 Director

In accordance with the stock subscription agreement concluded between the Company and the Intended Recipients of class A preferred shares, the election of one new Director nominated by the Intended Recipients is proposed. The election, however, shall be effective upon the payment pertaining to the issuance of class A preferred shares through third-party allotment in accordance with the resolution of Proposal 2.

The candidate for Director is as follows:

Reijiro Yamamoto		Date of Birth: October 3, 1960	Newly appointed	Number of shares of the Company held: 0
 Term of office for Director: N/A Attendance at FY2018 Board of Directors meeting: N/A Outside Director Candidate		Past experience, positions and significant concurrent positions April 1984 Joined Mitsui Bank (current Sumitomo Mitsui Banking Corporation) January 2000 Participated in Unison Capital, Inc. April 2004 A Founding Partner, GCA Corporation October 2005 Representative Director, Mezzanine Corporation January 2006 Representative Director & Partner, Integral Corporation (to present) January 2009 Director, B.P.S. Corporation December 2009 Director, Yohji Yamamoto Inc. January 2012 Representative Director & Partner, Integral Partners Corporation (to present) August 2013 Auditing Officer, Yohji Yamamoto Inc. (to present) October 2013 Outside Director, TBI Holdings Co., Ltd. October 2014 Director, Shinwa Co., Ltd. October 2014 Director, J-trading Inc. February 2016 Outside Director, Itokin Co., Ltd. (to present) January 2017 Outside Director, Aderans Company Limited (to present) Significant concurrent positions • Representative Director & Partner, Integral Corporation • Auditing Officer, Yohji Yamamoto Inc. • Outside Director, Itokin Co., Ltd. • Outside Director, Aderans Company Limited Reasons for nomination as a candidate for Outside Director Mr. Reijiro Yamamoto, who serves as the corporate manager of an investment fund management company and has served as corporate managers of various business companies, possesses ample experience and deep insights in finance and corporate management. As he is expected to be able to provide precise comments and opinions on the management of the Company in general from an independent standpoint by leveraging his experience, the Company has nominated him as a candidate for Outside Director. Liability limitation contracts with Directors To enable Outside Directors to fully perform their expected roles the Company will conclude a contract with him, if elected, for limitation of liability for damages as provided in Article 423, Paragraph 1, of the Corporation Law as prescribed by Article 427, Paragraph 1, of the Corporation Law and the Articles of Incorporation of the Company. The limitation of liability under the contract will be the minimum liability amount set forth in Article 425, Paragraph 1, of the Corporation Law.		

Note: Mr. Reijiro Yamamoto concurrently serves as the Representative Director & Partner of Integral Corporation.

Integral Team Limited Partnership and Innovation Alpha Team L.P., who have unlimited liability partners that are companies with which Integral Corporation invests in and provides investment advice to, have concluded a subscription agreement for class A preferred shares with the Company.

Proposal 4: Reduction of Capital Reserves

In order to improve its financial structure and secure the distributable amount early and prepare for agile and flexible future capital policies, the Company proposes to reduce the amount of stated capital and capital reserves on the condition that the payment pertaining to the issuance of class A preferred shares through third-party allotment in accordance with the resolution of Proposal 2 has been made. In this regard, a reduction in the amount of stated capital was determined by the resolution by the Board of Directors at its meeting held on November 28, 2018 in accordance with the provision of Article 447, Paragraph 3 of the Corporation Law, and, at this extraordinary general meeting of shareholders, an approval is requested for a reduction in the amount of capital reserves. Specifically, it is proposed to reduce a part of capital reserves that includes the amount of capital reserves which will increase as a result of third-party allotment and transfer the whole amount to other capital surplus on the date of the payment pertaining to the third-party allotment, in accordance with the provision of Article 448, Paragraph 1 of the Corporation Law, on the condition that the payment pertaining to the issuance of class A preferred shares through third-party allotment in accordance with the resolution of Proposal 2 has been made.

As for this proposal, since it is treated as a transfer between line items under the net assets section of the Company's balance sheets, it will neither cause a change in the amount of net assets nor affect the number of shares held by shareholders.

The outline of the reduction in the amount of capital reserves is as follows.

Outline of the reduction in the amount of capital reserves

1. Amount of capital reserves to be reduced: ¥11,368,886,000
2. Effective date of the reduction in the amount of capital reserves: March 29, 2019 (scheduled)