

Overview of Proposed Reorganization Plans

Part I. Fundamental Policy of Proposed Reorganization Plans

The fundamental policy of the proposed reorganization plans of Japan Drilling Co., Ltd. (“JDC”) and Japan Drilling (Netherlands) B.V. (“JDN”) is to receive support from a company (“Sponsor”) owned and managed by Farallon Capital Management L.L.C. and its affiliated companies (“Farallon Group”), and thereby realize the maintenance and reorganization of the business operated by the JDC group.

Pursuant to the sponsor agreement entered into among JDC and JDN and the Sponsor (the “Sponsor Agreement”), the Sponsor shall use its efforts, to the extent reasonably possible, to assist JDC and JDN with their operations on a long-term basis, to utilize their human and material resources effectively, to improve their profitability, and to ensure the maintenance and growth of the businesses of JDC and JDN.

The Sponsor recognizes that one of the JDC group’s key advantages is that it is the only group in Japan possessing offshore drilling technology, and that it has continued its business through collaboration with the Japanese government. The Sponsor also recognizes the importance of maintaining technology, an operational framework and operational quality, and securing the safety and stability of the operation. The Sponsor plans to continue the preexisting business operations of JDC and JDN. The Sponsor shall use its best efforts, to the extent reasonably possible, so that JDC may continue to contribute to Japan’s ocean policies.

Part II. Payment for Reorganization Claims, etc. by JDC and JDN

1. Basic Understanding of Payment

JDC and JDN shall make payment for the reorganization claims, etc. using JPY 26,000,000,000 obtained by adding JPY 20,000,000,000 from the Sponsor to JDC’s current JPY 6,000,000,000 of cash and deposits. However, if any deduction designated by the Sponsor Agreement (such as tax obligations associated with income from discharge of indebtedness) is made, such amount (up to JPY 2,382,500,000; the “Payment Deduction”) shall be deducted from JPY 26,000,000,000, and the balance shall be the funds used to pay the reorganization claims, etc.

The JPY 26,000,000,000 (or the balance after deduction, in the case of the Payment Deduction) shall be used for the following payments, after being proportionally divided into the funds for JDC’s and JDN’s respective reorganization claims, etc., whose ratio shall be approximately 82.91% and approximately 17.09% respectively (the ratio is based on the corporate value of JDC and JDN designated by the Sponsor Agreement).

(1) First Payment

Date: The date of the first payment (falling within 30 days after the closing date under the Sponsor Agreement, or a date separately agreed upon).

Details: Payment of the secured reorganization claims, prioritized reorganization claims and

general reorganization claims, with JPY 23,617,500,000 (the balance after the deduction of JPY 2,382,500,000, the maximum amount of the Payment Deduction, from JPY 26,000,000,000) (for details, see 2. below).

(2) Second Payment

Date: The date of the second payment (falling within 90 days from the day on which JDC and JDN submit in their respective countries the tax reports for the financial year including the date of the first payment, according to the Sponsor Agreement, or a date separately agreed upon).

Details: Payment of the difference, if any, between (a) the payment amount for the general reorganization claims, calculated as having JPY 26,000,000,000 (or the balance after deduction, in the case of the Payment Deduction), and (b) the amount paid at the first payment (for details, see 3. below).

2. First Payment

(1) Funds for Payment

JDC and JDN shall make payment for the reorganization claims, etc. (the first payment) as specified in (2) to (4) below, using the respective amounts calculated from the table below as the funds for such payments (as JDC holds general reorganization claims against JDN, and JDN holds secured reorganizations claims and general reorganization claims against JDC, JDC and JDN shall respectively receive payment according to the reorganization plans, and such received amounts shall become part of the funds for the payment of the reorganization claims, etc. in the respective reorganization plans).

JDC	JPY 23,617,500,000 x approx. 82.91% + Payment received upon JDN's first payment
JDN	JPY 23,617,500,000 x approx. 17.09% + Payment received upon JDC's first payment

(2) Payment for Secured Reorganization Claims

JDC and JDN shall pay the full amount of the secured reorganization claims on the date of the first payment.

(3) Payment for Prioritized Reorganization Claims

JDC shall make a one-time payment for the prioritized reorganization claims on the date of the first payment; provided, however, that delinquent charges shall be forgiven after an opinion hearing from the authorities which have the power to collect the claims.

* There are no prioritized reorganization claims regarding JDN.

(4) Payment for General Reorganization Claims

JDC and JDN shall pay the respective amounts calculated according to the ratios for the first payment, indicated in (i) and (ii) below, regarding the original principal and the interest and damages up

to the day before the date of the order of commencement pertaining to the general reorganization claims (collectively, the “General Reorganization Claims Related to Original Principal”) on the date of the first payment.

(i) JDC’s Ratio for the First Payment

Category	Ratio of First Payment
JPY 1 million or less	100%
Exceeding JPY 1 million	7.70%*

(ii) JDN’s Ratio for the First Payment

Category	Ratio of First Payment
JPY 1 million or less	100%
Exceeding JPY 1 million	22.10%*

* These are the lower limits of the payment ratios for the first payment, and the actual amounts will be adjusted in consideration of a waiver of delinquent charges and the status of the conditional and undetermined general reorganization claims.

3. Second Payment

In relation to the General Reorganization Claims Related to Original Principal (the amount paid and the amount waived at the first payment shall not be deducted; the same applies to 3. below), JDC and JDN shall (i) calculate their respective total amounts of funds for the first and second payments according to (1) below, (ii) calculate their respective payment ratios for the General Reorganization Claims Related to Original Principal when making payment based on such total amounts, according to (2) below, and (iii) at the second payment, pay the remaining amount of the payment for the respective reorganization creditors, calculated from such ratios after deduction of the amount paid at the first payment to such creditors, according to (3) below.

The secured reorganization claims and the prioritized reorganization claims shall have been paid in full at the first payment, and therefore no second payment will take place.

(1) Total Amounts of the Funds for the First and Second Payments

The following respective amounts calculated according to the formulae below shall be the total amounts of the funds for the first and second payments, with regard to the General Reorganization Claims Related to Original Principal of JDC and JDN.

JDC	{JPY 26,000,000,000 (or the balance after deduction, in the case of the Payment Deduction) x approx. 82.91% + Payment received upon JDN’s first and second payments} – The amount of payment for the secured reorganization claims and prioritized reorganization claims
JDN	{JPY 26,000,000,000 (or the balance after deduction, in the case of the Payment Deduction) x approx. 17.09% + Payment received upon JDC’s first and second payments} – The amount of payment for the secured reorganization claims

(2) Payment Ratios Based on the Total Amounts of the Funds for Payment (for amounts exceeding JPY 1 million)

The payment ratios for amounts of the General Reorganization Claims Related to Original Principal exceeding JPY 1 million, when making payment based on the total amounts of funds for payment described in (1) above, shall be calculated by dividing the below (i) by (ii) (as the total amounts of the funds for payment described in (1) above are presently undetermined, these payment ratios are also undetermined).

- (i) The balance after deducting the total amounts of the payment for the part of the General Reorganization Claims Related to Original Principal that is JPY 1 million or less (including the amount reserved for the payment of the undetermined reorganization claims and conditional general reorganization claims; the same applies for (2) below), for JDC and JDN respectively, out of the total amounts of the funds for payment described in (1) above.
- (ii) The balance after deducting the total amounts of the payment for the part of the General Reorganization Claims Related to Original Principal that is JPY 1 million or less from the total General Reorganization Claims Related to Original Principal, for JDC and JDN respectively.

(3) Second Payment for the General Reorganization Claims

As of the date of the second payment, JDC and JDN shall pay the balance after deducting the amount paid at the first payment from the amount calculated by adding JPY 1 million after multiplying the payment ratio described in (2) above, regarding the portion of the General Reorganization Claims Related to Original Principal held by respective reorganization creditors exceeding JPY 1 million.

Part III. Measures Regarding JDC's and JDN's Security Interests

(i) Measures Regarding JDC's Security Interests

Of the security interests created over JDC's assets, the secured claims pertaining to HAKURYU-11 and HAKURYU-14 shall be changed to amounts equivalent to the secured reorganization claims and shall be continued after the order of confirmation of the reorganization plans, but will become extinct after the first payment for such secured reorganization claims.

(ii) Measures Regarding JDN's Security Interests

Of the security interests created over JDN's assets, the secured claims pertaining to HAKURYU-10, HAKURYU-11 and HAKURYU-12 shall be changed to amounts equivalent to the secured reorganization claims and shall be continued after the order of confirmation of the reorganization plans, but will become extinct after the first payment for such secured reorganization claims. JDN may continue the use of HAKURYU-12 until the expiry of the term of the lease.

Part IV. Changes to the Rights of JDC's and JDN's Shareholders

(i) Changes to the Rights of JDC's Shareholders

As of the closing date, JDC shall decrease the total amount of its capital fund (JPY 7,572,000,000) and capital reserve (JPY 3,572,000,000), as well as acquire and cancel all of the issued shares (17,999,528 shares) without compensation. JDC shall also issue shares for subscription with Nyctaeus Investors Japan K.K. as subscriber as of the closing date (the amount to be paid per share and the number of shares for subscription will be determined with the permission of the court).

(ii) Changes to the Rights of JDN's Shareholders

As of the closing date, JDN shall receive payment of share premium contribution (a financing method under Dutch law) from JDC (the amount will be determined with the permission of the court).

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