

(Abridged Translation)

April 5, 2019

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Issuance of New Shares, 10th Series of Stock Acquisition Rights (with Option to Revise Exercise Price) and Unsecured Bonds (Private Placement) in the form of a Third Party Allotment

BroadBand Tower, Inc. (the "Company") hereby announces the issuance of New Shares (the "Shares"), 10th Series of Stock Acquisition Rights (the "Stock Acquisition Rights") and Unsecured Bonds (Private Placement) (the "Bonds"), through Third Party Allotment to Macquarie Bank Limited (the "Scheduled Allottee"), pursuant to a resolution of a meeting of the Board of Directors as of April 5, 2019.

1. Overview of the issuances

Overview of the Shares

(1) Payment date	April 22, 2019
(2) Number of new shares	1,150,000 shares
(3) Issue price	JPY 304.85
(4) Amounts of proceeds	JPY 350,577,500
(5) Stated value	JPY 152.425 per share
(6) Total amount of stated value	JPY 175,288,750
(7) Form of issuance or allotment (the Scheduled Allottee)	All the Shares will be allotted to Macquarie Bank Limited through third party allotment.
(8) Others	Each item above is subject to the effective notification set forth in the Financial Instruments and Exchange Act.

Overview of the Stock Acquisition Rights

(1) Allotment date	April 22, 2019
(2) Number of stock acquisition rights	65,000
(3) Issue price	JPY 8,450,000 in total (JPY 130 per Stock Acquisition Right)
(4) Number of residual shares through the issuance	6,500,000 shares (100 shares per Stock Acquisition Right) There is no maximum exercise price. While the minimum exercise price is JPY 201, the number of residual shares is also 6,500,000 at the minimum exercise price.
(5) Amounts of proceeds	Estimated net proceeds: JPY 2,170,950,000 The estimated net proceeds are calculated based on the sum of

	<p>the total amount to be paid in of the Stock Acquisition Rights and the asset contributions made for the exercise of the Stock Acquisition Rights less the estimated amount of expenses for the issuance, by assuming all of the Stock Acquisition Rights are exercised at the initial exercise price. Therefore, the estimated net proceeds may increase or decrease if the exercise price is modified or adjusted. If the Stock Acquisition Rights are not exercised during the exercise period and if the Company cancels the Stock Acquisition Rights acquired, the estimated net proceeds may decrease.</p>
(6) Exercise price and the terms of modification	<p>Initial exercise price: JPY 335</p> <p>The exercise price is modified on the day on which the Company receives notification about each request for exercise of the Stock Acquisition Rights, based on the terms and conditions of the issue of the Stock Acquisition Rights (hereinafter referred to as the "Modification Date"), to an amount equivalent to 91% of the closing price of the Company's common stock on the immediate preceding trading day. However, when such modified amount falls below the minimum exercise price, the minimum exercise price is deemed to be the exercise price after the modification.</p>
(7) Form of issuance or allotment (the Scheduled Allottee)	<p>All the Stock Acquisition Rights will be allotted to Macquarie Bank Limited through third party allotment.</p>
(8) Others	<p>The Company plans to conclude an agreement to purchase the Shares and the Stock Acquisition Rights (hereinafter referred to as the "Purchase Agreement") with the Scheduled Allottee after the notification set forth in the Financial Instruments and Exchange Act becomes effective.</p> <p>The Purchase Agreement stipulates the gist that when the Scheduled Allottee transfers the Stock Acquisition Rights with prior approval of the Company's Board of Directors, the assignee succeeds all the rights and obligations of the Scheduled Allottee, and each clause described in "2. Purpose and reason for the issuances - (2) Overview of and reason for selection of the funding methods" and "(3) Features of the Funding."</p>

2. Purpose and reason for the issuances

(1) Purpose for the issuances

The Group performs business activities in the following three segments; the "computer platform business" mainly performed by the Company, the "IoT/AI solution business" and the "media solution business" mainly performed by the subsidiaries of the Company.

The computer platform business is categorized, depending on services, into "data center," "cloud solution," "data solution," and "others." In particular, the Company's data center leases real estate suitable for data center (data center building), installs on the real estate the data center equipment (power supply facilities during normal operation, battery equipment for backup in emergency (uninterruptible power supply) and emergency power supply (small diesel generator or gas turbine generator)), and information

and telecommunications equipment (router, switch, LAN and security devices for information and telecommunications), accommodates the computer devices (server) owned by Internet information service providers inside the rack, and provides the following services and equipment, etc. by connecting to communication lines of telecommunications carrier (carrier) through the Company's telecommunications equipment.

- Space
- Communication lines
- Electric power
- Agreement to perform computer devices operations
- Peripheral equipment for the services above each

In August 2018, the Company established new Otemachi Data Center (hereinafter referred to as the "New Data Center") at Otemachi, Chiyoda-ku, Tokyo and started practical operation. The structure of the New Data Center is as follows:

- Structure: hybrid quake-resistance structure
- Floor space: 3,000 m² (space of data center: 1,856 m²)
- The number of racks to be installed: 750 at the maximum
- Fire extinguishing equipment: extinguishing equipment that uses gas, ultra-sensitive smoke detector
- Power reception system: 2-line power reception system (main and spare lines)
- Emergency generator: gas turbine: 5,000 kVA (N+1)
- Continuous operation hours: 72 hours
- Battery equipment for backup in emergency (UPS: uninterruptible power supply): N+1 redundant system, permanent inverter power supply system
- Air-conditioning system: N+1 redundant system, cooled air blow-down system
- Access control system: bio authentication system (vein and face scanning), surveillance camera (installed on every row, 3 months of record retention period)

The New Data Center is full-scale as above.

The Company has made incremental capital investments for the equipment of the New Data Center. In particular, we divided the New Data Center into two areas and after completion of first-phase construction of the half of the first phase of the space of the New Data Center, the Company launched the service in August 2018. After that, since large orders which requires the second phase of the space were finalized, as we announced in "Second-phase construction of the New Data Center (acquisition of fixed assets)" as of January 25, 2019, the Company decided to start second-phase construction (total investment amount is estimated at approximately JPY 2.5 billion), mainly working on UPS (uninterruptible power supply), emergency generator, electrical equipment and air conditioning equipment. The completion of the second-phase construction is scheduled in September 2019.

In addition, unlike other data centers, as we announced on July 13, 2018, the New Data Center is especially characteristic in that the connection to Internet Exchange (IX), which is provided by the three leading IX operators in Japan, Japan Internet Exchange Co., Ltd. (subsidiary of KDDI), BBIX, Inc. (subsidiary of Softbank) and INTERNET MULTIFEED CO. (subsidiary of NTT Communications), have become feasible in the "New Otemachi Site" of the New Data Center. The benefit of using service of IX operators is that companies using the same IX service are able to be interconnected, which enables them to increase communication efficiency significantly. The user can select the most suitable IX operator/operators from among the three operators. With the aim of taking advantage of this feature, the Company secured, this fiscal year, further large orders that will use the rest of the second phase of the space, which were scheduled for the next fiscal year. The Funding is for the Company to make the capital investment in additional UPS (uninterruptible power supply) and emergency generator (approximately JPY 800 million), installation of electrical facilities (approximately JPY 1.1 billion) and installation of air conditioning facilities (approximately JPY 400 million).

(2) Overview of and reason for selection of the funding methods

In order to secure funding, taking into consideration of such factors as lending stance of indirect financing, financial condition and future business development, etc., the Company has examined direct financing methods to reduce impact on existing shareholders' interests, as well as increasing equity capital. As a result of comparison with each clause described in "(3) Features of the Funding" and other methods, the Company selected the funding by the Shares and the Stock Acquisition Rights in the form of a third party allotment, which was proposed by the Scheduled Allottee.

In addition, subject to the fulfillment of the standard prerequisites defined in the contract, the Company plans to issue the Bonds (issue price JPY 650,000,000 in total), of which overview is described below, to Macquarie Bank Limited at the same time as the issue of the Shares and the Stock Acquisition Rights. Under the bond purchase agreement (hereinafter referred to as the "Bond Purchase Agreement"), which is to be concluded between the Company and the bondholder of the Bonds (hereinafter referred to as the "Bondholder"), the Bondholder may request the Company to redeem all or part of the principal of the Bonds on the date specified for early redemption on the last day of each calendar month, upon giving notice to the Company at least 10 days prior to such early redemption date. However, the Bond Purchase Agreement stipulates that during 8 months from the issue date of the Bonds, the Bondholder may request to redeem the Bonds only within a range where the total amount of funds paid from the Bondholder to the Company by the exercise of the Stock Acquisition Rights is not exceeded, and the Company expects, in principle, the same handling even after the period. For this reason, the amount of funds to be paid in by the exercise of the Stock Acquisition Rights is expected to be used mainly for the redemption of the Bonds, as long as there is any outstanding unredeemed amount of the Bonds. The Stock Acquisition Rights may not be exercised depending on share prices movements of the Company's future common stock. In this case, the funding by the exercise of the Stock Acquisition Rights may become impossible or the funding amount may be lower than the initially planned amount. However, by the issuances of the Shares and the Bonds, the Company can raise certain amount of funds prior to the exercise of the Stock Acquisition Rights and the liquidity of the Company's cash on hand will improve. Therefore, the Company resolved to issue the Shares, the Stock Acquisition Rights and the Bonds simultaneously. In case of the acquisition described in the terms and conditions of the issue of the Stock Acquisition Rights, when the Company receives from the Scheduled Allottee the Stock Acquisition Rights' purchase request described in "(3) Features of the Funding", or in case of cancellation of the Purchase Agreement, the Company shall redeem all or part of the principal of the remaining Bonds at that point prior to the redemption date. When the Company makes such

early redemption, it needs to appropriate the funds separately. When such redemption is required to be made, the Company plans to appropriate the funds from equity capital.

Overview of the Bonds

1. Title: BroadBand Tower, Inc. 1st Series of Unsecured Bonds
2. Aggregate Principal Amount of the Bonds: JPY 650,000,000
3. Denomination of each Bond: JPY 16,250,000
4. Payment date: April 22, 2019
5. Redemption date: April 21, 2020
6. Interest rate: The Bonds bear no interest.
7. Issue price: JPY 100 per JPY 100 of the face amount
8. Redemption amount: JPY 100 per JPY 100 of the face amount
9. Method of redemption: Lump-sum redemption at maturity

The Bondholder may request the Company to redeem all or part of the Bonds for JPY 100 per JPY 100 of the face amount, on the date specified for early redemption on the last day of each calendar month, upon giving notice to the Company at least 10 days prior to such early redemption date. However, the Bond Purchase Agreement stipulates that during 8 months from the issue date of the Bonds, the Bondholder may request the Company to redeem the Bonds only within a range where the total amount of funds paid from the Bondholder to the Company by the exercise of the Stock Acquisition Rights is not exceeded.

The Company may also request the Bondholder to redeem all or part of the Bonds for JPY 100 per JPY 100 of the face amount at any time, upon giving notice to the Bondholder at least 10 days prior to the early redemption date. In addition, in case of the acquisition described in the terms and conditions of the issue of the Stock Acquisition Rights, when the Company receives from the Scheduled Allottee the Stock Acquisition Rights' purchase request described in "(3) Features of the Funding", or in case of cancellation of the Purchase Agreement, the Company shall redeem all or part of the principal of the remaining Bonds at that point prior to the redemption date.

10. Underwriter of total amount of the Bonds: Macquarie Bank Limited

(3) Features of the Funding

The Funding has a mechanism through which the Company will allot the Shares and the Stock Acquisition Rights to the Scheduled Allottee, and raise a certain amount of funds at the time of the payment upon issuance of the Shares. In the funding related to the Stock Acquisition Rights, which accounts for the majority of the amount raised, the Company will raise funds as a result of the exercise of the Stock Acquisition Rights by the Scheduled Allottee. In addition, even in the funding related to the Stock Acquisition Rights, there is a mechanism which enables the Company to raise a certain amount of funds before the exercise of the Stock Acquisition Rights by issuing the Bonds to the Scheduled Allottee, Macquarie Bank Limited, simultaneously with the issuance of the Shares and the Stock Acquisition Rights, as set out in "(2) Overview of and reason for selection of the funding methods" above.

The exercise price of the Stock Acquisition Rights will be modified to the amount equal to 91% of the closing price of the Company's common stock in the regular transaction (*futsū torihiki*) at the Tokyo Stock Exchange on the trading day immediately preceding each Modification Date (if there is no closing price on that day, the latest closing price). However, the exercise price will be the minimum exercise price if the modified exercise price calculated as mentioned above will become less than the minimum exercise price.

Moreover, the funding has the following characteristics, and the Company has decided to conduct the funding transactions, paying particular attention to the following facts: (i) in view of the current stock market, the Company will be able to raise a certain amount of funds at a price which is based on the share price before the concerns about dilution as a result of the issuance of shares are factored in, and (ii) the issuance of no-interest bonds, together with the issuance of shares, will enable the Company to realize the funding of a certain amount of funds at low cost at the time of the issuance of those securities.

Advantages

a. Funding a certain amount of funds at an initial stage

The issuance of the Shares and the Bonds will enable the Company to raise a certain amount of funds at the time of the issuance thereof.

b. Fixing the number of shares subject to the Stock Acquisition Rights

The number of shares subject to the Stock Acquisition Rights is initially fixed at 6,500,000 shares as stated in the Terms and Conditions, and future stock price fluctuations will not change the number of residual shares.

c. Anti-dilution considerations

From the standpoint of maintaining the balance between the financing needs and the prevention of stock value dilution, the Scheduled Allottee is not permitted to exercise the Stock Acquisition Rights without the prior approval of the Company if the total amount of funds raised by the Company as a result of the exercise of the Stock Acquisition Rights exceeds JPY 2.0 billion. The Company will determine whether or not to approve the exercise of the Stock Acquisition Rights, taking into account the stock prices and the financing needs of the Company at the time of the exercise of the Stock Acquisition Rights, and other relevant factors. In addition, the Company may request that the Scheduled Allottee should not sell the Company's common stock in the regular transaction at the Tokyo Stock Exchange at a level exceeding 20% of the trading volume of the Company's common stock in the regular transaction at the Tokyo Stock Exchange in each calendar week.

d. Acquisition clause

The Company may, based on a resolution of its board of directors, acquire all or a part of the outstanding Stock Acquisition Rights at a price equal to the issue price of the Stock Acquisition Rights at any time from the day following the payment date of the Stock Acquisition Rights, by giving 15 trading days' notice to the holders of the Stock Acquisition Rights. This enables the Company to ensure prevention of dilution or flexibility of its capital policy through acquisition of the Stock Acquisition Rights when the Company has less funding needs or changes its capital policy in the future.

e. Non-Exercise Period

In the Purchase Agreement, the Company may stipulate up to 4 periods in the exercise period of the Stock Acquisition Rights, during which the Scheduled Allottee may not exercise the Stock Acquisition Rights ("Non-Exercise Period"). Each Non-Exercise Period will not be longer than 10 consecutive trading days. The Company will give the Scheduled Allottee a notice of the Non-Exercise Period in writing no later than 3 trading days before the first day of the relevant Non-Exercise Period. Non-Exercise Periods will have an interval of 5 trading days.

f. Restriction on transfer

The Stock Acquisition Rights, which will be issued by way of a third-party allotment to the Scheduled Allottee, are subject to the restriction on transfer under the Purchase Agreement, and may not be transferred by the Scheduled Allottee to any third party, unless approved by the board of directors of the Company.

g. Guaranteed purchase of shares

In the Purchase Agreement, the Company may stipulate certain days on which the Guaranteed Share Purchase Period (as defined below) will be applied by giving the Scheduled Allottee prior notice in writing in a certain format during the exercise period of Stock Acquisition Rights, in order to designate the application of the Guaranteed Share Purchase Period (such application of the Guaranteed Share Purchase Period may be designated only once). If the application of the Guaranteed Share Purchase Period is designated, the Scheduled Allottee will be required, during such Guaranteed Share Purchase Period, to exercise the Stock Acquisition Rights once or several times until the total amount paid upon exercise of the Stock Acquisition Rights (which includes the amount paid upon exercise of the Stock Acquisition Rights prior to the Guaranteed Share Purchase Period) reaches JPY 2.0 billion.

However, the Scheduled Allottee will be released from its obligation to exercise the Stock Acquisition Rights required to be exercised within the Guaranteed Share Purchase Period, if (i) the last day of the exercise period of the Stock Acquisition Rights, (ii) the Acquisition Date as provided for in the Acquisition Events in Condition 14 of the Terms and Conditions of the Stock Acquisition Rights, or (iii) the day on which the Scheduled Allottee will request the purchase as set out in "Disadvantages - d. Purchase request" below ("Early Closure Date") comes during such Guaranteed Share Purchase Period.

The "Guaranteed Share Purchase Period" means a period of the 40 Qualified Trading Days (as defined below) starting on the Qualified Trading Day following a day on which the Company will designate the application of the Guaranteed Share Purchase Period. The "Qualified Trading Day" means any trading day within the Guaranteed Share Purchase Period that satisfies certain conditions. Certain conditions mean the trading days when none of the prescribed events, including the following events, exist:

- (i) the price of the Company's common stock in the regular transaction at the Tokyo Stock Exchange is equal to or lower than the minimum exercise price multiplied by 1.1;
- (ii) the price of the Company's common stock in the regular transaction at the Tokyo Stock Exchange falls 10% or more from the closing price of the Company's common stock in the regular transaction at the Tokyo Stock Exchange on the immediately preceding trading day, as disclosed by Tokyo Stock Exchange, Inc.; or
- (iii) the trading turnover of the Company's common stock in the regular transaction at the Tokyo Stock Exchange on the relevant trading day is JPY 300 million or less.

Disadvantages

a. Limited access to a large number of new investors

Because of a contract between the Company and the Scheduled Allottee in the form of a third-party allotment, fundraising from a large number of new investors will be limited.

b. The possibility that the funds raised may be much smaller than initially planned in times of flagging stock prices

If the Company's stock price is lower than the minimum exercise price for a long period of time, the Stock Acquisition Rights will not be exercised, and the amount of funds raised may be much smaller than initially planned. In addition, if the Company's stock price is lower than the initial exercise price, the amount of funds raised may be smaller than initially planned.

c. The possibility that the Company's stock price may fall as a result of the Scheduled Allottee selling the Company's shares in the market

The Company assumes that the Scheduled Allottee will sell the Company's shares acquired through the exercise of the Stock Acquisition Rights in the market, considering that the Scheduled Allottee intends to hold the Company's shares for a short period of time. In view of the current liquidity of the Company's shares, sale of the Company's shares by the Scheduled Allottee may lead to a decline in the Company's stock price.

d. Purchase request

The Purchase Agreement will stipulate that if (i) on any trading day the closing price of the Company's common stock in the regular transaction at the Tokyo Stock Exchange is lower than JPY 167 for 10 consecutive trading days, which is the amount equal to 50% of the closing price of the Company's common stock in the regular transaction at the Tokyo Stock Exchange on the trading day immediately preceding the day on which a resolution for issuance is passed, (ii) the average trading volume per trading day of the Company's common stock in the regular transaction at the Tokyo Stock Exchange for any 20 consecutive trading days is less than 1,643,502 shares, which is equal to 50% of the average trading volume per trading day of the Company's common stock in the regular transaction at the Tokyo Stock Exchange for the 20 consecutive trading days before the date of this press release, or (iii) the Scheduled Allottee holds the Stock Acquisition Rights that have not been exercised at the time which is one month prior to the expiry of the exercise period of the Stock Acquisition Rights, then the Scheduled Allottee may, at any time thereafter and at its option, request that the Company should purchase all or a part of the Stock Acquisition Rights, by giving notice to the Company in writing. If, after the issuance of the Stock Acquisition Rights, there is a significant decline in the price of the Company's common stock, there is a significant decline in the average trading volume of the Company's common stock at the Tokyo Stock Exchange, or the Scheduled Allottee holds the Stock Acquisition Rights that have not been exercised at the time which is 1 month before the expiry of the exercise period of the Stock Acquisition Rights, and the Scheduled Allottee requests the Company to purchase the Stock Acquisition Rights, then the amount of funds raised may be smaller than the one anticipated by the Company due to failure to raise funds as a result of the exercise of the Stock Acquisition Rights. In addition, the amount of funds which the Company will ultimately raise as a result of the exercise of the Stock Acquisition Rights may be reduced, because it becomes necessary to pay the same amount of money as the payment amount of the Stock Acquisition Rights.

e. Non-exercise of the Stock Acquisition Rights

The Stock Acquisition Rights may not be exercised by the Scheduled Allottee. If the rights are not exercised, the amount of funds raised may be lower than the one anticipated by the Company. Furthermore, the Company may have to use its funds, etc. for the redemption of the Bonds, if some of them remain outstanding.

f. Restriction on issuance of equity securities

Under the Purchase Agreement, the Company is prohibited from issuing any shares, stock acquisition rights, or securities with rights to convert to or acquire any of them without the prior written consent of the Scheduled Allottee, from the date of the Purchase Agreement until the day which is 3 months after the earliest of (i) the expiry date of the exercise period of the Stock Acquisition Rights, (ii) if the exercise of all Stock Acquisition Rights is completed prior to such expiry date, the day on which the exercise is completed, (iii) the day on which the Company acquires all Stock Acquisition Rights held by the Scheduled Allottee, or (iv) the day on which the Purchase Agreement is cancelled, except for certain cases, including (x) the issuance of stock options or restrictive shares to the officers or employees of the Company or those of its subsidiaries, and (y) the issuance of such securities by the Company to another company as part of, or in connection with, the business partnership between the Company and such another company.

Comparison with other methods of funding

Other funding methods that the Company considered upon selecting this Funding were as follows:

a. Capital increase through public offering

Although issuance of new shares by means of capital increase through public offering enables the Company to raise the required amount of funds at once, it also causes dilution of earnings per share to occur at once. Thus, if funds equivalent to the amount to be procured by the Funding were procured

solely by way of issuance of new shares by means of capital increase through public offering, this would have a direct material impact on the stock price and the Company determined that this was undesirable.

b. Procurement of the full required amount of funds by way of issuance of new shares through third-party allotment

Although issuance of new shares allows the issuer to raise funds immediately upon issuance, it also simultaneously causes dilution of the Company's shares to occur at once. Accordingly, there is a concern that this could adversely affect the value of shares of the Company's stock held by our shareholders. In such case, it is also necessary to seek out investors to subscribe for the new shares, but the Company was unable to find investors who would agree to invest in the Company.

c. Issuance of bonds with stock acquisition rights or stock acquisition rights with moving strike clause through third-party allotment

Funding of this scale solely by way of bonds with stock acquisition rights is advantageous in that it allows immediate fund raising upon issuance while preventing dilution of the Company's shares from occurring at once. However, if the conversion of bonds to shares does not proceed, separate funds to redeem the bonds at maturity will be necessary. If the Company fails to prepare such funds, there is a risk that the Company will default and the Company's business will suffer a material adverse impact. In addition, the Company will be liable for payment of interest until the bonds are converted or redeemed. Such a scheme involving bonds with stock acquisition rights also requires the Company to seek out investors. Again, however, the Company was unable to find investors who would agree to invest in the Company.

While funds procured solely through issuance of stock acquisition rights with moving strike clause is advantageous in that they prevent dilution from progressing rapidly, the exercise of the stock acquisition rights might not proceed depending on the price behavior of the Company's common stock. As such, there is a concern that this scheme is not suitable as a timely funding means that accommodates the Company's latest funding demands.

In contrast, by issuing both the Shares and Stock Acquisition Rights, a certain amount will be procured through issuance of the Shares at the time of issuance of such securities and, since the Stock Acquisition Rights is generally exercised in a gradual manner, the dilution is also expected to proceed at a moderate pace. This is expected to alleviate adverse effects on the value of shares held by our shareholders. In addition, the Stock Acquisition Rights are designed so that the Company may, at any time after the issuance, purchase all or part of the remaining Stock Acquisition Rights at an amount equal to the issue price of the Stock Acquisition Rights by giving 15 trading days' notice to the holder of the Stock Acquisition Rights in order to prevent dilution and ensure flexibility of the capital policy. Further, the Scheduled Allottee has proposed a method of financing where the Scheduled Allottee subscribes for Bonds at the same time as the issuance of Stock Acquisition Rights, thereby making it possible to procure, immediately upon issuance, part of the target amount of funds in the form of proceeds from the issuance of Bonds. Bonds will be issued as interest-free, zero-coupon bonds, and the Company will be free from paying interest up until maturity or redemption. Through such combination of Shares, Stock Acquisition Rights and Bonds the Company will be able to receive part of the necessary funds upon issuance of the securities while controlling the financial cost concerning bonds to a certain degree, which will enable redemption of Bonds through the gradual exercise of Stock Acquisition Rights and alleviation of any immediate adverse impact on the stock price. Accordingly, we have reached the determination that this Funding by way of issuance of Shares, Stock Acquisition Rights and Bonds, as proposed by the Scheduled Allottee, which combines the procurement of an initial lump sum upon issuance of securities and a gradual financing thereafter, is the most realistic option compared to the other financing options as discussed above, and will best serve the interests of our shareholders.

3. Amounts and use of proceeds and estimated period of disbursement

(1) Amounts of proceeds

Total Payment Amount (JPY)	Estimated Cost of Issuance (JPY)	Estimated Net Proceeds (JPY)
2,536,527,500	15,000,000	2,521,527,500

(Note) 1. Total payment amount is the sum of the payment amount for the issuance of the Shares (JPY 350,577,500) and the Stock Acquisition Rights (JPY 8,450,000), and the value of properties contributed upon exercise of the Stock Acquisition Rights (JPY 2,177,500,000).

2. Estimated cost of issuance does not include consumption tax and other taxes.

3. Total payment amount is set based on the assumption that all the Stock Acquisition Rights are exercised at the initial exercise price, and the total payment amount and the estimated net proceeds may increase or decrease if the exercise price is modified or adjusted. Moreover the total payment amount and the estimated net proceeds may decrease if the Stock Acquisition Rights are not exercised during the exercise period or the Company cancels the Stock Acquisition Rights.

4. Estimated cost of issuance is the sum of fees for attorney, calculation, trust banking and other.

(2) Specific use of proceeds

The abovementioned estimated net proceeds from the issuance of the Shares and the Stock Acquisition Rights (JPY 2,521,527,500) will be allotted for redemption of the Bonds and the capital investment in the second phase of construction of the New Data Center and its facilities. Specific use of proceeds and estimated period of disbursement are described below.

Specific Use of Proceeds	Amount (JPY million)	Estimated Period of Disbursement
Capital investment in the second phase of construction of the New Data Center and its facilities	2,521	August 2019 to April 2020

(Note) 1. JPY 650 million out of the proceeds acquired from the exercise of the Stock Acquisition Rights will primarily be allotted for the redemption of the Bonds. However, the use of proceeds is stated as above since the proceeds from the issuance of the Bonds will be allotted to the capital investment in the second phase of construction of the New Data Center and its facilities, and when viewed as a whole picture, the proceeds so acquired will all be allotted to the capital investment in the second phase of construction of the New Data Center and its facilities. For more information on the Bonds, please refer to “2. Purpose and reason for the issuances - (2) Overview of and reason for selection of the funding methods - Overview of the Bonds” above.

2. The Company will safely manage the proceeds from payment for issuance of the Stock Acquisition Rights by bank deposits until those proceeds are allotted to the use of proceeds specified above.

3. Funds on hand will be allotted if sufficient proceeds are not acquired from the exercise of the Stock Acquisition Rights by the estimated time of disbursement.

The Company will allot the proceeds from this finance to the additional capital investment in facilities required for the second phase of construction of the New Data Center, in order to deal with large orders. Since the New Data Center is designed for 5G, the opening of it was scheduled to take place during the following fiscal year. However, the Company received the large orders in this fiscal year, earlier than expected, so it will invest primarily for additional UPS (uninterruptible power supply) and emergency generators (approximately JPY 800 million), installation of electrical facilities (approximately JPY 1.1 billion), and installation of air-conditioning facilities (approximately JPY 400 million), and capital investment for sales promotion of the New Data Center.

4. Point of view regarding the rationality of use of proceeds

The Company believes that it will be able to obtain necessary proceeds for each mission described in "2. Purpose and reason for the issuances - (1) Purpose for the issuances" and "3. Amounts and use of proceeds and estimated period of disbursement - (2) Specific use of proceeds" above if this funding is carried out as planned. The Company has determined that such use of proceeds is rational since implementing the Group's growth strategy and enhancing corporate value, by making effective use of the proceeds, will lead to the benefit of the existing shareholders.

5. Rationality of the conditions of issuance, etc.

(1) Calculation basis of the amount to be paid and the details thereof

a. Shares

The issue price of the Shares is the amount equivalent to 91% of the closing price of the Company's common stock in the regular transaction at Tokyo Stock Exchange on the business day immediately preceding the resolution of the Board of Directors for the issuance of the Shares (April 4, 2019).

The Company chose the closing price on the business day immediately preceding the resolution of the Board of Directors as the basis because the Company determined that the most recent share price appropriately reflects the Company's current objective corporate value. The Company, with respect to the calculation basis of the amount to be paid described above, believes it complies with the "Rules Concerning Handling of Capital Increase by Allotment of New Shares to Third Party" (established on April 1, 2010) of Japan Securities Dealers Association. The Company also decided the amount to be paid for issuance of the Shares after sufficient discussion with the Scheduled Allottee upon it (and discount rates) and reaching conclusion that such amount to be paid is not particularly advantageous to the Scheduled Allottee.

The amount to be paid for the Shares will be the amount calculated at (i) a discount of 9.54% (the third decimal place is rounded off; hereinafter the same for the calculation of the figures of the discount rates or premium rates of the share prices) on JPY 337 (rounded off to the nearest whole yen; hereinafter the same for the calculation of the share prices), which is the simple average closing price of the Company's common stock for 1 month immediately preceding the business day immediately preceding the resolution of the Board of Directors for the issuance of the Shares (April 4, 2019), (ii) a discount of 1.66% on JPY 310, which is the simple average closing price for 3 months immediately preceding April 4, 2019, (iii) a discount of 2.29% on JPY 312, the simple average closing price for 6 months immediately preceding April 4, 2019.

The Company's Audit & Supervisory Committee has given an opinion that the amount to be paid for the Shares is not particularly advantageous to the Scheduled Allottee and is lawful because it is based on market prices, which are objective indexes indicating the value of the Company's common stock and

complies with the "Rules Concerning Handling of Capital Increase by Allotment of New Shares to Third Party" of Japan Securities Dealers Association.

b. Stock Acquisition Rights

The Company has requested a third-party appraiser (Akasaka International Accounting Co., Ltd. Representative: Tomotake Kurosaki. Address: 1-8, Motoakasaka 1-chome, Minato-ku, Tokyo) to value the Stock Acquisition Rights, taking into account the terms and conditions for issuance of the Stock Acquisition Rights and the conditions set forth in the Purchase Agreement, which will be executed with the Scheduled Allottee. There is no material interest between the third-party appraiser and the Company.

When deciding on a price calculation model to be used for price calculation, the appraiser compared and considered other price calculation models such as Black-Scholes Model and Binomial Model, and then, valued the Stock Acquisition Rights using Monte-Carlo Simulation, a general price calculation model, as a price calculation model that can relatively appropriately reflect in the results of calculation the gradually exercised rights regarding a certain number of shares for a certain period, and the terms and conditions for issuance of the Stock Acquisition Rights and other conditions set forth in the Purchase Agreement, which will be executed with the Scheduled Allottee. Also, taking into account the market environment as of the valuation date and other factors, and based on certain assumptions with respect to the Company's share price, volatility, the Company's dividend yield, risk-free interest rate and liquidity of the Company's shares, the appraiser has established the Company's funding demand and certain preconditions regarding actions on the exercise of rights of the Company and the Scheduled Allottee (including the assumptions that the Scheduled Allottee's requests for exercise will be equally made, that the Company's shares acquired by the Scheduled Allottee through the exercise of rights will be sold within a number of shares that is of a certain ratio against turnover, or that the Scheduled Allottee will incur cost corresponding to the number of shares sold). By reference to the valuation amount (JPY 130 per Stock Acquisition Right) calculated by the appraiser based on the preconditions above and after discussion with the Scheduled Allottee, the Company has determined the amount to be paid per Stock Acquisition Right to be equal to such valuation amount.

Upon determining the amount to be paid and exercise price for the Stock Acquisition Rights, the calculation result by the appraiser can be considered a reasonable fair value since the appraiser has considered the assumptions of events which could affect the fair valuation price and has calculated the fair value using Monte-Carlo Simulation, a generally used calculation method to calculate fair value for valuation amount of stock acquisition rights. Therefore, the Company has determined that the issue price of the Stock Acquisition Rights does not apply to advantageous issuance and is an appropriate and valid amount because the amount to be paid is equal to the valuation amount from the calculation result.

The Company's Audit & Supervisory Committee also determined that the amount to be paid for the Stock Acquisition Rights is not particularly advantageous to the Scheduled Allottee and is lawful because (a) the fair value valuation amount by the third-party appraiser is recognized as an appropriate and valid amount since the third-party appraiser has calculated based on the assumptions of events which could affect the fair value of the Stock Acquisition Rights such as exercise price of the Stock Acquisition Rights, market trading volume and share price of the Company's shares, exercise period, volatility in share prices, and interest rate and used Monte-Carlo Simulation, a generally used calculation method to calculate fair value for valuation amount of stock acquisition rights, upon calculating the amount to be paid for the Stock Acquisition Rights and (b) the amount to be paid for the Stock Acquisition Rights is decided based on the valuation amount of the Stock Acquisition Rights calculated by the third-party appraiser.

(2) Reasons for determining the rationality of the number of issuance and the scale of dilution of shares

The total number of shares, after the number of shares to be issued in case where all the Stock Acquisition Rights are exercised (6,500,000 shares) is added to the number of the Shares (1,150,000 shares), is 7,650,000 shares (76,500 voting rights), and the dilution rates against the Company's total outstanding shares of 52,285,500 shares and 513,528 voting rights as of December 31, 2018 are 14.63% and 14.90% respectively.

However, although such dilution will occur, the Company has determined that the number of issuance and the scale of dilution of shares are rational because, as stated above, the Company can strengthen and expand the Company's business base and enhance the Company's mid-term to long-term corporate value and shareholder value by appropriating the procured proceeds from the Funding to the aforementioned use of proceeds, and the Company believes the Funding can bring sufficient benefit to the existing shareholders even by taking into account such dilution.

The Company has determined that the scale of the Funding will not excessively affect the market and that the scale of the dilution is rational since the Funding maintains a certain liquidity level even in comparison to the average daily trading volume of the Company's common stock during the past 6 months.

6. Reason for selecting the Scheduled Allottee, etc.

(1) Summary of the Scheduled Allottee

(1)	Name	Macquarie Bank Limited
(2)	Location	Level 6, 50 Martin Place, Sydney NSW 2000 Australia
(3)	Title and name of representatives	President P.H. Warne CEO M.J. Reemst
(4)	Type of business	Commercial bank
(5)	Amount of capital	AUD 9,821 million (JPY 801,983 million) (as of March 31, 2018)
(6)	Date of incorporation	April 26, 1983
(7)	Number of outstanding shares	589,276,303 common stock (as of March 31, 2018)
(8)	Accounting date	March 31
(9)	Number of employees	14,469 (Macquarie Group) (as of March 31, 2018)
(10)	Main customers	Individual and companies
(11)	Main bank	-
(12)	Major shareholder and shareholding ratio	Macquarie B.H. Pty Ltd, 100%
(13)	Relationship between the parties	
	Capital relationship	There is no capital relationship between the Company and Macquarie Bank Limited. Also, there is no notable capital relationship between the relevant persons and affiliated companies of the Company and the relevant persons and affiliated companies of Macquarie Bank Limited.
	Personal relationship	There is no personal relationship between the Company and Macquarie Bank Limited. Also, there is no notable personal relationship between the relevant persons and affiliated companies of the Company and the relevant persons and affiliated companies of Macquarie Bank Limited.
	Business relationship	There is no business relationship between the Company and Macquarie Bank Limited. Also, there is no notable business relationship between the relevant persons and affiliated companies

		of the Company and the relevant persons and affiliated companies of Macquarie Bank Limited.		
	Status as relevant party	Macquarie Bank Limited is not a relevant party of the Company. Also, the relevant persons and affiliated companies of Macquarie Bank Limited are not relevant parties of the Company.		
(14) Operating results and financial conditions for the past 3 years				
	Accounting period	End of March 2016	End of March 2017	End of March 2018
	Consolidated net assets	JPY 1,096,238 million	JPY 1,080,554 million	JPY 1,069,991 million
	Consolidated total assets	JPY 15,663,776 million	JPY 14,373,135 million	JPY 14,144,982 million
	Consolidated net assets per share (JPY)	1,860.41	1,833.70	1,815.77
	Consolidated net earnings	JPY 486,709 million	JPY 499,675 million	JPY 503,271 million
	Consolidated operating income	JPY 149,730 million	JPY 148,761 million	JPY 175,814 million
	Consolidated net income	JPY 180,694 million	JPY 105,068 million	JPY 129,268 million
	Consolidated net income per share (JPY)	316.63	178.30	219.37
	Dividend per share (JPY)	261.12	173.20	211.61

Note: For convenience, the figures in the "Operating results and financial conditions for the past 3 years" above have been converted using the median of foreign exchange rates as of March 31, 2016 (AUD 1 = JPY 86.25) for the fiscal year ending in March 2016, the median of foreign exchange rates as of March 31, 2017 (AUD 1 = JPY 85.84) for the fiscal year ending in March 2017 and the median of foreign exchange rates as of March 31, 2018 (AUD 1 = JPY 81.66) for the fiscal year ending in March 2018.

(2) Reasons for selecting the Scheduled Allottee

The Company has been examining methods for funding, including direct finance as well as indirect finance. While doing so, we received a proposal from Macquarie Capital Securities (Japan) Limited (Address: 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Representative: Takuji Watanabe), an intermediary entity of the Scheduled Allottee, on finance from the Scheduled Allottee. Considering the overall worldwide activities and performances of the Scheduled Allottee in the past (the Scheduled Allottee had funded listed companies in Japan by completing exercise or conversion of stock acquisition rights or other rights it had subscribed in similar transactions, except for such cases in which such rights were acquired by other parties through exercise of call options or the share prices was below the minimum exercise price, or ongoing transactions), its management policies and other factors, the Company concluded that the Scheduled Allottee is an appropriate allottee for the Third Party Allotment of the Stock Acquisition Rights.

(Note) The issuance of the Stock Acquisition Rights to Macquarie Bank Limited has been intermediated by Macquarie Capital Securities (Japan) Limited, a member of the Japan Securities Dealers Association, and "Rules Concerning Handling of Allotment of New Shares to Third Party, Etc." established by the Japan Securities Dealers Association shall be applied to the offering.

(3) The Scheduled Allottee's policies on management and restriction on exercise

As regards to the Shares, the Purchase Agreement shall set out that the Scheduled Allottee shall hold the Shares so that it would be on the shareholders list of the issuing company as a holder of 525,000 of common stock for the period of 3 months from the payment date for the issuance of the Shares. As for the

Stock Acquisition Rights, based on consultation between the Company and a contact personnel of the Scheduled Allottee, it has been confirmed verbally that no arrangement has been made on the continued holding and deposit of the shares of the Company which are to be acquired by the Scheduled Allottee through the exercise of the Stock Acquisition Rights. It was also confirmed in the same manner that the Scheduled Allottee shall always be aware of the influence on the market it may give when handling such shares, while trying to sell them on a market within short period of time at its discretion.

Please note that the Company and the Scheduled Allottee plan to execute the Purchase Agreement on the Shares and the Stock Acquisition Rights after the notification set forth in the Financial Instruments and Exchange Act becomes effective.

Furthermore, pursuant to Article 434(1) of the Securities Listing Regulations and Article 436(1) to (5) of its Ordinance for Enforcement established by Tokyo Stock Exchange, Inc., and Article 13 of "the Rules Concerning Handling of Allotment of New Shares to Third Party, Etc." established by the Japan Securities Dealers Association, the Company and the Scheduled Allottee shall make provisions in the Purchase Agreement to generally restrict the exercise of the Stock Acquisition Rights if the shares acquired through such exercise by the Scheduled Allottee during a calendar month exceeds 10% of the number of listed shares as of the payment date for the issuance of such Stock Acquisition Rights (hereinafter referred to as "Exercise in Excess of the Limit").

Specifically, it will be agreed in the Purchase Agreement that (a) the Scheduled Allottee shall refrain from the Exercise in Excess of the Limit; (b) when the Scheduled Allottee exercises the Stock Acquisition Rights, it shall verify in advance with the Company that the exercise of the Stock Acquisition Rights will not constitute the Exercise in Excess of the Limit; (c) when the Scheduled Allottee re-sells the Stock Acquisition Rights, it shall make the other party to the resale conclude an agreement with the Company on the matters prescribed in (a) and (b) above in advance; (d) when the other party to the resale conducts a further resale to a third party, the Scheduled Allottee shall make such third party conclude an agreement with the Company on the matters prescribed in (a) and (b) above in advance; (e) the Company shall not permit the Scheduled Allottee to carry out the Exercise in Excess of the Limit; and (f) the Company shall make an agreement with the other party to the resale by the Scheduled Allottee (including a third party to the resale by the other party) on the matters regarding the restriction on the Exercise in Excess of the Limit as agreed between the Company and the Scheduled Allottee.

Moreover, the Company plans to obtain a commitment letter from the Scheduled Allottee on which it is agreed that the Scheduled Allottee reports to the Company in writing when it transfers all or a part of common stock of the Company that are issued through third party allotment of the Shares within 2 years from the payment date, the Company reports to the Tokyo Stock Exchange, Inc. such report, and such report shall be provided for public inspection.

(4) Verification of properties of the Scheduled Allottee required for payment

The Company verified from the Annual Report for the fiscal year 2018 of the Scheduled Allottee, Macquarie Bank Limited (materials pursuant to Corporations Act 2001 of Australia), that the cash and cash equivalents of the Scheduled Allottee as of March 31, 2018 amounts to AUD 9,730 million (JPY equivalent: JPY 794,552 million, reference exchange rate: JPY 81.66 (telegraphic transfer middle rate as of March 30, 2018 calculated by MUFG Bank, Ltd.)) on a non-consolidated basis and that it has funds required and sufficient for the payment for the issuance of the Shares and the Stock Acquisition Rights and

the exercise of the Stock Acquisition Rights. Based on this, the Company has concluded that such payment will be completed safely.

(5) Agreement on borrowing and lending for share certificates

Due to the issuance of the Shares and the Stock Acquisition Rights, the Scheduled Allottee plans to borrow common stock from the shareholders of the Company. The Scheduled Allottee will not borrow common stock of the Company for any purpose other than conducting sales transaction of shares within the number of the Shares and common stock of the Company to be acquired by the Scheduled Allottee through the exercise of the Stock Acquisition Rights.

(6) Facts of the Scheduled Allottee

Macquarie Bank Limited, the Scheduled Allottee, is a 100%-owned subsidiary of Macquarie B.H. Pty Ltd. Macquarie B.H. Pty Ltd. is a 100%-owned subsidiary of Macquarie Group Ltd., which is listed on the Australian Securities Exchange (ASX) and monitored and regulated by Australian Prudential Regulation Authority (APRA), an institution for banking regulation in Australia. Macquarie Group Ltd. also owns Macquarie Bank International, a bank in England which is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In Japan, although it does not have direct mutual capital relationship with the Scheduled Allottee, Macquarie Capital Securities (Japan) Limited, a fully-owned subsidiary of Macquarie Group Ltd. (listed on the Australian Securities Exchange (ASX)) has been registered as Type I Financial Instruments Business and monitored and regulated by the Financial Services Agency as well as the Scheduled Allottee. The Company confirmed that the group to which the Scheduled Allottee belongs is under monitoring and regulations by foreign countries as described above through website of APRA and annual reports of the Scheduled Allottee and other documents, and also the outline of Macquarie Group Ltd. and the fact that Macquarie Capital Securities (Japan) Limited is monitored and regulated by the Financial Services Agency in Japan by conducting interview with the contact personnel of the Scheduled Allottee. Considering the above, the Company understands that the Scheduled Allottee and its officers and major shareholders do not have any relationship with Antisocial Forces, and submitted a confirmation letter on such understanding to the Tokyo Stock Exchange, Inc.

7. Major shareholders and their shareholding ratio

Before the Allotment (As of December 31, 2018)	
Internet Research Institute, Inc.	21.86%
Tadashi Tanimoto	6.30%
Yahoo Japan Corporation	2.54%
Nobuhide Gowa	1.45%
THE BANK OF NEW YORK 134152 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	0.72%
Matsui Securities Co., Ltd.	0.70%
Toshikazu Hattori	0.47%
JPMorgan Securities Japan Co., Ltd.	0.45%
Hitoshi Matsushima	0.41%
Yoshinobu Tanaka	0.35%

(Note) 1. Shareholding ratio is calculated based on the numbers of shares on a shareholders list as of December 31, 2018.

2. The ratio above is rounded off to the second decimal place.
3. As regards to the Shares, the Purchase Agreement shall set out that the Scheduled Allottee shall hold the Shares so that it would be on the shareholders list of the issuing company as a holder of 525,000 of common stock for the period of 3 months from the payment date for the issuance of the Shares. Even so, the Scheduled Allottee holds the Shares and the Stock Acquisition Rights for investment purposes only, and Macquarie Bank Limited might sell the shares of the Company which it acquired and does not commit to hold shares of the Company for long period of time. Therefore the shareholding ratio after the allotment is not stated.

8. Prospects

The funding may contribute to the improvement of equity capital and funds on hand of the Company but it does not give influence to the performance of the current period. We will disclose necessary information once any matter required to be disclosed takes place.

9. Matters relating to the procedures pursuant to the corporate code of conduct

Receipt of the opinion from an entity who has a specific degree of independence from the management and confirmation of the intent of shareholders as set out in Article 432 of the Securities Listing Regulations established by the Tokyo Stock Exchange, Inc. are not required since the rate of dilution to be caused by the finance shall be less than 25%, and a change of a controlling shareholder due to such finance is not expected with or without all of the Stock Acquisition Rights being exercised.

10. Performance and equity finance for the past 3 years

(1) Performance for the past 3 years (JPY thousand except for otherwise indicated)

Accounting period	Fiscal year ended in June 2017	Fiscal year ended in June 2018	Fiscal year ended in December 2018
Consolidated net sales	38,987,492	10,731,529	6,296,650
Consolidated operating income	846,518	△80,212	△601,500
Consolidated current profit	767,304	△20,846	△663,190
Net Income Attributable to owners of parent company	427,091	△330,093	165,168
Consolidated net income per share (JPY)	8.37	△6.45	3.22
Dividend per share (JPY)	11	2	1
Consolidated net assets per share (JPY)	157.90	136.74	140.42

(Note) Record date of accounting periods has been changed from June 30 to December 31 by the resolution at the 19th ordinary meeting of shareholders on September 21, 2018. Therefore, the fiscal year ended in December 2018 covers the 6 months from July 1 2018 to December 31 2018.

(2) Number of outstanding and residual shares to date (As of March 31 2019)

	Number of shares	Ratio to number of outstanding shares
Number of outstanding shares	52,285,500 shares	100.00%
Number of residual shares calculated at the current exercise price	—	—

Number of residual shares calculated at the minimum exercise price	—	—
Number of residual shares calculated at the high exercise price	—	—

(3) Current price of shares

a. Share prices for the past 3 years

	Fiscal year ended in June 2017	Fiscal year ended in June 2018	Fiscal year ended in December 2018
Opening price	JPY 189	JPY 251	JPY 167
High price	JPY 332	JPY 286	JPY 423
Low price	JPY 179	JPY 163	JPY 155
Closing price	JPY 253	JPY 169	JPY 282

b. Share prices for the past 6 months

	November 2018	December	January 2019	February	March	April
Opening price	JPY 301	JPY 344	JPY 274	JPY 338	JPY 326	JPY 334
High price	JPY 383	JPY 371	JPY 361	JPY 365	JPY 379	JPY 347
Low price	JPY 276	JPY 229	JPY 246	JPY 274	JPY 308	JPY 327
Closing price	JPY 336	JPY 282	JPY 341	JPY 331	JPY 336	JPY 335

(Note) The figures of April 2019 are the figures as of April 4, 2019.

c. Share prices as of the business day preceding the resolution on issuance

	As of April 4, 2019
Opening price	JPY 333
High price	JPY 338
Low price	JPY 329
Closing price	JPY 335

(4) Equity finances for the past 3 years

N/A