

8 December 2009

IB Daiwa Corporation
 Seiki Takahashi
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Announcement on Issuance of Shares through a Debt-to-Equity Swap and Issuance of Warrants

This is to announce that, in the Board meeting held on 8 December 2009, IB Daiwa Corporation (the “Company”) decided to place certain number of ordinary shares (“Shares”) to Cleveden Management Kabushiki Kaisha (“Cleveden”), and to place certain number of warrants (“Warrants” or “No. 5 Warrants”) to Cleveden as well as total of 7 of the Company’s directors, statutory auditors and staff (collectively, “Management”) (overall, referred to as “Equity Financing”). Details of the Equity Financing are explained herein.

I Terms of issuance of Shares

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|-----|--|--|
| 1. | Type and total number of Shares to be issued | 81,293,000 ordinary shares |
| 2. | Issue price | 3.70 yen per share (Total issue amount: 300,784,100 yen) |
| 3. | Increase in paid-in capital and capital reserve | Increase in paid-in capital: 1.85 yen per share (Total increase: 150,392,050 yen)
Increase in capital reserve: 1.85 yen per share (Total increase: 150,392,050 yen) |
| 4. | Method of allotment | Third party allotment |
| 5. | Application period | 24 December 2009 (Thu.) |
| 6. | Payment date | 25 December 2009 (Fri.) |
| 7. | Issue date | 25 December 2009 (Fri.) |
| 8. | Subscriber | Cleveden Management Kabushiki Kaisha: 81,293,000 shares
(subject to written application by the subscriber) |
| 9. | Type and value of assets to be exchanged into shares | Type: Loan receivable
Value: 300,784,100 yen |
| 10. | Place of payment | The Company’s Corporate Affairs Group |
| 11. | Others | The terms of the issue of the Shares will become effective on the effective date of the security report to be submitted by the Company with regard to the issue of the Straight Shares pursuant to the Financial Instruments and Exchange Law. |

II Terms of issuance of Warrants

- | | | |
|----|---|--|
| 1. | Name of Warrants | No. 5 Warrants |
| 2. | Total number of Warrants to be issued | 2,676 Warrants |
| 3. | Type and number of shares corresponding to the Warrants | Each Warrant may be converted to 100,000 common shares of the Company, subject to adjustment as set forth in Paragraph 12 (“Number of Shares Allocated”), which is totaled to 267,600,000 common shares. |
| 4. | Subscription price for the Warrants (“Warrant Consideration”) | 1,665 yen per Warrant (Total consideration: 4,455,540yen) |
| 5. | Application date | 24 December 2009 (Thu.) |
| 6. | Allocation date | 25 December 2009 (Fri.) |
| 7. | Warrant consideration payment deadline | 25 December 2009 (Fri.) |
| 8. | Value of assets invested when exercising the Warrants | (1) The assets invested when exercising the Warrants shall be cash and the amount shall be that obtained by multiplying the Strike Price (as defined below) and the Number of Shares Allocated.
(2) The price per Share to exercise the Warrants (“Strike Price”) shall be as set |

forth in Paragraph 9, subject to adjustment as set forth in Paragraph 12.

9. Strike Price 4.4 yen per share (Total consideration, in case all the Warrants are exercise will be: 1,177,440,000 yen), subject to adjustment as set forth in Paragraph 12.
10. Increased capital and capital reserves when issuing shares due to the exercise of the Warrants The amount of increased capital and capital reserves when issuing shares due to the exercise of Warrants shall be the amount obtained by multiplying the maximum capital increase by 0.5 in accordance with Article 40 of the Company Accounting Regulations, and if there are any fractions of less than one yen resulting from the calculation, these shall be rounded up. The amount of increased capital reserves shall be the amount obtained by deducting the increased capital from the maximum capital increase.
11. Period the Warrants can be exercised From 25 December 2009 to 24 December 2010 or the business day immediately preceding 24 December 2010 in case 24 December 2010 falls on a bank holiday.
12. Adjustment of the Strike Price (1) If there are any changes in the number of shares of the Company's common shares due to any of the reasons listed in item (2) below after the Company issues the Warrants, the Company shall adjust the Strike Price using the following equation ("Strike Price Adjustment Equation").

$$\text{Strike price after adjustment} = \text{Strike price before adjustment} \times \frac{\text{Number of shares already issued} + \text{Number of new shares issued/ disposed of}}{\text{Number of shares already issued} + \text{Number of new shares issued/ disposed of}} \times \text{Payment per Share}$$

The number of shares already issued used in the Strike Price Adjustment Equation is obtained by deducting the number of the Company's common shares held by the Company from the total number of outstanding common shares on the reference date if there is a reference date for granting rights for allocation of shares or the day 1 month before the date the Strike Price after adjustment is first applied if there is no reference date. In the case of (2)⑥, the number of new shares issued/ disposed of used in the Strike Price Adjustment Equation shall not include the number of shares of the Company's common shares held by the Company on the reference date.

- (2) Adjusting the Strike Price using the Strike Price Adjustment Equation and the timing of the application of the Strike Price after adjustment shall be determined as follows:

① If issuing the Company's common shares or disposing of the Company's common shares held by the Company at a payment price below the market price stipulated in Item (3)② below (including allocation without contribution) (However, this excludes cases in which the Company's common shares are granted due to the exercise of the warrants (including those attached to bonds with share options), the acquisition of bonds with share options or shares subject to call, the exercise of other rights able to request the granting of the Company's common shares, and cases in which the Company's common shares are granted due to a demerger, share swap or merger.)

The Strike Price after adjustment shall apply from the payment deadline onwards (The final day of the payment deadline period when offering for subscription or the effective date for allocation without contribution), or from the day after the reference date for granting rights to shareholders for receiving allocation due to the issue or disposal of the Company's shares if there is a reference date.

② When issuing the Company's common shares through a share split, the Strike Price after adjustment shall apply from the day after the reference date for the share split.

③ When issuing or granting shares with put options stipulating the granting of the Company's common shares through the payment of an amount below the market price as stipulated in (3)② below, or warrants enabling the request of the granting of the Company's common shares through the payment of an amount below the market price as stipulated in (3)② below.

The Strike Price after adjustment shall be calculated using the Strike Price Adjustment Equation assuming all put options or warrants related to all shares subject to call have been exercised under the initial conditions, and shall apply from the payment deadline (the allocation date for the warrants) or the effective date (for allocation without contribution). However, if there is a reference date for granting rights to shareholders for receiving

allocation, this shall apply from the day after that date.

- ④ When granting the Company's common shares at a price below market value as specified in (3)② in exchange for acquisition of shares subject to call or warrants subject to call that are issued by the Company. The Strike Price after adjustment shall apply from the day after the acquisition date.
- ⑤ Upon each such adjustment of the Strike Price hereunder, the number of Shares of each Warrant shall be adjusted to the number of shares of Common Stock determined by multiplying the Strike Price in effect immediately prior to such adjustment by the number of Shares acquirable upon exercise of the Warrant immediately prior to such adjustment and dividing the product thereof by the Strike Price resulting from such adjustment.
- ⑥ If the cases stipulated in ① to ③ have a reference date set and require approval from the general shareholders' meeting, the Board or another of the Company's institutions, the Strike Price after adjustment shall apply from the day after the date of approval, notwithstanding ① to ③ in this item. In this case, the Company's common shares shall be granted to holders of warrants that have requested the exercise of the Warrants from the day after the reference date until the date of approval according to the following method.

$$\text{Number of shares} = \frac{(\text{Strike price before adjustment} - \text{Strike price after adjustment}) \times \text{Number of shares granted during the period using the Strike Price before adjustment}}{\text{Strike price after adjustment}}$$

In this case, fractions of shares shall be rounded down.

- (3) ① Calculations using the Strike Price Adjustment Equation shall be calculated to two decimal places and the second decimal is rounded off.
- ② The market price used in the Strike Price Adjustment Equation shall be the average closing price of common shares in regular trading on JASDAQ for thirty (30) Trading days (excluding days with no closing price) starting forty-five (45) Trading Days before the day the Strike Price after adjustment is applied. In this case, calculation of the average shall be calculated to two decimal places and the second decimal is rounded off.
- ③ The Strike Price shall not be adjusted if the difference between the Strike Price before adjustment and the Strike Price after adjustment calculated using the Strike Price Adjustment Equation is less than (one) 1 Yen. However, if an event requiring adjustment of the Strike Price later occurs and the Strike Price is adjusted, the amount obtained by subtracting the difference from the Strike Price before adjustment is used instead of the Strike Price before adjustment in the Strike Price Adjustment Equation.
- (4) In addition to when adjustment of the Strike Price in (2) above is required, the Company shall make necessary adjustments to the Strike Price after deliberating with the holder of the Warrants and obtaining approval.
 - ① When the Strike Price needs to be adjusted due to a reverse share split, reduction in capital, demerger, share swap or merger.
 - ② When the Strike Price needs to be adjusted due to the occurrence of another event that changes or may change the Company's common shares.
 - ③ When a chain of events requiring adjustment of the Strike Price occurs, and it is necessary to consider the influence of one event in relation to the market price used in calculation of the Strike Price after adjustment based on another event.
- (5) When adjusting the Strike Price, the Company shall notify holders of the Warrants in writing no later than the starting date of application of the Strike Price after adjustment about the adjustment, its grounds, the Strike Price before adjustment, the Strike Price after adjustment, the starting date of application and other necessary information. However, in cases stipulated in (2) (v) or if the above notification cannot be made before the starting date of application, this shall be promptly carried out on or after the starting date of application. If the provisions in (6) above apply, the notification shall only concern the adjustment of the minimum Strike Price.

13. Conditions for exercising the Warrants

- (1) The rights of the Warrants cannot be exercised in partial units and may only be exercised on a whole Warrant basis.
- (2) Exercise of the Warrants shall be restricted in the event of the Company's insolvency, liquidation, entry into rehabilitation, bankruptcy, seizure of the

	Company's material assets, or in similar events. The Company shall promptly notify the holders of the Warrants of existence of any of such events.																
	(3) Exercise of the Warrants may not be permitted if the total number of shares upon exercise of the Warrants exceeds the authorised shares.																
14. The Company's Call Option	The Company may, with ten (10) trading days' written notice to Subscribers, buy back and cancel all or some of the Warrants. The repurchase price per Warrant payable by the Company in connection with the foregoing shall be 1,665 yen per Warrant.																
15. The Subscribers' Put Option	Each of the Subscriber may, with ten (10) trading days' written notice to the Office Receiving Exercise Requests as stipulated in Paragraph 17, require the Company to buy back all or some of the Warrants, and to pay the buy-back price of 1,665 yen per Warrant.																
16. Method for Requesting the Exercise of the Warrants	(1) When exercising the Warrants, notification of the necessary information shall be made to the location receiving exercise requests as stipulated in Paragraph 17 by submitting a form specified by the Company, and the Warrant holder making the request during the period the warrants can be exercised as stipulated in Paragraph 11. (2) When exercising the Warrants, the Strike Price in relation to the exercise of the Warrants shall be paid in cash into the account of the bank specified by the Company as stipulated in Paragraph 17, in addition to the notification in the previous item (and submission of the Warrant certificates if Warrant certificates have been issued) within the period the warrants can be exercised as stipulated in Paragraph 11.																
17. Office Receiving Exercise Requests	The Company's Corporate Affairs Group																
18. Agent and payment bank	(1) Agent: n/a (2) Payment bank: The Chuo Mitsui Trust and Banking Company, Limited; Head Office																
19. Effect of exercising the Warrants	(1) The irrevocable request to exercise the Warrants shall take effect on the day the notification of all information required for the Exercise has been made to the office stipulated in Paragraph 14 (and the Warrant certificates have been submitted if Warrant certificates have been issued), and the entire amount of the Strike Price (as adjusted in accordance with herein) has been paid into the account stipulated in Paragraph 15 (2) above. (2) The Company shall not issue share certificates.																
20. Treatments in case of abolition of share unit system	In case of abolition of the share unit system and others, the Company may make reasonable necessary adjustments to the terms and conditions.																
21. Restrictions on the transfer of the Warrants	Any transfer of Warrants shall require the Company's board approval.																
22. Allocation method	By way of third party allotment, total of 2,676 Warrants shall be allocated to the following subscribers ("Subscriber(s)"), subject to each respective Subscriber's written application: <table border="0" style="margin-left: 20px;"> <tr> <td>Cleveden Management Kabushiki Kaisha</td> <td style="text-align: right;">2,578</td> </tr> <tr> <td>Seiki Takahashi (Representative Director and President of the Issuer)</td> <td style="text-align: right;">42</td> </tr> <tr> <td>Keiko Arai (a.k.a. Keiko Toyoshima) (Executive Director and CFO of the Issuer)</td> <td style="text-align: right;">20</td> </tr> <tr> <td>Johnny Kok Chung Chan (Director of the Issuer)</td> <td style="text-align: right;">15</td> </tr> <tr> <td>Toshiyuki Yoshida (Director of the Issuer)</td> <td style="text-align: right;">15</td> </tr> <tr> <td>Kimimune Ai (Full-time Statutory Auditor of the Issuer)</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Kazutoshi Sato (Statutory Auditor of the Issuer)</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Nami Iwanaga (Employee of the Issuer)</td> <td style="text-align: right;">2</td> </tr> </table>	Cleveden Management Kabushiki Kaisha	2,578	Seiki Takahashi (Representative Director and President of the Issuer)	42	Keiko Arai (a.k.a. Keiko Toyoshima) (Executive Director and CFO of the Issuer)	20	Johnny Kok Chung Chan (Director of the Issuer)	15	Toshiyuki Yoshida (Director of the Issuer)	15	Kimimune Ai (Full-time Statutory Auditor of the Issuer)	2	Kazutoshi Sato (Statutory Auditor of the Issuer)	2	Nami Iwanaga (Employee of the Issuer)	2
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23. Substitute payment	n/a																
24. Treatments in case of reorganisation	n/a																
25. Others	(1) The terms of the issue of the Straight Shares will become effective on the effective date of the security report to be submitted by the Company with regard to the issue of the Straight Shares pursuant to the Financial Instruments and Exchange Law. (2) In case of changes in Corporation Law, Financial Products and Exchange Law, or other laws or regulations, the terms and conditions may be reasonably adjusted.																

(Note) Conditions precedent for issuance of Warrants to Cleveden

The Company may cancel its issuance and allotment of the Warrants to Cleveden, in the event that the intended allottee of the Warrants have not completed its subscription for the Company's Shares which are intended to be issued on the same day as the allocation date of the Warrants as stipulated in Paragraph 6 above.

It is intended that the Company will from time to time request Cleveden to exercise a certain number of Warrants held by it, when the Company finds each specific project to invest in, and Cleveden will exercise the Warrants accordingly in case it consents to such investment. As such, unless the Company sources good projects which both the Company and Cleveden believe are economically and strategically attractive, there is a risk that none of or only a small number of the Warrants will be exercised.

1. Background and Rationale for the Equity Financing

As announced previously in “Announcement on Private Placement of Warrants” dated 18 August 2009, “Announcement on Cancellation of Acquisition of Preference Shares in Stand Success Group Limited” and “Announcement on Expiration of No.4 Warrants” both dated 2 November 2009, the Company intended to acquire preference shares in Stand Success Group Limited (“Acquisition”), after completion of which the Company’s net cash flows was expected to become positive, however, on 2 November 2009, the Company decided to cancel the Acquisition as the due diligence results were not satisfactory to the Company. On the same day, the No. 4 Warrants which were issued on 4 September 2009 mainly to obtain the fund for the Acquisition were expired before any was exercised. In addition to the funds for the Acquisition, it was also envisaged that the Company would obtain the funds necessary to service its debt owed to ADM Galleus Fund Limited (“ADM”), which was US\$ 1 million (approx. JPY 100 million; “ADM Debt”). After the expiration of the No. 4 Warrants, the Company faced issues with servicing the ADM Debt and with maintaining its standing, due to insufficient cash balance (Cash balance at the end of September 2009: JPY 102 million) combined with the operation with negative cash flows. It was urgently needed to raise capital or sell some of the assets held by the Company, otherwise the Company could be in short of cash as early as in this fiscal year ending March 2010.

Shortly after one of the Company’s senior officers had been introduced to Cleveden through her acquaintance who used to be the president of a JASDAQ listed company and currently runs an investment advisory business on his own, Cleveden offered the Company to lend JPY 300 million as a bridge loan (“Bridge Loan”) which would be converted to the Company’s shares through debt-to-equity swap (“Debt-to-Equity Swap”) as soon as the Company completed statutory procedures, so that the Company could immediately pay the ADM Debt and could retain the balance of JPY 200 million for approx. 10-months of general working capital. The Company and Cleveden entered into an agreement for the Bridge Loan dated 4 December 2009 (“Bridge Loan Agreement”), and JPY 300 million has been drawdown. In order to implement the Debt-to-Equity Swap and also to embed a further fund raising facility, the Company has decided to issue the Shares and the Warrants to Cleveden, and also at the same time to issue the Warrants to the Management.

The Company seeks to make investments in new projects and build stable operating cash flows to self-fund its working capital. Currently, the Company explores opportunities to potentially invest in resources related projects (such as oil, gas, coal, iron ore, and others) and in environmental related projects, mainly in the Asia Pacific regions. Utilising the funds it expects to obtain from the future exercise of the Warrants, the Company will possibly make a few investments in a selective manner, so that it can build up steady cash flows. No project currently under the pipeline is in so much an advanced stage of negotiations or of due diligence, and utilisation of the funds paid by Cleveden will require Cleveden’s consent. As such, as of the date of this announcement, it is not known in which project the Company will invest nor whether or not and by when the Company’s cash flows will turn to be positive. It is also noted that when and how many of the Warrants will be exercised is not known as of the date of this announcement, as none of the holders of the Warrants has any obligation to exercise any of the Warrants, and the exercise of the Warrants will depend on various matters, including the Company’s stock price movements, availability of funds for the holders, and how the discussions on the direction of the Company will progress between the Company and Cleveden. There is a risk that none or only a small number of the Warrants will be exercised, in which case, the Company may not be able to obtain adequate funds to make meaningful investments and to build up its cash flows.

2. Amount and use of proceeds

(1) Amount of proceeds from the Equity Financing

①. Amount of proceeds from the issuance of the Shares

The Shares will be issued through a Debt-to-Equity Swap, and no additional cash will be paid in as a consideration for the Shares.

②. Amount of proceeds from the issuance and the exercise of the No.5 Warrants

Gross proceeds	JPY 1,181 mil.
Proceeds from the issuance of the Warrants	JPY 4 mil.
Proceeds from the exercise of the Warrants (Note 1)	JPY 1,177 mil.
Less: Estimated expenses (Notes 1, 2 & 3)	(JPY 67 mil.)
Net proceeds (Note 1)	JPY 1,114 mil.

(Note) 1 Both the total gross proceeds and the estimated expenses will be smaller, unless all the Warrants intended to be issued are exercised during the exercise period of the Warrants.

2 The above estimated expenses include approx. JPY 59 million of brokerage fees, approx. JPY 4 million of commercial registration fees, and other fees such as legal fees, option valuation fees payable to a certified accountant, cost of printing of the security reports, bank fees and others.

3 The estimated expenses in the table above are exclusive of consumption taxes.

(2) Use of proceeds

As stated above, the Shares will be issued through a Debt-to-Equity Swap, and no additional cash will be paid in as a consideration for the Shares. The intended use of the JPY 300 million of proceeds from the Bridge Loan from Cleveden under the Bridge Loan Agreement dated 4 December 2009 (which is the asset to be contributed by Cleveden in exchange for the Shares) is explained below in this section.

The proceeds from the issuance and the exercise of the Warrants will be JPY 1,181 million (net proceeds; approx. JPY 1,114 million), and the intended use of the proceeds is also described in this section.

It is agreed that the amount to be paid by Cleveden (including both the proceeds from the Bridge Loan and the proceeds from the Warrants) will be utilised for purposes to be approved by Cleveden.

The estimates on the amount of the proceeds and the plans for utilisation of the proceeds are based on the assumption that the all the Warrants will be exercised. The amount and the timing of the funds available for the Company to use for the purposes listed as ④ to ⑥ in the table below will be dependant on the manner how the Warrants will be exercised.

Use of proceeds	Est. amount by type of equity instruments (¥mil.)			Estimated timing
	Shares (Note)	Warrants	Total	
① Extinguishment of ADM Debt	100	0	100	December 2009 (Already used)
② General working capital	160	40	200	February 2010 – December 2010
③ Fees and expenses to hold an extraordinary general meeting (“EGM”)	10	0	10	Around February 2010
④ Investments in certain new projects (incl. business development and due diligence related expenses)	0	932	932	December 2009 – December 2010
⑤ Capital expenditures on existing oil and gas fields	0	142	142	Year 2010
⑥ Expenses related to the Equity Financing	30	67	97	December 2009 – December 2010
Total	300	1,181	1,482	—

(Note) Proceeds from the Bridge Loan from Cleveden to the Company.

①. Extinguishment of the ADM Debt

The Company has extinguished the ADM Debt effective 7 December 2009, by utilising a part of the proceeds from the Bridge Loan. After the extinguishment of the ADM Debt and the completion of the planned Debt-to-Equity Swap for the Bridge Loan from Cleveden, the Company, on an unconsolidated basis, will have no third-party debt (excluding day-to-day operational debts).

②. General working capital

With the cash balance as at the end of September 2009 of JPY 102 million, the Company was feared that it could go under unless it sells some of the assets it holds, as early as in this fiscal year ending March 2010. The Company had to secure its standing before it would be caught in a situation under which it would have to sell some of its assets for an undesirable price and/or at an undesirable timing.

Cleveden has made the Bridge Loan to the Company, of which proceeds the Company intends to utilise approx. JPY 160 million for its general working capital purposes, such as rental expenses and salaries. In addition to the JPY 160 million, the Company intends to spend approx. JPY 40 million out of the proceeds from the exercise of the Warrants for the general working capital purposes, to have total of JPY 200 million which roughly equals to the Company's ordinary cash outflow for 10 months, which the Company believes will take to make investments and to build stable cash flows to self-fund its working capital.

③. Fees and expenses to hold an EGM

The Company intends to hold an EGM in the latter half of February 2010, and to propose a certain number of candidates as new directors of the Company, who will be recommended by Cleveden, after when Cleveden becomes its largest shareholder.

As such, the Company intends to put aside JPY 10 million of the estimated amount of fees and expenses to hold the EGM. With consultation with Cleveden, the Company will decide whom and how many to nominate as director candidates, after it completes the Debt-to-Equity Swap.

Cleveden understands and appreciates the importance of the Company's maintenance of its independence as a publicly listed company.

④. Investments in certain new projects (incl. business development and due diligence related expenses)

As stated above, the Company seeks to make investments in new projects and build stable operating cash flows to self-fund its working capital. First, it is the plan for the Company to conduct researches and to negotiate on deals to find attractive projects. It is projected that approx. JPY 72 million will be spent for such researches and business development efforts.

Currently, the Company explores opportunities to potentially invest in resources related projects (such as oil, gas, coal, iron ore, and others) and in environmental related projects, mainly in the Asia Pacific regions. The Company will possibly make a few investments in a selective manner, so that it can build up steady cash flows. For this purpose, the Company intends to utilise approx. JPY 932 million of the proceeds from the exercise of the Warrants. No project currently under the pipeline is in so much an advanced stage of negotiations or of due diligence, and utilisation of the funds paid by Cleveden will require Cleveden's consent. As such, as of the date of this announcement, it is not known in which project the Company will invest nor whether or not and by when the Company's cash flows will turn to be positive.

It is also noted that when and how many of the Warrants will be exercised is not known as of the date of this announcement, as the exercise of the Warrants will depend on various matters, including the Company's stock price movements, availability of funds for the holders of the Warrants, and how the discussions on the direction of the Company will progress between the Company and Cleveden. There is a risk that none or only a small number of the Warrants will be exercised, in which case, the Company may not be able to obtain adequate funds to make meaningful investments and to build up its cash flows.

⑤. Capital expenditures on existing oil and gas fields

Of the proceeds from the exercise of the Warrants, the Company currently intends to utilise approx. JPY 64 million to spend to maintain and develop existing oil and gas fields, and approx. JPY 78 million to service future liabilities to abandon existing wells.

⑥. Expenses related to the Equity Financing

The estimated amount of the fees and expenses related to the Equity Financing is approx. JPY 97 million, of which approx. JPY 30 million is in relation to the issuance of the Shares. Out of the proceeds from the Bridge Loan, the Company will spend approx. JPY 30 million to pay for the expenses related to the issuance of the Shares. The estimated amount of the expenses related to the Warrants of JPY 67 million (which will be smaller unless all the Warrants will be exercised during the Exercise Period) will be used from the proceeds from the issuance and the exercise of the Warrants.

(3) Rationale for the use of proceeds

The Shares will be issued through a Debt-to-Equity Swap, and the proceeds from the Bridge Loan from Cleveden will be utilised to extinguish its existing debt and also for general working capital purposes. The Company then intends to obtain the funds for investments in projects which are expected to contribute to the Company's medium to long term stability and growth.

3. Financial performance and equity finance during the past 3 fiscal periods

(1) Consolidated financial performance

	FYE March 2007	FYE March 2008	FYE March 2009
Sales revenue	2,947 ^{JPY Mil.}	1,409 ^{JPY Mil.}	1,060 ^{JPY Mil.}
Operating profit	-2,046 ^{JPY Mil.}	-1,096 ^{JPY Mil.}	-355 ^{JPY Mil.}
Ordinary profit	-2,557 ^{JPY Mil.}	-1,437 ^{JPY Mil.}	-1,764 ^{JPY Mil.}
Net profit	-23,455 ^{JPY Mil.}	-3,481 ^{JPY Mil.}	-959 ^{JPY Mil.}
Net profit per share	-55.03 ^{Yen}	-8.16 ^{Yen}	-2.24 ^{Yen}
Dividend per share	—	—	—
Net assets per share	14.07 ^{Yen}	6.33 ^{Yen}	2.87 ^{Yen}

(2) Current total number of outstanding shares and dilutive shares

	Number	% to total outstanding shares
Total outstanding shares	529,400,000 shares	100.00%
Total dilutive shares	5,050,000 shares	0.95%

(3) Outline of this Equity Financing

Issue date	Tuesday, 25 December 2009
Estimated amount of proceeds	1,482,679,640 yen
Post Equity Financing total number of outstanding shares	610,693,000 shares
Post Equity Financing total number of dilutive shares	272,650,000 shares

(4) Equity financing during the last 3 years

The Company issued equity securities on 16 March 2009 and 4 September 2009, as follows:

Issue date	16 March 2009 (Monday)
Estimated amount of proceeds	554,385,000 yen (Proceeds from issuance of straight shares: 75,000,000 yen; Proceeds from issue and exercise of the warrants: 479,385,000 yen)
Post Equity Financing total number of outstanding shares	441,400,000 shares
Post Equity Financing total number of dilutive shares	93,050,000 shares
Number of shares that have been issued upon exercise of the warrants as at 7 December 2009	88,000,000 shares

Issue date	Friday, 4 September 2009
Estimated amount of proceeds	1,456,400,000 yen (However, none of the warrants issued were exercised during the exercise period and all the warrants issued have been expired. The total gross proceeds from the issuance of the warrants were 26,400,000 yen)
Post Equity Financing total number of outstanding shares	529,400,000 shares
Post Equity Financing total number of dilutive shares	225,050,000 shares (Of which 220,000,000 shares equivalent of warrants have been expired)
Number of shares that have been issued upon exercise of the warrants as at 7 December 2009	None

4. Stock price movements

(1) Movements for the last 3 fiscal years

	FYE March 2007	FYE March 2008	FYE March 2009
Open	165 yen	52 yen	18 yen
High	281 yen	65 yen	23 yen
Low	44 yen	16 yen	4 yen
Close	54 yen	18 yen	7 yen

(2) Movements for the last 6 months

	June 2009	July 2009	August 2009	September 2009	October 2009	November 2009
Open	6 yen	6 yen	5 yen	8 yen	7 yen	5 yen
High	7 yen	7 yen	6 yen	9 yen	7 yen	5 yen
Low	5 yen	4 yen	5 yen	6 yen	4 yen	3 yen
Close	6 yen	5 yen	8 yen	6 yen	4 yen	4 yen

(3) Movements for the days immediately prior to the date of the Board meeting on this Equity Financing (1 December 2009 – 8 December 2009)

	1 December	2 December	3 December	4 December	7 December	8 December
Open	4 yen	4 yen	4 yen	4 yen	4 yen	4 yen
High	5 yen	5 yen	5 yen	5 yen	5 yen	5 yen
Low	3 yen	4 yen	4 yen	4 yen	4 yen	4 yen
Close	4 yen	4 yen	4 yen	4 yen	4 yen	4 yen

5. Post-finance Top 10 shareholders and ownership

Prior to Equity Financing (As at 30 September 2009)		Post Equity Financing (Fully-diluted basis)	
TUSAM INVESTMENTS LIMITED	5.6%	Cleveden Management Kabushiki Kaisha	38.4%
MLP FS Custody	1.5%	TUSAM INVESTMENTS LIMITED	3.4%
Hirotooshi Hatazaki	1.4%	MLP FS Custody	0.9%
Hironobu Mori	1.1%	Hirotooshi Hatazaki	0.8%
IBJ Asia Securities LTT Client Account	1.0%	Hironobu Mori	0.7%
SIX SIS LTD	0.9%	IBJ Asia Securities LTT Client Account	0.6%
ADM Galleus Fund Limited	0.7%	SIX SIS LTD	0.5%
Kazuyuki Fujii	0.7%	ADM Galleus Fund Limited	0.4%
Osamu Izumi	0.6%	Kazuyuki Fujii	0.4%
KK Plus On (Representative Director: Miyoko Hatazaki)	0.6%	Osamu Izumi	0.4%
Total of the top 10 shareholders	14.2%	Total of the top 10 shareholders	46.9%

(Note) 1 The above table is based on the shareholders list as of 30 September 2009.

2 The ownership of each shareholder prior to the Equity Financing is the percentage of the total outstanding shares (non-diluted basis), while the ownership of each shareholder post Equity Financing is on fully-diluted basis (% of 883,343,000). It is assumed as if there has been no change in the number of shares held by all the shareholders since 30 September 2009, except for the new shareholding by Cleveden.

After completing the subscription for the Shares and the exercise of all the Warrants, Cleveden will own 38.4% of the enlarged fully-diluted share capital of the Company, and is expected to be its largest shareholder. The Company's decision making process may be somewhat influenced by Cleveden, which expects that the Company will appoint Cleveden related directors, and also that the proceeds from the Equity Financing will be utilised for the purposes to have approved by it. Cleveden understands and appreciates the importance of the Company's independence as a public company, and the Company is of the view that the risk that the Company will be urged by Cleveden to make decisions which could be too unfavourable to shareholders other than Cleveden.

6. Impact to the Financials

There is no material impact to the Company's financials for the current fiscal year, and the Company maintains its disclosed forecast for the period.

The Company intends to utilise a part of the proceeds from the Equity Financing and to invest in new projects which the Company believes will have positive impacts to its cash flows and financials. The Company will from time to time make revisions to the forecast, if any, and advise the market when it becomes necessary.

7. Rationale for the terms and conditions

(1) Rationale for the pricing for the Shares

The issue price of 3.7 yen per share has been decided based on 4.1 yen per share which is the average of the closing prices of the 10 trading days (24 November 2009 – 7 December 2009) immediately prior to the Board meeting in which the Company resolved on the Equity Financing (approx. 9% discount).

(2) Rationale for the pricing for the Warrants

The Warrant Consideration has been determined based on the option valuation using Monte Carlo Simulation model prepared by an independent certified accountant.

The Strike Price of the Warrants is 4.4 yen per share, which is 9% premium over the average of the closing prices for the 10 trading days from 24 November 2009 to 7 December 2009.

(3) Rationale for the numbers of the Shares and the Warrants to be issued

The sum of the number of Shares to be issued and the number of shares to be issued upon exercise of the Warrants, which is 348,893,000 shares, accounts for 39.5% of the Company's enlarged fully-diluted share capital (i.e. 883,343,000 shares), and 65.9% of the current total outstanding shares, and existing shareholders will be diluted. There is no lock-up agreement on disposal of the Shares or of the shares to be issued on exercise of the Warrants, and the Subscribers may dispose any number of shares at any time, depending on the stock price performance and others. As such, it may have negative influence on the future stock price performance.

Although there are risks including the ones as mentioned above, the Company is of the view that the Equity Financing will be an important milestone for the Company to enhance its ability to secure its general working capital and hence to secure its standing, and to further grow. The Company shall endeavour to invest in projects which it believes will improve its consolidated net income per share despite of the dilutive effect of the Equity Financing. It is expected that from time to time the Company and Cleveden reach to an agreement on new investments, the Company will request Cleveden to exercise the Warrants it holds, and Cleveden, if it agrees, will exercise the Warrants.

(4) Rational for the choice of the type of equity security

The reason why the Company has chosen to issue the Warrants in addition to the Shares is mainly because of Cleveden's request so that it can minimise the investment risk. By issuing the Shares through a Debt-to-Equity Swap, the Company can secure the funds necessary to service its existing debt and to secure its short-term working capital without incurring additional debts. By issuing the Warrants, the Company has embedded a facility from time to time to raise further capital for investments in a timely manner, every time it finds attractive projects and Cleveden agrees to the exercise of the Warrants. If the Company cannot find any attractive projects to invest in during the Exercise Period for the Warrants, or cannot obtain consents from Cleveden on exercise of the Warrants, the amount of the proceeds from the Equity Financing and the number of total outstanding shares will both reduce.

8. Information on the purchasers (as at 8 December 2009) and the reasons for the choice

(1) Information on Cleveden and the reasons for the choices

①Name	Cleveden Management Kabushiki Kaisha	
②No. of Shares to be allocated	81,293,000 shares	
③No. of warrants to be allocated	2,578 (Equivalent of 257,800,000 shares)	
④Address	5-1-8 Kiba, Koto-ku, Tokyo	
⑤Representative	Harue Muroi, Representative Director and CFO	
⑥Paid-in-Capital	2,000,000 yen	
⑦Date of incorporation	28 March 2007	
⑧Business	Investment	
⑨Relationship with the Company	a) Capital relationship	None
	b) Human relationship	None
	c) Business relationship	JPY 300 million of Bridge Loan to the Company ^(Note)

(Note) The Company has entered into the Bridge Loan Agreement dated 4 December 2009 with Cleveden regarding the Bridge Loan, which is intended to be contributed in exchange for the Shares.

Cleveden is a company which engages in investments and investment related consultancy businesses. The Company has decided to issue the Shares to Cleveden so that the Debt-to-Equity Swap can be implemented for the Bridge Loan it has borrowed from Cleveden to source the funds for the Company to service its existing debt and also to use for its general working capital purposes. The Company has also decided to issue the Warrants to Cleveden to source additional funds to be spent on investments in projects.

The management of the Company has interviewed with Cleveden's management and also with the investors in Cleveden ("First-Round Investors"). By those interviews, the management of the Company has confirmed that both Cleveden and the First-Round Investors are willing to further support the Company.

No additional cash will be paid for the issuance of the Shares, as they will be issued through a Debt-to-Equity Swap. The amount of the Warrant Consideration is relatively small, so the Company believes the risk of non-payment by Cleveden on the Payment Date is remote. Cleveden intends to source the funds necessary for the future exercise of the Warrants from other investors (“New Investors”), in addition to the First-Round Investors, and has already started to contact potential New Investors and is trying to arrange meetings between such potential New Investors and the Company’s management. As at the time of this announcement, it is not certain whether Cleveden can source enough funds necessary for the exercise of all the Warrants and there is a risk that Cleveden may not be able to obtain enough funds. However, the Company judges that there is a good chance that Cleveden can source enough funds from New Investors and the First-Round Investors for the exercise of all the Warrants, based on Cleveden management’s past experiences and its strong connections throughout the financial industry.

As a part of its due diligence on Cleveden, the Company has obtained a certified copy of Cleveden’s company registrar, and has investigated on the key individuals related to Cleveden and to the First-Round Investors, through the police and also a major investigation company.

It is the mutual understanding that Cleveden will introduce the New Investors to the Company in advance. The Company will prudently conduct certain investigations on those New Investors to make sure that the New Investors neither have relationship with so-called anti-social group.

The amount of gross proceeds to be paid by Cleveden is 1,439,396,470 yen (including the amount already paid for the Bridge Loan; assuming the Warrants will be exercised in full). It is agreed that the amount paid by Cleveden will be used for purposes to be from time to time approved by Cleveden.

(2) Information on the Management the reasons for the choices

①Name	Seiki Takahashi	
②No. of warrants to be allocated	42	
③Registered address	c/o IB Daiwa Corporation 9/F Minami Shinjuku Hoshino Building 5-23-13 Sendagaya Shibuya-ku, Tokyo	
④Occupation	Representative Director and President, IB Daiwa Corporation	
⑤Relationship with the Company	a) Capital	Holder of 800,000 shares
	b) Human	Representative Director
	c) Business	No

①Name	Keiko Arai (a.k.a. Keiko Toyoshima)	
②No. of warrants to be allocated	20	
③Registered address	c/o IB Daiwa Corporation 9/F Minami Shinjuku Hoshino Building 5-23-13 Sendagaya Shibuya-ku, Tokyo	
④Occupation	Executive Director and CFO, IB Daiwa Corporation	
⑤Relationship with the Company	a) Capital	Holder of 100,000 shares
	b) Human	Director
	c) Business	No

①Name	Johnny Kok Chung Chan	
②No. of warrants to be allocated	15	
③Registered address	c/o IB Daiwa Corporation 9/F Minami Shinjuku Hoshino Building 5-23-13 Sendagaya Shibuya-ku, Tokyo	
④Occupation	Executive Director , Crosby Asset Management Limited	
⑤Relationship with the Company	a) Capital	Holder of 200,000 shares
	b) Human	Director
	c) Business	No

①Name	Toshiyuki Yoshida	
②No. of warrants to be allocated	15	
③Registered address	c/o IB Daiwa Corporation 9/F Minami Shinjuku Hoshino Building 5-23-13 Sendagaya Shibuya-ku, Tokyo	
④Occupation	Attorney-at-law, Thompson & Knight LLP	
⑤Relationship with the Company	a) Capital	No
	b) Human	Director
	c) Business	No

①Name	Kimimune Ai	
②No. of warrants to be allocated	2	
③Registered address	c/o IB Daiwa Corporation 9/F Minami Shinjuku Hoshino Building 5-23-13 Sendagaya Shibuya-ku, Tokyo	
④Occupation	Full-time statutory auditor, IB Daiwa Corporation	
⑤Relationship with the Company	a) Capital	No
	b) Human	Full time statutory auditor
	c) Business	No

①Name	Kazutoshi Sato	
②No. of warrants to be allocated	2	
③Registered address	c/o IB Daiwa Corporation 9/F Minami Shinjuku Hoshino Building 5-23-13 Sendagaya Shibuya-ku, Tokyo	
④Occupation	Statutory auditor, IB Daiwa Corporation	
⑤Relationship with the Company	a) Capital	No
	b) Human	Statutory auditor
	c) Business	No

①Name	Nami Iwanaga	
②No. of warrants to be allocated	2	
③Registered address	c/o IB Daiwa Corporation 9/F Minami Shinjuku Hoshino Building 5-23-13 Sendagaya Shibuya-ku, Tokyo	
④Occupation	Staff, Corporate Affairs Group, IB Daiwa Corporation	
⑤Relationship with the Company	a) Capital	Holder of 21,000 shares
	b) Human	Employee
	c) Business	No

Mainly in order to maintain the loyalty of the Management, the Company has decided to invite the Management to participate in this Equity Finance. The reasons why the Company elects not to issue free-of-charge stock options as many companies usually do but to issue warrants are mainly because of the advantages of warrants in accounting of the Company and taxes for individuals over free-of-charge stock options.

The amount of gross proceeds to be received from the Management is 43,283,170 yen (if exercised in full). There is no plan for the Company to provide loans to any of the Management for this purpose, and the Management will use each of their personal funds.

(3) Intentions of the subscribers

Each of the subscribers' intentions for the disposal of the Shares and the shares to be issued on exercise of the Warrants, as the Company understands, are as follows, however, there is no lock-up agreement signed with any of the subscribers and the subscribers may dispose the Shares and the shares to be issued on exercise of the Warrants at any time. Any transfer of the Warrants will require the approval by the Board of the Company.

① Cleveden

Cleveden is an investment company, and the objective of the investment in the Company is to maximise its economic return. However, in the Company's understanding from the Company's management's interviews with Cleveden's management as well as with the Investors, the intention of Cleveden is to invest in the Company for a medium to long term and to exit the investment after the Company has grown its shareholders' value, as opposed to earning short-term gains. Having said that the Company understands that Cleveden is a medium to long term investor, the Company does not know the intended investment period for Cleveden.

Cleveden has agreed to immediately report to the Company in writing on any sale or transfer of the Shares during the 2 years from the issuance, and provide the Company with the name(s) and the registered address(es) of the transferee(s) or the purchaser(s), the number of shares transferred or sold (by transferee or purchaser), the date of transfer or sale (by transferee or purchaser), the method of transfer or sale (by transferee or purchaser), and the reasons for transfer or sale.

② Management

The Company does not plan to sign a lock-up agreement with the Management to restrict future sale of the shares to be issued on exercise of the Warrants, although they are advised to refrain from short-term flipping of the shares. They are subject to legal restrictions on insider trading, and also are subject to the Company's internal reporting requirement under which any sale or purchase of the Company's shares shall be immediately reported to the Company. The number of the Company's shares held by each of the Company's directors and statutory auditors will be disclosed to the public in the business reports and the annual reports.

(4) Agreements with regard to stock lending and other similar transactions

None of the Company's related parties including directors, statutory auditors, their relatives, and any of its major shareholders has entered into any stock lending or similar agreements.

(5) Other agreements

The Company has no material agreements with any of the subscribers in relation to the issuance of the Warrants, other than disclosed in this announcement.

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