OFFERING CIRCULAR

EDION CORPORATION

(incorporated with limited liability under the laws of Japan)

¥15,000,000,000 Zero Coupon Convertible Bonds due 2025

OFFER PRICE: 103.0 PER CENT

The ¥15,000,000,000 Zero Coupon Convertible Bonds due 2025 (being bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) of EDION Corporation (the "Company") will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (a "Stock Acquisition Right", and collectively, the "Stock Acquisition Rights") exercisable on or after 3 July 2015 up to, and including, 5 June 2025, unless the Bonds have been previously redeemed or purchased and cancelled or become due and payable, entitling the Bondholder (as defined in the terms and conditions of the Bonds (the "Conditions")) to acquire fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial Conversion Price (as defined in the Conditions), subject to adjustment in certain events as set out in the Conditions, of ¥1,240 per Share. However, prior to (but not including) 19 March 2025, the Stock Acquisition Rights may be exercised during any particular calendar quarter (or, in the case of the calendar quarter commencing on 1 January 2025, until 18 March 2025) only if the Closing Price (as defined in the Conditions) of the Shares for any 20 Trading Days (as defined in the Conditions) in a period of 30 consecutive Trading Days ending on the last Trading Day of the immediately preceding calendar quarter is more than 130 per cent of the Conversion Price (as defined in the Conditions) in effect on the last Trading Day of such immediately preceding calendar quarter. Such condition to the exercise of the Stock Acquisition Rights shall not be applicable in general (1) if a notice of redemption has been given to the Bondholders, or (2) if specified Corporate Events (as defined in the Conditions) occur with respect to the Company, or (3) during any period in which the rating assigned by a specified rating agency to the Company's long-term issuer rating is below a specified level, or certain other ratings events occur. The closing price of the Shares on 3 June 2015, as reported by Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"), was ¥954 per Share.

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at 100 per cent of their principal amount on 19 June 2025. If at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as at the date of issue thereof, the Bonds may be redeemed at 100 per cent of their principal amount, at the option of the Company as set out in the Conditions. The Bonds may also be redeemed by the Company in whole but not in part in certain other limited events, at the redemption prices specified in the Conditions.

Holders of the Bonds are entitled to require the Company to redeem such Bonds on 19 June 2020 at 100 per cent of their principal amount.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Taxation—Japan" and Condition 9). If Japanese withholding taxes are imposed on payments in respect of the Bonds, the Company may, at any time, redeem all the Bonds at 100 per cent of their principal amount (as set out in the Conditions).

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

The Bonds will initially be evidenced by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about 19 June 2015 (the "Closing Date") for the accounts of their respective accountholders. The Manager (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds or the Shares, in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and may not be offered or sold within Japan or to, or for the account or benefit of, residents of Japan including corporations incorporated under the laws of Japan, unless otherwise provided under the FIEA. For a summary of certain restrictions on offers and sales of Bonds and the Shares, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Sole Bookrunner and Sole Lead Manager

Nomura

The date of this Offering Circular is 3 June 2015.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds, the statements contained in it relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions, intentions, belief or expectation expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context requires, references to the "Group" are to the Company, its consolidated subsidiaries and its affiliates accounted for by the equity method taken as a whole, and references to "Shares" are to those shares of common stock of the Company issuable upon exercise of Stock Acquisition Rights.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by or on behalf of the Company or the Manager. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to its date, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Manager to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Manager to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and distribution of this Offering Circular, see "Subscription and Sale".

To the fullest extent permitted by law, the Manager accepts no responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. The Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area (including the United Kingdom), Singapore and Hong Kong and to persons connected therewith. See "Subscription and Sale".

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights are only being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Bonds to be offered have not been and will not be registered under the FIEA.

The Bonds and the Shares have not been and will not be registered under the FIEA. The Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and shall not offer or sell, any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

The Bonds and the Shares have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares may not be offered or sold within the United States or to US persons (as defined in Regulation S). The Bonds and the Shares are being offered and sold outside the United States to non-US persons in reliance on Regulation S. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds and the Shares in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

IN CONNECTION WITH THE ISSUE OF THE BONDS, NOMURA INTERNATIONAL PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "US dollar", "US$" and "$" are to the lawful currency of the United States of America, and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, "billion" means thousand million, and (i) where financial information is presented in millions of yen, amounts of less than one million have been rounded to the nearest one million with half a million being rounded upwards, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded to the nearest one-tenth of a billion, with five-hundredths of a billion being rounded upwards but (ii) where financial information is presented in millions of yen in the unaudited consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2015 (with comparative information as at and for the fiscal year ended 31 March 2014) at pages A-2 to A-24, amounts of less than one million have been rounded down to the nearest one million, and where financial information therein is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion. Accordingly, the total of each column of figures may not be equal to the total of the individual items. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent (with 0.05 per cent being rounder upwards) or to the nearest 0.01 per cent (with 0.005 per cent being rounder upwards)), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent or 0.01 per cent, as the case may be, to make the total of the relevant column equal to 100 per cent.

The Company's fiscal year end is 31 March. The Company's financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain material respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and International Financial Reporting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations—Considerations Relating to the Group's Financial Statements—Differences in Generally Accepted Accounting Principles".

This Offering Circular contains the audited consolidated financial statements of the Group, prepared and presented in accordance with Japanese GAAP, as at and for the fiscal years ended 31 March 2014 and 2013, as indicated in the audit report with respect thereto included herein at pages F-3.

This Offering Circular also contains at pages A-1 to A-24 the unaudited consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2015 (with comparative information as at and for the fiscal year ended 31 March 2014), being an English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2015 under the rules of the Tokyo Stock Exchange. Such consolidated financial statements are unaudited and certain information to be included in the audited consolidated financial statements is omitted, and there can be no assurance that such unaudited consolidated financial statements will accord in all respects to the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 which are currently being prepared by the Group and will be published towards the end of June 2015. Moreover, as set out above, the rounding of the financial information as at and for the fiscal year ended 31 March 2014 and 2015 set out in pages A-2 to A-24 are different from those set out in other parts of this document. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 prepared in accordance with FIEA are not available, and the Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and presentation of its unaudited consolidated financial statements included in this Offering Circular, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2015 included in this Offering Circular and the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 becoming available.

Construction of Certain References

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), the Company may issue new Shares to a Bondholder (as defined in the Conditions) and/or transfer Shares that it holds as treasury stock to a Bondholder, in each case upon exercise of a Stock Acquisition Right. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words "issue", "issued", "issuance" and "issuable" shall be construed accordingly. In addition, references to the word "acquired" used in conjunction with the Shares shall be read as including both the words "issued" and "transferred", and the word "acquisition" shall be construed accordingly.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "anticipate", "believe", "estimate", "expect", "intend", "may", "might", "plan", "project", "will" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

EDION CORPORATION

The Group is a leading home electrical appliance retailer in Japan in terms of net sales, with stores in 36 prefectures across Japan. The Group's stores are located in Kanto, Chubu, Kinki, Chugoku, Shikoku, Kyushu, Hokuriku and Hokkaido regions. The Group's principal business is to sell a wide variety of home electrical appliances to retail and corporate customers at its directly operated and franchise stores, which it stocks directly from mainly domestic manufacturers. The Group is also engaged in, among others, the operation of mobile phone specialty stores and software specialty stores, the internet sales of home electrical appliances, the internet service provider business, the development and operation of information systems, and the sales and installations of solar power systems.

As at 31 March 2015, there were 432 stores directly operated by the Group and 780 stores operated by the Group's franchisees. The principal merchandise sold at the Group's stores is home electrical appliances such as television sets, Blu-ray and DVD players and recorders, air conditioners, refrigerators and washing machines, and information appliances such as personal computers ("PCs") and mobile phones.

As at 31 March 2015, the Group comprised of the Company, five consolidated subsidiaries, and four affiliates, of which three companies were accounted for by the equity method.

For the fiscal year ended 31 March 2015, the Group's consolidated net sales, operating income and net income amounted to ¥691,217 million, ¥10,745 million and ¥4,930 million, respectively. As at 31 March 2015, the Group had total assets of ¥367,339 million.

The registered office of the Company is located at 1-18, Kamiyacho 2-chome, Naka-ku, Hiroshima-shi, Hiroshima 730-0031, Japan, while the head office of the Company is located at 5-17, Dojima 1-chome, Kita-ku, Osaka-shi, Osaka 530-0003, Japan.

The Shares are listed on the First Sections of the Tokyo Stock Exchange and Nagoya Stock Exchange, Inc. ("Nagoya Stock Exchange"). The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015 was approximately ¥106,853 million.

THE OFFERING

Securities Offered	¥15,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2025 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*).
Issue Price	100.5 per cent
Offer Price	103.0 per cent
Closing Date	On or about 19 June 2015.
Delivery	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	The Bonds will be issued in registered form and evidenced by the Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST.

Lock-up — In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that no person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement (as defined in "Subscription and Sale") and ending on the date 180 calendar days after the Closing Date:

(i) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;

(ii) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;

(iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or

(iv) publicly announce any intention to do any of the above,

without the prior written consent of the Manager (as defined in "Subscription and Sale"), other than:

(a) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(b) the issue or transfer of Shares by the Company upon exercise of stock acquisition rights (including bonds with stock acquisition rights) issued and outstanding as of the date hereof and referred to in this Offering Circular;

(c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares;

(d) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and

(e) any other issue or sale of Shares required by the Japanese laws and regulations.

See "Subscription and Sale".

Use of Proceeds .... The net proceeds of the issue of the Bonds are estimated to be approximately ¥15 billion, and are expected to be used primarily as follows:

(i) approximately ¥4.5 billion by the end of March 2017, for the acquisition of land, construction of buildings and part of the business commencement funds required for the opening of a new flagship store in connection with the redevelopment of the area in front of Hiroshima train station, and approximately ¥2.5 billion by the end of September 2016 for capital expenditures in relation to new store openings (including relocations) and renovations to take place in the second half of the fiscal year ending 31 March 2016 (between October 2015 and March 2016);

(ii) approximately ¥3.0 billion by the end of December 2016, for investment in the Group's data network system aimed at increasing sales in the expanding e-commerce market through building a mechanism for mutual introduction of customers between physical stores and virtual stores through mutual cooperation, and making such cooperation more efficient through measures such as effective utilisation of stock and improvement of logistics such as shortening of time required to deliver goods; and

(iii) approximately ¥5 billion by the end of December 2015, as funding for the repurchase of Shares by the Company with a view to providing further returns to shareholders through improving the efficiency of its capital and enabling the Company to implement flexible capital policies (see "Information Concerning the Shares—Proposed Share Repurchase by the Company"). To the extent such repurchase takes place prior to the Closing Date in respect of the Bonds, the Company intends to fund such repurchase through bank borrowings, and to apply the amount referred to above in respect of the proceeds of the offering of the Bonds to repayment of such borrowings. As the amount which the Company is able to repurchase its Shares is dependent on, among other things, market conditions, to the extent not all of the amount referred to above in respect of the proceeds of the offering of the Bonds is applied towards such repurchase, any balance will be applied towards capital expenditures for new store openings.

Repurchase by the Company of Shares .... The Company announced on 3 June 2015 that it intends to repurchase up to 6 million Shares (amounting to approximately 5.7 per cent of the issued Shares (excluding treasury stock) as at 31 May 2015) at a maximum cost of ¥5 billion from the market in the period from and including 4 June 2015 to and including 30 December 2015. The Company has decided to repurchase such Shares with a view to providing further returns to shareholders through improving the efficiency of its capital and enabling the Company to implement flexible capital policies.

The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to ¥5 billion worth of Shares (amounting to approximately 5.0 per cent of the issued Shares (excluding treasury stock) as at 31 May 2015, if calculated on the basis of the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015) at 8:45 a.m. (Tokyo time) on 4 June 2015 at the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015, through the off-market hour trading system of the Tokyo Stock Exchange for repurchase of its own shares by issuers at the Tokyo Stock Exchange's prior-day closing prices (the "ToSTNeT-3 system"). The result of such repurchase will be announced by the Company in Japan on 4 June 2015. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥5 billion and the maximum number of 6 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 30 December 2015. There can however be no assurance that any such repurchase will be proposed or effected.

PRINCIPAL TERMS AND CONDITIONS OF THE BONDS

Form and Denomination	The Bonds are issued in registered form in the denomination of ¥10,000,000 each.
Initial Conversion Price	¥1,240 per Share, subject to adjustment in certain events. See Condition 5.
Coupon	Zero.
Exercise of Stock Acquisition Rights	Subject to and upon compliance with the provisions of Condition 5, any holder of a Bond may exercise the Stock Acquisition Right, at any time on and after 3 July 2015 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 5 June 2025 (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5. The Conditions provide, among other things, that the Stock Acquisition Right may not be exercised during such period whereby the relevant Stock Acquisition Date (as defined in Condition 5.9.4) (or, if the Stock Acquisition Date would not be a Tokyo Business Day (as defined in Condition 5.1.4), the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4).
Conditions to the Exercise of Stock Acquisition Rights	Prior to (but not including) 19 March 2025, a Bondholder may exercise its Stock Acquisition Rights only if, as of the last day of any calendar quarter, the Closing Price (as defined in Condition 3.1) of the Shares for any 20 Trading Days (as defined in Condition 3.1) in a period of 30 consecutive Trading Days ending on the last Trading Day of such calendar quarter is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in Condition 5.1.3) in effect on the last Trading Day of such calendar quarter. If this condition is satisfied, then a Bondholder may (subject to the Conditions) exercise its Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter (or, in the case of the calendar quarter commencing on 1 January 2025, until 18 March 2025), provided the relevant Deposit Date (as defined in Condition 5.9.4) falls during the Exercise Period (as defined in Condition 5.1.4). The above condition to the exercise of the Stock Acquisition Rights shall not be applicable in general if (i) a notice of redemption is given pursuant to Condition 7.2, 7.3 (except in the case of any Bonds that relevant Bondholders elect not to have redeemed), 7.4, 7.5 or 7.6, or (ii) if specified corporate events occur as set out in Condition 6, or (iii) during any period in which (a) the long-term issuer rating assigned to the Company by Japan Credit Rating Agency, Ltd. or its successors (together, "JCR") is BB+ (or equivalent if the rating category is changed) or lower, (b) JCR no longer assigns a long-term issuer rating to the Company, or (c) the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn by JCR. See Conditions 5.1.6, 5.1.7, 5.1.8 and 5.1.9.
Status	The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other

	statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
Negative Pledge	So long as any of the Bonds remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the Bonds. See Condition 2.
Redemption at Maturity	Unless the Bonds have previously been redeemed or purchased and cancelled, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 per cent of their principal amount on 19 June 2025.
Early Redemption—Redemption at the Option of the Company upon Reduced Outstanding Amounts	The Company may, having given not less than 30 nor more than 60 days' prior notice of redemption to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.2.
Early Redemption—Redemption for Taxation Reasons	If the Company satisfies the Trustee (as defined in the Conditions), immediately prior to giving the notice to the Bondholders, that (i) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 June 2015, the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9) in accordance with Condition 9 and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount. If, however, the outstanding principal amount of the Bonds at the time of such notice of redemption is 10 per cent or more of the aggregate principal amount of the Bonds as of the date of issue thereof, the Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on the Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.3.
Early Redemption—Corporate Events	In the case of a Corporate Event (as defined in Condition 6.1), the Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of such Corporate Event and the anticipated effective date of such transaction and the provisions set out in Condition 6 shall apply. See Condition 6.

However, upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.12) give not less than 14 Tokyo Business Days' (as defined in Condition 5.1.4) prior notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable) to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out in Condition 7.4 and in accordance with the provisions of Condition 7.4 on the Corporate Event Redemption Date (as defined in Condition 7.4) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in Condition 6.3) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director (as defined in Condition 3.1) stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.4.

Early Redemption—Delisting of the Shares ....

In certain circumstances where a tender offer is made to holders of Shares of the Company by an Offeror (as defined in Condition 7.5.1) where, *inter alia*, the Company expresses its opinion to support such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in Condition 3.1), and the Offeror acquires any Shares pursuant to the offer, then the Company shall (subject to Condition 7.12) give notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), as

	soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in the same manner as referred to in Condition 7.4, subject to the provisions of Condition 7.5, on the date specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). See Condition 7.5.
Early Redemption—Squeezeout Event	Upon the occurrence of a Squeezeout Event (as defined in Condition 7.6), the Company shall (subject to Condition 7.12) give notice to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in the same manner as referred to in Condition 7.4 (subject to the provisions of Condition 7.6), on the date specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date of the acquisition of the Shares with respect to the Squeezeout Event). See Condition 7.6.
Early Redemption—Redemption at the Option of the Bondholders	The holder of any Bond is entitled, at its option, unless notice of early redemption of the Bonds by the Company shall have been given in accordance with Condition 19, to require the Company to redeem such Bond on 19 June 2020 at 100 per cent of its principal amount, by depositing a notice of redemption at the specified office of any Agent (as defined in the Conditions) not less than 30 nor more than 60 days prior to the redemption date. See Condition 7.7.
Cross Default	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥500,000,000 (or its equivalent in any other currency or currencies). See Condition 10.
Taxation	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9.
Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Number (“ISIN”)	XS1238828658.
Common Code	123882865.
Trustee, Custodian and Registrar	MUFG Union Bank, N.A.
Principal Agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch.
Custodian’s Agent in Japan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out in this Offering Circular, the following factors. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Considerations Relating to the Group and its Business

Weather and Seasonal Fluctuations

The Group's core business is the sale of home electrical appliances and customer demand for, and the Group's sales of, certain types of merchandise bear a close correlation to the weather in Japan. For instance, a cool summer or a mild winter could have a material adverse impact on sales of air conditioners and heating appliances, respectively. Snowfalls, rainfalls, typhoons or other adverse weather conditions, especially if they occur over weekends and holidays, may also have a material adverse impact on the volume of sales at the Group's stores as discretionary shopping may be curtailed. The unpredictable nature of the weather poses a challenge to the Group to anticipate the right product lines in the right quantities and at the right time so as to capitalise on a particular weather condition. The Group may not be able to correctly anticipate weather conditions which could result in reduced sales thereby materially adversely affecting its business, results of operations and financial condition.

In addition, as is the case with other retail businesses in Japan, the Group tends to experience fluctuations in the level of sales throughout the year, with peak shopping seasons normally occurring in and around March (the educational year-end and the financial year-end for many companies and institutions in Japan), July and December (the Japanese bonus seasons). The Group would generally incur significant additional expenses in the peak shopping seasons, including for additional inventory, advertising and employees. The Group's revenue and cash requirements are therefore affected by the seasonal nature of its business. However, the Group may not always be successful in making accurate seasonality assumptions with regard to its cash or merchandise requirements. Further, unanticipated events having an adverse effect on consumer spending during the periods in which the Group expects higher sales may have an adverse effect on the Group's business. As such, there can be no assurance that these fluctuations will not adversely affect the Group's business, results of operations and financial condition.

Market and Economic Conditions

The Group is dependent on sales in the Japanese domestic market and as such, the Group is subject to general economic trends in Japan. Changes in business conditions and consumer trends, such as an economic slowdown, exchange rate and interest rate fluctuations, fuel prices, unemployment figures, demographic trends, changes in stock prices, a slowdown in the global economy or a partial slowdown in emerging markets or tax rate increases and changes in government policy in energy-saving and promotion of energy-efficient products could materially adversely affect the demand for the Group's merchandise and services and therefore affect its business, results of operations and financial condition. For example, the Japanese home electrical appliance retail sector has been affected by a fall in demand for home electrical appliances following a temporary spike in demand brought forth by the "Eco-points" programme for energy-efficient home electrical appliances which was implemented between May 2009 and March 2011, and the transition from analogue broadcasting to digital terrestrial broadcasting in July 2011.

The Japanese economy has shown signs of recovery recently, with equity prices rising, the Japanese yen depreciating against most major currencies, improving corporate performance, increased capital expenditure, a steady increase in demand and improving employment conditions brought on by the government's fiscal stimulus, structural reform and monetary easing policies. However, uncertainty of future economic prospects remains, with fears of slower growth in the global economy (particularly in Europe) and a temporary fall in domestic demand brought about by an increase in consumption tax rate from 5 per cent to 8 per cent from April 2014 (and the further increase of such rate to 10 per cent planned from April 2017). As such, it is expected that movements in consumer demand will be unpredictable in the upcoming years.

There can be no assurance that the economic conditions in Japan will not worsen again or that any improvement in economic conditions will result in increased levels of consumer spending which has a direct impact on the Group's business. In addition, Japan is experiencing a long-term demographic shift towards an ageing and shrinking population, which may negatively impact demand for items sold at the Group's stores. There can be no assurance that the Group's business, results of operations and financial condition will not be further adversely affected by the worsening in the Japanese and worldwide economies.

Increase in Japan's Consumption Tax Rate

Japan's consumption tax rate has increased from 5 per cent to 8 per cent in April 2014 and is expected to further increase to 10 per cent in April 2017. Although demand and consumption may temporarily increase immediately prior to the tax increase, such a tax increase may ultimately adversely affect the Japanese economy in general, in particular by reducing consumer spending (both as a reaction to such temporary increase in spending as well as in general), which could in turn reduce the demand for the Group's merchandise and services. There can be no assurance that consumer spending will not reduce further with the scheduled and expected increase in consumption tax rate, which may materially adversely affect the Group's business, results of operations and financial condition.

Competition

The Japanese retail industry and the home electrical appliance retail sector are highly competitive (see "Business—Competition"). The Group's operations comprise of stores operated by the Company that covers Kanto, Chubu, Kinki, Chugoku, Shikoku and Kyushu regions and stores operated by 3Q Co., Ltd. that covers Hokuriku and Hokkaido regions. The Group continues to face increased competition from stores of other large-scale retail operators selling home electrical appliances in each of the regions in which it operates. Further, other similar stores to the Group may open in close proximity to the Group's current stores in the future intensifying competition.

The Group competes not only with stores of other large-scale retail operators selling home electrical appliances in Japan but also with other forms of retail organisations such as home centres, internet shopping websites, television shopping retailers, general merchandise stores, discount stores and the numerous small retail home electrical appliance stores. The Group may also be faced with increased competition due to new entrants to the home electrical appliance retail market and/or mergers and acquisitions or alliance activities carried out by or between the Group's competitors, particularly with respect to securing supply and intra-store competition.

In addition, where other large-scale retail operators, internet shopping websites or television shopping retailers selling home electrical appliances engage in price competition and lower prices of the merchandise which they are selling, this may result in the Group having to also lower prices of its merchandise to compete effectively, and exerting pricing pressures on the Group's merchandise which may erode operating margins. Such price competition may adversely affect the Group's business, results of operations and financial condition.

Whilst the Group strives to differentiate itself from its competitors by offering customers value and satisfaction together with reliable service, certain competitors may have more substantial financial, human and other resources and may be better able to fund marketing campaigns, store renovations, growth and expansion resulting in increased competition for the Group. There can be no assurance that the Group will be able to maintain its competitiveness and market share which, if it is unable to do so, could adversely affect the Group's business, results of operations and financial condition.

Expansion of the Group's Store Network

As at 31 March 2015, the Group had 432 directly operated stores, and it intends to continue opening further stores. Accordingly, the success of its business depends, in part, on its ability to purchase or lease affordable and desirable real estate or leased locations in desirable locations and, in the case of leases, to secure renewals of such leases. The Group will generally weigh conditions such as potential profitability, rent expenses and guarantee deposits for store openings, as well as competition, trading area population and various laws and regulations in order to make carefully thought-out decisions with respect to expansion opportunities that meet the Group's criteria. However, there can be no assurance that the Group will always be able to identify and purchase or lease desirable real estate, or successfully negotiate leases for new stores and lease renewals for existing stores. Further, changes or delays may occur in the planning and execution of the expansion plans due to factors beyond the control of the Group, which may have an adverse effect on the Group's results of operations and financial condition. Moreover, the Group's store operations and financial condition may suffer from circumstances affecting landlords of its leased properties, such as the bankruptcy of a landlord, which may lead to the Group losing its guarantee deposit as well as making continued store operation at the relevant location difficult.

In addition, there can be no assurance that the Group will be able to operate any new stores profitably, as the success of any future store openings will depend on numerous factors, such as the ability of the Group's management to adequately and accurately analyse and identify suitable markets and locations as well as the competitive conditions, consumer trends and discretionary spending patterns in those markets, the ability to attract customers targeted by the Group to such new stores and to generate adequate sales to operate profitably, the availability of employees to staff new stores and the Group's ability to hire, train and retain store personnel. If a new store or other new projects prove to be unsuccessful, the Group may not be able to recover the investment made in a timely manner. The Group may also decide to close unprofitable stores before the expiry date of its lease agreements relating to the relevant stores. In such cases, the Group may not be able to reclaim its guarantee deposits, which could adversely affect the Group's results of operations and financial condition.

In order to refurbish its existing stores and open new stores, the Group is required to incur significant amounts of capital expenditure from time to time. The Group may also, when suitable opportunities arise, purchase real estate or interests. The Group may use internal funds generated from its business operations to pay for such capital expenditures and other funding needs, or it may rely on external financing. If additional financing is not available when required or is not available on acceptable terms to the Group, the Group may not be able to fund its intended capital expenditures.

Disruptions to the Group's Supplies

The Group depends on suppliers, including manufacturers, to stock the shelves of its stores. The Group cannot fully assure the continued supply of its merchandise since the Group does not have control over the businesses of its suppliers. If the Group is not able to source merchandise that meets its requirements, or if suppliers are not reliable, or if the Group is unable to maintain a good relationship with its suppliers, the Group could experience difficulties in meeting customer demands or catering to customer preferences due to delays from increased lead time in ordering new merchandise. If suppliers become unable or are unwilling to supply merchandise to the Group, in the volumes required or at prices or purchasing terms acceptable to the Group, whether as a result of factors including the price and availability of raw materials (at a global level) to suppliers, political and economic instability or natural disasters in the manufacturing locations of the suppliers, financial instability of suppliers, merchandise quality issues, transport availability and cost, or a deterioration of relationships between the Group and such suppliers, it may become necessary for the Group to select alternative suppliers or identify and procure suitable replacement merchandise, and the Group may incur substantial costs in doing so, in addition to any potential revenues which may be lost as a result. Any such factors could in turn adversely affect the Group's business, results of operations and financial condition.

Changing Trends

The retail industry is subject to changing trends and consumer demand and preferences, as well as sales channels. The ability to accurately identify and anticipate on-coming trends and to respond promptly to current and changing trends and consumer demand and preferences in merchandising contributes to maintaining and increasing sales, customer loyalty and reputation, all of which are important factors in ensuring the success of the Group's stores. In addition, the Group depends on the periodic introduction and availability of new merchandise and technologies that generate wide consumer interest and stimulate demand for home electrical appliances. Where the Group is unable to achieve any of the foregoing (whether as a result of competition with other stores, shortage of supply generally or through changes in relationships with suppliers, or for other reasons), the Group's results of operations and financial condition may be adversely affected. It is also possible that new merchandise or technologies which suppliers have focused on will never achieve widespread consumer acceptance. Furthermore, the introduction or expected introduction of new merchandise or technologies may depress sales of existing merchandise.

Inventory Risk

The Group is exposed to inventory risks that may adversely affect its operating results as a result of changes in consumer tastes with respect to the Group's merchandise, new product launches, seasonality, rapid changes in product cycles, and other factors. In the course of making decisions with regard to the volume, timing and pricing of purchases of inventory from its suppliers, the Group aims to accurately predict the above-mentioned trends in order to avoid overstocking or under-stocking merchandise and to plan accordingly. However, there can be no assurance that the Group will be able to control its inventory levels in accordance with such plans due to factors including changes in economic conditions, inability to accurately forecast product demand, gaps between the time inventory is ordered and the date of sale, issues encountered by any of the

Group's suppliers, defects in any of the merchandise ordered by the Group or any breakdown in relationships with suppliers, any one of which may have an adverse effect on the Group's results of operations and financial condition. The Group also carries a broad selection and significant inventory levels of certain merchandise, and as a result of any of the foregoing, it may end up with insufficient or excess inventory. Moreover, as inventory is generally not returnable to the suppliers, any of the factors set out above may adversely affect the Group's results of operations and financial condition.

Unanticipated Problems in the Group's Product Installation or Delivery

The Group considers its home remodelling business as its next growth engine and carries out installation and construction of, among others, kitchen units, toilet units and bathroom units. The Group also engages in installations of home electrical appliances such as air conditioners and television sets. Although the Group carries out strict quality control procedures to ensure that such installation and construction works are engaged to appropriate standards, there can be no assurance that such works will always be problem-free. Further, the Group distributes the required merchandise from its distribution centre and as is the case with other cargo and parcel delivery businesses, the Group faces risks associated with the safe delivery of its merchandise. In addition, if any defects are found either in the merchandise installed or in the installation or construction process, the Group may be required to carry out repairs, which may, in certain circumstances, be extensive and costly. Any of these factors may have an adverse effect on the Group's reputation, brand image, results of operations and financial condition.

Natural Disasters, Accidents and Uncontrollable Events

Japan has historically experienced earthquakes and other natural disasters, including typhoons, floods and tidal waves. In addition, other events outside the control of the Group or its suppliers (such as deliberate acts of sabotage) or accidents (whether due to human or equipment error) may occur. Natural disasters, such as earthquakes, floods, typhoons, landslides and volcanic eruptions, or fires and other accidents could have a negative impact on the business performance of the Group, whether through directly affecting the operation of the Group's stores and its distribution channels or through their effect on consumer spending. For example, if a large-scale earthquake were to occur in the regions in which the Group has significant presence, the Group's business and operations may significantly be impaired.

Although the Group implements comprehensive fire prevention measures and evacuation drills as required in addition to taking earthquake-resistant measures to its stores, a fire in a store and other natural disasters could result in regulatory restrictions, compensation claims, loss of human resources, damage to property and equipment and inventory as well as damage to the Group's reputation. In addition, in the event of a major natural disaster or other uncontrollable events or accidents that affect the Group's suppliers, shipments of merchandise may be suspended or delayed, which may affect the Group's operations. Although the Group has insurance policies in place to cover losses relating to certain of such risks, they may not be adequate to cover all possible losses and expenses.

Further, the Group's business is sensitive to other external factors outside of the Group's control such as the outbreak of diseases. If a regional or global health pandemic were to occur, depending upon its location, duration and severity, the Group's business could be materially adversely affected as customers may avoid public places such as large-scale stores; production and delivery of merchandise and store staffing may also be disrupted. Such pandemics or other events outside the Group's control may disrupt the Group's business and materially adversely affect the Group's results of operations and financial condition.

Leakage of Personal and Other Information

The Group maintains a variety of customer information, including information concerning house-card customers, credit card activities, direct marketing and customers of its online business. As with any retailer, the Group also holds trade secrets and other proprietary information. The Group has established internal management systems under which customer and other information and trade secrets are rigorously controlled. However, if any material leakage or misuse of customers' personal information, trade secrets or other information occurs due to events beyond the Group's control such as power outage, natural disasters, malfunction of software and equipment, computer virus attacks, tampering with or unauthorised access to the system, or deliberate misconduct by persons with access to the system, or due to unforeseen accidental human error on the part of employees, the Group could be the subject of lawsuits or complaints from the affected parties or suffer loss or damage caused by misappropriation of trade secrets or other information. Any such occurrences may materially adversely affect the brand image and the reputation of the Group and sales of the Group's merchandise, as well as subject the Group to increased costs in respect of any damages suffered by affected parties. The Group may also be required to incur expenses if it needs to change its computer security system.

In addition, under the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), relevant authorities may issue recommendations or orders against any institution in possession of personal information which fails to protect the personal information of its customers. The Group may be required to provide compensation for economic loss and emotional distress arising out of a failure to protect personal information which may also have a negative impact on its reputation as well as its business, results of operations and financial condition.

Impairment Losses

The Group holds a significant amount of property and equipment including many store buildings as part of its operations. If the value of these assets were to decline significantly or the accounting policies for impairment losses of property and equipment were to change, the Group may need to recognise impairment loss in its accounts. Any such impairment loss, if recorded, may materially adversely affect the Group's results of operations and financial condition.

Laws and Regulations

The Group's business and operations are subject to a wide range of laws and regulations in Japan. In its business activities, the Group is subject to numerous laws, including the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment of Japan (Act No. 91 of 1998, as amended, the "Large-Scale Retail Stores Location Act"), the Act on Recycling of Specified Kinds of Home Appliances of Japan (Act No. 97 of 1998, as amended, the "Recycling Act"), the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended, the "Antimonopoly Act"), the Act against Unjustifiable Premiums and Misleading Representations of Japan (Act No. 134 of 1962, as amended), the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors of Japan (Act No. 120 of 1956, as amended), and the Labor Standards Act of Japan (Act No. 49 of 1947, as amended) as well as laws, regulations and other requirements relating to consumer protection, fair trade, taxation, the environment and recycling. In addition, other corporate, commercial and other laws and regulations including those relating to corporate governance, corrupt business practices, labour, health and safety also apply. If the Group is unable to comply with these laws and regulations, if such laws and regulations were to become more stringent or materially new laws or regulations or changes to such laws and regulations are introduced, it may serve to limit or prohibit the Group's activities. If a violation of any of these laws and regulations were to occur, restrictions could be placed on the business activities of the Group, or the Group could face additional compliance costs, costly remedial action or fines or reputational damage. In addition, any changes to the Japanese taxation system, including the expected increases in the consumption tax rates, may reduce consumer spending and thereby negatively affect the Group's performance and financial position. These factors may have a material adverse effect on the Group's business, results of operations and financial condition.

In relation to the opening of new stores with store area exceeding 1,000 square metres, or the expansion of existing stores beyond such size, local governments will assess the plan and may take certain measures in accordance with the provisions of the Large-Scale Retail Stores Location Act so as to preserve the living environment of the surrounding region. The application of such regulations may materially restrict the ability of the Group to expand its store network in a timely manner or may impose additional compliance costs, which in turn may have an adverse effect on the Group's business, results of operations and financial condition.

Legal Proceedings and Litigation

As with any major business, the Group faces risks of disputes or litigation, whether with or without merit, in the course of the Group's business. Although the Group strives to ensure that the Group complies with all laws, regulations and societal norms, there is a risk that the Group's business could be the target of lawsuits, administrative measures or other action. Due to the inherent uncertainty of disputes or litigation, it is possible that the Group may incur liabilities as a consequence of the proceedings and claims brought against it, which may have a negative impact on its reputation and/or have a material adverse effect on the Group's business, results of operations and financial condition.

On 16 February 2012, the Company received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission ("JFTC") on the charge of violating Article 2, Paragraph 9, Item 5 (abuse of a superior bargaining position) and Article 19 (unfair business practices) of the Antimonopoly Act. Although the Company has already paid a surcharge of approximately ¥4,048 million pursuant to such orders, the Company decided to request the JFTC to initiate a hearing regarding the said orders. Following the decision to initiate the hearing made on 24 April 2012, the hearing is still continuing.

Strategies

The Group is currently pursuing its strategies under the Group's management principle to realise the principle of "Customers First" through "Provision of Value" and through offering "Long Lasting Services" (see "Business—Strategy"). The success of the implementation of any of the Group's strategies is subject to various internal and external factors, including general economic and market conditions in which the Group and its suppliers operate, the level of competition and the level of consumer spending and demand for the Group's merchandise, as well as the risks and uncertainties set out in "—Forward-looking Statements" below. There can be no assurance that the Group's strategies will be implemented successfully or that such strategies will not be changed in the future by the Company's management.

Risks Associated with Mergers, Acquisitions, Joint Ventures and Alliances

The Group may consider mergers, acquisitions, joint ventures, alliances and/or disposals as opportunities arise in order to achieve desired growth levels or business shape. Any such merger, acquisition, joint venture or any other alliance will be entered into only after careful examination by the Group in order to reduce the various associated risks; however, there can be no assurance that contingent liabilities or other problems will not arise or that the Group will be able to realise the expected results from any such merger, acquisition or alliance. Further, any such disposals may result in temporary losses or gains to the Group.

In August 2013, the Company and LIXIL Group Corporation ("LIXIL"), a holding company of leading building materials and housing equipment manufacturers and sellers in Japan, announced a capital and business alliance, with the aim of, among other things, combining the LIXIL group's rich product line-up and the Group's wide sales network to further strengthen the Group's home remodelling business (see "Business—Operations—Merchandise—Business Alliance with LIXIL"). Although the alliance with LIXIL has been successful so far and while the Group is not dependent on LIXIL as such, there can be no assurance that LIXIL will continue the alliance, and any such discontinuation could have a negative impact on the Group's growth strategy and adversely affect the Group's business, results of operations and financial condition.

Risks Relating to Hiring and Retention of Personnel

The Group's success depends on its ability to attract, retain and motivate qualified employees, including experienced store managers to support existing operations and future growth. The recruitment of attractive personnel can be challenging, and labour costs are generally on an increasing trend. In addition, the Group's ability to successfully integrate acquired businesses often depends on its ability to retain incumbent personnel, many of whom possess valuable institutional knowledge and operating experience. The loss of the services of any member of the Group's senior management, the inability to attract and retain other qualified personnel or the inability to effectively transition senior management positions could adversely affect the sales of the Group's merchandise as well as the implementation of the Group's strategic initiatives.

Risks Associated with Information Technology Systems

The Group relies on various computer systems. These are centrally managed in a security centre designed to withstand earthquakes (up to a certain scale) and is equipped with safety systems, including backup power supplies and communication lines, in-house power generators and measures to prevent unauthorised entry. However, if a natural disaster, system failure or cyber-attacks that exceed anticipated scenarios were to occur, this may result in the disruption of communication lines and/or the interruption of computer systems, which could cause wide-spread disruption to the business activities of the Group. These factors could have a negative impact on the Group's business, results of operations and financial condition.

Risks Associated with the Group's Long-term Warranty and Point Cards Systems

The Group operates a long-term warranty system where customers who are members of the Group's membership card system can enjoy a five-year extended repair warranty for designated home electrical appliances (excepting certain merchandise such as PCs) purchased at the Group's stores (see "Business—Operations—Services—Membership Card and Point System"). However, if there were to be a higher than expected range and volume of merchandise that required repairs under such warranty, the Group could incur unexpected costs which may have an adverse effect on the Group's results of operations and financial condition. The Group also operates a point service programme whereby members in the programme are given points which can be redeemed when shopping within the Group's stores (see "Business—Operations—Marketing—Points Service Programme"). However, if the Group were to be forced to change the point system such as redemption rates and expiry periods for points as a result of the competition in such point system programme with its competitors or for any other reason, it may increase the merchandising expenses of the Group and adversely affect the Group's results of operations and financial condition.

Management of the Group's Franchises

The Group has been increasing the number of its franchise stores, which operate as smaller local stores. As at 31 March 2015, 780 stores of the Group were operated as franchises. In order to increase the number of its franchise stores, the Group needs to identify suitable franchisees operating at attractive locations and enter into agreements with such franchisees. There can be no assurance that the Group will be able to continue to attract suitably located franchisees or that the Group's current franchisees will renew their franchise agreements, which may adversely affect the royalty income receivable by the Group from such franchisees. In addition, although the Group enters into franchise agreements with franchisees and supervises their operations periodically, the Group does not fully control the day-to-day operations of franchise stores, and may be adversely affected by certain actions taken by its franchisees that are out of its direct control. If franchisees fail to operate stores in a manner consistent with the Group's standards and requirements, or act in breach of their franchise contracts, the Group's reputation, brand image, results of operations and financial condition may be adversely affected.

Considerations Relating to the Group's Financial Statements

Differences in Generally Accepted Accounting Principles

The Group's consolidated and non-consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other jurisdictions. The Group's financial statements may therefore differ from those prepared for companies outside Japan in those and other respects. This Offering Circular does not include a reconciliation of the Group's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards. If at any point in the future the Group were to apply IFRS or any other generally accepted accounting principles for its financial reporting, the reported financial results of the Company and/or the Group may differ materially from prior years' financial results prepared under Japanese GAAP, which may make comparisons to prior years more difficult.

Unaudited Financial Statements

This Offering Circular contains unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2015 (with comparative information as at and for the fiscal year ended 31 March 2014), being an English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2015 under the rules of the Tokyo Stock Exchange. Such financial statements are unaudited and certain information to be included in the audited consolidated financial statements is omitted, and there can be no assurance that such unaudited consolidated financial statements will accord in all respects to the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 which are currently being prepared by the Group and will be published towards the end of June 2015. Moreover, as set out in "Presentation of Financial and Other Information", the rounding of the financial information as at and for the fiscal year ended 31 March 2014 and 2015 set out in pages A-2 to A-24 are different from those set out in other parts of this document.

As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 prepared in accordance with FIEA are not available, and the Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and presentation of its unaudited consolidated financial statements included in this Offering Circular, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2015 included in this Offering Circular and the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015, including corrections of any inaccuracies.

Considerations Relating to the Bonds and the Shares

Limitations on the Timing of Exercise of Stock Acquisition Rights

Since the coming into effect of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (the "Book-Entry Act") in January 2009, under the current rules and practices of the Japan Securities Depository Center, Inc. ("JASDEC"), it will take at least three business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date. For the avoidance of mistakes and confusion that might be caused in the course of the system processing with regard to the shareholders' rights in connection with the Shares to be delivered to the Bondholders upon their exercise of the Stock Acquisition Rights, the Stock Acquisition Rights have been designed under Condition 5.1.4 so that the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this Offering Circular, 31 March and 30 September in each year).

No Cash Amounts in respect of Non-unit Shares

Since the coming into effect of the Book-Entry Act, making it possible for listed shares of Japanese companies comprising less than one whole unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one whole unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one whole unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect, but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the rules of the JASDEC book-entry transfer system and the Company's Share Handling Regulations if they would like the Company to do so. The rights of holders of Shares not constituting one whole unit are limited under the Company's Articles of Incorporation, and may not be tradable on the stock exchanges on which they are listed. See "Description of the Shares and Certain Regulations—Unit Share System".

Future Changes in Japanese Law

Future changes to provisions relating to Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 provides for amendments to be made to the Conditions relating to the Stock Acquisition Rights where those amendments are required in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

Trading Market for the Bonds

Prior to the offering, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid.

Rights of Shareholders under Japanese Law

The corporate affairs of the Company are governed by and in accordance with the Articles of Incorporation, Regulations of the Board of Directors and Share Handling Regulations and other related regulations thereunder of the Company, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Holders who acquire the Shares upon exercise of the Stock Acquisition Rights may have more difficulty in asserting their rights as a shareholder than they would as a shareholder of a corporation organised in other jurisdictions. In addition, Japanese courts may not be willing to enforce judgments of non-Japanese courts against the Company which are based on non-Japanese securities laws.

Market Prices of the Bonds

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Any decline in the price of the Shares will have an adverse effect on the market price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results. In addition, the market price of the Bonds is expected to be affected by any downgrade or other events negatively affecting the Company's credit rating.

Limitations on Anti-dilution Protection for Bondholders

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

Repurchase of Shares by the Company

The Company announced on 3 June 2015 that it intends to repurchase up to 6 million Shares (amounting to approximately 5.7 per cent of the issued Shares (excluding treasury stock) as at 31 May 2015) at a maximum cost of ¥5 billion from the market in the period from and including 4 June 2015 to and including 30 December 2015. The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to ¥5 billion worth of Shares (amounting to approximately 5.0 per cent of the issued Shares (excluding treasury stock) as at 31 May 2015, if calculated on the basis of the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015) at 8:45 a.m. (Tokyo time) on 4 June 2015 at the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015, through the ToSTNeT-3 system. The result of such repurchase will be announced by the Company in Japan on 4 June 2015.

As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all. To the extent any Shares remain to be repurchased (within the maximum cost of ¥5 billion and the maximum number of 6 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 30 December 2015. There can however be no assurance that any such repurchase will be proposed or effected.

The Company does not undertake to review or revise this Offering Circular to reflect any repurchase of Shares (or lack thereof) as referred to above. See "Information Concerning the Shares—Proposed Share Repurchase by the Company".

Even if the Company is able to successfully repurchase its Shares as originally planned, it will result in decreased shareholders' equity and increased cashflow used in financing activities. Although the Company believes such changes will not materially affect its creditworthiness, there can be no assurance that rating agencies, banks, other financial institutions or investors will view any share repurchase similarly, which may have a negative impact on its credit rating, financing, share prices or investor relations.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial figures and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Group will operate in the future. The important factors that could cause actual results to differ materially from such statements include, but are not limited to: the impact of general economic conditions and consumer spending in Japan, changes in tax regimes, demand for, and competitive pricing pressure on, the Group's merchandise offered, the level of competition, the Group's ability to expand its store network, the level of competition and the Group's relationship with its suppliers. These forward-looking statements speak only as at the date of this Offering Circular, and the Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions of the Bonds, subject to completion and amendment, and, save for the paragraphs in italics, will be endorsed on the Certificates (as defined herein):

The ¥15,000,000,000 Zero Coupon Convertible Bonds due 2025 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) in the denomination of ¥10,000,000 each issued by EDION Corporation (the "Company") are constituted by a trust deed (the "Trust Deed") dated 19 June 2015 made between the Company and MUFG Union Bank, N.A. (the "Trustee", which expression shall include its successors as trustee under the Trust Deed), as trustee for the holders of the Bonds. Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated 19 June 2015 relating to the Bonds between, *inter alios*, the Company, the Trustee, the principal agent (the "Principal Agent"), the registrar (the "Registrar") and the other agents referred to therein are available for inspection by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at 120 South San Pedro Street, 4th Floor, Los Angeles, CA 90012, U.S.A., and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1. Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100.5 per cent of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by the Global Certificate deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and the exercises of Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within five Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such holder and the Principal Agent or the relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the Agents, but subject to (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the Registrar or the relevant Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the date for redemption pursuant to Condition 7.1, 7.4, 7.5 or 7.6, (ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn), (iii) after a notice of redemption has been given pursuant to Condition 7.2 or 7.3 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.3) or (iv) after a notice of redemption is deposited in respect of such Bond pursuant to Condition 7.7.

1.5 *Relationship between Bonds and Stock Acquisition Rights*

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

"Annual Fiscal Period" means a period commencing on 1 April and ending on 31 March of the immediately succeeding year; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, "Annual Fiscal Period" shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Articles of Incorporation" means the articles of incorporation of the Company from time to time in effect;

"Asset Transfer Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the "Asset Transferee"), pursuant to the terms of which the Company's obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

"Asset Transferee" has the meaning provided in the definition of Asset Transfer Event;

"Auditors" means the independent auditors for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested to them, such other auditors or firm of auditors as may be appointed by the Company and promptly notified in writing to the Trustee by the Company;

"Authorised Officer" means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have identified to the Trustee by notice in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Base Dividend" has the meaning provided in Condition 5.2.5;

"Board of Directors" means the board of directors of the Company or, where applicable, the board of statutory executive officers of the Company within the meaning of the Companies Act;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Bondholders' Optional Redemption Date" has the meaning provided in Condition 7.7;

"Book-Entry Act" means the Act Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Act No. 75 of 2001, as amended);

"Business Day" in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

"Certificate" has the meaning provided in Condition 1.1;

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Clean-up Redemption Notice" has the meaning provided in Condition 7.2;

"Closed Period" has the meaning provided in Condition 7.10;

"Closing Date" means 19 June 2015;

"Closing Price" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be) and approved in writing by the Trustee for such purpose;

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Company's Territory" has the meaning provided in Condition 12.2;

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Controlling Shareholder" means a shareholder holding, directly or indirectly, 90 per cent (or such other percentage more than 90 per cent as provided in the Articles of Incorporation) or more of the Company's voting rights as calculated in accordance with the Companies Act;

"Conversion Notice" means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in Schedule 1 to the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Event Redemption Date" has the meaning provided in Condition 7.4;

"Corporate Event Redemption Price" has the meaning provided in Condition 7.4;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.10;

"Custodian" means MUFG Union Bank, N.A. at its specified office at 120 South San Pedro Street, 4th Floor, Los Angeles, CA 90012, U.S.A. or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means The Bank of Tokyo-Mitsubishi UFJ, Ltd. at its specified office at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, 100-8388, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Redemption Date" has the meaning provided in Condition 7.5.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Due Date" has the meaning provided in Condition 9;

"Exercise Period" has the meaning provided in Condition 5.1.4;

"Extraordinary Dividend" has the meaning provided in Condition 5.2.5;

"Extraordinary Resolution" means a resolution passed at a meeting of the Bondholders duly convened (including satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon;

"FATCA withholding" has the meaning provided in Condition 9;

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately succeeding year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Holding Company" has the meaning provided in the definition of Holding Company Event;

"Holding Company Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not necessary, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

"Independent Financial Adviser" means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified in writing to the Trustee or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser, appointed by the Trustee in accordance with Condition 18 and notified to the Company;

"JCR" has the meaning provided in Condition 5.1.7;

"Listing" has the meaning provided in Condition 6.4.2;

"Maturity Date" has the meaning provided in Condition 7.1;

"Merged Company" means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

"Merger Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not necessary, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

"New Obligor" has the meaning provided in Condition 6.1;

"New Obligor Current Market Price per Share" has the meaning provided in Condition 6.5.3;

"New Stock Acquisition Rights" has the meaning provided in Condition 12.2;

"New Territory" has the meaning provided in Condition 12.2;

"Non-unit Shares" has the meaning provided in Condition 5.1.2;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.5.1;

"Payment Business Day" has the meaning provided in Condition 8.3;

"Principal Subsidiary" means any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, those annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements, or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Reference Parity" has the meanings provided in Conditions 7.4, 7.5 and 7.6;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in

Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by Japan including those modified by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Number of Shares" has the meaning provided in Condition 5.2.5;

"Relevant Period" has the meaning provided in Condition 5.2.16;

"Relevant Securities" has the meaning provided in Condition 5.2.9;

"Relevant Stock Exchange" means the Tokyo Stock Exchange or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on the Tokyo Stock Exchange, the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Squeezeout Effective Date" has the meaning provided in Condition 7.6.1;

"Squeezeout Event" has the meaning provided in Condition 7.6.1;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.6.1;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subsidiary" means a company, more than 50 per cent of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.3;

"Tax Redemption Notice" has the meaning provided in Condition 7.3;

"Tokyo Business Day" has the meaning provided in Condition 5.1.4;

"Tokyo Stock Exchange" means Tokyo Stock Exchange, Inc. (or its successor);

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the

Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references in these Conditions to the word "acquire" used in conjunction with the Shares shall be read as including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly. References to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Inc. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. **Exercise of Stock Acquisition Rights**

5.1 ***Conversion Price, Exercise Period, Shares Issuable and Procedure***

5.1.1 *Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which having been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares ("Non-unit Shares") not constituting a unit (*tangen*) of Shares or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As at the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be ¥1,240 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Each Stock Acquisition Right may be exercised in accordance with Condition 5.9 at any time during the period from, and including, 3 July 2015 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 5 June 2025, or:

(i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2 or 7.3 or if the Bonds shall become due to be redeemed pursuant to Condition 7.4, 7.5 or 7.6, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.3, the relevant Bondholder has elected that such Bond shall not be redeemed); or

(ii) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.7, then up to the time when the relevant notice of redemption is deposited at the specified office of an Agent pursuant to Condition 7.7; or

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.8, then up to the time when such Bond is so cancelled; or

(iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

(a) in no event shall the Stock Acquisition Rights be exercised after 5 June 2025;

(b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.4 and 7.5); and

(c) the Stock Acquisition Right may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined below); provided that if there is a change to the mandatory provisions of Japanese law and regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

"Shareholder Determination Date" means (i) any Record Date, and (ii) any other date set for the purpose of determination of holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date); and

"Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo.

The Company shall give the Trustee and the Principal Agent in writing and the Bondholders in accordance with Condition 19 a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee and the Principal Agent in writing and the Bondholders in accordance with Condition 19 a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least two Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As of the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September. By way of example, in respect of the Record Date falling on 30 September 2015, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 28 September 2015 to (and including) 30 September 2015.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to as the "Exercise Period" (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purpose.

5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights*: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.1.6 *Condition to Conversion*: Prior to (but not including) 19 March 2025, a Bondholder may exercise its Stock Acquisition Rights only if, as of the last day of any calendar quarter, the Closing Price of the Shares for any 20 Trading Days in a period of 30 consecutive Trading Days ending on the last Trading Day of such calendar quarter is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter, as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2. If this condition is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter (or, in the case of the calendar quarter commencing on 1 January 2025, until 18 March 2025), provided the relevant Deposit Date falls during the Exercise Period.

For the avoidance of doubt, even where a condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.6 is not applicable by virtue of Condition 5.1.7, 5.1.8 or 5.1.9, the Stock Acquisition Rights shall not be exercisable after the expiration of the Exercise Period.

5.1.7 *Conditions to Conversion – Ratings Requirements*: The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6 shall not be applicable during any period in which (i) the long-term issuer rating assigned to the Company by Japan Credit Rating Agency, Ltd. or its successors (together, "JCR") is BB+ (or equivalent if the rating category is changed) or lower, (ii) JCR no longer assigns a long-term issuer rating to the Company, or (iii) the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn by JCR. Upon the occurrence of any of the events set out in (i), (ii) or (iii) above, the Company shall forthwith give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

5.1.8 *Conditions to Conversion – Redemption Events*: If a notice of redemption is given pursuant to Condition 7.2, 7.3, 7.4, 7.5 or 7.6, the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6 shall not be applicable on and after the date of notice of such redemption except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed pursuant to Condition 7.3.

5.1.9 *Conditions to Conversion – Corporate Events*: Upon the occurrence of any Corporate Event, subject to the suspension by the Company as referred to in Condition 5.1.4(b), the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6 shall not be applicable during the period from (and including) the date upon which the Company is first required to give notice to the Bondholders in accordance with Condition 6.2 to (and including) the relevant Corporate Event Effective Date.

5.2 ***Adjustments of the Conversion Price***

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or

(c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or

(ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.9, or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.9, or

(iv) the date of issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.8 or 5.2.9,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 or 5.2.9, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration, then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP	=	the Conversion Price after such adjustment.
OCP	=	the Conversion Price before such adjustment.
N	=	the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.
n	=	the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.
v	=	the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration, then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act), then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution.

fmv = the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution; provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

5.2.5 *Distribution to Shareholders of Extraordinary Dividends*: if the Company shall distribute any Extraordinary Dividend to the holders of Shares, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{CMP} - \mathrm{ED}}{\mathrm{CMP}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution of Extraordinary Dividend.

ED = the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation thereof.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution of Extraordinary Dividend; provided, however, that if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

"Base Dividend" means ¥161,280.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥20.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were it to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

5.2.6 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds, or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of such convertible or exchangeable securities;

5.2.7 *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.8 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/ Exchangeable Securities*: if the Company shall issue any rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.6) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the

Conversion Price in effect on the date of the issue of such rights or warrants shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the date of the issue of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the issue of such rights or warrants;

5.2.9 *Combined Adjustment*: if the Company shall issue or transfer (as the case may be) securities of a type falling within Condition 5.2.6, 5.2.7 or 5.2.8 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of issue or transfer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.6, 5.2.7 and/or 5.2.8 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue which is the relevant date.

5.2.10 *Current Market Price per Share*: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.11 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 and 5.2.9, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the grant, issue or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the grant, issue or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.11 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.11 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.12 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.9 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the grant, issue or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 and 5.2.9, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.13 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.14 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

5.2.15 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

5.2.16 *Adjustment during the Relevant Period*: for the purposes of Condition 5.1.6, if the Conversion Price in effect on the last Trading Day of the period of 30 consecutive Trading Days referred to therein (the "Relevant Period") reflects any adjustment which has become effective pursuant to this Condition 5.2 during the Relevant Period, then the Closing Price of the Shares for each Trading Day which occurs during the Relevant Period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment.

5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis*, to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the Stock Acquisition Date shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 ***Employee Share Schemes***

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 ***Minimum Adjustments***

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least ¥1 provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 ***Calculations***

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth. All calculations relating to the adjustment of the Conversion Price shall be performed by the Company and none of the Trustee, the Principal Agent, the Registrar, the other Agents or the Custodian shall be liable in any respect for such calculations. None of the Trustee, the Principal Agent, the Registrar, the other Agents or the Custodian shall be under any duty to determine, calculate or verify the adjusted Conversion Price or to monitor or make inquiries as to whether any adjustment is required to be made and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

5.8 ***Notification of Adjustments***

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 ***Procedure for Conversion***

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made, a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the Agent with details of the relevant tax authorities to which the Agent must pay moneys received. The Agent is under no obligation to determine whether a Bondholder is liable to pay stamp, issue, registration or similar taxes and duties or the amounts payable (if any).

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

5.9.4 *Deposit Date and Stock Acquisition Date*: The date on which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Date" applicable to such Bond. The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company.

If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a Business Day in the place of the specified office of the Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

At any time when the relevant Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid *with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bond(s) the Stock Acquisition Right(s) incorporated in which has/have been exercised and the Register shall be amended accordingly.*

5.9.5 *Delivery of Shares*: The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice, or the Articles of Incorporation:

(i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution, in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and

(ii) as soon as practicable, the Company shall deliver to the Custodian's Agent, securities (other than Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:

(a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or

(b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (such passing of the resolution of such other reorganisation and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"),

the following provisions of this Condition 6 shall apply.

6.2 *Notice of Proposal*

The Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 *Notice of Passing of Resolution*

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer*: If a Corporate Event occurs and

(i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.4(iv).

6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a

New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest to be determined by the Company as having the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part, and the exercise of the New Stock Acquisition Rights shall be subject to conditions substantially the same as those described in Conditions 5.1.6 to 5.1.9;

6.5.7 *Amount of Stated Capital and Additional Paid-in Capital*: As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.8 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. Redemption, Purchase and Cancellation

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent of their principal amount on 19 June 2025 (the "Maturity Date"). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is given, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as at the date of issue thereof.

7.3 ***Redemption for Taxation Reasons***

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 June 2015, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer stating that the Company is entitled to effect such redemption and the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.4 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.12) give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.4 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.4(iv).

Any notice of redemption given under this Condition 7.4 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.4(iii) or 7.4(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to 5 June 2025, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	**Reference Parity (Percentage)**										
	60.00	**70.00**	**80.00**	**90.00**	**100.00**	**110.00**	**120.00**	**130.00**	**140.00**	**150.00**	**160.00**
19 June 2015	98.23	100.76	104.12	108.31	113.33	119.16	125.79	133.20	141.38	150.30	160.00
19 June 2016	98.64	100.98	104.18	108.25	113.20	119.00	125.63	133.06	141.28	150.24	160.00
19 June 2017	98.78	100.89	103.91	107.87	112.76	118.55	125.23	132.74	141.06	150.16	160.00
19 June 2018	99.01	100.79	103.56	107.35	112.18	117.98	124.72	132.34	140.80	150.05	160.00
19 June 2019	99.28	100.55	102.92	106.53	111.33	117.23	124.12	131.92	140.56	150.00	160.00
19 June 2020	100.00	100.00	100.77	105.17	110.49	116.72	123.80	131.72	140.46	150.00	160.00
20 June 2020	94.69	97.27	100.76	105.17	110.49	116.71	123.80	131.72	140.46	150.00	160.00
19 June 2021	95.31	97.62	100.88	105.13	110.35	116.53	123.62	131.58	140.37	150.00	160.00
19 June 2022	96.04	97.98	100.92	104.93	110.01	116.15	123.27	131.32	140.23	150.00	160.00
19 June 2023	96.90	98.30	100.74	104.38	109.26	115.38	122.61	130.87	140.06	150.00	160.00
19 June 2024	98.07	98.65	100.15	103.04	107.57	113.75	121.36	130.20	140.00	150.00	160.00
5 June 2025	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00

In the above table:

"Reference Parity" means:

(i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and

(ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:

(a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act, or

(b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

divided by the Conversion Price in effect on the last day of such five consecutive Trading Day period (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

If the Reference Parity or Corporate Event Redemption Date does not appear in the above table, and:

(x) if the Reference Parity falls between two numbers in the first row of the above table and/ or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365 day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;

(y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and

(z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.4, is less than 100.00 per cent, the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.4, is more than 160.00 per cent, the Corporate Event Redemption Price shall be 160.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 6 June 2025 to (and including) 18 June 2025, the Corporate Event Redemption Price shall be 100.00 per cent.

7.5 ***Redemption on Delisting of the Shares***

7.5.1 *Offers and Redemption*: If:

(i) any offer is made by a party or parties (the "Offeror") other than the Company in accordance with the Financial Instruments and Exchange Act to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;

(ii) the Company expresses its opinion to support such offer in accordance with the Financial Instruments and Exchange Act;

(iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and

(iv) the Offeror acquires any Shares pursuant to the offer,

then the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Delisting Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Company shall as soon as practicable give notice of an offer as described in this Condition 7.5.1 to the Trustee in writing and to the Bondholders in accordance with Condition 19. The Trustee may assume until it has received actual written notice to the contrary that the Offeror has not so acquired any Shares.

7.5.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.5 shall be calculated in the same manner as provided in Condition 7.4, except that references to the Corporate Event Redemption Date shall be replaced by the Delisting Redemption Date and the Reference Parity shall mean, if the offer price consists of cash only, the offer price in effect on the last day of the offer divided by the Conversion Price in effect on the same day (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the last day of the offer divided by the Conversion Price in effect on the last day of the offer (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.4 shall apply to the above redemption price without any adjustment.

7.5.3 *Offer Followed by Corporate Event or Squeezeout Event*: Notwithstanding the above provisions of this Condition 7.5, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or a Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.5 shall not apply (but, for the avoidance of doubt, the provisions of Condition 6 and Condition 7.4 or 7.6, as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding at the redemption price set out in Condition 7.5.2 (for the avoidance of doubt, the Reference Parity applicable to such redemption being equal to the Reference Parity that would have been applicable had the Bonds been redeemed under Condition 7.5.1 without being subject to the provisions of this Condition 7.5.3), together with all Additional Amounts due on the Bonds (if any), on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.5.4 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.5.5 *Notice to Bondholders*: Upon the occurrence of:

(a) any of the events set out in (i) through (iv) of Condition 7.5.1; or

(b) any of the events set out in Condition 7.5.2 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

7.5.6 *Condition*: If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.5 and either Condition 7.4 or 7.6, as the case may be, the procedure pursuant to Condition 7.4 or 7.6, as the case may be, shall apply.

7.6 ***Squeezeout Redemption***

7.6.1 *Redemption*: Upon the occurrence of a Squeezeout Event (as defined below), the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition of the Shares with respect to the Squeezeout Event, provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, for the purpose of, including but not limited to, making the Company a wholly-owned subsidiary of another corporation, or (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushiki uriwatashi seikyu*) under the Companies Act.

7.6.2 *Redemption Price:* The redemption price applicable to the redemption under this Condition 7.6 shall be calculated in the same manner as provided in Condition 7.4, except that references to the Corporate Event Redemption Date shall be replaced by the Squeezeout Redemption Date and the Reference Parity shall mean, if the assets to be delivered to the holders of Shares consist of cash only (or if the holders of Shares which are being squeezed out are to effectively receive cash only in respect of such Shares), the cash amount which the holder of a Share would receive in exchange for Shares to be transferred as a result of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the date of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment becoming effective during such period, where the event requiring such Retroactive Adjustment takes place after such period) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.4 shall apply to the above redemption price without any adjustment.

7.7 ***Redemption at the Option of the Bondholders***

The holder of any Bond is entitled, at its option, to require the Company to redeem such Bond on 19 June 2020 (the "Bondholders' Optional Redemption Date") at 100 per cent of its principal amount, subject to the provisions of Condition 7.12. To exercise such option, the holder of such Bond shall complete, execute and deposit at the specified office of any Agent, at such Bondholder's own expense, during normal business hours of such Agent, a notice of redemption in the form (for the time being current) obtainable from any Agent, together with the Certificate in respect of such Bond. Such notice of redemption must be given not less than 30 days nor more than 60 days prior to the Bondholders' Optional Redemption Date. Such notice may only be withdrawn with the consent in writing of the Company; provided, however, that if, prior to the Bondholders' Optional Redemption Date, the Bonds evidenced by any Certificate so deposited become immediately due and payable pursuant to Condition 10, or, upon due presentation of any Certificate on the Bondholders' Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, such Certificate shall, without prejudice to the exercise of the option contained in this Condition 7.7, be returned to the relevant holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant notice of redemption.

See Condition 7.12 for priorities among the redemption options.

7.8 ***Purchase***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.9 ***Cancellation***

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.8 shall be forwarded to the Principal Agent for cancellation.

7.10 ***Notice of Redemption***

All notices of redemption given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2 or 7.3 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.11 *Calculations*

The Trustee, the Principal Agent, the other Agents, the Registrar and the Custodian are not liable to determine or calculate the Reference Parity, any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as specifically stated herein (if any) and shall have no responsibility to verify or monitor such calculations.

7.12 *Priorities Among Redemption*

If any notice of redemption is given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5 or 7.6 no other notice may be given (or, as the case may be, is required to be given) pursuant to any other of those Conditions, except in relation to Bonds in respect of which the relevant Bondholder has elected not to be redeemed pursuant to Condition 7.3.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.4 or 7.6, or (b) the events set out in (i) through (iv) of Condition 7.5 occur, then a notice pursuant to Condition 7.2 or 7.3 may not subsequently be given.

If the Company gives notice of its intention to redeem all of the Bonds pursuant to Condition 7.2, 7.3, 7.4, 7.5 or 7.6, that notice shall take priority over any notice given by a Bondholder pursuant to Condition 7.7 (whether such notice is given before or after any notice of redemption being given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5 or 7.6) so long as such notice by the Company is given prior to the Bondholders' Optional Redemption Date. If any notice of redemption is given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5 or 7.6 after any notice of redemption is given by a Bondholder pursuant to Condition 7.7, the Certificate for the relevant Bond shall be deemed to have been surrendered for payment as provided in Condition 8 for the purpose of redemption under Condition 7.2, 7.3, 7.4, 7.5 or 7.6 (as the case may be).

8. Payments

8.1 *Method of Payment*

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the sixth Transfer Business Day before the due date of payment.

8.2 *Agents*

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee (and if such Agent is not the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

8.3 ***Payments on Payment Business Days***

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Payment Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.3, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) held by or on behalf of a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond;

(ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as at the expiry of such 30-day period;

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.3.

As used herein, the "Due Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

10. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable on the occurrence of any of the following events:

10.1 ***Non-payment***

The Company defaults in the payment of the principal of any of the Bonds under Condition 7.3 or 7.7 as and when the same shall become due and payable, and such default is not remedied within 14 days; or

10.2 ***Breach of Obligations***

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 ***Cross Default on Indebtedness***

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due or on demand (as the case may be) (or at the expiration of any applicable grace period as originally provided); or

10.4 ***Cross Default on Guarantee/Indemnity***

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 ***Initiation of Insolvency Proceedings***

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 ***Decree of Insolvency/Dissolution***

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or any material (in the opinion of the Trustee) part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds will be redeemed pursuant to Condition 7.4, 7.5 or 7.6 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to the Company or any Principal Subsidiary an adjudication of bankruptcy or seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or any material (in the opinion of the Trustee) part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 ***Stop Payment***

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

10.10 ***Cessation of Business***

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds will be redeemed pursuant to Condition 7.4, 7.5 or 7.6 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or any material (in the opinion of the Trustee) part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material (in the opinion of the Trustee) part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4, 10.5 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee in forming such an opinion, or making any determination under these Conditions, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Trustee at its absolute discretion on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent of their principal amount (together with Additional Amounts, if any, premium, if any, and default interest) as provided in the Trust Deed.

11. **Undertakings**

11.1 ***Undertakings with Respect to the Stock Acquisition Rights***

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 *Transfers*: not close its register of shareholders or take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company with the prior written approval of the Trustee (acting as instructed by an Extraordinary Resolution) may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that,

(i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;

(ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.4 or Condition 7.5 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.4(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.5.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushiki uriwatashi seikyu*), or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition of Shares pursuant to the Squeezeout Event);

11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.7 *Conversion Price Adjustments*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds will be redeemed pursuant to Condition 7.4 or 7.5); and

11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 ***Charges***

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Principal Agent, the Registrar, the other Agents, the Custodian and the Custodian's Agent (including the cost of SWIFT message or fax notices by the Trustee or the Agents to the Principal Agent, the Registrar, the Company or the Custodian's Agent and by the Custodian to the Company or the Custodian's Agent) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities, property or cash pursuant to Condition 5.9.5 following such deposit.

12. Substitution

12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, and (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19. When determining, pursuant to this Condition 12.1, whether a circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

(i) under such supplemental trust deed, the New Obligor agrees, in form and manner satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

(ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt. In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

(iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.3 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);

(iv) a Representative Director of the New Obligor certifies that it will be solvent immediately after such substitution, and the Trustee shall not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company;

(v) the Company shall have certified (by a certificate of a Representative Director) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

(vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

(vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 ***Deemed Amendment***

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13. Prescription

Each Bond will become void unless presented for payment within the period of 10 years from the Due Date for the payment thereof.

14. Replacement of Certificates

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company, the Registrar or any Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Meetings of Bondholders; Modification and Waiver

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia*, modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned such meeting not less than 50 per cent, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in the Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

15.2 ***Modification and Waiver***

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion of legal advisers of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.4 and/or 7.6 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company would make it necessary to amend and/or supplement the provisions of Condition 7.5, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured by the Company to its satisfaction) to enter into such supplemental trust deed (in a form satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing. The Trustee in forming any such opinion or making any determination may exercise any or all of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law including but not limited to obtaining and relying on such expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 ***Authority to the Trustee***

To the fullest extent permitted by applicable law, by accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action. The Trustee shall not take any action on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within 30 days of such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders on any certificate or report prepared by the Auditors or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors, the Independent Financial Adviser or such expert (as the case may be) in respect thereof is limited by a monetary cap or otherwise and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these Conditions and/or the Trust Deed in the absence of manifest error; any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion.

19. Notices

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not (in the opinion of the Trustee) practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. Contracts (Rights of Third Parties) Act 1999

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21. Governing Law and Submission to Jurisdiction

21.1 *Governing Law*

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 *Agent for Service of Process*

The Company has irrevocably appointed TMF Corporate Services Limited, whose office is at present at 6 St. Andrew Street, 5th Floor, London EC4A 3AE, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason TMF Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (as defined in the Conditions) of the Bonds in respect of which the Global Certificate is issued shall (unless the Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond in respect of which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which the Global Certificate has been issued to attend and speak (but not vote) at a meeting of Bondholders on appropriate proof of his identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved in writing by the Trustee (an "Alternative Clearing System"), the Stock Acquisition Right incorporated in a Bond in respect of which the Global Certificate is issued may be exercised by the presentation to, or to the order of, any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bonds. Deposit of the Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the Global Certificate.

Payments

Payments in respect of Bonds evidenced by the Global Certificate shall be made against presentation of or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, such Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the Bondholders for such purpose.

All payments in respect of Bonds evidenced by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register in respect of the Bonds at the close of business on the Clearing System Business Day immediately prior to the date for payment. For the purposes of this paragraph, "Clearing System Business Day" means Monday to Friday inclusive, excluding 25 December and 1 January in each year.

For the purpose of any payments made in respect of the Global Certificate, the relevant place of presentation shall be disregarded in the definition of "Payment Business Day" as set out in Condition 8.3.

Notices

So long as the Bonds are evidenced by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to the Bondholders shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Prescription

Claims against the Company for payment in respect of principal and premium (if any) and any other amounts due in respect of the Bonds evidenced by the Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions).

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements to the Bonds evidenced by such Global Certificate, and may consider such interests as if such accountholders were the holder of the relevant Bonds.

Cancellation

Cancellation of any Bond evidenced by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the Register and the endorsement (for information only) of the Global Certificate by the Principal Agent in the relevant schedule to the Global Certificate.

Early Redemption by the Company

The options and obligations of the Company to redeem the Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5 and 7.6 shall be exercised or performed by the Company giving notice to the Bondholders within the time limits set out therein and containing the information required of the Company in accordance with the paragraph entitled "Notices" above.

Election by the Bondholders

The election option of the Bondholders provided for in Condition 7.3 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be) in the form acceptable thereto from time to time.

Redemption at the Option of the Bondholders

The option of the Bondholders provided for in Condition 7.7 may be exercised by the holder of the Bonds in respect of which the Global Certificate is issued by giving notice to an Agent of the principal amount of Bonds in respect of which the option is exercised substantially in the form of the notice available from any Agent within the time limits specified in Condition 7.7.

Enforcement

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which the Global Certificate is issued, each person who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg or Alternative Clearing System as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or Alternative Clearing System as to the principal amount of Bonds in respect of which such Global Certificate is issued standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds are estimated to be approximately ¥15 billion, and are expected to be used primarily as follows:

(i) approximately ¥4.5 billion by the end of March 2017, for the acquisition of land, construction of buildings and part of the business commencement funds required for the opening of a new flagship store in connection with the redevelopment of the area in front of Hiroshima train station, and approximately ¥2.5 billion by the end of September 2016 for capital expenditures in relation to new store openings (including relocations) and renovations to take place in the second half of the fiscal year ending 31 March 2016 (between October 2015 and March 2016);

(ii) approximately ¥3.0 billion by the end of December 2016, for investment in the Group's data network system aimed at increasing sales in the expanding e-commerce market through building a mechanism for mutual introduction of customers between physical stores and virtual stores through mutual cooperation, and making such cooperation more efficient through measures such as effective utilisation of stock and improvement of logistics such as shortening of time required to deliver goods; and

(iii) approximately ¥5 billion by the end of December 2015, as funding for the repurchase of Shares by the Company with a view to providing further returns to shareholders through improving the efficiency of its capital and enabling the Company to implement flexible capital policies (see "Information Concerning the Shares—Proposed Share Repurchase by the Company"). To the extent such repurchase takes place prior to the Closing Date in respect of the Bonds, the Company intends to fund such repurchase through bank borrowings, and to apply the amount referred to above in respect of the proceeds of the offering of the Bonds to repayment of such borrowings. As the amount which the Company is able to repurchase its Shares is dependent on, among other things, market conditions, to the extent not all of the amount referred to above in respect of the proceeds of the offering of the Bonds is applied towards such repurchase, any balance will be applied towards capital expenditures for new store openings.

EDION CORPORATION

The Group is a leading home electrical appliance retailer in Japan in terms of net sales, with stores in 36 prefectures across Japan. The Group's stores are located in Kanto, Chubu, Kinki, Chugoku, Shikoku, Kyushu, Hokuriku and Hokkaido regions. The Group's principal business is to sell a wide variety of home electrical appliances to retail and corporate customers at its directly operated and franchise stores, which it stocks directly from mainly domestic manufacturers. The Group is also engaged in, among others, the operation of mobile phone specialty stores and software specialty stores, the internet sales of home electrical appliances, the internet service provider business, the development and operation of information systems, and the sales and installations of solar power systems.

As at 31 March 2015, there were 432 stores directly operated by the Group and 780 stores operated by the Group's franchisees. The principal merchandise sold at the Group's stores is home electrical appliances such as television sets, Blu-ray and DVD players and recorders, air conditioners, refrigerators and washing machines, and information appliances such as PCs and mobile phones.

As at 31 March 2015, the Group comprised of the Company, five consolidated subsidiaries, and four affiliates, of which three companies were accounted for by the equity method.

For the fiscal year ended 31 March 2015, the Group's consolidated net sales, operating income and net income amounted to ¥691,217 million, ¥10,745 million and ¥4,930 million, respectively. As at 31 March 2015, the Group had total assets of ¥367,339 million.

Selected Consolidated Financial Information

The following selected consolidated financial information should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statement of operations data and cash flow data for the fiscal years ended 31 March 2013 and 2014 and the consolidated balance sheet data as at 31 March 2013 and 2014 have been extracted without material adjustment from the audited annual consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated statement of operations data and cash flow data for the fiscal year ended 31 March 2015 and the consolidated balance sheet data as at 31 March 2015 have been extracted without material adjustment from the unaudited consolidated financial statements of the Group (being an English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group) included elsewhere in this Offering Circular but the rounding of financial information and classification of certain non-operating income (expenses) are adjusted to be consistent with those of the data derived from the audited consolidated financial statements as at and for the fiscal years ended 31 March 2013 and 2014. Such consolidated financial statements are unaudited and certain information to be included in the audited consolidated financial statements is omitted, and there can be no assurance that such unaudited consolidated financial statements will accord in all respects to the audited financial statements as at and for the fiscal year ended 31 March 2015 which are currently being prepared by the Group and will be published towards the end of June 2015. Moreover, as set out in "Presentation of Financial and Other Information", the rounding of the financial information as at and for the fiscal year ended 31 March 2014 and 2015 set out in pages A-2 to A-24 are different from those set out in other parts of this document. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 prepared in accordance with FIEA are not available, and the Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and presentation of its unaudited consolidated financial statements included in this Offering Circular, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2015 included in this Offering Circular and the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 becoming available.

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differ in certain respects from IFRS. The historical results are not necessarily indicative of results to be expected for future periods.

	As at and for the Fiscal Year Ended 31 March		
	2013	2014	2015 (Unaudited)[1]
	(Millions of yen, except per Share data, ratios and number of stores)		
Statement of Operations Data			
Net sales	¥ 685,145	¥ 766,700	¥ 691,217
Cost of sales	511,528	564,199	500,857
Gross profit	173,617	202,501	190,360
Selling, general and administrative expenses	176,094	188,780	179,615
Operating (loss) income	(2,477)	13,721	10,745
Non-operating income (expenses):			
Interest and dividend income	363	202	228
Interest expenses	(984)	(922)	(843)
Purchase discounts	2,292	520	–
Amortisation of negative goodwill	1,139	569	–
Loss on sales or disposal of property and equipment, net	(1,601)	(444)	(717)
Loss on impairment of property and equipment	(4,540)	(5,461)	(2,791)
Additional retirement benefits	(1,319)	–	–
Gain on sale of shares of a subsidiary	–	–	2,575
Other, net	1,485	710	918
Subtotal	(3,165)	(4,826)	(630)
(Loss) income before income taxes and minority interests	(5,642)	8,895	10,115
Income taxes:			
Current	709	2,641	1,362
Deferred	(3,699)	1,059	3,838
Total income taxes	(2,990)	3,700	5,200
(Loss) income before minority interests	(2,652)	5,195	4,915
Minority interests	(11)	45	(15)
Net (loss) income	¥ (2,641)	¥ 5,150	¥ 4,930
Per Share Data (in Yen)			
Basic net (loss) income	¥ (25.80)	¥ 48.42	¥ 45.77
Diluted net income	–[2]	48.33	42.69
Cash dividends applicable to the period	20.00	22.00	20.00[3]
Net asset per share	1,361.19	1,325.29	1,389.43
Balance Sheet Data			
Cash and cash equivalents	¥ 9,967	¥ 20,294	¥ 9,001
Total assets	378,087	385,800	367,339
Short-term bank loans	36,000	4,000	27,000
Current portion of long-term debt	13,769	22,646	16,376
Total current liabilities	132,605	132,980	115,577
Long-term debt	75,630	73,707	73,831
Total long-term liabilities	106,993	106,063	106,675
Total net assets	138,489	146,757	145,087
Cash Flow Data			
Cash flows from operating activities	(4,644)	45,741	(17,215)
Cash flows from investing activities	(13,401)	(13,155)	(3,775)
Cash flows from financing activities	17,326	(22,259)	9,697
Other Data			
Capital expenditure (millions of yen)	15,670	20,069	12,163
Equity ratio[4] (per cent)	36.6	38.0	39.5
Return on equity[5] (per cent)	(1.88)	3.62	3.38
Price earnings ratio[6] (times)	–	11.88	19.75
Number of stores (number)	1,177	1,212	1,212

Notes:

(1) See "Presentation of Financial and Other Information".

(2) Diluted net income per share for the fiscal year ended 31 March 2013 has not been presented because a net loss was recorded for the fiscal year.

(3) A year-end dividend of ¥10.00 per Share is subject to approval of the ordinary general meeting of shareholders in June 2015.

(4) Equity ratio has been calculated by dividing total net assets (less stock acquisition rights and minority interests) at the end of the period by total assets at the end of the period.

(5) Return on equity has been calculated by dividing net income by the average of total net assets (less stock acquisition rights and minority interests) at the beginning and at the end of the period.

(6) Price earnings ratio has been calculated by dividing the share price at the end of the period by basic net income per share for the period.

RECENT BUSINESS

Overview

The Group is a leading home electrical appliance retailer in Japan in terms of net sales, with stores in 36 prefectures across Japan. The Group's stores are located in Kanto, Chubu, Kinki, Chugoku, Shikoku, Kyushu, Hokuriku and Hokkaido regions. The Group's principal business is to sell a wide variety of home electrical appliances to retail and corporate customers at its directly operated and franchise stores, which it stocks directly from mainly domestic manufacturers. The Group is also engaged in, among others, the operation of mobile phone specialty stores and software specialty stores, the internet sales of home electrical appliances, the internet service provider business, the development and operation of information systems, and the sales and installations of solar power systems.

As at 31 March 2015, the Company had five consolidated subsidiaries and three affiliates accounted for by the equity method.

Recent Developments

Transfer of the Home Centre Business

On 1 October 2014, the Company transferred its home centre business (six stores operated under the "Home Expo" brand) to KAHMA CO., LTD. ("Kahma"), a home centre operator, through a corporate split, whereby the home centre business of the Company has been transferred to a separate newly established company, and the shares of such newly established company have been transferred to Kahma. The Company decided to dispose of its home centre business taking into account the increasing oligopolisation of the home centre market in Japan and the development potential of the Home Expo business. As a result, the Group recorded a gain on sale of shares of a subsidiary of ¥2,575 million for the fiscal year ended 31 March 2015. See "1. Scope of consolidation" of the notes to the unaudited consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2015 contained in this Offering Circular.

Critical Accounting Policies, Factors Affecting Results of Operations and Changes in Accounting Policies

Critical Accounting Policies and Factors Affecting Results of Operations

Reserve for Point Service Programme

Reserve for point service programme is provided at an estimate of the total cost expected to be incurred subsequent to the balance sheet date based on the historical data of utilisation of points by customers.

Allowance for Merchandise Warranties

Allowance for merchandise warranties is provided at an estimate of the total cost expected to be incurred during the warranty period based on the historical data for repair expenses.

Weather Conditions and Seasonality

The Group's core business is the sale of home electrical appliances and customer demand for, and the Group's sales of, certain types of merchandise bear a close correlation to the weather in Japan. For instance, a cool summer or a mild winter could adversely affect sales of air conditioners and heating appliances, respectively. Snowfalls, rainfalls, typhoons or other adverse weather conditions, especially if they occur over weekends and holidays, may also adversely affect the volume of sales at the Group's stores.

Further, the Group tends to experience fluctuations in the level of sales throughout the year, with peak shopping seasons normally occurring in and around March (the educational year-end and the financial year-end for many companies and institutions in Japan), July and December (the Japanese bonus seasons). As the winter bonus buying and the buying related to moving house in preparation for the beginning of a new fiscal and educational year both occur in the second half of the Group's fiscal year, the Group generally tends to record greater net sales in the second half of its fiscal year. In addition, as the Group generally records higher sales in the weekends and on public holidays, the Group tends to record higher sales in months where there is a relatively greater number of weekends and public holidays. This may lead to certain fluctuations in the level of sales in any fiscal period from year to year.

Changes in Tax Rates and Government Policies

Changes in government policies, including tax rates and policies relating to energy-saving and promotion of energy-efficient products, may affect the demand for the Group's merchandise and services in any particular fiscal period. For example, the Japanese home electrical appliance retail sector experienced a temporary spike in demand during the periods in which "Eco-points" programme for energy-efficient home electrical appliances was implemented by the Japanese government (between May 2009 and March 2011), and around the time of the transition from analogue broadcasting to digital terrestrial broadcasting in July 2011. The recent increase in Japanese consumption tax rate from 5 per cent to 8 per cent in April 2014 also led to a temporary increase in demand immediately prior to such increase, and it is possible that such fluctuation in demand may be experienced at the time of the further increase of the consumption tax rate to 10 per cent planned from April 2017.

Changes in Accounting Policies

Accounting Standards for Retirement Benefits

The Company adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on 17 May 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on 17 May 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended 31 March 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognised actuarial differences and unrecognised prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Section 37 of the standard, the effects of such changes in the fiscal year ended 31 March 2014 have been recorded in retirement benefit liability adjustments through accumulated other comprehensive income. As a result of this change, a liability for retirement benefits was recognised in the amount of ¥8,068 million and accumulated other comprehensive income increased by ¥280 million as at 31 March 2014. In addition, net assets per share increased by ¥2.53 as at 31 March 2014.

Further, the Company has adopted the revised accounting standard and guidance, in line with certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance, effective 1 April 2014. The method of calculating retirement benefit obligations and service costs is revised, with the method of determination of the discount rate revised from discount rates based on the average remaining service period for employees to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line basis to the benefit formula basis. Based on the provisional treatment set out in Section 37 of the standard, the effect of changes in accounting policies arising from the amendments of relating to determination of retirement benefits obligations and service costs was recognised as an adjustment to retained earnings as at 1 April 2014. There was no material impact on the unaudited consolidated financial statements of the Group for the fiscal year ended 31 March 2015 as a result of adopting the accounting standard and guidance.

Consolidated Results for the Fiscal Year Ended 31 March 2014 Compared to the Fiscal Year Ended 31 March 2013

Overview

During the fiscal year ended 31 March 2014, stock prices rose and corporate earnings continued to recover in Japan against the backdrop of the Japanese government's economic measures and the Bank of Japan's monetary policy. With consumer sentiment turning around due to rising expectations for improvement in the employment environment and the economic recovery, consumer spending also continued to recover.

In the home electrical appliance retail sector, sales of home electrical appliances, such as air conditioners, refrigerators, and washing machines, grew steadily due to last-minute demand before the consumption tax hike besides the recovery of consumer spending. In addition, the Group saw sales of television sets, especially large-size devices (such as 4K models), increased year-on-year for eight months in a row from August 2013. Moreover, sales of PCs also grew sharply, since replacement demand increased ahead of the ending of support for the Windows XP operating system.

In this environment, the Group strived to further expand its "Eco-Living & Solar Power" goods on which it had been focusing for several years. Particularly in the field of home remodelling, the Group began developing "*Petit-de-Refo*", a simple home remodelling that costs little money and takes little time to complete, and expanded its line-ups by marketing dishwashing and drying machines from March 2014, in addition to sanitary ware, range hoods, and washstands. As a result, sales of Eco-Living & Solar Power goods increased substantially. As the Group regards the home remodelling business as its next growth engine, it concluded a capital and business alliance agreement with LIXIL, a manufacturer of building materials and housing equipment, to further strengthen the home remodelling business. Management promoted this important business alliance by accepting experienced employees on loan from LIXIL and its group companies (the "LIXIL Group").

The Group opened 23 directly operated home electrical appliance stores, including "Fuji Grand Kitahama store (Ehime)" and "Kuzuha Mall store (Osaka)". It also relocated eight directly operated home electrical appliance stores, including "Nagoya Main store (Aichi)", and opened two directly operated non-home electrical appliance stores. At the same time, the Group closed nine directly operated home electrical appliance stores and six directly operated non-home electrical appliance stores, while franchise stores increased by 25, since Kakoi Electric Co., Ltd. in Kagoshima, which operates 20 stores, became a franchisee of the Group in October 2013. As a result, the number of stores at the end of the fiscal year ended 31 March 2014 totalled 1,212, including 777 franchise stores.

Results

Net Sales

Net sales for the fiscal year ended 31 March 2014 increased by ¥81,555 million, or 11.9 per cent, to ¥766,700 million as compared to the fiscal year ended 31 March 2013, mainly due to the hot summer, a recovery in demand for television sets, steady sales in the home remodelling business, and the last-minute demand before the scheduled consumption tax increase from 1 April 2014.

Cost of Sales

Cost of sales for the fiscal year ended 31 March 2014 increased by ¥52,671 million, or 10.3 per cent, to ¥564,199 million as compared to the fiscal year ended 31 March 2013. Gross profit increased by ¥28,884 million, or 16.6 per cent, to ¥202,501 million mainly due to an increase in sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year ended 31 March 2014 increased by ¥12,686 million, or 7.2 per cent, to ¥188,780 million as compared to the fiscal year ended 31 March 2013 mainly due to an increase in sales.

Operating Income (Loss)

Operating income for the fiscal year ended 31 March 2014 amounted to ¥13,721 million while an operating loss of ¥2,477 million was recorded for the fiscal year ended 31 March 2013, mainly due to the fact that growth of gross profit exceeded that of selling, general and administrative expenses both of which rose in line with a sharp increase in sales.

Non-Operating Income (Expenses)

Non-operating expenses, net of non-operating income, for the fiscal year ended 31 March 2014 increased by ¥1,661 million, or 52.5 per cent, to ¥4,826 million as compared to the fiscal year ended 31 March 2013, mainly due to decreases in purchase discounts and amortisation of negative goodwill.

Income (Loss) before Income Taxes and Minority Interests

As a result of the above, income before income taxes and minority interests for the fiscal year ended 31 March 2014 increased by ¥14,537 million, or 257.7 per cent, to ¥8,895 million as compared to the fiscal year ended 31 March 2013 which recorded a loss before income taxes and minority interests of ¥5,642 million.

Net Income (Loss)

Net income for the fiscal year ended 31 March 2014 increased by ¥7,791 million, or 295.0 per cent, to ¥5,150 million as compared to the fiscal year ended 31 March 2013 which recorded a net loss of ¥2,641 million.

Segment Information

Operating segments of the Group for the fiscal year ended 31 March 2014 were "Sales of home electrical appliances", "Home centre stores" and "Others". As the "Home centre stores" and "Others" segments are immaterial in relation to the segment total, no segment disclosure for the fiscal year ended 31 March 2014 was available as regards the Group. For a breakdown of net sales by product category, see "Business—Operations—Merchandise".

Consolidated Results for the Fiscal Year Ended 31 March 2015 (Unaudited) Compared to the Fiscal Year Ended 31 March 2014

Overview

During the fiscal year ended 31 March 2015, corporate earnings continued to improve in Japan due to the Japanese government's economic measures, the Bank of Japan's monetary policy and the weak yen, but on the other hand, there was a reactionary decrease in demand following the last-minute rush in demand before the increase in consumption tax in April 2014 and a sense of stagnation in the economic condition overseas, resulting in the Japanese economic climate improving and weakening in turns. Consumer spending weakened as a result of the increase in consumption tax, the lowering of real wages due to higher cost of living affected by the weak yen, and unfavourable weather over the summer months.

In the home electrical appliance retail sector, sales of home electrical appliances, such as air conditioners and refrigerators, weakened due to the reactionary decrease in demand following the last-minute rush in demand before the consumption tax hike and record-breaking bad weather over the summer months. The Group saw sales of PCs increase in the first half of the fiscal year due to the replacement demand from the cessation of support for Windows XP but there was reactionary reduction in such demand from October onwards. On the other hand, sales of high-value added items and high-price goods such as 4K ultra high definition TVs and cordless stick vacuum cleaners increased. Moreover, in-bound demand picked up especially in cities due to an increase in foreign tourists.

In this environment, the Group strived to further expand its stores that sell "*Pack-de-Refo* ", a home remodelling package plan relating to plumbing products, being part of the Group's focus on remodelling, all-electric homes and solar power systems-related "Eco-Living & Solar Power" goods. The Group is strengthening its framework for construction through the development of human resources in its four training centres. In October 2014 the Group established an "Eco-Living & Solar Power" headquarters to reinforce the company structure and to strengthen support to its stores and enhance stand-alone sales promotion of home remodelling package plans.

The Group opened eight directly operated home electrical appliance stores, including "Matsuyama Main store (Ehime)", and closed four directly operated home electrical appliance stores. It also relocated three directly operated home electrical appliance stores, including "Fukuyama Main store (Hiroshima)". The Group opened two directly operated non-home electrical appliance stores and closed nine directly operated non-home electrical appliance stores, while franchise stores increased by three. As a result, the number of stores at the end of the fiscal year ended 31 March 2015 totalled 1,212, including 780 franchise stores.

Results

Net Sales

Net sales for the fiscal year ended 31 March 2015 decreased by ¥75,483 million, or 9.8 per cent, to ¥691,217 million as compared to the fiscal year ended 31 March 2014, mainly reflecting factors such as the reactionary decrease in demand following the last-minute rush in demand before the consumption tax hike in April 2014, and the record-breaking bad weather in the summer leading to decrease in demand for items such as air conditioners and refrigerators.

Cost of Sales

Cost of sales for the fiscal year ended 31 March 2015 decreased by ¥63,342 million, or 11.2 per cent, to ¥500,857 million as compared to the fiscal year ended 31 March 2014. Gross profit decreased by ¥12,141 million, or 5.9 per cent, to ¥190,360 million, mainly due to a decrease in sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year ended 31 March 2015 decreased by ¥9,165 million, or 4.8 per cent, to ¥179,615 million as compared to the fiscal year ended 31 March 2014, mainly due to various measures to reduce costs as well as a decrease in sales set out above.

Operating Income

Operating income for the fiscal year ended 31 March 2015 decreased by ¥2,976 million, or 21.6 per cent, to ¥10,745 million as compared to the fiscal year ended 31 March 2014. Although gross margins increased due to an increase in sales of higher value-added goods, operating income decreased due to the decrease in overall net sales due to the reasons set out above.

Non-Operating Income (Expenses)

Non-operating expenses, net of non-operating income, for the fiscal year ended 31 March 2015 decreased by ¥4,196 million, or 86.9 per cent, to ¥630 million as compared to the fiscal year ended 31 March 2014, mainly due to the recording of a gain on the sale of the shares of a subsidiary amounting to ¥2,575 million (see "—Recent Developments—Transfer of the Home Centre Business"), as well as a decrease in impairment loss recorded in respect of unprofitable stores and other assets from ¥5,461 million in the previous fiscal year to ¥2,791 million.

Income before Income Taxes and Minority Interests

As a result of the above, income before income taxes and minority interests for the fiscal year ended 31 March 2015 increased by ¥1,220 million, or 13.7 per cent, to ¥10,115 million as compared to the fiscal year ended 31 March 2014.

Net Income

Total income taxes increased by ¥1,500 million to ¥5,200 million, as deferred tax assets were reversed due to the decrease in the corporate tax rate in the future. As a result, net income for the fiscal year ended 31 March 2015 decreased by ¥220 million, or 4.2 per cent, to ¥4,930 million as compared to the fiscal year ended 31 March 2014.

Segment Information

Operating segments of the Group for the fiscal year ended 31 March 2015 were "Sales of home electrical appliances" and "Others". As the "Others" segment is immaterial in relation to the segment total, no segment disclosure for the fiscal year ended 31 March 2015 was available as regards the Group for the fiscal year ended 31 March 2015. For a breakdown of net sales by product category, see "Business—Operations—Merchandise".

Financial Condition

Consolidated Balance Sheet as at 31 March 2014 Compared to Consolidated Balance Sheet as at 31 March 2013

Total assets as at 31 March 2014 increased by ¥7,713 million, or 2.0 per cent, to ¥385,800 million, as compared to 31 March 2013, mainly due to an increase in notes and accounts receivable (trade), partially offset by a decrease in intangible assets.

Total liabilities as at 31 March 2014 decreased by ¥555 million, or 0.2 per cent, to ¥239,043 million as compared to 31 March 2013, mainly due to decreases in short-term bank loans and long-term debt, partially offset by increases in notes and accounts payable (trade) and other current liabilities (reflecting increases in unshipped goods).

Total net assets as at 31 March 2014 increased by ¥8,268 million, or 6.0 per cent, to ¥146,757 million as compared to 31 March 2013, mainly due to increases in retained earnings reflecting the recording of net income, and in common stock and capital surplus reflecting issuance of shares by a third party allotment.

Consolidated Balance Sheet as at 31 March 2015 (Unaudited) Compared to Consolidated Balance Sheet as at 31 March 2014

Total assets as at 31 March 2015 decreased by ¥18,461 million, or 4.7 per cent, to ¥367,339 million, as compared to 31 March 2014, mainly due to a decrease in current assets caused by decreases in cash and deposits and notes and accounts receivable-trade (despite an increase in merchandise and finished goods), as well as a decrease in non-current assets caused by sales of property, plant and equipment, such as building and structures, land, and a decrease in deferred tax assets.

Total liabilities as at 31 March 2015 decreased by ¥16,791 million, or 7.0 per cent, to ¥222,252 million as compared to 31 March 2014, mainly due to a decrease in current liabilities caused by decreases in notes and accounts payable-trade and other current liabilities reflecting a decrease in unshipped goods (despite a sharp increase in short-term bank loans), partially offset by an increase in non-current liabilities caused by the issuance of convertible bonds (despite a repayment of long-term bank loans).

Total net assets as at 31 March 2015 decreased by ¥1,670 million, or 1.1 per cent, to ¥145,087 million as compared to 31 March 2014, mainly due to an increase in treasury stock reflecting the implementation of the Company's stock repurchase programme.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2014 Compared to the Fiscal Year Ended 31 March 2013

Net cash provided by operating activities for the fiscal year ended 31 March 2014 was ¥45,741 million, an increase of ¥50,385 million from the fiscal year ended 31 March 2013 which recorded net cash used in operating activities of ¥4,644 million. This principally reflected the recording of income before income taxes and minority interests (while loss was recorded for the previous fiscal year) and a decrease in inventories reflecting increased shipments made during the period to respond to increase in sales prior to the consumption tax increase.

Net cash used in investing activities for the fiscal year ended 31 March 2014 decreased by ¥246 million, or 1.8 per cent, to ¥13,155 million as compared to the fiscal year ended 31 March 2013. This principally reflected an increase of proceeds from sales of property and equipment and other increases of cash provided by investing activities, partially offset by an increase of purchases of property and equipment for opening new stores.

Net cash used in financing activities for the fiscal year ended 31 March 2014 was ¥22,259 million, an increase of ¥39,585 million from the fiscal year ended 31 March 2013 which recorded net cash provided by financing activities of ¥17,326 million. This principally reflected decreases in net short-term bank loans and proceeds from long-term loans, partially offset by proceeds from issuance of shares by a third party allotment.

Cash Flows for the Fiscal Year Ended 31 March 2015 (Unaudited) Compared to the Fiscal Year Ended 31 March 2014

Net cash used in operating activities for the fiscal year ended 31 March 2015 was ¥17,215 million, while net cash provided by operating activities of ¥45,741 million was recorded for the fiscal year ended 31 March 2014. This principally reflected increases in inventories and income taxes paid, as well as decreases in notes and accounts payable-trade and advances received, partially offset by a decrease in notes and accounts receivable-trade.

Net cash used in investing activities for the fiscal year ended 31 March 2015 decreased by ¥9,380 million, or 71.3 per cent, to ¥3,775 million as compared to the fiscal year ended 31 March 2014, which recorded net cash used in investing activities of ¥13,155 million. This principally reflected a decrease in purchase of property, plant and equipment for opening new stores and no recording of proceeds from redemption of investments in securities, partially offset by proceeds from sales of shares of a subsidiary excluded from the scope of consolidation.

Net cash provided by financing activities for the fiscal year ended 31 March 2015 was ¥9,697 million, an increase of ¥31,956 million from the fiscal year ended 31 March 2014 which recorded net cash used in financing activities of ¥22,259 million. This principally reflected a net increase in short-term bank loans, and proceeds from issuance of convertible bonds, partially offset by repayment of long-term bank loans, a decrease in proceeds from long-term bank loans, and payment for purchases of treasury stock.

Funding

As at 31 March 2015, the Group's interest-bearing debt (including lease obligations and zero coupon convertible bonds) amounted to ¥103,264 million, compared to ¥101,564 million as at 31 March 2014. Short-term debt (comprising short term bank loans and current portion of long-term debt) as at 31 March 2015 amounted to ¥43,376 million, an increase of 62.7 per cent from ¥26,646 million as at 31 March 2014. Long-term debt as at 31 March 2015 amounted to ¥58,831 million, a decrease of 20.1 per cent from ¥73,707 million as at 31 March 2014.

The Group derives the funds it requires for its operations from cash flow from operations and borrowings from financial institutions as well as from issue of bonds (including convertible bonds) and securitisations of receivables and real properties, if opportunities arise. As is customary in Japan, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations.

As at 31 March 2015 and 31 March 2014, ¥1,297 million and ¥1,403 million, respectively, of the Group's bank loans were secured. The Group has in place ¥50,000 million in aggregate of commitment lines and ¥60,600 million in aggregate of overdraft facilities with financial institutions in Japan, of which ¥83,600 million was undrawn as at 31 March 2015.

Capital Expenditure

The following table gives information with respect to the Group's capital expenditure for the years indicated:

	Fiscal Year Ended 31 March		
	2013	2014	2015
	(Millions of yen)		
Sales of home electrical appliances	¥15,457	¥19,127	¥11,889
Other (corporate)	213	942	274
Total consolidated capital expenditure	¥15,670	¥20,069	¥12,163

The Group's capital expenditure during each of the fiscal years ended 31 March 2013, 2014 and 2015 principally related to opening of new stores, relocation of stores, expansion of existing stores and IT system development. The Group's capital expenditure was funded by internally generated funds, borrowings, an issue of Shares by a third-party allotment and, in the case of the fiscal year ended 31 March 2015, an issue of convertible bonds.

Capital expenditure for the fiscal year ending 31 March 2016 has been and/or is expected to be used primarily for opening of new stores, relocation of stores, expansion of existing stores and IT system development. The Company intends to fund its capital expenditure for the fiscal year ending 31 March 2016 from internal funds generated from its business operations and from borrowings as well as the issue of the Bonds. See "Use of Proceeds". Capital expenditure for the fiscal year ending 31 March 2016 may differ significantly from the above estimate because of timing differences or other factors.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Group as at 31 March 2015, which has been extracted without material adjustment from the Group's unaudited consolidated financial statements as at the same date, and as adjusted to give effect to the issue of the Bonds:

	(Unaudited) As at 31 March 2015	
	Actual	**As adjusted**
	(Millions of yen)	
Short-term debt		
Short-term bank loans	¥ 27,000	¥ 27,000
Current portion of long-term debt[2]	16,376	16,376
Total short-term debt	43,376	43,376
Long-term debt		
Long-term debt[2]	58,831	58,831
Convertible bonds due 2021	15,000	15,000
The Bonds now being issued	–	15,000
Total long-term debt	73,831	88,831
Net assets		
Shareholders' equity:		
Common stock:		
Authorised: 300,000,000 Shares		
Issued: 112,005,636 Shares[4]	11,940	11,940
Capital surplus	84,310	84,310
Retained earnings	60,401	60,401
Less: Treasury stock, at cost (7,629,557 Shares)	(5,471)	(5,471)
Total shareholders' equity	151,180	151,180
Accumulated other comprehensive income (loss)		
Net unrealised gain on other securities	719	719
Land revaluation difference	(7,011)	(7,011)
Retirement benefit liability adjustment	135	135
Accumulated other comprehensive loss, net	(6,157)	(6,157)
Minority interests	64	64
Total net assets	145,087	145,087
Total capitalisation and indebtedness[5][6]	¥262,230	¥ 277,230

Notes:

(1) The above table should be read in conjunction with the unaudited consolidated financial statements of the Group contained herein.

(2) As at 31 March 2015, ¥108 million of current portion of long-term debt and ¥1,189 million of long-term debt were secured.

(3) The Group was contingently liable as at 31 March 2015 for guarantees of bank borrowings made by an affiliate in the aggregate amount of ¥163 million.

(4) All of the issued Shares are fully-paid and non-assessable.

(5) As mentioned in "Information Concerning the Shares—Proposed Share Repurchase by the Company", the Company intends to repurchase up to 6 million Shares in the period from and including 4 June 2015 to and including 30 December 2015. In addition, the Company has also announced that, as part of such Share repurchase plan, it intends to repurchase up to ¥5 billion worth of Shares at 8:45 a.m. (Tokyo time) on 4 June 2015 at a price equal to the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015, through the ToSTNeT-3 system. Any such repurchase, to the extent completed, will have the effect of increasing the amount of the Company's treasury stock and thereby reducing its total net assets and total capitalisation and indebtedness. Further, to the extent such repurchase is funded initially through bank borrowings (see "Use of Proceeds"), the Group's short-term bank loans may increase temporarily. None of such potential changes are reflected in the above table.

(6) Total capitalisation and indebtedness is a total of total short-term debt, total long-term debt and total net assets but excludes minority interests.

(7) Save as disclosed above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Group since 31 March 2015.

INFORMATION CONCERNING THE SHARES

Changes in Issued Share Capital

The Company has an authorised share capital of 300,000,000 Shares. As at 31 March 2015, 112,005,636 Shares were in issue. The following table shows the changes in the issued share capital of the Company during the periods/dates stated:

Date of issue	Type of issue	Number of Shares issued	Total number of Shares in issue
1 April 2005	Share exchange	16,676,797	105,665,636
11 September 2013	Third party allotment(1)	6,340,000	112,005,636

Note:

(1) The third party allotment was made to LIXIL. See "Business—Operations—Merchandise—Business Alliance with LIXIL".

There has been no change in the issued share capital of the Company since 11 September 2013.

Dividends

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31 March pursuant to a resolution passed at the general meeting of shareholders; however, an interim dividend may also be distributed to shareholders of record as at 30 September of each year pursuant to a resolution of the Board of Directors. The Company may also make dividends other than those described above with the approval of its shareholders at a general meeting of shareholders and subject to certain restrictions. See "Description of the Shares and Certain Regulations". The payment of dividends will also be subject to other factors including legal restrictions with respect to the payment of dividends. See "Description of the Shares and Certain Regulations—Distributions of Surplus".

The following table sets forth the dividends paid (or, in the case of the record date of 31 March 2015, to be paid) by the Company to shareholders of record as at the dates indicated:

Record date	Dividend per Share
	(Yen)
31 March 2010	¥ 10.00
30 September 2010	10.00
31 March 2011	15.00
30 September 2011	10.00
31 March 2012	10.00
30 September 2012	10.00
31 March 2013	10.00
30 September 2013	10.00
31 March 2014	12.00
30 September 2014	10.00
31 March 2015	10.00(1)

Note:

(1) Subject to approval at the ordinary general meeting of shareholders in June 2015.

The Company's basic policy is to maintain the payment of stable dividends on a semi-annual basis for increasing shareholders' return, while securing a stable management base of the Group.

Japanese Stock Markets and Price Range of the Shares

The Shares are listed on the First Sections of the Tokyo Stock Exchange and the Nagoya Stock Exchange. The following table shows the highs and lows of the reported sales prices of the Shares on the Tokyo Stock Exchange as well as the highs and lows of the closing Nikkei Stock Average and the closing level of the Tokyo Stock Price Index ("TOPIX"), for the periods indicated:

	Price per Share		Nikkei Stock Average		TOPIX	
Calendar period	**High**	**Low**	**High**	**Low**	**High**	**Low**
	(Yen)		(Yen)		(Points)	
2009	¥1,030	¥206	¥10,639.71	¥ 7,054.98	975.59	700.93
2010	1,021	539	11,339.30	8,824.06	998.90	803.12
2011	894	551	10,857.53	8,160.01	974.63	706.08
2012	631	303	10,395.18	8,295.63	872.42	695.51
2013:						
1st quarter	470	381	12,635.69	10,486.99	1,058.10	871.88
2nd quarter	569	387	15,627.26	12,003.43	1,276.03	991.34
3rd quarter	645	491	14,808.50	13,338.46	1,222.72	1,106.05
4th quarter	628	461	16,291.31	13,853.32	1,302.29	1,147.58
2014:						
1st quarter	620	520	16,121.45	14,008.47	1,306.23	1,139.27
2nd quarter	750	543	15,376.24	13,910.16	1,269.04	1,132.76
3rd quarter	732	647	16,374.14	14,778.37	1,346.43	1,228.26
4th quarter	908	696	17,935.64	14,532.51	1,447.58	1,177.22
2015:						
1st quarter	1,003	806	19,754.36	16,795.96	1,592.25	1,357.98
2nd quarter (to 3 June 2015)	963	794	20,569.87	19,034.84	1,678.56	1,528.99

On 3 June 2015, the last reported closing price of the Shares on the Tokyo Stock Exchange was ¥954 per Share and the Nikkei Stock Average and TOPIX closed at ¥20,473.51 and 1,669.99, respectively.

Principal Shareholders and Other Information

As at 31 March 2015, the Company had 37,842 shareholders of record. The 10 largest shareholders of record, the number of Shares held by them and their shareholding percentages as at 31 March 2015 were as follows:

Shareholder	**Number of Shares held**	**Percentage of total Shares in issue**
	(Thousands)	(Per cent)
LIXIL Group Corporation	8,961	8.00%
Employee stock ownership plan of EDION Group	8,506	7.60
Japan Trustee Services Bank, Ltd. (Trust Account).	4,779	4.27
DAIICHI Corporation(3)	4,449	3.97
The Master Trust Bank of Japan, Ltd. (Trust Account).	3,473	3.10
Masataka Kubo(4)	2,018	1.80
The Dai-ichi Life Insurance Company, Limited	1,811	1.62
Business partner stock ownership plan of EDION Group	1,769	1.58
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,692	1.51
SUMITOMO LIFE INSURANCE COMPANY	1,624	1.45
Total	39,085	34.90%

Notes:

(1) Shares of less than one thousand have been truncated.

(2) Other than above, the Company held 7,629 thousand Shares as treasury stock as at 31 March 2015.

(3) Asset holding company of Mr. Masataka Kubo and his family.

(4) Representative Director, Chairman and President of the Company.

(5) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of issued voting securities (excluding treasury stock) amounting to more than five per cent of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning such shareholdings with the Director of a competent Local Finance Bureau, and also requires

such person to file a similar report in respect of any subsequent change of one per cent or more in holdings or any changes in material matters set out in the reports previously filed (see "Description of the Shares and Certain Regulations—Reporting of Substantial Shareholders").

In connection with shareholdings during the fiscal year ended 31 March 2015, the Company has received copies of the following reports which may not be reflected in the above table:

- A report relating to a change in shareholding filed on 5 December 2014 by Nomura Securities Co., Ltd. and other joint holders, informing of their ownership of Shares as at 28 November 2014. The Company was however unable to confirm the beneficial ownership of 10,251,522 Shares reported to be held by them, and therefore such holdings are not reflected in the above table.
- A report relating to a change in shareholding filed on 22 December 2014 by Mizuho Securities Co., Ltd. and other joint holders, informing of their ownership of Shares as at 15 December 2014. The Company was however unable to confirm the beneficial ownership of 10,008,406 Shares reported to be held by them, and therefore such holdings are not reflected in the above table.

As at 3 June 2015, the Company has received a copy of the following report since 1 April 2015:

- A report relating to a change in shareholding filed on 22 May 2015 by Nomura Securities Co., Ltd. and other joint holders, informing of their ownership of 10,315,018 Shares as at 15 May 2015.

(6) Except as stated above, the Company is not aware of any change in the information provided above.

The ownership distribution of the Shares by category of shareholders of record of the Company as at 31 March 2015 was as follows:

	Number of shareholders	Number of Shares held	Percentage of total units of Shares in issue
		(Units[1])	(Per cent)
Government and public institutions	–	–	–%
Japanese financial institutions	52	308,169	27.54
Japanese financial instruments business operators	28	9,062	0.81
Other Japanese corporations[2]	345	206,370	18.44
Foreign corporations and others (including foreign individuals)	168	158,990	14.21
Japanese individuals and others[3]	33,750	436,362	39.00
Total	34,343	1,118,953	100.00%

Notes:

(1) One unit comprises one hundred Shares.

(2) Includes 22 units of Shares registered in the name of Japan Securities Depository Center, Inc.

(3) 7,629,557 Shares held as treasury stock by the Company are included (as 76,295 units of Shares) in Japanese individuals and others.

As at 31 March 2015, the Company's Directors and Corporate Auditors together held 3,611 thousand Shares, representing 3.2 per cent of total Shares in issue as at that date.

As at the date of this Offering Circular, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

Stock Acquisition Rights

As at 31 March 2015, the Company had outstanding stock acquisition rights in respect of its unsecured bonds with stock acquisition rights issued in October 2014, as follows:

Principal amount of bonds with stock acquisition rights outstanding	¥15,000 million
Number of stock acquisition rights outstanding	1,500
Type of shares into which the stock acquisition rights are exercisable	Shares of common stock of the Company
The number of Shares into which the stock acquisition rights are exercisable	16,741,071 Shares
Conversion price[1]	¥896
Period during which the stock acquisition rights may be exercised	17 October 2014 to 17 September 2021
Restrictions on the transfer of stock acquisition rights	None

Note:

(1) The conversion price in respect of these bonds with stock acquisition rights is subject to adjustment in certain events.

Proposed Share Repurchase by the Company

The Company announced on 3 June 2015 that it intends to repurchase up to 6 million Shares (amounting to approximately 5.7 per cent of the issued Shares (excluding treasury stock) as at 31 May 2015) at a maximum cost of ¥5 billion from the market in the period from and including 4 June 2015 to and including 30 December 2015. The Company has decided to repurchase such Shares with a view to providing further returns to shareholders through improving the efficiency of its capital and enabling the Company to implement flexible capital policies.

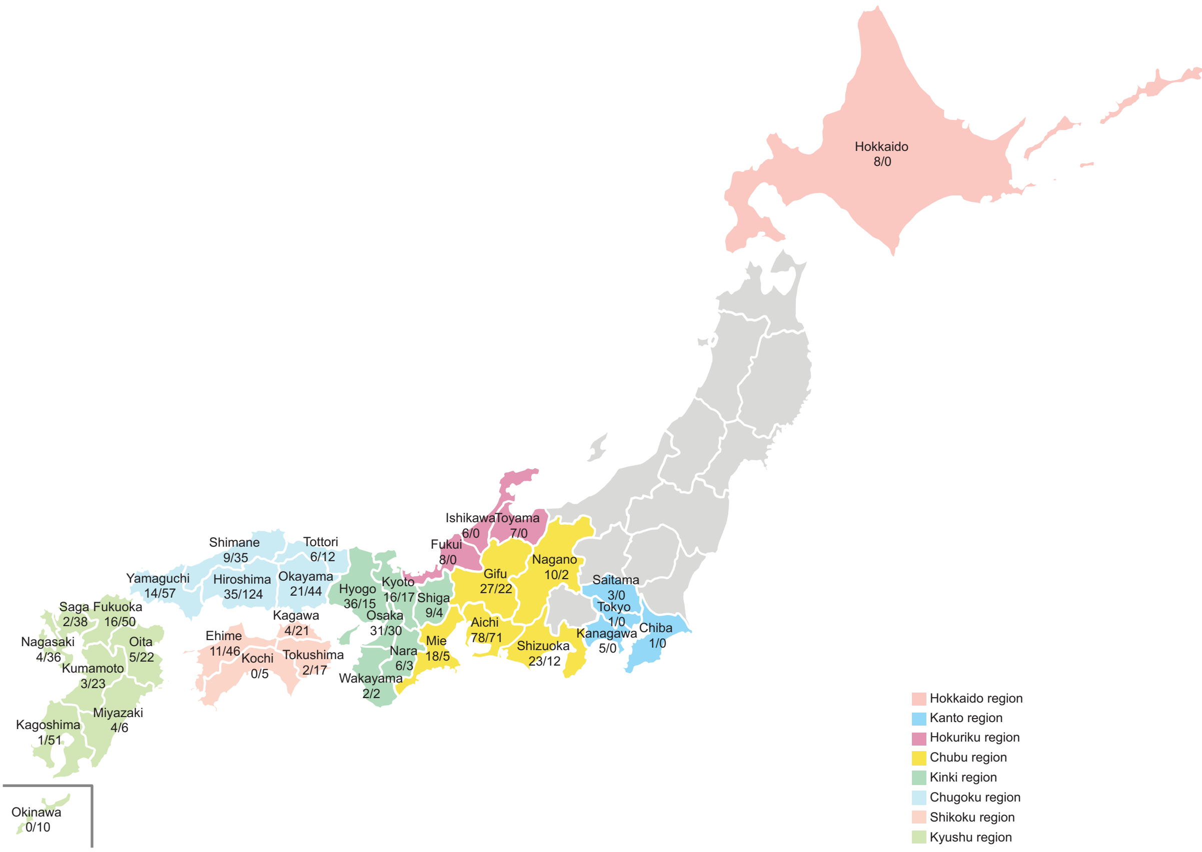
The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to ¥5 billion worth of Shares (amounting to approximately 5.0 per cent of the issued Shares (excluding treasury stock) as at 31 May 2015, if calculated on the basis of the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015) at 8:45 a.m. (Tokyo time) on 4 June 2015 at the closing price of the Shares on the Tokyo Stock Exchange on 3 June 2015, through the ToSTNeT-3 system. The result of such repurchase will be announced by the Company in Japan on 4 June 2015. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥5 billion and the maximum number of 6 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 30 December 2015. There can however be no assurance that any such repurchase will be proposed or effected.

BUSINESS

Overview and History

The Group is a leading home electrical appliance retailer in Japan in terms of net sales, with stores in 36 prefectures across Japan. The Group's stores are located in Kanto, Chubu, Kinki, Chugoku, Shikoku, Kyushu, Hokuriku and Hokkaido regions. The following map shows the distribution of the Group's stores around Japan by prefecture (directly operated stores/franchise stores) as at 31 March 2015:



The Group's principal business is to sell a wide variety of home electrical appliances to retail and corporate customers at its directly operated and franchise stores, which it stocks directly from mainly domestic manufacturers. The Group is also engaged in, among others, the operation of mobile phone specialty stores and software specialty stores, the internet sales of home electrical appliances, the internet service provider business, the development and operation of information systems, and the sales and installations of solar power systems.

EDION Corporation was established in March 2002 as a holding company of DEODEO Corporation, which operated stores under the brand name of "DEODEO" mainly in the Chugoku, Shikoku and Kyushu regions in Western Japan, and EIDEN Co., Ltd., which operated "EIDEN" stores mainly in the Chubu region in Central Japan. In April 2005, the Group acquired 100 per cent of the shares of MIDORI DENKA Co., Ltd., which operated "MIDORI" stores mainly in the Kinki region in Western Japan, through a share exchange. In 2007, the Group also acquired 40 per cent of the shares of 3Q Co., Ltd., which operates "100 Man (One Million) Volt" stores mainly in the Hokkaido and Hokuriku regions in northern Japan, and Ishimaru Denki Co., Ltd., which operated "Ishimaru" stores in the Kanto region in central Japan, and included within the consolidated Group as the Company's subsidiaries. Currently, DEODEO Corporation, EIDEN Co., Ltd., MIDORI DENKA Co., Ltd. and Ishimaru Denki Co., Ltd. have been merged into the Company and 3Q Co., Ltd. is a wholly-owned subsidiary of the Company.

The Group had leveraged its strong store brand recognition accumulated in each of its respective business areas, but it began using a single brand for all of its stores, except for "100 Man (One Million) Volt" stores, beginning in October 2012 in commemoration of its 10th year of operations. Through the use of the single unified store brand, while convenience offered to customers is expected to increase and a sense of unity is expected to be created among employees, the Group will strive to further raise its operating efficiency by eliminating various duplicated costs associated with its existing multiple brand strategy and taking other measures. As a result of the unification of the store brand, the Group has become a corporate group comprising EDION Corporation, which operates "EDION" stores that mainly sell home electrical appliances, 3Q Co., Ltd., which operates "100 Man (One Million) Volt" stores, EDION COMMUNICATIONS Corporation, which markets mobile phones, NWORK Co., Ltd., which engages in the development and operation of information systems, E.R. Japan Corporation, which engages in the purchase and sales of second-hand IT equipments and the recycling business, EDION HOUSE SYSTEM Corporation, which engages in sales of solar energy power generation systems and home remodelling, and three affiliates of the Company. In August 2013, the Company and LIXIL, a holding company of leading building materials and housing equipment manufacturers and sellers in Japan, announced a capital and business alliance, with the aim of, among other things, combining the LIXIL Group's rich product line-up and the Group's wide sales network.

As at 31 March 2015, there were 432 stores directly operated by the Group and 780 stores operated by the Group's franchisees. The principal merchandise sold at the Group's stores is home electrical appliances such as television sets, Blu-ray and DVD players and recorders, air conditioners, refrigerators and washing machines, and information appliances such as PCs and mobile phones.

As at 31 March 2015, the Company had five consolidated subsidiaries and three affiliates accounted for by the equity method.

The Company's Shares were listed on the First Sections of the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange upon its establishment in March 2002, and are currently listed on the First Sections of the Tokyo Stock Exchange and the Nagoya Stock Exchange.

Strategy

The Group's management principle is to realise the principle of "Customers First" through "Provision of Value" (by not simply selling merchandise to customers but striving to provide "value" and "satisfaction" and together with fun, affluence and convenience through the Group's merchandise) and through offering "Long Lasting Services" (by offering customers reliable service so that they can continue using the merchandise sold by the Group in their best condition until the end of the life of those merchandise). To plainly convey such management principle to customers, the Group has the slogan "Reassuring Feelings and Lasting Satisfaction" as its corporate message, and strives to enhance its brand value so that its stakeholders and customers will recognise, understand and feel sympathy with the Group.

In line with its management principle, the Group is pursuing the following strategies:

Channel Strategies

Directly operated stores—"dominant store opening" strategy

As at 31 March 2015, the Group operated 432 directly operated stores in selected areas in Japan, where a variety of different local markets exist. While basing itself on the unified Group policy, the Group also promotes store strategies adapted for each market with a view to increasing efficiency and meeting the requirements of customers. In particular, in the larger trading areas west of the Chubu region, where the Group enjoys a high market share, the Group has been promoting a "dominant store opening" strategy (an approach to concentrate the opening of new stores in areas close to existing stores) and opening multiple directly operated stores within the same area. By opening multiple stores within one area, the Group is able to increase the efficiency of promotional and logistics costs in respect of those stores, as well as to grow sales and profitability. In smaller trading areas with smaller populations, the Group has been opening small to medium-sized stores, with a view to catering for the requirements of customers within such region.

Franchise strategy

The Group is also actively promoting a small franchise store strategy, which entails a system of turning existing small electronics retail stores operating in local markets into the Group's franchise stores, and is a distinctive strategy of the Group. While the trend in the home electrical appliance retail sector is to open large mass retail stores, the Group has been promoting "EDION Family Shop", which are smaller franchise stores, at locations near the trade areas covered by the Group's directly operated stores, with a view to providing detailed assistance to customers who utilise smaller stores near their homes. As at 31 March 2015, the Group operated 780 EDION Family Shops. The Group intends to further strengthen the relationships between directly operated stores and franchise stores, with a view to responding sensitively to the needs of an ageing society.

Online strategy (e-commerce strategy)

In addition to physical stores mentioned above, the Group is also promoting an online strategy with the aim of strengthening its sales channels in respect of regions where there are less physical stores of the Group. The internet sales market is steadily increasing within the home electrical appliance retail sector. Against such background, the Group is working to increase its market share within the internet sales market and to grow its online sales through the Group-operated "EDION Net Shop" website, leveraging on its purchasing power and merchandising ability as a mass retailer of home electrical appliances, as well as opening virtual stores at major internet shopping malls, with a view to locking in customers of both physical stores and virtual stores.

New Business Strategies

Promoting the home remodelling business as a business growth area

The Group believes that the market for home renovation and remodelling equals the home electrical appliance retail sector in size, and that demand in such market has real growth potential. Leveraging on its strengths as a mass retailer of home electrical appliances, the Group promotes a home remodelling package plan for kitchen units, toilet units and bath units called "*Pack-de-Refo*", which has realised a dramatic shortening of construction periods through utilising distinctive construction methods, while offering clear-cut pricing which includes regular costs of construction work. This package plan has attempted to address customer concerns such as uncertainties around how much a piece of construction would cost, by setting in advance the basic specifications and the costs involved in respect of home electrical appliances and the accompanying construction required as one package, making it easier for customers to purchase. The Group has also recently started sales of large-scale home remodelling "*Ouchi-de-Refo*" services in its flagship stores in each region. The Group has been developing this business in a manner distinctive to its position as a retailer of home electrical appliances: for example, in January 2009 the Group commenced offering "double window" remodelling as part of its promotion of "eco-remodelling" which is expected to have high energy-saving effects, at the same time as offering air-conditioning units.

The Group's efforts in establishing a structure to enable customers to remodel homes with ease through adopting measures such as offering repairs and after-sales service (services which are regularly offered in the home electrical appliance retail sector) within the scope of remodelling services, has been chosen in 2010 as one of the "Japan 300 High-Service Awards" awarded by the Service Productivity & Innovation for Growth programme of The Japan Productivity Center. In addition, the Ministry of Economy, Trade and Industry of Japan selected the Company as one of "Innovative Remodelling Service Providers" in February 2015. This award aims to promote and improve home remodelling services by establishing best practice and increasing transparency thereof. 21 service providers were selected for this award, and the Company won its award for its distinctive service as a mass retailer of home electrical appliances and package plans with clear and transparent pricing.

While the Group had hitherto, taking demand into account, only offered home remodelling services at its larger and medium-sized stores, now that the Group has gained know-how in respect of matters such as sales and construction within its operations, the Group intends in the future to strengthen its offering of such services at smaller franchise stores, with a view to further growing its sales.

In August 2013, with a view to realising the further development of the market and creation of demand towards the future growth of the remodelling market, the Group entered into a capital and business alliance with LIXIL, a holding company of leading building materials and housing equipment manufacturers and sellers in Japan, in August 2013. Pursuant to the alliance, the Group has been expanding the line-up of merchandise offered, working on product development, establishing a network throughout Japan for construction works, and implementing personnel exchanges with LIXIL.

Measures relating to all-electric homes and home solar power systems

In all-electric homes, domestic energy costs can be reduced by replacing appliances such as gas-fired cookers and water heaters with electrical appliances such as and induction heating (IH) cooking heaters and "EcoCute" natural refrigerant heat pump hot water supply systems. As customers can utilise relatively cheaper night-time power to reduce energy costs, as well as allowing greater safety (for example by reducing the risks of fire), they have shown high interest in all-electric home products, and such products are offered by all of the Group's directly operated home electrical appliance stores and a majority of the Group's franchise stores.

Moreover, the market for home solar power systems is rapidly increasing with the continued focus on energy-saving as well as the implementation of governmental measures such as offering of subsidies and promotion of higher purchase prices by electric companies. In particular, industrial solar power generation systems are enjoying greater governmental backing (such as the system of purchasing all power generated and tax reductions for environmentally-friendly investments), and installation of such systems in places such as rooftops of buildings and apartment blocks has been increasing. With a view to meeting such growing demand, the Group has established four training facilities in Japan to promote education of personnel in respect of such business.

Development of original products

The Group develops and sells original products jointly developed with electronics manufacturers under the "KuaL" brand, where extra functions are added according to customer needs and lifestyles. It comprises products equipped with distinctive functions that embody the requests of the Group's customers, such as external air conditioner units with rust proof coating and microwave ovens with original menu settings, to support their comfortable lives.

The Group also offers a line of products called "keyword" that features sizes and functions for those living alone, and a series of environmentally friendly consumable products (such as batteries and light bulbs) under the brand "MY&OUR".

Internet connectivity service business

The Group operates an internet connectivity service called "EDION Net", offering high-speed mobile connectivity services using long-term evolution ("LTE") called "KuaL.Net" and fixed line connectivity services using optical fibres or asymmetric digital subscriber lines ("ADSL") called "Enjoy.Net". Further, the Group has started offering a new service, "EDION Hikari", an ISP-free fibre-to-the-home ("FTTH") service, to users in the area covered by "Flet's Hikari" FTTH service offered by Nippon Telegraph and Telephone West Corporation from 1 March 2015 and to users in the area covered by "Flet's Hikari" FTTH service offered by Nippon Telegraph and Telephone East Corporation from 1 May 2015. Leveraging on the strong service systems based on its business as home electrical appliance retail operator and a variety of service menus, customers in this business has been increasing steadily (with approximately 543 thousand subscribers as at 31 March 2015), and the Group is aiming to create a new revenue stream through offering internet contents.

Service Strategies

Membership cards that offer reassurance

The "EDION Card", a membership card of the Group, features a 5-year (some 10-year) repair guarantee for home electrical appliances sold by the Group that are over ¥5,000 (exclusive of consumption tax) per item (with some exceptions) for an annual service fee of only ¥980 (plus consumption tax), with no limit to the number of appliances which are the subject of the repair warranty, offering reassurance to customers and raising customer satisfaction. Moreover, the Group also has a point service in place, where points are given not only for the shopping within the Group, but also for shopping at domestic and overseas partner stores and for the payment of utility bills or mobile phone bills. EDION Card has a total membership of approximately 4.65 million members (as at 31 March 2015), and the Group intends to add new services to and strengthen the functions of the card.

Solid after-sales service structure

In an effort to realise long-lasting customer satisfaction with regard to merchandise purchased by them, the Group combines the expertise of Group companies to build a high-quality service system that caters to the needs of customers. In January 2010, the Group companies launched a full-scale mutual delivery programme, which led to the realisation of a high-quality after-sale service network across Japan. The Group's customer-oriented services include the free delivery and installation of large merchandise, "same-day delivery" and "same-day installation" where merchandise is delivered on the day of purchase and "time zone delivery" that caters to the lifestyles of customers. Moreover, the Group also offers new services that meet customer requests, such as the cleaning of air conditioners, the replacement of electric bulbs or tubes, the repair and delivery of small home electrical appliances, the installation of fire alarms and the delivery of components ordered at a store. With regard to repair works, the Group will strive to upgrade its repair skills, including everything from reception at stores to the acquisition of cutting-edge technology. The Group will also pursue the convenience of its customers, such as the introduction of a "flat rate repair fee system" that enables customers to choose either repair or replacement on the spot.

Currently, there are approximately 1,300 employees in the Service Division who strive to improve their service levels and implement approximately more than 2.7 million deliveries/installations per year, approximately 660 thousand carry-in repairs per year and approximately 990 thousand on-site repairs per year, in an accurate and prompt manner. Moreover, the Group's "home electrical appliances total support" service, which offers air conditioning cleaning and other cleaning and check-up services performed by home electrical appliance professionals, set-up and connection of digital appliances and other similar services, has been gaining popularity, reaching around 350 thousand cases per year. By offering services that meet the various needs of customers, the Group intends to actively improve its after-sales service based on solid technology and sincerity of service.

High-quality customer service

The Group believes that it is indispensable to upgrade the service skills of sales people to achieve high customer satisfaction. In an effort to improve its service quality, the Group actively addresses employee education and conducts various training programmes and product workshops based on the stratified education system. Consequently, as at 31 December 2014, the total number within the Group of home electrical appliance advisors certified by the Association for Electric Home Appliances of Japan amounted to 4,633. Their rich product knowledge enables them to provide high-quality services to customers. In the future, the Group will continue its ongoing efforts to enhance customer satisfaction by upgrading employee service quality.

Operations

Operating segments of the Group are "Sales of home electrical appliances" and "Others". However, as the "Others" segments is immaterial to the segment total, the Group omits the disclosure of segment information for financial reporting purposes. In addition, the Group disposed of its home centre stores business on 1 October 2014 (see "Recent Business—Recent Developments—Transfer of the Home Centre Business").

Merchandise

The Group sells a wide range of home electrical appliances at its directly operated and franchise stores and through the internet, as well as offering housing equipment and certain other merchandise and services.

In terms of types merchandise sold, the Group divides its operations into three main categories: home electrical appliances, information appliances and other. The home electrical appliances sold by the Group include television sets, videos and cameras (including Blu-ray and DVD players and recorders), audio equipment, refrigerators, washing machines and vacuum cleaners, microwave ovens and electric cooking devices, beauty and health appliances, lighting equipment, air conditioners, other air-conditioning equipment, and other home electrical appliances. The information appliances sold by the Group include PCs, PC-related goods, mobile phones (including smartphones) and other information-related electrical equipment. The other merchandise sold by the Group include games and toys, audio-visual software and musical instruments and housing equipment, as well as revenue from repair of home electrical appliances and installation works.

The following tables show a breakdown of the total consolidated net sales of each category of merchandise sold by major product items during the periods indicated:

	(Unaudited, Except for Total Consolidated Net Sales for 2013 and 2014)					
	Fiscal Year Ended 31 March					
	2013		2014		2015	
	Consolidated Net Sales	Percentage of Consolidated Net Sales	Consolidated Net Sales	Percentage of Consolidated Net Sales	Consolidated Net Sales	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)
Home electrical appliances:						
Television sets	¥ 40,967	6.0%	¥ 43,880	5.7%	¥ 41,940	6.1%
Videos and cameras[(2)]	37,820	5.5	38,205	5.0	35,704	5.2
Audio equipment	21,193	3.1	19,645	2.6	17,975	2.6
Refrigerators	44,398	6.5	56,156	7.3	47,159	6.8
Washing machines and vacuum cleaners	50,479	7.4	62,373	8.1	59,431	8.6
Microwave ovens and electric cooking devices	34,035	5.0	40,093	5.2	36,974	5.3
Beauty and health appliances	27,709	4.0	28,975	3.8	29,313	4.2
Lighting equipment	12,006	1.8	12,322	1.6	10,243	1.5
Air conditioners	55,721	8.1	71,300	9.3	54,862	7.9
Other air-conditioning equipment	24,545	3.6	23,190	3.0	21,412	3.1
Other	20,757	3.0	20,487	2.7	17,839	2.6
Sub-total	369,630	54.0	416,626	54.3	372,852	53.9
Information appliances:						
PCs[(3)]	50,246	7.3	64,014	8.3	52,049	7.5
PC-related goods	47,664	7.0	48,355	6.3	44,928	6.5
Mobile phones[(4)]	62,595	9.1	70,395	9.2	65,763	9.5
Other	15,306	2.2	15,395	2.0	14,846	2.1
Sub-total	175,811	25.6	198,159	25.8	177,586	25.6
Other:						
Games and toys	23,028	3.4	21,761	2.8	21,180	3.1
AV software and musical instruments	5,919	0.9	4,973	0.6	4,819	0.7
Housing equipment	35,090	5.1	43,111	5.6	43,528	6.3
Revenue from repair of home electrical appliances and installation works	28,754	4.2	29,304	3.8	22,518	3.3
Other	46,913	6.8	52,766	7.1	48,734	7.1
Sub-total	139,704	20.4	151,915	19.9	140,779	20.5
Total	¥ 685,145	100.0%	¥ 766,700	100.0%	¥ 691,217	100.0%

Notes:

(1) The figures shown in the tables above do not include consumption tax.

(2) Includes Blu-ray and DVD players and recorders.

(3) Includes tablet devices.

(4) Includes smartphones.

The Group considers that identifying the key categories of merchandise to sell at its stores, as well as identifying strong selling merchandise within the relevant product categories and stocking appropriate levels at the appropriate time (while at the same time stocking appropriate levels of alternative merchandise to enable customers visiting the stores to compare between merchandise before coming to a decision about their purchases), to be a key to the successful operation of its stores. In the process of deciding what types and levels of merchandise to stock at its stores, the Group considers market trends and its own sales experience, as well as discussions on the characteristics and expected demand of each product with its manufacturer and negotiations on the price, volume and timing of purchases from such manufacturers.

Further, as a means of providing more tailored responses to its customers' needs, the Group offers certain original products under the "KuaL", "keyword" and "MY&OUR" brands. See "—Strategy—New Business Strategies—Development of original products".

Business Alliance with LIXIL

Following the introduction of the Basic Act for Housing of Japan (Act No. 61 of 2006, as amended) in 2006, the Group has focused on the home remodelling business (which forms part of the "Eco-Living & Solar Power business", which includes sales and installation services related to home remodelling, solar power generation systems and all-electric homes; the Eco-Living & Solar Power business forms part of an operating segment of "Sales of home electrical appliances") as a growth business. The Group entered the home remodelling market in 2008, and further commenced sales and installation of solar power generating systems in 2009.

In August 2013, the Company and LIXIL, a holding company of leading building materials and housing equipment manufacturers and sellers in Japan, announced a capital and business alliance, with the aim of, among other things, combining the LIXIL Group's rich product line-up and the Group's wide sales network to propose new small-scale package remodelling and "*Petit-de-Refo*" remodelling involving equipment replacement. In addition to equipment such as toilets, built-in kitchens, prefabricated baths and wash-stands traditionally stocked by the Group, the Group has started stocking other LIXIL Group products such as windows, sashes, doors, interior and exterior materials and solar panel mounts.

In September 2013, following the announcement of the capital and business alliance, LIXIL acquired 8,961,000 shares of common stock of the Company through third party allotment. As at 31 March 2015, LIXIL held 8.00 per cent of the total shares of common stock of the Company in issue.

Stores

As at 31 March 2015, the Group's retail outlets consisted of 432 directly operated stores and 780 franchise stores. The Group's stores are principally operated under the "EDION" brand (involved mainly in sales of home electrical appliances) and the "100 Man (One Million) Volt" brand (involved mainly in sales of home electrical appliances in the Hokkaido and Hokuriku regions in northern Japan) as well as the brands of domestic mobile telecommunication carriers in respect of the mobile phone specialty stores. The Group opens its directly operated stores on most days of the year.

The Group's directly operated stores account for substantially all of the Group's total net sales. The Group's directly operated stores are mostly volume retailers of home electrical appliances, but the Group also operates mobile phone specialty stores, software specialty stores and home electrical appliance repair stores. The Group's franchises include independent retail stores specialising in home electrical appliances and are typically small stores with strong local community connections.

In relation to its directly operated stores, in larger markets, the Group adopts a "dominant store" strategy where the Group opens numerous stores with the aim of leveraging the effect of advertising and logistics, and thereby raising profitability; in smaller markets with a lesser number of customers, the Group opens small to medium sized stores that respond to the needs of customers in those respective markets.

The Group is also promoting a small franchise store strategy (see "—Strategy—Channel Strategies—Franchise strategy"). The Group intends to continue to meet diversified and segmentalised needs of the ageing society by enhancing cooperation between franchise stores and directly operated stores.

Store Distribution

The following table shows the number of the Group's stores broken down by store type and the sales floor area of directly operated stores as at the dates indicated:

	As at 31 March		
	2013	**2014**	**2015**
Directly operated stores:			
Home electrical appliance stores	355	369	373
Non-home electrical appliance stores(1)	70	66	59
Total directly operated stores	425	435	432
Franchise stores	752	777	780
Total number of stores	1,177	1,212	1,212
Sales floor area of directly operated stores (square metres)	1,041,859	1,053,080	1,029,801

Note:

(1) Includes mobile phone specialty stores, software specialty stores and home centres.

The following table sets out the location of the Group's stores by region as at 31 March 2015:

	Directly Operated Stores		**Franchise stores**	**Total**
	HE(1)	**Non-HE(1)**		
Hokkaido	7	1	0	8
Kanto	8	2	0	10
Hokuriku	17	4	0	21
Chubu	107	49	112	268
Kinki	99	1	71	171
Chugoku	83	2	272	357
Shikoku	17	0	89	106
Kyushu/Okinawa	35	0	236	271
Total	373	59	780	1,212

Note:

(1) "HE" stands for home electrical appliance stores and "Non-HE" stands for non-home electrical appliance stores (including mobile phone specialty stores, software specialty stores and home centres).

The Group intends to continue to enhance its store network to cater to different types of markets and consumer needs thereby increasing convenience to customers at the same time as improving the Group's profitability. As such, the Group focuses on the refurbishment of existing stores and the openings of small to medium sized new stores. In refurbishing existing stores, the Group aims to start offering its home remodelling services and review product displays to deal with the changing needs of customers and market trends. In opening new stores, the Group intends to open mainly small to medium sized stores in Western Japan, where the Group has already established a strong presence and market share. In the fiscal year ended 31 March 2015, the Group opened eight new directly operated home electrical appliance stores, two new directly operated non-home electrical appliance stores and 17 new franchise stores, relocated three directly operated home electrical appliance stores, and closed four directly operated home electrical appliance stores, nine directly operated non-home electrical appliance stores and 14 franchise stores.

E-stores

The Group also sells its merchandise through its own website as well as through malls in major e-commerce sites.

Services

After-sales Service System

To ensure that the Group's customers can continue using merchandise purchased at its stores under optimal conditions, the Group has been engaged in establishing high quality after-sales service systems. The Group's service department employees are engaged in accurately and promptly handling repair requests submitted at the service counters in the Group's stores. Repair service at the customer's home is also available. Currently there are about 1,300 service department employees Group-wide. The Group has developed a highly enhanced after-sales service system in the Japanese home electrical appliance retail industry, offering high quality service to its customers.

Membership Card and Point System

The EDION card, the membership card of the Group with credit card functions, was introduced with the aim of providing the Group's customers with great assurance. By paying an annual service fee of ¥980 (plus consumption tax), customers can enjoy a five-year extended repair warranty for designated home electrical appliances (excepting certain merchandise) purchased at the Group's stores at a price of ¥5,000 (exclusive of consumption tax) or more, with no limit to the number of appliances which are subject to repair warranty. Moreover, EDION Card holders can earn points, not just by shopping at the Group's stores, but also by using the card when shopping on credit at stores both in and outside Japan. As at 31 March 2015, EDION card holders totalled approximately 4,647 thousand. In addition to the EDION Card, the Group introduced in 2012 a card that provides points and certain warranty repair services with no annual membership fee on certain selected items called "Anshin Hosho Card" ("Safety Warranty Card"). As at 31 March 2015, Anshin Hosho Card holders totalled approximately 5,024 thousand.

On 3 April 2015, the Company announced that it has entered into an agreement with Tpoint Japan Co., Ltd., pursuant to which the Group has commenced offering "T-Points" to "T-Card" holders when merchandise (with some exceptions) is purchased at the Group's directly operated stores (other than outlets) from 20 April 2015. T-Cards can be used at a large variety of stores (including internet shopping sites), restaurants and hotels located throughout Japan, including the TSUTAYA video rental stores, Family Mart convenience stores, chains of "family restaurants" such as "Gusto" and "Jonathan's" operated by the Skylark group of companies and the chain of Tokyu Hotels. Customers can choose between gaining points on his or her EDION Card or T-Card at the time of purchase at the Group's stores which offer the service. The Group intends to encourage further usage of the Group's stores by the over 50 million T-Card members through sales promotion efforts, as well as to develop its customer relationship management strategies further leveraging on the T-Point related database and sales promotion tools such as point-of-sale coupons.

Non-Home electrical appliance Businesses

Internet Connectivity Service

The Group operates an internet connectivity service called "EDION Net", offering high-speed mobile connectivity services using LTE called "KuaL.Net" and fixed line connectivity services using optical fibres or ADSL called "Enjoy.Net". Further, the Group has recently started offering FTTH services called "EDION Hikari". See "—Strategy—New Business Strategies—Internet connectivity service business". As at 31 March 2015, the Group had approximately 543 thousand subscribers in this business.

Others

The Group is also involved, through the Company's subsidiaries, in the development and operation of information systems, sales and installation of solar power systems, and purchase and sales of second-hand IT equipment and dismantling of used home electrical appliances (and sales of useful metals derived therefrom). The Company's affiliates are involved in the operation of a CATV broadcasting and CATV internet business and manufacture and sales of furniture. An affiliate of the Company also operates a professional football team, Sanfrecce Hiroshima F.C. (to which the Company serves as the principal sponsor), which became the J. League (Japan professional football league) Division One winner for two consecutive years in 2012 and 2013.

Procurement, Inventory Management and Distribution

The Group procures the merchandise it sells principally from major Japanese home electrical appliance manufacturers. Most of the purchasing, ordering and inventory control is conducted by the Company. The Group operates a Group-wide inventory control system to ensure efficiency of inventory. Inventory is strictly controlled to facilitate the swift delivery of merchandise.

The Group operates six master distribution warehouses in strategic locations around Japan, to which merchandise is delivered from suppliers and from which the Group distributes merchandise to distribution centres and stores. With regard to delivery of merchandise sold online, the Group has established two dedicated distribution centres operated by third party logistics providers (one near Tokyo and one in West Japan), from which merchandise is delivered to customers.

The Group has dealings with all major Japanese home electrical appliance manufacturers, from whom it purchases merchandise on an arm's length basis and enters into purchase contracts as its inventory levels require. The Group also negotiates rebates with manufacturers dependent on the volume of such manufacturers' merchandise sold by the Group and other various factors. In relation to certain of its merchandise, the Group may enter into arrangements with the relevant manufacturers under which the Group discusses planned purchases of a specified amount of merchandise over a specified period with manufacturers, enabling the Group to obtain sufficient levels of merchandise on favourable terms. Once purchased, the Group does not have the option to return such merchandise to manufacturers regardless of whether it is sold or not.

Marketing

The Group's marketing activities utilise advertising mail and various media including television, radio, internet and newspapers. In particular, the Group utilises advertising mails and fliers containing details of sale and other items as a means of marketing; direct mails are sent to its loyal customers with EDION card, and fliers are inserted in newspapers and sometimes handed out by the relevant stores as well as made available online. The Group believes that these mails and fliers help to increase consumers' appetite for the Group's merchandise and encourage them to visit the stores.

In order to provide a high level of customer service, the Group actively addresses employee education and conducts various training programmes and product workshops based on the stratified education system to improve the quality of service and their knowledge of merchandise so that they can explain merchandise to customers better. As at 31 December 2014, the total number within the Group of home electrical appliance advisors certified by the Association for Electric Home Appliances of Japan amounted to 4,633, and their rich product knowledge enables them to provide high-quality services to customers.

Point Service Programme

The Group issues point cards with a view to promoting customer loyalty and gathering customer information for marketing purposes. Customers with an EDION card generally receive one point (and customers with an "Anshin Hosho Card" receive no point) for each purchase of ¥100 (exclusive of tax) of home electrical appliances and PCs, and customers with an EDION card or with an "Anshin Hosho Card" generally receive three points for each purchase of ¥100 (exclusive of tax) of certain specified consumable merchandise (including PC-related consumable merchandise) and five points for each purchase of ¥100 (exclusive of tax) of new game and audio-visual software. Customers with an "Anshin Hosho Card" generally receive points only when paying by cash, while customers with an EDION card receive points when using the credit card functions of the EDION card. EDION card holders can also receive points for making payments using the credit card function (one of JCB, MasterCard or Orico card) at other stores and for payments of utilities. Each point is redeemable for a ¥1 discount on future purchases of merchandise at the Group's stores. Points generally expire on the second 31 March after the relevant points are granted for an "Anshin Hosho Card" and the third 31 March after the relevant points are granted for an EDION card. Further, the Group has also recently introduced the option for customers to collect T-Points (generally granting one T-Point for each purchase of ¥200 (exclusive of tax)) at the Group's directly operated stores. See also "—Operations—Services—Membership Card and Point System".

The usage rate of the Group's points is relatively high. The value of points are not recognised in the Group's financial statements as an allocation of net sales, and reserve for point service programme is provided by reference to the historical data of point utilisation by customers.

Competition

The home electrical appliance retail sector in Japan is highly competitive, currently dominated by a small number of major market participants (each being large-scale retail operators selling home electrical appliances) including the Group, which together control the overwhelming majority of the home electrical appliance retail sector (with the remaining market share divided among home centres, internet shopping websites, television shopping retailers, general merchandise stores, discount stores and numerous small retail home electrical appliance stores). The Group's key competitors, being the above-referenced major market participants, sell a similar range of merchandise to those sold by the Group, and each of the Group's stores competes with those competitors for customers, suitable employees, store sites, merchandise and services. The increasing prevalence of online shopping is also a factor in shaping the domestic competitive landscape, in particular exerting pressures on price competition. Although the Company believes that the Group will be able to continue to maintain or enhance market position in the markets in which it competes, the Group faces tough competition from its competitors who in each case sell merchandise which is the same as or similar to some of the Group's product lines, and in a market where price competition is severe.

As a result of intense competition, certain companies (including the Group companies) have formed, and may form consolidations or tie-ups with other participants in the home electrical appliance retail sector in Japan. Such consolidation or tie-up is likely to further increase competition with the Group.

The Company believes that the Group's large scale and significant purchasing power, its offering of stores tailored to each market, its wide product-line together with its ability to provide services by employees with a wealth of knowledge of the various merchandise and to provide a wide range of high quality after-sales services, its distinctive long-term warranty system offered by its point service programmes, and the synergies evolving from its relationship with LIXIL as well as the growth of the home remodelling business, will enable it to maintain its competitive position in the home electrical appliance retail sector in Japan.

Property and Equipment

The Group takes an individual location's characteristics, such as market size, population breakdown, expected cashflows and profitability, and price and value of the properties, into account before deciding whether to purchase or lease a piece of property for a store.

The following table sets out the carrying values of the Company's principal property and equipment by property as at 31 March 2014:

Name of Property and Location	Description of Property	Buildings and Structures	Tools, furniture and fixtures	Land[(1)]	Leased Assets	Others	Total
		(Millions of yen, except for land areas)					
Osaka office and other headquarter facilities	Offices	¥ 949	¥ 881	¥ 165 [45,677]	¥ 60	¥ –	¥ 2,055
Stores in Nagano prefecture (10 stores)	Stores	420	31	22 (694) [27,277]	–	0	473
Stores in Gifu prefecture (18 stores)	Stores	1,564	60	36 (678) [62,126]	–	0	1,660
Stores in Shizuoka prefecture (15 stores)	Stores	3,087	169	35 (661) [52,079]	–	1	3,292
Stores in Aichi prefecture (59 stores)	Stores	9,865	536	14,044 (56,614) [206,572]	–	13	24,458
Stores in Mie prefecture (13 stores)	Stores	749	55	– [50,550]	–	–	804
Stores in Shiga prefecture (9 stores)	Stores	929	41	536 (11,776) [29,507]	–	–	1,506
Stores in Kyoto prefecture (14 stores)	Stores	1,262	62	836 (6,853) [14,024]	–	7	2,167
Stores in Osaka prefecture (31 stores)	Stores	9,362	251	6,534 (37,749) [94,562]	474	5	16,626

Name of Property and Location	Description of Property	Buildings and Structures	Tools, furniture and fixtures	Land(1)	Leased Assets	Others	Total
			(Millions of yen, except for land areas)				
Stores in Hyogo prefecture (34 stores)	Stores	5,917	246	2,828 (12,849) [110,460]	–	7	8,998
Stores in Nara prefecture (6 stores)	Stores	512	16	– [18,211]	–	–	528
Stores in Wakayama prefecture (2 stores)	Stores	34	5	–	–	–	39
Stores in Tottori prefecture (5 stores)	Stores	1,050	27	806 (7,345) [3,303]	–	0	1,883
Stores in Shimane prefecture (7 stores)	Stores	876	20	1,552 (17,044) [17,226]	–	0	2,448
Stores in Okayama prefecture (21 stores)	Stores	3,816	141	5,026 (25,449) [25,932]	–	1	8,984
Stores in Hiroshima prefecture (34 stores)	Stores	7,877	344	12,958 (39,437) [88,527]	–	26	21,205
Stores in Yamaguchi prefecture (14 stores)	Stores	3,448	71	5,273 (34,935) [33,942]	–	0	8,792
Stores in the Kanto region (8 stores)	Stores	194	57	– [7,119]	–	0	251
Stores in the Shikoku region (17 stores)	Stores	1,512	62	1,101 (5,193) [51,609]	146	0	2,821
Stores in the Kyushu region (32 stores)	Stores	3,210	167	3,734 (25,305) [76,690]	–	1	7,112
Properties for future store openings	Properties for future store openings	–	–	4,175 (16,727)	–	–	4,175
Leases to consolidated subsidiaries	Stores	40	1	124 (618) [3,451]	–	–	165
Leases to companies other than consolidated subsidiaries	Stores	5,135	7	15,853 (135,827) [145,953]	–	4	20,999
Others	Others	47	0	304 (1,030)	–	–	351
Total	–	¥ 61,854	¥ 3,251	¥ 75,942 (436,792) [1,164,803]	¥ 680	¥ 64	¥141,791

Note:
(1) Figures in round parentheses are land areas in square metres, and figures in square parentheses are land areas in square metres leased from companies other than the Company's consolidated subsidiaries.

The following table sets out the carrying values of the principal property and equipment of 3Q Co., Ltd., a consolidated subsidiary of the Company, as at 31 March 2014:

Name of Property and Location	Description of Property	Buildings and Structures	Tools, furniture and fixtures	Land[(1)]	Leased Assets	Others	Total
		(Millions of yen, except for land areas)					
Headquarter facilities in Fukui prefecture	Offices	¥ 82	¥ 13	¥ 25 (369) [932]	¥ –	¥ 0	¥ 120
Stores in Hokkaido prefecture (8 stores)	Stores	1,768	184	408 (12,047) [135,949]	–	8	2,368
Stores in Toyama prefecture (6 stores)	Stores	181	41	– [22,810]	–	0	222
Stores in Ishikawa prefecture (6 stores)	Stores	2,713	140	59 (1,677) [62,221]	–	0	2,912
Stores in Fukui prefecture (8 stores)	Stores	1,810	66	– [51,795]	–	4	1,880
Stores in the Kanto region (2 stores)	Stores	0	1	–	–	0	1
Stores in the Kinki region (3 stores)	Stores	393	10	– [22,199]	–	0	403
Stores in the Sanin region (3 stores)	Stores	928	57	– [29,156]	–	0	985
Stores in the Kyushu region (5 stores)	Stores	205	16	– [31,108]	–	0	221
Leases to companies other than Group companies	Stores	150	2	– [20,972]	–	–	152
Total	–	¥ 8,229	¥ 528	¥ 492 (14,094) [377,525]	¥ –	¥ 16	¥9,265

Note:
(1) Figures in round parentheses are land areas in square metres, and figures in square parentheses are land areas in square metres leased from companies other than the Company's consolidated subsidiaries.

The following table sets out the carrying values of the principal property and equipment of the other consolidated subsidiaries of the Company, as at 31 March 2014:

Name of Subsidiary and Location of Property	Description of Property	Buildings and Structures	Tools, furniture and fixtures	Land[(1)]	Leased Assets	Others	Total
		(Millions of yen, except for land areas)					
EDION COMMUNICATIONS Corporation	Stores and others	¥ 256	¥ 51	¥ –	¥ –	¥ –	¥ 307
NWORK Co., Ltd.	Offices and others	3	36	–	23	–	62
EDION HOUSE SYSTEM Corporation	Offices and others	–	–	–	–	–	–
E.R. Japan Corporation	Stores and others	599	4	424 (19,707)	208	97	1,332

Note:
(1) Figures in round parentheses are land areas in square metres.

Corporate Social Responsibility ("CSR")

The Group is actively involved in environmental initiatives to contribute to the conservation of the environment. In April 2012, the Group established E.R. Japan Corporation jointly with Kimura Metal Industry Co., Ltd. and Mitsui & Co., Ltd. to engage in the recycling business. The joint venture not only purchases and sells used information and telecommunications equipment, including PCs and mobile phones, but also engages in the resource recycling business to collect and sell reusable metals in used small home electrical appliances. The Group has also been active in various tree-planting and forestation programmes. In addition, the Group has been promoting the installation of various types of energy-efficient equipment to promote conservation of the environment and to reduce utility costs.

The Group is also actively involved in various sports and cultural activities to promote the development of regional communities.

Corporate Governance and Internal Control

The Company has set up a Board of Directors that meets twice monthly and serves as a management decision-making body; a Management Meeting, held prior to the Board of Directors meeting, that serves as a liaison meeting for operational adjustments and discusses how to address Group-wide important management issues; a Compliance Committee that serves as risk management headquarters in charge of ensuring compliance with our corporate ethics code; and a Risk Management Committee that conducts overall management of risks to companies within the Group. In addition, the Board of Corporate Auditors and the Internal Audit Department focus on information sharing by conducting liaison meetings to enhance the corporate governance system of the Group as a whole.

As part of its efforts to enhance corporate governance, in December 2004 the Group established a corporate ethics code, the "EDION Group Corporate Ethics". Since 2005, the Group has also reinforced its compliance training and education system for new employees, distributing the Group's "Ethics and Compliance Manual" and "Code of Ethics" cards to employees, to carry around with them. Furthermore, based on an advisory contract with a law firm, the Company has been consulting an expert regarding legal judgments on its management decisions and daily store operations, as well as executive and employee compliance with its ethical code. The Group has also instituted a "Personal Information Protection Policy" and an "Administrative Regulation for Protecting Personal Information", establishing an appropriate personal information protection and management system that is managed by the administrative headquarters of the Company.

The Company announced on 22 April 2015 that the Board of Directors has revised the Company's "Basic Policies of Internal Control" emphasising on a system that ensures (i) Directors and employees comply with laws, regulations and the Articles of Incorporation, (ii) effective retention and management of information relating to the duties of the Directors, (iii) risk control, (iv) effective implementation of the duties of the Directors, (v) appropriateness of operations within the Group, (vi) independence of employees appointed to assist the Corporate Auditors, (vii) effective reporting to the Corporate Auditors, and (viii) systems for ensuring an effective audit by the Corporate Auditors.

Regulation

Like others in the retail industry, the Group is subject to Japanese laws and regulations which regulate the manner in which it can conduct its business, including the Large-Scale Retail Stores Location Act, the Recycling Act, the Act against Unjustifiable Premiums and Misleading Representations, the Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

Large-Scale Retail Stores Location Act

This law is intended to give local authorities the power to regulate new large stores on the basis of environmental considerations. It applies to both new store openings and to significant changes in the business operations of existing stores, including expansion of space and extension of business hours. The Large-Scale Retail Stores Location Act is applicable to stores with a sales floor space of more than 1,000 square metres and includes regulations on noise control, parking space and the environment of local neighbourhoods in which the stores are located. The Large-Scale Retail Stores Location Act directly affects developers, managers and tenants and may result in a decrease in the development of commercial complexes, although the Company believes that the Large-Scale Retail Stores Location Act has so far had a positive overall effect as it has resulted in the clarification of governmental requirements and guidelines without materially affecting the Group's business. However, as part of the Group's expansion plans, it may open stores which will be subject to the Large-Scale Retail Stores Location Act restrictions. Store openings are subject to approval from regional urban planning authorities and to local regulations which vary from region to region. Many municipalities in Japan are taking advantage of the Large-Scale Retail Stores Location Act to draft ordinances that mandate parking space provisions and operating restrictions that are stricter than national norms.

Recycling Act

The Recycling Act provides for certain home electrical appliances, currently air conditioners, television sets, refrigerators, washing and/or drying machines and freezers (the "Designated Appliances"), to be collected and recycled at the cost of consumers. Under the Recycling Act, when disposing of a Designated Appliance a consumer delivers it to a retailer and, in turn, that retailer delivers it to a manufacturer which is responsible for finally disassembling and recycling it. The Group, as a retailer which engages in the retail business of Designated Appliances, is obliged to receive a Designated Appliance if (i) it is one that the Group had sold, or (ii) the Group sells the same kind of Designated Appliance. Pursuant to the Recycling Act, the consumer bears the transportation cost from retailer to manufacturer, along with the cost of disassembling and recycling the Designated Appliance.

Act against Unjustifiable Premiums and Misleading Representations

The Act against Unjustifiable Premiums and Misleading Representations prohibits offering excessive premiums and misleading representations, including representations to consumers by which the quality or standard of goods is shown to be much better than is actually the case, or in comparison to the goods of the seller's competitors. In addition, an enterprise or a business association may, upon obtaining authorisation by the Prime Minister and the JFTC, enter into an agreement or establish a code in order to prevent unjust inducement of customers and to maintain general consumer's voluntary and rational choice-making and fair competition among enterprises. The Home Electric Appliance Fair Trade Conference, of which the Group is a member, has established a fair trade code regarding the representations made by home electrical appliance retailers which provides that certain information, including the name of the product and the product type, should be contained in advertising bills, and also prohibits representations comparing the sales price with prices other than the supplier's recommended retail price or the usual price of the retailer of the product. In conducting its promotional activities, the Group must comply with the fair trade code mentioned above as well as the Act against Unjustifiable Premiums and Misleading Representations and the rules made by the JFTC thereunder.

Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers

Pursuant to the Antimonopoly Act, the JFTC has promulgated the Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers, which specifically regulates abuse by large-scale retailers (including the Company) of dominant bargaining position as against its suppliers. In the event that the JFTC determines that any act in violation of the Unfair Supplier Transaction Rules has occurred, the JFTC may issue a warning to the relevant retailer or may, pursuant to procedures set forth in the Antimonopoly Act, order the retailer to take necessary measures to eliminate such act.

Act on the Protection of Personal Information

The Group receives and manages personal information from a large number of customers, especially in connection with its point service programme. The Act on the Protection of Personal Information and its related rules, regulations and guidelines impose various requirements on businesses that use databases, including the Group, containing personal information, such as appropriate custody of such information and restrictions of information sharing with third parties.

Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors

The Company is subject to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, which is intended to ensure the fairness of transactions between contractors and subcontractors and to protect the interests of such subcontractors. For the purpose of this Act, the Company constitutes a main subcontracting entrepreneur, and accordingly its subcontractors are defined to include individuals, as well as legal entities having capital or total contributions not exceeding ¥300 million. The Company, in entering into manufacturing or other contracts with such subcontractors, is subject to various restrictions. Among others, it may not refuse to accept work product from such subcontractors except for reasons attributable to the subcontractor itself, may not fail to make payment of subcontract proceeds on or prior to the applicable payment date and may not reduce the amount of subcontract proceeds paid except for reasons attributable to the subcontractor.

Insurance

The Group maintains a range of insurance policies which the Company believes are comparable to other companies with similar operations in Japan. The Group insures all store premises owned by the Group for risks such as fire, theft and third-party liability, and certain premises also with earthquake risk. In certain cases, fire risk is insured by the owner of the relevant building. The Group also insures certain equipment at Group-operated stores. Franchisees are recommended to maintain adequate insurance covering similar risks.

Legal Proceedings

Group companies are, from time to time, involved in various legal proceedings in the ordinary course of its business. Neither the Company nor any of its consolidated subsidiaries is involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position of the Group.

On 16 February 2012, the Company received a cease and desist order and a surcharge payment order from the JFTC on the charge of violating Article 2, Paragraph 9, Item 5 (abuse of a superior bargaining position) and Article 19 (unfair business practices) of the Antimonopoly Act. Although the Company has already paid the surcharge amounting to approximately ¥4,048 million pursuant to such orders, the Company decided to request the JFTC to initiate a hearing regarding the said orders. Following the decision to initiate the hearing made on 24 April 2012, the hearing is still continuing.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors has the ultimate responsibility for the administration of the Company's affairs. The Articles of Incorporation of the Company provide that the number of Directors may not be more than 13. Directors are elected at general meetings of shareholders. The normal term of office of any Director expires at the close of the ordinary general meeting of shareholders held with respect to the last business year ending within one year after such Director's assumption of office. Remuneration for Directors in their capacity as such is subject to approval by shareholders in general meetings. The Board of Directors elects from among its members one or more Representative Directors, each of whom is entitled to represent the Company. The Board of Directors may also appoint by resolution, one Chairman, one President and one or more Deputy Chairmen, Deputy Presidents, Senior Executive Vice Presidents and Executive Vice Presidents from among its members.

The Articles of Incorporation of the Company provide that the number of Corporate Auditors shall be not more than five. The Corporate Auditors are elected at general meetings of shareholders. The normal term of office of any Corporate Auditor expires at the close of the ordinary general meeting of shareholders held with respect to the last business year ending within four years after such Corporate Auditor's assumption of office. Under the Companies Act and other related laws, the Corporate Auditors (not less than half of whom must be from outside the Company) are not required to be, and are not, certified public accountants, and may not at the same time be directors or employees of the Company or any of its subsidiaries or accounting counsellors or executive officers of the Company's subsidiaries. The Corporate Auditors form the Board of Corporate Auditors. Corporate Auditors have the duties of supervising the administration by the Directors of the Company's affairs and examining the financial statements and business reports to be submitted by a Representative Director to the ordinary general meeting of shareholders. Corporate Auditors shall attend meetings of the Board of Directors and are entitled to express their opinions, but they are not entitled to vote. They are required to elect from among themselves at least one standing Corporate Auditor. Corporate Auditors also have a statutory duty to provide their report to the Board of Corporate Auditors, which must submit its auditing report to a Representative Director. The Board of Corporate Auditors will also determine matters relating to the duties of the Corporate Auditors, such as audit policy and methods of investigation of the affairs of the Company.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Company, are required to have at least one independent officer. Such independent officer is required to be an outside director or outside corporate auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company.

In addition to Corporate Auditors, the Company must appoint an independent auditor who has the statutory duties of auditing the financial statements to be submitted by a Representative Director to the ordinary general meeting of shareholders and reporting on such financial statements to the Board of Corporate Auditors and the Board of Directors. The Company's independent auditor for such purposes is Ernst & Young ShinNihon LLC.

The names of the Directors and Corporate Auditors of the Company as at the date of this Offering Circular are as follows:

Name	Title
Directors	
Masataka Kubo(2)	Chairman and President
Shoichi Okajima(2)	Deputy Chairman
Hirohisa Kato	Senior Executive Vice President
Seiichi Funamori	Senior Executive Vice President
Norio Yamasaki	Senior Executive Vice President
Masayuki Umehara	Executive Vice President
Ryuji Yuyama	Senior Vice President
Kazumasa Douhou	Senior Vice President
Takahiro Kato	Senior Vice President
Yuji Ikehata	Senior Vice President
Shozo Ishibashi(3)	Independent Director
Corporate Auditors	
Makoto Fujikawa	Standing Corporate Auditor
Takenori Isou(4)	Corporate Auditor
Takashi Okinaka(4)	Corporate Auditor
Soumitsu Takehara(4)	Corporate Auditor

Notes:

(1) The following changes are expected to take place on or around 26 June 2015 (following the ordinary general meeting of shareholders to be held on that day):

- Mr. Masayuki Umehara is expected to be appointed as Senior Executive Vice President.
- Mr. Ryuji Yuyama is expected to retire.

In addition to the Directors and Corporate Auditors named above, Mr. Shimon Takagi is expected to be appointed as an outside Director and Messrs. Tsuneo Mishima and Kaoru Koyano are expected to be appointed as a Director (Senior Vice President) on or around 26 June 2015 (following the ordinary general meeting of shareholders to be held on that day).

(2) Representative Directors.

(3) Outside Directors who fulfil the requirements as provided by the Companies Act.

(4) Outside Corporate Auditors who fulfil the requirements as provided by the Companies Act.

All the Directors other than Mr. Ishibashi are engaged in the Group's business on a full-time basis. The current business address of the Directors is 5-17, Dojima 1-chome, Kita-ku, Osaka-shi, Osaka 530-0003, Japan.

As at 31 March 2015, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. For certain related party transactions (involving insurance contracts arranged by an insurance agency company controlled by a Director and his family members), see Note 19 of the consolidated financial statements for the year ended 31 March 2014. As at 31 March 2015, there were no outstanding loans granted by the Company to the Directors nor any guarantees provided by the Company for their benefit.

The aggregate remuneration (including bonuses) paid to the Company's Directors (other than outside Directors), Corporate Auditors (other than outside Corporate Auditors), and outside Directors and outside Corporate Auditors by the Company in their capacities as such was ¥425 million, ¥11 million and ¥23 million, respectively, for the fiscal year ended 31 March 2015.

Under the Company's Articles of Incorporation, the Company may exempt, by resolution of the Board of Directors, its Directors or Corporate Auditors from liabilities to the Company arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, the Company's Articles of Incorporation currently provide that the Company may enter into liability limitation contracts with any of its outside Directors and outside Corporate Auditors in order to limit the maximum amount of such damages to the total amount stipulated in Article 425, Paragraph 1, Item 1 and Item 2 of the Companies Act. Following an amendment to the Company's Articles of Incorporation which is expected to be approved at its ordinary general meeting of shareholders to be held on or around 26 June 2015, the Company may enter into liability limitation contracts with any of its Directors (excluding those who are representative, managing or executive Directors or employees) and its Corporate Auditors in order to limit the maximum amount of such damages to the total amount stipulated in Article 425, Paragraph 1, Item 1 and Item 2 of the Companies Act.

Employees

The following table sets forth the number of the employees of the Company and its consolidated subsidiaries as at the dates indicated, by category of business:

	Fiscal Year Ended 31 March		
	2013	**2014**	**2015**
Sales of home electrical appliances	7,104	6,661	6,395
	(4,964)	(4,955)	(4,816)
Others	1,604	1,491	1,402
	(1,322)	(1,742)	(1,698)
Corporate	894	957	991
	(164)	(197)	(235)
Total	9,602	9,109	8,788
	(6,450)	(6,894)	(6,749)

Note:

(1) Figures without parentheses denote the number of full-time employees employed at the end of the relevant period, while figures in parentheses denote the average number of part-time workers employed during the relevant period.

Labour Relations

The Group considers its labour relations to be very good. Certain of the Company's employees are members of the EDION Labour Union, which is a member of UA Zensen (The Japanese Federation of Textile, Chemical, Food, Commercial Service and General Worker's Unions), and certain of the employees of 3Q Co., Ltd., a consolidated subsidiary of the Company, are members of the 3Q Labour Union. As at 31 March 2015, the EDION Labour Union and the 3Q Labour Union had 10,511 members (including secondees and employees on temporary retirement) and 1,199 members, respectively.

Directors'/Employees' Stock Options

The Group has no outstanding stock options.

SUBSIDIARIES AND AFFILIATES

As at 31 March 2015, the Group comprised of the Company, five consolidated subsidiaries, and four affiliates, of which three companies were accounted for by the equity method. The following table sets out the Company's consolidated subsidiaries and affiliates accounted for by the equity method as at 31 March 2015:

Name of subsidiary/affiliate	Location	Principal business	Issued share capital as at 31 March 2015	Percentage of voting rights directly or indirectly by the Company
			(Millions of yen)	(Per cent)
Consolidated Subsidiaries				
EDION COMMUNICATIONS Corporation	Nagoya	Sale of mobile phones	¥ 300	100.00%
NWORK Co., Ltd.	Nagoya	Operation and development of IT systems	30	100.00
3Q Co., Ltd.	Fukui	Sale of home electrical appliances	10	100.00
EDION HOUSE SYSTEM Corporation	Hiroshima	Sale of solar energy power generation systems/home remodelling	20	100.00
E.R. Japan Corporation	Hiroshima	Reuse and recycling businesses	100	55.00
Affiliates Accounted For by the Equity Method				
Fureai Channel Inc.(1)	Hiroshima	CATV broadcasting	1,500	16.45
Sanfrecce Hiroshima F.C.	Hiroshima	Professional football team	220	46.96
Maruni Wood Industry Inc.	Hiroshima	Manufacturing and sale of furniture	100	23.49

Note:

(1) Although the Company's holding is less than 20 per cent, this company is accounted for by the equity method by the Company due to the Company's significant influence over the company.

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

Set out below is certain information concerning the Shares, including brief summaries of certain provisions of the Company's Articles of Incorporation and Share Handling Regulations and of the Companies Act relating to joint stock corporations (*kabushiki kaisha*), and certain related legislation, all as currently in effect.

General

All issued Shares are fully-paid and non-assessable, and are in registered form.

On 5 January 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Book-Entry Act, and the shares of all Japanese companies listed on any Japanese stock exchange, including the Shares, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Act. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an account management institution unless such person has an account at JASDEC. "Account management institutions" are financial instruments traders (i.e., securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet further stringent requirements under the rules of JASDEC ("JASDEC rules") can open accounts directly at JASDEC. For the purpose of the description under this section, the Company assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act and the Book-Entry Act, in order to assert shareholders' rights against the Company, a shareholder must have its name and address registered in the Company's register of shareholders, except in limited circumstances. Under the new clearing system, such registration is generally made upon an all shareholders notice from JASDEC.

Shareholders are required to file their names and addresses with the Company, generally through the account management institution and JASDEC. Non-resident shareholders are also required to appoint a standing proxy in Japan or provide a mailing address in Japan and to file their standing proxy or a mailing address with the Company, generally through the account management institution and JASDEC. Japanese securities firms and commercial banks customarily act as standing proxy and provide related services for standard fees.

The transfer agent of the Company is Mitsubishi UFJ Trust and Banking Corporation, located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan.

Distributions of Surplus

General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so-called "dividends", are referred to as "distributions of Surplus" ("Surplus" is defined in "—Restriction on Distributions of Surplus"). The Company may make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distributions of Surplus".

Distributions of Surplus are required in principle to be authorised by a resolution of a general meeting of shareholders, but may also be made pursuant to a resolution of the Board of Directors but only if all of the requirements described in (a) to (c) below are met:

(a) the Company's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of Surplus;

(b) the normal term of office of each Director of the Company terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of such Director; and

(c) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

At present, the requirement described in (a) above is not met. Nevertheless, the Company may make distributions of Surplus in cash as an interim dividend (the "interim dividend") to its shareholders by resolutions of the Board of Directors once per fiscal year under the Company's Articles of Incorporation and the Companies Act.

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31 March of each year pursuant to a resolution of a general meeting of shareholders, and an interim dividend may be distributed to shareholders of record as at 30 September of each year pursuant to a resolution of the Board of Directors. The Company is not obliged to pay any dividends in cash unclaimed for a period of three years after the date on which they first became payable.

Distributions of Surplus may be made in cash or (except for interim dividends) in kind in proportion to the number of Shares held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors authorising a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders, grant a right to its shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the Shares generally goes ex-dividend on the second business day prior to the record date, pursuant to the rules of the Japanese stock exchanges.

Restriction on Distributions of Surplus

When the Company makes a distribution of Surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed in accordance with an ordinance of the Ministry of Justice.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, as each such amount appears on the Company's non-consolidated balance sheet as at the end of the last fiscal year;

"B" = (if the Company has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;

"C" = (if the Company has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

"D" = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

"E" = (if the Company has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock;

"F" = (if the Company has distributed Surplus to its shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed; and

"G" = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount (the "Distributable Amount"), as calculated on the effective date of such distribution. The Distributable Amount shall, at any given time, be equal to the amount of Surplus less the aggregate of the following:

(a) the book value of the Company's treasury stock, as at the effective date of distribution;

(b) the amount of consideration for the Company's treasury stock disposed of by it after the end of the last fiscal year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet of the Company as at the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has, at its option, become a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), it will be required to further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders' equity appearing on its non-consolidated balance sheet as at the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders' equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on its consolidated balance sheet as at the end of the last fiscal year.

If the Company has prepared interim financial statements (*rinji keisan shorui*) as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company's treasury stock disposed of by it, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as at any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements prepared by the Company must be audited by its Corporate Auditors and independent auditors, as required by the Companies Act and ordinances of the Ministry of Justice.

Capital and Reserves

When the Company issues new Shares, the entire amount of money or other assets paid or contributed by subscribers for such Shares is required to be accounted for as stated capital, although the Company may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by resolution of the Board of Directors.

The Company may reduce its additional paid-in capital or legal reserve generally by a resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Company may reduce its stated capital generally by special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Company may reduce its Surplus and increase either (i) stated capital, or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by resolution of a general meeting of shareholders.

Stock Splits

The Company may at any time split the issued Shares into a greater number of Shares by resolution of its Board of Directors. When a stock split is to be made, so long as the only type of the Company's outstanding stock is its common stock, it may increase the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such stock split by amending its Articles of Incorporation, which amendment may be made without approval by shareholders.

Before a stock split, the Company must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date. Under the JASDEC rules relating to the new clearing system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of its Board of Directors determining such stock split. On the effective date of the stock split, the numbers of Shares recorded in all accounts held by holders of Shares at account management institutions or JASDEC will be increased in accordance with the applicable ratio.

Unit Share System

The Company's Articles of Incorporation provide that 100 Shares constitute one "unit". Its Board of Directors is permitted to reduce the number of Shares that will constitute a unit or abolish the unit share system entirely by amending its Articles of Incorporation without approval by shareholders, while a special resolution of a general meeting of shareholders is required to increase the number of Shares that will constitute a unit. The number of Shares constituting a unit may not exceed the lesser of 1,000 and one-two hundredth of the total number of issued Shares.

Under the unit share system, a shareholder has one vote for each unit of Shares held by it, except as stated in "—Voting Rights". Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Holders of Shares constituting less than one unit have no shareholder rights other than certain rights specified in the Companies Act, an ordinance of the Ministry of Justice or the Company's Articles of Incorporation, including the right to receive distribution of Surplus.

Under the new clearing system, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit and, accordingly, may not be sold on the Japanese stock exchanges, unless a different trading unit is designated by the relevant Japanese stock exchange.

Holders of Shares constituting less than one unit may at any time request the Company to purchase Shares held by them. Pursuant to the Company's Articles of Incorporation and Share Handling Regulations, any such holder may also request the Company to sell to such holder Shares constituting less than one unit which, when added to the Shares held by such holder, shall constitute one full unit. Under the new clearing system, such requests must be made to the Company through the relevant account management institutions and JASDEC. Such purchase or sale of Shares will be effected at the last trading price of the Shares on the relevant stock exchange on the day such request is made (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter). The request of such purchase or sale may not be withdrawn without the Company's consent.

General Meetings of Shareholders

The ordinary general meeting of shareholders of the Company is customarily held in June each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating, among other things, the place, time and purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or 1 per cent of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting. If the Company's Articles of Incorporation so provide, any of the minimum percentages, time periods and numbers of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

Voting Rights

A holder of Shares constituting one or more units is, in principle, entitled to one voting right for each unit of Shares. However, in general, neither the Company nor any corporate or certain other entity, one-quarter or more of the total voting rights of which are directly or indirectly held by the Company, has voting rights in respect of Shares held by the Company or such entity.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by the holder of a majority of the total number of voting rights represented at the meeting. The Company's Articles of Incorporation provide that the quorum for election of its Directors and Corporate Auditors is one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of its Directors. The shareholders may exercise their voting rights in writing or through proxies, provided that the proxies are, in general, also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" of a general meeting of shareholders. Under the Company's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

(i) purchase of Shares by the Company from a specific shareholder other than the Company's subsidiaries;

(ii) consolidation of Shares;

(iii) issuance or transfer of new Shares or existing Shares held by the Company as treasury stock to persons other than the shareholders at a "specially favourable" price;

(iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favourable" conditions;

(v) removal of any of the Corporate Auditors of the Company;

(vi) exemption from a portion of liability of the Directors, Corporate Auditors or independent auditors of the Company;

(vii) distribution of Surplus in kind with respect to which shareholders are not granted the right to require the Company to make distribution in cash instead of in kind;

(viii) reduction of stated capital;

(ix) amendment to the Company's Articles of Incorporation;

(x) transfer of the whole or a substantial part of the Company's business;

(xi) transfer of the whole or a part of the Company's equity interest in any of the Company's subsidiaries, where the book value of the equity interest so transferred exceeds one-fifth of the amount of the Company's total assets as provided for by an ordinance of the Ministry of Justice and the Company will hold no more than half of the voting rights held by all holders of equity interests in such subsidiary upon the effectiveness of the transfer;

(xii) taking over of the whole of the business of another company;

(xiii) merger;

(xiv) corporate split;

(xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share exchange (*kabushiki-kokan*);

(xvi) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*);

(xvii) consolidation; and

(xviii) dissolution.

However, under the Companies Act, no shareholder approval, whether by an ordinary resolution or a special resolution at a general meeting of shareholders, is required for any matter described in (viii) to (xv) above, and such matter may be decided by the Board of Directors if it satisfies certain criteria prescribed by the Companies Act.

Liquidation Rights

In the event of the liquidation of the Company, any assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Shares in proportion to the respective number of Shares that they hold.

Subscription Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of new Shares at a "specially favourable" price mentioned in "—Voting Rights" above. The Board of Directors may, however, determine that shareholders be given subscription rights to new Shares, in which case they must be given on uniform terms to all holders of Shares as at a record date of which not less than two weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire.

Stock Acquisition Rights

The Company may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire Shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The Company may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorised by the Board of Directors unless it is made under "specially favourable" conditions, as described in "—Voting Rights".

Record Date

As mentioned above, 31 March is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders, and 30 September is the record date for the payment of interim dividends.

In addition, by a resolution of the Board of Directors and after giving at least two weeks' prior public notice, the Company may at any time set a record date for determining the shareholders entitled to certain rights pertaining to Shares.

Under the JASDEC rules relating to the new clearing system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors of the Company determining such record date. JASDEC is required to promptly give the Company notice of the names and addresses of holders of Shares, the numbers of Shares held by them and other relevant information as at such record date.

Acquisition of Shares by the Company

The Company may acquire Shares: (i) by soliciting all its shareholders to offer to sell Shares held by them (in this case, certain terms of such acquisition, including the total number of Shares to be purchased and the total amount of consideration, shall be set by an ordinary resolution of a general meeting of shareholders in advance, and such acquisition shall be executed pursuant to a resolution of the Board of Directors); (ii) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution of a general meeting of shareholders); (iii) from any of the Company's subsidiaries (pursuant to a resolution of the Board of Directors); or (iv) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to the Company's Representative Director that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter) and (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted, the price of the Shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Shares may not exceed the Distributable Amount, as described in "—Distributions of Surplus—Restriction on Distributions of Surplus".

The Company may hold Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Shares by a resolution of the Board of Directors.

Request by a Controlling Shareholder to Sell All Shares

A shareholder holding, directly or indirectly, 90 per cent (or such other percentage more than 90 per cent as provided in the Company's Articles of Incorporation) or more of the Company's voting rights has the right to request, subject to approval by the Company's Board of Directors, that the other shareholders and (if the controlling shareholder so determines) all holders of stock acquisition rights of the Company (in each case other than the Company and, if the controlling shareholder so determines, the controlling shareholder's wholly-owned subsidiaries) sell to the controlling shareholder all shares and all stock acquisition rights, as the case may be, held by them (*kabushiki tou uriwatashi seikyu*). If the approval is granted by resolution of the Company's Board of Directors, the Company will be required to give public notice thereof to all holders and registered pledgees of shares (and stock acquisition rights, as the case may be) not later than 20 days prior to the effective date of such sales, as proposed by the controlling shareholder.

Disposal of Shares by the Company held by Shareholders whose Location is Unknown

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder to whom delivery of notices has failed also fails to receive distributions of Surplus on the Shares continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company, then the Company may in general dispose of such Shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

Reporting of Substantial Shareholders

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of issued voting securities (excluding treasury stock) amounting to more than 5 per cent of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance of Japan within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1 per cent or more in the holding or of any change in material matters set out in reports previously filed. For this purpose, shares issuable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any report so filed will be made available for public inspection. Reports are required to be filed through the EDINET system.

TAXATION

Japan

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds, who are non-resident individuals or non-Japanese corporations, in either case having no permanent establishment in Japan ("non-resident Holders"). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company. Stock splits are not subject to Japanese income tax. The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20 per cent, subject to any applicable income tax treaty. However, with respect to dividends paid by the Company to any non-resident Holders of Shares, except for any individual shareholder who holds 3 per cent or more of the total issued Shares, the said 20 per cent withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent of the original applicable tax rate) will be added to the withholding tax rate from and including 1 January 2013 to and including 31 December 2037. Gains derived from the sale of Shares, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

Other

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 3 June 2015 in respect of the Bonds (the "Subscription Agreement") between the Company and Nomura International plc (the "Manager"), the Manager has agreed with the Company, subject to the satisfaction of certain conditions, to purchase ¥15,000,000,000 in aggregate principal amount of the Bonds at the issue price (the "Issue Price") of 100.5 per cent of the principal amount of the Bonds and to offer the Bonds at the Offer Price in respect of the Bonds as stated on the cover page of this Offering Circular (the "Offer Price").

No selling concession or combined management and underwriting commission will be payable by the Company with respect to the offering of the Bonds. The difference between the Offer Price and the Issue Price will be retained by the Manager.

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Manager is entitled to be released and discharged from its obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Manager against certain liabilities in connection with the issue and offering of the Bonds.

Lock-up

In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that no person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date:

(i) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;

(ii) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;

(iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or

(iv) publicly announce any intention to do any of the above,

without the prior written consent of the Manager, other than:

(a) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(b) the issue or transfer of Shares by the Company upon exercise of stock acquisition rights (including bonds with stock acquisition rights) issued and outstanding as of the date hereof and referred to in this Offering Circular;

(c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares;

(d) the issue of Shares by the Company as a result of any stock split or the pro rata allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and

(e) any other issue or sale of Shares required by the Japanese laws and regulations.

Selling Restrictions

United States

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. The Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights (i) as part of their distribution at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights within the United States by any dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Manager; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended including by Directive 2010/73/EU,), and includes any relevant implementing measure in the Relevant Member State.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described therein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

United Kingdom

The Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in, from or otherwise involving the United Kingdom.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, the Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

The Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Bonds may not be offered or sold, nor may the Bonds be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA pursuant to Section 275(1) of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

The Manager has represented and agreed that:

(i) the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights may not be offered or sold by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") and any rules made under the SFO, or (b) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(ii) no advertisement, invitation or document relating to the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Bonds and Shares issuable upon exercise of the Stock Acquisition Rights which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

General

Neither the Company nor the Manager represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

Certain of the Manager or its affiliate may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offering of the Bonds, the Manager may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or the Shares and/or other securities of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or Shares and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions the Manager may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Manager or its affiliate have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds.

GENERAL INFORMATION

1. The Company has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Company dated 3 June 2015.

2. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Securities Identification Number (ISIN) is XS1238828658 and the Common Code is 123882865.

3. The Securities Identification Code for the Shares is 2730.

4. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for definitive Certificates, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST.

5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the financial position or prospects of the Group since 31 March 2015.

6. Save as disclosed in this Offering Circular, there are no, nor have there been any, governmental, legal arbitration, administrative or other proceedings involving the Company or its subsidiaries and affiliates which may have or have had during the 12 months immediately preceding the date of this Offering Circular a significant effect on the financial position or the profitability of the Company or the Group and, so far as the Company is aware, there are no such proceedings pending or threatened.

7. Copies of the latest audited consolidated annual financial statements of the Company, and the latest unaudited consolidated annual and quarterly financial information of the Company, which is included in a summary of annual and quarterly results (*kessan tanshin*) of the Group to be published by the Company in Japanese under the rules of the Tokyo Stock Exchange, may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

8. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.

9. The consolidated financial statements of the Company and its consolidated subsidiaries as at 31 March 2014 and 2013 and for the fiscal years then ended included in this Offering Circular have been audited by Ernst & Young ShinNihon LLC, the Company's independent auditors, as stated in its audit reports appearing herein.

10. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by the independent auditors to the Company whether or not the same are subject to any limitation on the liability of the independent auditors to the Company and whether by reference to a monetary cap or otherwise.

INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

The Board of Directors
EDION Corporation

We have audited the accompanying consolidated financial statements of EDION Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of operations, comprehensive income (loss), changes in net assets, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDION Corporation and its consolidated subsidiaries as at March 31, 2014 and 2013, and their consolidated financial performance and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

/s/ Ernst & Young ShinNihon LLC
Osaka, Japan
June 30, 2014

EDION Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2014	**2013**	**2014**
Assets			
Current assets:			
Cash and cash equivalents *(Note 10)*	**¥ 20,294**	¥ 9,967	**$ 197,181**
Notes and accounts receivable:			
Trade *(Note 10)*	**46,377**	28,166	**450,614**
Other	**12,827**	11,878	**124,631**
Allowance for doubtful receivables	**(38)**	(35)	**(368)**
	59,166	40,009	**574,877**
Inventories:			
Merchandise and products	**84,467**	99,780	**820,708**
Supplies	**251**	281	**2,441**
	84,718	100,061	**823,149**
Deferred income taxes *(Note 9)*	**9,409**	7,999	**91,425**
Other current assets	**4,211**	4,410	**40,903**
Total current assets	**177,798**	162,446	**1,727,535**
Property and equipment, at cost *(Note 15)*:			
Land *(Notes 4, 6 and 7)*	**77,299**	76,199	**751,063**
Buildings and structures *(Notes 6 and 7)*	**165,539**	161,949	**1,608,427**
Tools, furniture and fixtures	**23,827**	23,956	**231,509**
Leased assets	**1,935**	1,206	**18,801**
Construction in progress	**1,925**	4,139	**18,703**
Other	**592**	667	**5,741**
	271,117	268,116	**2,634,244**
Accumulated depreciation	**(116,517)**	(114,114)	**(1,132,109)**
Property and equipment, net	**154,600**	154,002	**1,502,135**
Investments and other assets:			
Investments in securities *(Notes 3 and 10)*	**2,776**	3,971	**26,974**
Investments in affiliates *(Note 10)*	**688**	623	**6,685**
Leasehold deposits *(Note 10)*	**29,304**	30,860	**284,730**
Deferred income taxes *(Note 9)*	**10,058**	12,673	**97,724**
Other *(Note 15)*	**10,576**	13,512	**102,757**
Total investments and other assets	**53,402**	61,639	**518,870**
Total assets	**¥ 385,800**	¥ 378,087	**$ 3,748,540**

EDION Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Liabilities and net assets			
Current liabilities:			
Short-term bank loans *(Notes 7 and 10)*	**¥ 4,000**	¥ 36,000	**$ 38,865**
Current portion of long-term debt *(Notes 7 and 10)*	**22,646**	13,769	**220,033**
Notes and accounts payable:			
Trade *(Note 10)*	**50,552**	45,048	**491,176**
Other	**13,909**	14,259	**135,144**
	64,461	59,307	**626,320**
Lease obligations *(Notes 7 and 10)*	**154**	159	**1,492**
Accrued income taxes *(Note 9)*	**2,605**	365	**25,308**
Allowance for employees' bonuses	**5,724**	4,029	**55,621**
Reserve for point service program	**9,378**	8,420	**91,121**
Other current liabilities	**24,012**	10,556	**233,313**
Total current liabilities	**132,980**	132,605	**1,292,073**
Long-term liabilities:			
Long-term debt *(Notes 7 and 10)*	**73,707**	75,630	**716,162**
Accrued retirement benefits *(Note 8)*	**—**	8,913	**—**
Liability for retirement benefits *(Note 8)*	**8,068**	—	**78,388**
Lease obligations *(Notes 7 and 10)*	**1,057**	718	**10,269**
Negative goodwill *(Note 20)*	**—**	569	**—**
Deferred income taxes *(Note 9)*	**51**	—	**493**
Deferred income taxes for land revaluation *(Note 4)*	**2,079**	2,177	**20,196**
Allowance for merchandise warranties	**7,487**	6,478	**72,748**
Asset retirement obligations *(Note 5)*	**5,934**	5,119	**57,655**
Other long-term liabilities	**7,680**	7,389	**74,626**
Total long-term liabilities	**106,063**	106,993	**1,030,537**
Contingent liabilities *(Note 12)*			
Net assets			
Shareholders' equity *(Note 13)*:			
Common stock	**11,940**	10,175	**116,016**
Capital surplus	**84,168**	82,334	**817,796**
Retained earnings	**59,220**	56,914	**575,400**
Treasury stock, at cost	**(802)**	(2,192)	**(7,789)**
Total shareholders' equity	**154,526**	147,231	**1,501,423**
Accumulated other comprehensive income (loss):			
Net unrealized gain on other securities	**192**	264	**1,866**
Land revaluation difference *(Note 4)*	**(8,559)**	(9,283)	**(83,161)**
Retirement benefit liability adjustments *(Note 8)*	**280**	—	**2,718**
Accumulated other comprehensive loss, net	**(8,087)**	(9,019)	**(78,577)**
Stock acquisition rights *(Note 13)*	**239**	243	**2,320**
Minority interests	**79**	34	**764**
Total net assets	**146,757**	138,489	**1,425,930**
Total liabilities and net assets	**¥385,800**	¥378,087	**$3,748,540**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Operations

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2014	**2013**	**2014**
Net sales	**¥766,700**	¥685,145	**$7,449,475**
Cost of sales *(Note 14)*	**564,199**	511,528	**5,481,919**
Gross profit	**202,501**	173,617	**1,967,556**
Selling, general and administrative expenses	**188,780**	176,094	**1,834,240**
Operating income (loss)	**13,721**	(2,477)	**133,316**
Non-operating income (expenses):			
Interest and dividend income	**202**	363	**1,964**
Interest expenses	**(922)**	(984)	**(8,957)**
Purchase discounts	**520**	2,292	**5,051**
Loss on disposal of merchandise and products	**(212)**	(48)	**(2,064)**
Amortization of negative goodwill *(Note 20)*	**569**	1,139	**5,531**
Loss on sales or disposal of property and equipment	**(444)**	(1,601)	**(4,312)**
Loss on impairment of property and equipment *(Notes 6, 15 and 20)*	**(5,461)**	(4,540)	**(53,064)**
Gain on sales of investments in securities	**335**	11	**3,253**
Additional retirement benefits *(Note 8)*	**—**	(1,319)	**—**
Other, net	**587**	1,522	**5,704**
	(4,826)	(3,165)	**(46,894)**
Income (loss) before income taxes and minority interests	**8,895**	(5,642)	**86,422**
Income taxes *(Note 9)*:			
Current	**2,641**	709	**25,663**
Deferred	**1,059**	(3,699)	**10,288**
Total income taxes	**3,700**	(2,990)	**35,951**
Income (loss) before minority interests	**5,195**	(2,652)	**50,471**
Minority interests	**45**	(11)	**433**
Net income (loss)	**¥ 5,150**	¥ (2,641)	**$ 50,038**
	Yen		*U.S. dollars*
Amounts per share:			
Net income (loss)			
— Basic	**¥ 48.42**	¥ (25.80)	**$ 0.47**
— Diluted	**48.33**	—	**0.47**
Cash dividends	**22.00**	20.00	**0.21**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)
Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2014	**2013**	**2014**
Income (loss) before minority interests	**¥5,195**	¥(2,652)	**$50,471**
Other comprehensive income:			
Net unrealized (loss) gain on other securities	**(72)**	256	**(701)**
Other comprehensive (loss) income, net *(Note 16)*	**(72)**	256	**(701)**
Comprehensive income (loss)	**¥5,123**	¥(2,396)	**$49,770**
Comprehensive income (loss) attributable to:			
Shareholders of EDION Corporation	**¥5,078**	¥(2,385)	**$49,337**
Minority interests	**45**	(11)	**433**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2014 and 2013

	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	¥10,175	¥82,334	¥65,447	¥(1,477)	¥156,479
Cash dividends	—	—	(2,051)	—	(2,051)
Reversal of land revaluation difference	—	—	(3,841)	—	(3,841)
Net loss	—	—	(2,641)	—	(2,641)
Purchases of treasury stock	—	—	—	(715)	(715)
Disposition of treasury stock	—	(0)	—	0	0
Other changes	—	—	—	—	—
Balance at April 1, 2013	10,175	82,334	56,914	(2,192)	147,231
Issuance of new shares	**1,765**	**1,765**	**—**	**—**	**3,530**
Cash dividends	**—**	**—**	**(2,120)**	**—**	**(2,120)**
Reversal of land revaluation difference	**—**	**—**	**(724)**	**—**	**(724)**
Net income	**—**	**—**	**5,150**	**—**	**5,150**
Purchases of treasury stock	**—**	**—**	**—**	**(2)**	**(2)**
Disposition of treasury stock	**—**	**69**	**—**	**1,392**	**1,461**
Other changes	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2014	**¥11,940**	**¥84,168**	**¥59,220**	**¥ (802)**	**¥154,526**

	Millions of yen						
	Net unrealized gain on other securities	Land revaluation difference	Retirement benefit liability adjustments	Total accumulated other comprehensive loss, net	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2012	¥ 8	¥(13,118)	¥—	¥(13,110)	¥246	¥ 614	¥144,229
Cash dividends	—	—	—	—	—	—	(2,051)
Reversal of land revaluation difference	—	—	—	—	—	—	(3,841)
Net loss	—	—	—	—	—	—	(2,641)
Purchases of treasury stock	—	—	—	—	—	—	(715)
Disposition of treasury stock	—	—	—	—	—	—	0
Other changes	256	3,835	—	4,091	(3)	(580)	3,508
Balance at April 1, 2013	264	(9,283)	—	(9,019)	243	34	138,489
Issuance of new shares	**—**	**—**	**—**	**—**	**—**	**—**	**3,530**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(2,120)**
Reversal of land revaluation difference	**—**	**—**	**—**	**—**	**—**	**—**	**(724)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**5,150**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(2)**
Disposition of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**1,461**
Other changes	**(72)**	**724**	**280**	**932**	**(4)**	**45**	**973**
Balance at March 31, 2014	**¥192**	**¥ (8,559)**	**¥280**	**¥ (8,087)**	**¥239**	**¥ 79**	**¥146,757**

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2014 and 2013

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	$ 98,860	$799,981	$552,998	$(21,301)	$1,430,538
Issuance of new shares	**17,156**	**17,156**	**—**	**—**	**34,312**
Cash dividends	**—**	**—**	**(20,602)**	**—**	**(20,602)**
Reversal of land revaluation difference	**—**	**—**	**(7,034)**	**—**	**(7,034)**
Net income	**—**	**—**	**50,038**	**—**	**50,038**
Purchases of treasury stock	**—**	**—**	**—**	**(13)**	**(13)**
Disposition of treasury stock	**—**	**659**	**—**	**13,525**	**14,184**
Other changes	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2014	**$116,016**	**$817,796**	**$575,400**	**$ (7,789)**	**$1,501,423**

	Thousands of U.S. dollars (Note 1)						
	Net unrealized gain on other securities	Land revaluation difference	Retirement benefit liability adjustments	Total accumulated other comprehensive loss, net	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2013	$2,567	$(90,195)	$ —	$(87,628)	$2,360	$332	$1,345,602
Issuance of new shares	**—**	**—**	**—**	**—**	**—**	**—**	**34,312**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(20,602)**
Reversal of land revaluation difference	**—**	**—**	**—**	**—**	**—**	**—**	**(7,034)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**50,038**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(13)**
Disposition of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**14,184**
Other changes	**(701)**	**7,034**	**2,718**	**9,051**	**(40)**	**432**	**9,443**
Balance at March 31, 2014	**$1,866**	**$(83,161)**	**$2,718**	**$(78,577)**	**$2,320**	**$764**	**$1,425,930**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2014	**2013**	**2014**
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	**¥ 8,895**	¥ (5,642)	**$ 86,422**
Adjustments for:			
Depreciation and amortization	**12,399**	13,123	**120,471**
Loss on impairment of property and equipment	**5,461**	4,540	**53,064**
Interest and dividend income	**(202)**	(363)	**(1,964)**
Interest expense	**922**	984	**8,957**
Amortization of negative goodwill, net	**(569)**	(1,126)	**(5,531)**
Increase (decrease) in allowance for employees' bonuses	**1,695**	(1,366)	**16,474**
Increase (decrease) in reserve for point service program	**958**	(270)	**9,312**
Decrease in accrued retirement benefits	**(8,913)**	(463)	**(86,602)**
Increase in liability for retirement benefits	**8,068**	—	**78,388**
Loss on sales or disposal of property and equipment	**444**	1,601	**4,312**
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	**(19,160)**	2,174	**(186,162)**
Decrease (increase) in inventories	**15,323**	(19,121)	**148,886**
Increase in notes and accounts payable	**5,267**	3,677	**51,180**
Other, net	**15,908**	1,582	**154,561**
Subtotal	**46,496**	(670)	**451,768**
Interest and dividends received	**118**	148	**1,144**
Interest paid	**(885)**	(964)	**(8,600)**
Surcharge paid	**—**	(4,048)	**—**
Proceeds from compensation for expropriation	**—**	552	**—**
Income taxes refunded	**427**	2,033	**4,155**
Income taxes paid	**(415)**	(1,695)	**(4,034)**
Net cash provided by (used in) operating activities	**45,741**	(4,644)	**444,433**
Cash flows from investing activities			
Proceeds from redemption of investments in securities	**1,000**	—	**9,716**
Purchases of property and equipment	**(17,307)**	(11,985)	**(168,156)**
Proceeds from sales of property and equipment	**3,598**	459	**34,962**
Purchases of intangible assets	**(1,020)**	(1,275)	**(9,910)**
Payments of long-term prepaid expenses	**(39)**	(60)	**(379)**
Purchases of investments in securities	**(170)**	(0)	**(1,650)**
Proceeds from sales of investments in securities	**932**	709	**9,052**
Increase in leasehold deposits, net	**(418)**	(1,689)	**(4,066)**
Increase (decrease) in leasehold deposits received from tenants, net	**433**	(52)	**4,204**
Other, net	**(164)**	492	**(1,590)**
Net cash used in investing activities	**(13,155)**	(13,401)	**(127,817)**
Cash flows from financing activities			
(Decrease) increase in short-term bank loans, net	**(32,000)**	13,000	**(310,921)**
Proceeds from long-term loans	**20,723**	27,427	**201,351**
Repayments of long-term loans	**(11,900)**	(19,107)	**(115,624)**
Redemption of bonds	**—**	(500)	**—**
Redemption of convertible bonds	**(1,765)**	—	**(17,149)**
Proceeds from issuance of new shares	**3,530**	—	**34,312**
Cash dividends paid	**(2,119)**	(2,050)	**(20,590)**
Cash dividends paid to minority shareholders	**—**	(20)	**—**
Purchase of treasury stock	**(2)**	(718)	**(13)**
Proceeds from sales of treasury stock	**1,461**	0	**14,184**
Payments to minority shareholder due to liquidation of a subsidiary	**—**	(600)	**—**
Other, net	**(187)**	(106)	**(1,828)**
Net cash (used in) provided by financing activities	**(22,259)**	17,326	**(216,278)**
Effect of exchange rate changes on cash and cash equivalents	**0**	0	**0**
Net increase (decrease) in cash and cash equivalents	**10,327**	(719)	**100,338**
Cash and cash equivalents at beginning of the year	**9,967**	10,686	**96,843**
Cash and cash equivalents at end of the year	**¥ 20,294**	¥ 9,967	**$ 197,181**

See accompanying notes to consolidated financial statements.

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of EDION Corporation (the "Company") and consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2013 to the 2014 presentation. Such reclassifications had no effect on consolidated net income (loss) or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥102.92 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2014. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly by the Company. The number of consolidated subsidiaries was 5 as of March 31, 2014 and 2013.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. The Company has applied the equity method to investments in 3 affiliates as of March 31, 2014 and 2013.

Neo System Co., Ltd. was excluded from the scope of the equity method as its impact is not significant to the Company's net income (loss), retained earnings and others.

All significant intercompany accounts, transactions and unrealized profit and loss have been eliminated in consolidation.

The fiscal year end of consolidated subsidiaries is the same as that of the Company.

(b) Cash and cash equivalents

Cash and cash equivalents are consisted of cash on hand and demand deposits. Cash and cash equivalents also include short-term investments with a maturity date within three months of the date of acquisition, which are readily convertible into cash and are exposed to an insignificant risk of change in value.

(c) Investments in securities

Securities have been classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited and charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

The Group recognizes impairment loss on securities in cases where the fair value of a security declines by more than 50% of carrying value. The Group also recognizes impairment loss of a necessary amount by considering the significance of the amount of decline in fair value, the recoverability of fair value and so forth when the fair value declines by 30% to 50%.

(d) Inventories

Inventories such as consumer electronics merchandise are stated principally at the lower of cost or net selling value, cost being determined by the moving average method. Supplies are stated at cost determined by the last purchase price method.

(e) Property and equipment (other than leased assets)

Property and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets, while the straight-line method is applied to buildings (other than attachments) acquired on and after April 1, 1998. The range of estimated useful lives is principally from 2 to 60 years for buildings and structures, and from 2 to 20 years for tools, furniture and fixtures.

(f) Leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Finance lease transactions which do not transfer ownership to the lessee and commenced prior to April 1, 2008 were accounted for as operating leases.

(g) Goodwill and negative goodwill

Goodwill is amortized by the straight-line method over a period of 5 years, except for cases where a specific expected useful life is available.

Negative goodwill recognized on or prior to March 31, 2010 is amortized by the straight-line method over a period of 5 years. Negative goodwill recognized on and after April 1, 2010 is credited to income as incurred.

(h) Allowance for doubtful receivables

Allowance for doubtful receivables is provided at an amount calculated based on historical experience of bad debts on ordinary receivables, plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(i) Allowance for employees' bonuses

Allowance for employees' bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(j) Retirement benefits

The Company and most consolidated subsidiaries have defined benefit pension plans, retirement benefit plans and defined contribution pension plans covering substantially all employees.

Liability for retirement benefits is provided based on the amount of the projected benefit obligation after deducting the pension plan assets at fair value at the year end. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, principally by the straight-line method over a period of 10 years, which falls within the estimated average remaining years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 10 years, which falls within the estimated average remaining years of service of the eligible employees.

(Accounting Change)

The Company adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Section 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefit liability adjustments through accumulated other comprehensive income. As a result of this change, a liability for retirement benefits was recognized in the amount of ¥8,068 million ($78,388 thousand) and accumulated other comprehensive income increased by ¥280 million ($2,718 thousand) as of March 31, 2014. In addition, net assets per share increased by ¥2.53 ($0.02).

(k) Reserve for point service program

Reserve for point service program is provided at an estimate of the total cost expected to be incurred subsequent to the balance sheet date based on the historical data of utilization of points by customers.

(l) Allowance for merchandise warranties

Allowance for merchandise warranties is provided at an estimate of the total cost expected to be incurred during the warranty period based on the historical data for repair expenses.

(m) Income taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. The Group has recognized the tax effect of such temporary differences in the accompanying consolidated financial statements.

(n) Derivatives and hedging activities

Derivatives positions are carried at fair value with any changes in unrealized gain or loss credited or charged to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred.

If interest-rate swap contracts are used as hedges and meet certain hedging criteria, the net amounts to be paid or received under the interest-rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contracts are executed ("Special treatment").

(o) Per share information

Basic net income (loss) per share is computed based on the net income (loss) attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price, and stock acquisition rights were exercised into common stock at the time of issue at the average stock price. Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of such years.

The average number of shares of common stock used to compute basic net income (loss) per share for the years ended March 31, 2014 and 2013 were 106,361 thousand and 102,353 thousand, respectively. The dilutive potential of shares of common stock for the year ended March 31, 2014 was 203 thousand. There was dilutive potential of shares of common stock for the year ended March 31, 2013, however diluted net loss per share for the year ended March 31, 2013 has not been presented as a net loss was recorded for the year.

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end. Amounts per share of net assets at March 31, 2014 and 2013 were ¥1,325.29 ($12.88) and ¥1,361.19, respectively.

(p) Distribution of retained earnings

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at an annual meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions (see Note 21. "Subsequent Event").

(q) Accounting standards issued but not yet effective

Accounting standards for retirement benefits

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

(2) Scheduled date of adoption

The Company has adopted the revised accounting standard effective March 31, 2014 as mentioned in "2. (j) Retirement benefits (Accounting Change)". However, the amendment of the calculation method for the present value of projected benefit obligations and current service costs will be adopted effective the beginning of the year ending March 31, 2015.

(3) Impact of adopting revised accounting standard and guidance

The Company expects no material impacts as a result of adopting the accounting standard and guidance on operating income and income before taxes and minority interests for the fiscal year ending March 31, 2015.

3. Investments in Securities

(1) Information regarding investments in securities classified as other securities inclusive of marketable securities at March 31, 2014 and 2013 was summarized as follows:

	Millions of yen					
	2014			**2013**		
	Carrying value	**Acquisition costs**	**Unrealized gain (loss)**	**Carrying value**	**Acquisition costs**	**Unrealized gain (loss)**
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥2,019**	**¥1,683**	**¥336**	¥2,081	¥1,571	¥ 510
Other(*1)	**—**	**—**	**—**	677	560	117
Subtotal	**¥2,019**	**¥1,683**	**¥336**	¥2,758	¥2,131	¥ 627
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**¥ 532**	**¥ 576**	**¥(44)**	¥ 542	¥ 726	¥(184)
Other(*2)	**—**	**—**	**—**	796	900	(104)
Subtotal	**¥ 532**	**¥ 576**	**¥(44)**	¥1,338	¥1,626	¥(288)
Total(*3)	**¥2,551**	**¥2,259**	**¥292**	¥4,096	¥3,757	¥ 339

	Thousands of U.S. dollars		
	2014		
	Carrying value	**Acquisition costs**	**Unrealized gain (loss)**
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$19,618**	**$16,351**	**$3,267**
Subtotal	**$19,618**	**$16,351**	**$3,267**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**$ 5,170**	**$ 5,595**	**$ (425)**
Subtotal	**$ 5,170**	**$ 5,595**	**$ (425)**
Total(*3)	**$24,788**	**$21,946**	**$2,842**

Notes:

*(*1) Hybrid financial instruments containing embedded derivatives were included in "Other" at March 31, 2013 of securities whose carrying value exceeds their acquisition costs in the above table at March 31, 2013. Aggregate gains on valuation of these hybrid financial instruments for the year ended March 31, 2013 were recognized in the amount of ¥37 million, consisting of gains on valuation in the amount of ¥96 million for that year and losses on devaluation in the amount of ¥59 million for prior years.*

*(*2) Hybrid financial instruments containing embedded derivatives were included in "Other" of securities whose carrying value does not exceed their acquisition costs in the above table at March 31, 2013. Aggregate losses on devaluation of these hybrid financial instruments for the year ended March 31, 2013 were recognized in the amount of ¥104 million, consisting of gains on valuation in the amount of ¥175 million for that year and losses on devaluation in the amount of ¥279 million for the prior years.*

*(*3) Because no quoted market price is available and it is extremely difficult to determine the fair value, unlisted equity securities are not included in the above table. The carrying values of such unlisted equity securities amounted to ¥225 million ($2,186 thousand) and ¥350 million as of March 31, 2014 and 2013, respectively.*

(2) The proceeds from sales of and gross realized gain and loss on other securities for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Proceeds from sales	**¥932**	¥709	**$9,052**
Gross realized gain	**335**	11	**3,253**
Gross realized loss	**(2)**	(1)	**(19)**

(3) Losses on devaluation of investments in securities of ¥115 million ($1,121 thousand) and ¥0 million were recognized in the consolidated statements of operations for the years ended March 31, 2014 and 2013, respectively.

4. Land Revaluation

The Company revaluated land held for business use, in accordance with the "Law on Land Revaluation" at March 28 and March 31, 2002. Differences on land revaluation have been accounted for as "land revaluation difference" under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluations was in accordance with the "Enforcement Act Concerning Land Revaluation." The carrying value of this land exceeded its fair value by ¥11,622 million ($112,922 thousand) and ¥10,433 million at March 31, 2014 and 2013, respectively, of which a certain portion of this land, in the amount of ¥3,185 million ($30,948 thousand) and ¥2,818 million, corresponded to real estate for lease at March 31, 2014 and 2013, respectively.

5. Asset Retirement Obligations

Asset retirement obligations mainly consist of restoration costs related to lease contracts for stores and rental property.

The amount of asset retirement obligations is calculated by the estimated useful life according to the terms of the agreement or mostly 15 years (in the case of agreements under the former Act on Land and Building Leases) using mainly a discount rate of 1.74%.

Changes in asset retirement obligations during the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Balance at beginning of the year	**¥5,119**	¥4,823	**$49,741**
Liabilities incurred due to the acquisition of property and equipment	**853**	279	**8,287**
Accretion expense	**89**	84	**865**
Liabilities settled	**(127)**	(67)	**(1,238)**
Balance at end of the year	**¥5,934**	¥5,119	**$57,655**

6. Investment and Rental Property

The Company and certain consolidated subsidiaries own store properties, including buildings and land, for rent mainly in the main cities of Osaka, Aichi and other prefectures. Net rental revenue for these properties was recognized in the amount of ¥422 million ($4,104 thousand) and ¥261 million for the years ended March 31, 2014 and 2013, respectively. Rental revenue was included in net sales and rental expenses were mainly included in selling, general and administrative expenses. Impairment of rental property of ¥130 million ($1,259 thousand) and ¥340 million was recognized in the loss on impairment of property and equipment for the years ended March 31, 2014 and 2013, respectively.

The carrying value of rental property in the consolidated balance sheets, net change in the carrying value and its fair value of those properties were as follows:

Millions of yen			
2014			
Carrying Value			**Fair Value**
March 31, 2013	**Net change**	**March 31, 2014**	**March 31, 2014**
¥ 24,698	**¥878**	**¥25,576**	**¥24,088**

Millions of yen			
2013			
Carrying Value			**Fair Value**
March 31, 2012	**Net change**	**March 31, 2013**	**March 31, 2013**
¥ 25,916	¥(1,218)	¥24,698	¥23,149

Thousands of U.S. dollars			
2014			
Carrying Value			**Fair Value**
March 31, 2013	**Net change**	**March 31, 2014**	**March 31, 2014**
$ 239,970	**$8,534**	**$248,504**	**$234,046**

Notes:

1. *The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.*

2. *The main component of net change in the carrying value are the increases due to the reclassification from other properties related to the change in the holding purpose in the amount of ¥2,613 million ($25,389 thousand) and decreases due to sales of ¥1,105 million ($10,732 thousand) for the year ended March 31, 2014. The main component of net change in the carrying value are the increases due to acquisition of properties of ¥21 million and decreases due to depreciation expenses of ¥607 million and impairment loss of ¥340 million for the year ended March 31, 2013.*
3. *The fair value was based on the real estate appraisals issued by the third party professional appraisers for main properties and internal computations including the adjustment by an index and others in accordance with appraisal standards for other properties.*

7. Short-Term Bank Loans, Long-Term Debt and Lease Obligations

Short-term bank loans at March 31, 2014 and 2013 consisted of bank overdrafts. The annual average interest rates applicable to the short-term bank loans were 0.34% and 0.46% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Zero coupon unsecured convertible bonds (with stock acquisition rights) due May 10, 2013	¥ —	¥ 1,765	$ —
Unsecured loans principally from banks and insurance companies with an average interest rate of 0.81%	**94,950**	86,127	**922,561**
Long-term loans with an interest rate of 2.05%	**1,403**	1,507	**13,634**
	96,353	89,399	**936,195**
Less: current portion of long-term debt	**(22,646)**	(13,769)	**(220,033)**
	¥ 73,707	¥ 75,630	**$ 716,162**

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on May 9, 2008 were convertible at ¥1,353 ($13) per share in the period from May 23, 2008 to April 26, 2013 subject to adjustment in certain circumstances. On May 10, 2013, the Company redeemed the total amount of the zero coupon unsecured convertible bonds because the stock acquisition rights were not exercised as of April 26, 2013.

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2015	¥22,646	$220,033
2016	16,208	157,481
2017	20,097	195,270
2018	20,712	201,248
2019	15,115	146,859
2020 and thereafter	1,575	15,304
Total	¥96,353	$936,195

The average interest rates applicable to the lease obligations under current liabilities and long-term liabilities were 3.12% and 2.87% at March 31, 2014 and 2013, respectively.

The aggregate annual maturities of lease obligations subsequent to March 31, 2014 were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2015	¥ 154	$ 1,492
2016	100	970
2017	98	951
2018	99	966
2019	73	711
2020 and thereafter	687	6,671
Total	¥1,211	$11,761

The assets pledged as collateral for long-term loan and the current portion of long-term loan of ¥1,403 million ($13,634 thousand) and guarantee deposits from lessees included in other long-term liabilities of ¥1,070 million ($10,393 thousand) was as follows:

	Millions of yen	*Thousands of U.S. dollars*
Land	¥1,265	$12,294
Buildings and structures—net of accumulated depreciation	3,110	30,222
Total	¥4,375	$42,516

In order to achieve more efficient and flexible financing, the Group has concluded bank overdraft and line-of-credit agreements with 17 banks. Total committed lines of credit under such agreements amounted to ¥103,000 million ($1,000,777 thousand), of which ¥99,000 million ($961,912 thousand) was available as of March 31, 2014.

8. Retirement Benefit Plans

For the year ended March 31, 2014

The Company and most consolidated subsidiaries have defined benefit pension plans, retirement benefit plans and defined contribution pension plans covering substantially all employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum payment from the Company and the consolidated subsidiaries and annuity payments from a trustee. In addition to the retirement benefit plans described above, the Company and certain consolidated subsidiaries pay additional retirement benefits under certain conditions.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	**2014**
Retirement benefit obligation at April 1, 2013	¥15,732	$152,855
Service cost	507	4,922
Interest cost	172	1,671
Actuarial gain	(107)	(1,041)
Retirement benefit paid	(1,271)	(12,345)
Retirement benefit obligation at March 31, 2014	¥15,033	$146,062

The changes in plan assets at fair value during the year ended March 31, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	**2014**
Plan assets at fair value at April 1, 2013	¥7,179	$69,746
Expected return on plan assets	57	558
Actuarial gain	244	2,375
Contribution by the Group	374	3,629
Retirement benefit paid	(889)	(8,634)
Plan assets at fair value at March 31, 2014	¥6,965	$67,674

The balance of retirement benefit obligation and plan assets at fair value and liabilities recognized in the consolidated balance sheet at March 31, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	**2014**
Funded retirement benefit obligation	¥ 7,790	$ 75,692
Plan assets at fair value	(6,965)	(67,674)
	825	8,018
Unfunded retirement benefit obligation	7,243	70,370
Net liability for retirement benefits in the balance sheet	¥ 8,068	$ 78,388

The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	**2014**
Service cost	¥ 507	$ 4,922
Interest cost	172	1,671
Expected return on plan assets	(57)	(558)
Amortization of actuarial loss	113	1,102
Amortization of prior service cost	(405)	(3,937)
Retirement benefit expense	¥ 330	$ 3,200

Retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	**2014**
Prior service cost	¥ 2,103	$ 20,438
Actuarial loss	(1,684)	(16,364)
Total	¥ 419	$ 4,074

The components of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

	2014
Bonds	21%
Stocks	14
General accounts	63
Other	2
Total	100%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term expected rate of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the above plans were as follows:

	2014
Discount rates	1.0%-1.1%
Expected rate of return on plan assets	2.2%

Notes:

In addition to the above, the Company and certain consolidated subsidiaries charged contributions of ¥1,820 million ($17,685 thousand) to the defined contribution pension plans to income during the year ended March 31, 2014.

For the year ended March 31, 2013

The Company and most consolidated subsidiaries have defined benefit pension plans, retirement benefit plans and defined contribution pension plans covering substantially all employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum payment from the Company and the consolidated subsidiaries and annuity payments from a trustee. In addition to the retirement benefit plans described above, the Company and certain consolidated subsidiaries pay additional retirement benefits under certain conditions.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2013 for the Group's defined benefit plans:

	2013
Retirement benefit obligation	¥(15,732)
Plan assets at fair value	7,179
Unfunded retirement benefit obligation	(8,553)
Unrecognized actuarial loss	2,149
Unrecognized prior service cost	(2,509)
Accrued retirement benefits	¥ (8,913)

The component of retirement benefit expense for the year ended March 31, 2013 is as follows:

	2013
Service cost	¥ 420
Interest cost	274
Expected return on plan assets	(56)
Amortization of actuarial loss	34
Amortization of prior service cost	(405)
Retirement benefit expense	267
Other(*)	3,305
Total	¥3,572

Notes:

(*) *"Other" in the above table represented contributions to defined contribution pension plans and additional retirement benefits.*

The assumptions used in accounting for the above plans were as follows:

	2013
Discount rates	1.0%-1.1%
Expected rate of return on plan assets	0.8%

9. Income Taxes

Income taxes applicable to the Group comprise corporation tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in the statutory tax rates of 38.0% for the years ended March 31, 2014 and 2013.

The reconciliation of the difference between the corresponding statutory tax rate and the effective tax rate for the year ended March 31, 2013 has been omitted because the Company recorded in a net loss for the year. The effective tax rate for the year ended March 31, 2014 differed from the corresponding statutory tax rate for the following reasons:

	2014
Statutory tax rate:	38.0%
Expenses not deductible for income tax purposes	0.6
Dividends not taxable for income tax purposes	(3.5)
Inhabitants' per capita taxes	4.4
Amortization of negative goodwill, net	(2.4)
Change in valuation allowance	(6.3)
Elimination of intercompany dividends	3.4
Effect of change in statutory tax rate	10.8
Effect of land evaluation difference	(1.1)
Other, net	(2.3)
Effective tax rate	41.6%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of the Group at March 31, 2014 and 2013 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Deferred tax assets:			
Depreciation	**¥ 1,658**	¥ 1,611	**$ 16,113**
Allowance for employees' bonuses	**2,043**	1,534	**19,849**
Loss on impairment of property and equipment	**10,977**	9,835	**106,653**
Accrued retirement benefits	**—**	3,220	**—**
Liability for retirement benefits	**2,887**	—	**28,050**
Reserve for point service program	**3,359**	3,211	**32,634**
Allowance for merchandise warranties	**2,690**	2,454	**26,136**
Unrealized loss on revaluation of land acquired by merger	**1,801**	3,351	**17,501**
Asset retirement obligations	**2,114**	1,828	**20,536**
Net operating tax loss carry forwards	**475**	3,406	**4,616**
Other	**4,966**	4,178	**48,262**
Less valuation allowance	**(12,388)**	(12,960)	**(120,367)**
Total deferred tax assets	**20,582**	21,668	**199,983**
Deferred tax liabilities:			
Asset retirement obligations	**(800)**	(650)	**(7,773)**
Unrealized holding gain on other securities	**(115)**	(158)	**(1,113)**
Other	**(251)**	(188)	**(2,441)**
Total deferred tax liabilities	**(1,166)**	(996)	**(11,327)**
Net deferred tax assets	**¥ 19,416**	¥ 20,672	**$ 188,656**

The "Act for Partial Amendment for the Income Tax Act, etc." (Act No.10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company and its domestic subsidiaries are no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. In addition, the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.4 of 2014) and the "Act for Partial Amendment of the Local Corporate Tax Act, etc." (Act No.11 of 2014) were promulgated on March 31, 2014, and the Company is subject to the amended Local Corporate Tax effective for fiscal years beginning on or after April 1, 2015.

As a result, the effective statutory tax rate used to measure the deferred tax assets and liabilities of the Company and its domestic subsidiaries was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥957 million ($9,298 thousand) as of and for the year ended March 31, 2014.

10. Financial Instruments—Fair Value

Overview

(a) Policy for financial instruments

The Group manages its funds by investing in short-term deposits, safe financial assets and comparably safe hybrid financial instruments which contain embedded derivatives with principally low risk of deterioration from the original investment value.

In consideration of plans for capital investment, the Group finances necessary funds mainly by bank borrowings, bond issuances and other means. The Group utilizes derivatives to avoid the risk of fluctuation in market interest rates.

(b) Types of financial instruments, related risks and risk management

Trade receivables, notes and accounts receivables, are exposed to credit risk of customers. To respond to this risk, the Group manages settlement due dates and balances of each customer and monitors the financial conditions of customers when appropriate.

Securities and investments in securities inclusive marketable securities are mainly shares of companies with which the Group has business relationships. Securities and investments in securities inclusive marketable securities which have market price are subject to the risk of market price fluctuations. Non-marketable securities are exposed to the risk of impairment due to the decline in the financial results of the issuers. To correspond to this risk, the Group periodically monitors their market values and corporate values and reports information to meetings of the Board of Directors if the Group identifies significant fluctuations.

Trade payables, notes and accounts payable, are all due within one year.

Short-term bank loans are mainly utilized for business operations of the Group and long-term loans are mainly utilized for capital investments. Loans with floating rates are exposed to the risk of fluctuation of interest rates. Certain long-term loans are hedged by utilizing derivative transactions, such as interest rate swap agreements, to avoid the risk of fluctuation of interest rates and fix the interest rates. Effectiveness testing for hedging instruments and hedged items is omitted because the conditions are satisfied which allow the Group to account for them as if the interest rates applied to the interest-rate swap agreements had originally applied to the underlying loans.

The execution and control of derivative transactions of the Group are made in accordance with internal policy including the authorization process. In addition, to mitigate the risk of counterparty nonperformance, the Group enters into transactions only with the financial institutions with high credit ratings.

In addition, trade payables and loans are exposed to liquidity risk. This risk is managed by the adoption of a cash management system in the Group.

(c) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

(d) Estimated fair value of financial instruments

Carrying value, estimated fair value and the difference between them of financial instruments on the consolidated balance sheets as of March 31, 2014 and 2013 were shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to (2) below).

	Millions of yen					
	2014			**2013**		
	Carrying value	**Estimated fair value**	**Difference**	**Carrying value**	**Estimated fair value**	**Difference**
Assets:						
Cash and cash equivalents	**¥ 20,294**	**¥ 20,294**	**¥—**	¥ 9,967	¥ 9,967	¥ —
Notes and accounts receivable-trade	**46,377**	**46,377**	**—**	28,166	28,166	—
Investments in securities inclusive marketable securities:						
Other securities(*1)	**2,551**	**2,551**	**—**	4,096	4,096	—
Total assets	**¥ 69,222**	**¥ 69,222**	**¥—**	¥ 42,229	¥ 42,229	¥ —
Liabilities:						
Notes and accounts payable-trade	**¥ 50,552**	**¥ 50,552**	**¥—**	¥ 45,048	¥ 45,048	¥ —
Short-term bank loans	**4,000**	**4,000**	**—**	36,000	36,000	—
Current portion of convertible bonds with stock acquisition rights	**—**	**—**	**—**	1,765	1,763	(2)
Long-term debt:						
Long-term loans(*2)	**96,353**	**96,756**	**403**	87,634	88,622	988
Lease obligations(*2)	**1,211**	**1,356**	**145**	877	942	65
Total liabilities	**¥152,116**	**¥152,664**	**¥548**	¥171,324	¥172,375	¥1,051

Notes:

*(*1) Marketable securities in the amount of ¥475 million with a maturity date within a year were included in "Other securities" at March 31, 2013 in the above table.*

*(*2) Long-term loans and lease obligations include the current portion.*

	Thousands of U.S. dollars		
	2014		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and cash equivalents	$ 197,181	$ 197,181	$ —
Notes and accounts receivable-trade	450,614	450,614	—
Investments in securities inclusive marketable securities:			
Other securities(*1)	24,788	24,788	—
Total assets	$ 672,583	$ 672,583	$ —
Liabilities:			
Notes and accounts payable-trade	$ 491,176	$ 491,176	$ —
Short-term bank loans	38,865	38,865	—
Current portion of convertible bonds with stock acquisition rights	—	—	—
Long-term debt:			
Long-term loans(*2)	936,195	940,114	3,919
Lease obligations(*2)	11,761	13,173	1,412
Total liabilities	$1,477,997	$1,483,328	$5,331

Note:

*(*1) Marketable securities in the amount of ¥475 million with a maturity date within a year were included in "Other securities" at March 31, 2013 in the above table.*

*(*2) Long-term loans and lease obligations include the current portion.*

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash and cash equivalents and notes and accounts receivable-trade:

Because these items are settled in a short time period, their carrying value approximates fair value.

Investments in securities:

The fair values of stocks are based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by financial institutions. Refer to Note 3. "Investments in Securities" for further information on securities by holding purpose.

Liabilities

Short-term bank loans and notes and accounts payable-trade:

Because these items are settled in a short time period, their carrying value approximates fair value.

Long-term loans:

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming that new loans under similar conditions to existing loans are made.

Certain long-term loans with floating interest rates was hedged by interest rate swap agreements and accounted for as loans with fixed interest rates. The fair value of those long-term loans hedged by the swap agreements is based on the present value of the total principal, interest and net cash flows of the swap agreements discounted by the interest rates to be applied assuming that new loans under similar conditions to the existing loans are made.

Lease obligations:

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new lease agreements are made.

Derivative transactions:

Refer to Note 11. "Derivatives."

(2) Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	**2013**	**2014**
Unlisted stocks	**¥ 225**	¥ 350	**$ 2,186**
Investments in affiliates	**688**	623	**6,685**
Leasehold deposits	**29,304**	30,860	**284,730**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedules for cash and cash equivalents, notes and accounts receivable—trade with maturity dates at March 31, 2014 and 2013 were as follows:

	Millions of yen			
	2014			
	Due in 1 year or less	**Due after 1 year through 5 years**	**Due after 5 years through 10 years**	**Due after 10 years**
Cash and cash equivalents	**¥15,417**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable-trade	**46,377**	**—**	**—**	**—**
	¥61,794	**¥ —**	**¥ —**	**¥ —**

	Millions of yen			
	2013			
	Due in 1 year or less	**Due after 1 year through 5 years**	**Due after 5 years through 10 years**	**Due after 10 years**
Cash and cash equivalents	¥ 3,527	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	28,166	—	—	—
	¥31,693	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2014			
	Due in 1 year or less	**Due after 1 year through 5 years**	**Due after 5 years through 10 years**	**Due after 10 years**
Cash and cash equivalents	**$149,791**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable-trade	**450,614**	**—**	**—**	**—**
	$600,405	**$ —**	**$ —**	**$ —**

Cash and cash equivalents in the table above do not include cash on hand of ¥4,877 million ($47,390 thousand) and ¥6,440 million at March 31, 2014 and 2013, respectively.

(4) Refer to Note 7. "Short-Term Bank Loans, Long-Term Debt and Lease Obligations" for the redemption schedule for long-term debt.

11. Derivatives

Derivative transactions to which hedge accounting is applied

Interest rate-related transactions

			Millions of yen		
			2014		
Method of hedge accounting	**Transaction**	**Hedged item**	**Notional amount**	**Notional amount maturing in more than one year**	**Fair value**
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	**¥83,000**	**¥63,100**	**(*)**

Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
			Millions of yen		
			2013		
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 72,000	¥ 68,000	(*)

Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
			Thousands of U.S. dollars		
			2014		
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	**$806,452**	**$613,098**	**(*)**

Notes:

(*) Because interest rate swap agreements are accounted for as if the contract rate applied to the swap agreement had originally applied to the underlying long-term loans, their fair values are included in those of the underlying long-term loans.

There are no derivative transactions to which hedge accounting is not applied for the years ended March 31, 2014 and 2013.

12. Contingent Liabilities

The Group was contingently liable for guarantees of bank borrowings made by an affiliate in the aggregate amount of ¥224 million ($2,179 thousand) at March 31, 2014.

13. Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The legal reserve of the Company was nil at March 31, 2014 and 2013.

In accordance with the Law, stock option plans for certain directors and certain employees of the Company and certain directors and employees of certain subsidiaries were approved at annual general meetings of the shareholders of the Company. The 2009 stock option plan (the 2009 plan) was approved by shareholder meeting of the Company on June 26, 2009.

According to the 2009 plan, on August 6, 2009, the Company granted 1,570,000 stock options for common stock to 9 board directors and 3 employees of the Company and 12 board directors, 21 managing officers and 647 employees of certain subsidiaries. The service period for grantees is from August 6, 2009 to August 6, 2011 and the exercisable period is August 7, 2011 to August 6, 2014. No stock option expense was incurred for the years ended March 31, 2014 and 2013. Gains on reversal of stock options of ¥4 million ($40 thousand) and ¥3 million were included in other, net in the consolidated statements of operations for the years ended March 31, 2014 and 2013, respectively.

Movement in the number of vested stock options for the stock option plan of the Company during the year ended March 31, 2014 was summarized as follows:

	2014				
	Outstanding as of April 1, 2013	Vested	Exercised	Forfeited	Outstanding as of March 31, 2014
The 2009 plan	**1,490,000**	—	—	**25,000**	**1,465,000**

The unit price of the stock options under the 2009 plan of the Company during the year ended March 31, 2014 was summarized as follows:

	the 2009 plan	
	Yen	*U.S. dollars*
Unit price of stock options:		
Exercise price at March 31, 2014	**¥597**	**$5.80**
Average market price per share upon exercise	**—**	**—**
Estimated fair value of unit price at grant date	**163**	**1.58**

Because it is difficult to reasonably estimate the number of stock options that will be forfeited, the estimation reflects only the actual number of forfeited stock options.

Movements in common stock and treasury stock for the years ended March 31, 2014 and 2013 were summarized as follows:

	Number of shares			
	2014			
	April 1, 2013	**Increase**	**Decrease**	**March 31, 2014**
Common stock	**105,665,636**	**6,340,000**	**—**	**112,005,636**
Treasury stock	**4,127,763**	**2,430**	**2,621,000**	**1,509,193**

	Number of shares			
	2013			
	April 1, 2012	**Increase**	**Decrease**	**March 31, 2013**
Common stock	105,665,636	—	—	105,665,636
Treasury stock	2,126,650	2,001,359	246	4,127,763

The increase in treasury stock of 2,430 shares for the year ended March 31, 2014 was due to the purchase from shareholders of 2,430 fractional shares at their request.

The decrease of treasury stock of 2,621,000 shares for the year ended March 31, 2014 was due to disposition of shares related to the capital alliance agreement with LIXIL Group.

The increase in treasury stock of 2,001,359 shares for the year ended March 31, 2013 was due to the purchase of 2,000,000 shares on the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on August 3, 2012 and the purchase of 1,359 fractional shares.

The decrease of treasury stock of 246 shares for the year ended March 31, 2013 was due to the sales to shareholders of 246 fractional shares at their request.

Movements in stock acquisition rights during the years ended March 31, 2014 and 2013 were summarized as follows:

	Thousands of shares			
	2014			
	April 1, 2013	**Increase**	**Decrease**	**March 31, 2014**
Stock acquisition rights attached to convertible bonds due May 10, 2013	**1,304**	**—**	**1,304**	**—**
Stock acquisition rights as stock options	**—**	**—**	**—**	**—**
	1,304	**—**	**1,304**	**—**

	Thousands of shares			
	2013			
	April 1, 2012	**Increase**	**Decrease**	**March 31, 2013**
Stock acquisition rights attached to convertible bonds due May 10, 2013	1,304	—	—	1,304
Stock acquisition rights as stock options	—	—	—	—
	1,304	—	—	1,304

14. Cost of Sales

Losses on inventory valuation included in cost of sales for the years ended March 31, 2014 and 2013 were ¥36 million ($353 thousand) and ¥64 million, respectively.

15. Loss on Impairment of Property and Equipment

The Group recognized losses on impairment of property and equipment of ¥5,461 million ($53,064 thousand) and ¥4,540 million for the years ended March 31, 2014 and 2013, respectively, as follows:

March 31, 2014

Use	Classification	Location
Store	Buildings, structures and other	Osaka Prefecture and other
Rental property	Land, buildings, structures and other	Hokkaido Prefecture and other

March 31, 2013

Use	Classification	Location
Store	Buildings, structures and other	Mie Prefecture and other
Rental property	Land, buildings, structures and other	Hiroshima Prefecture and other
Idle property	Land	Okayama Prefecture and other

The Group groups its property and equipment based on management control units. It also groups assets which are not currently utilized for its operations and are not anticipated to be utilized in the future as idle assets individually.

Losses on impairment of property and equipment were recorded for the years ended March 31, 2014 and 2013 as the assets and asset groups listed above recorded consecutive years of negative operating cash flows and because their utilization in the future was not determinable.

For the years ended March 31, 2014 and 2013, the Group reduced the book value of the assets and asset groups and rental property listed above to their respective recoverable amounts and losses on impairment were recognized in the amounts of ¥5,461 million ($53,064 thousand) and ¥4,508 million for the years ended March 31, 2014 and 2013, respectively.

For the years ended March 31, 2014 and 2013, the principal components of loss on impairment by asset classification were buildings and structures of ¥4,824 million ($46,867 thousand) and ¥2,631 million, tools, furniture and fixtures of ¥211 million ($2,047 thousand) and ¥157 million, land of ¥381 million ($3,698 thousand) and ¥350 million, leased assets of nil and ¥1,378 million, respectively.

The recoverable amounts of asset groups are measured at the higher of their net selling value or value in use. The net selling value for significant assets is based on professional appraisals. Value in use is measured as the sum of anticipated future cash flows discounted by weighted average costs of capital of 3.32% and 3.40% for the years ended March 31, 2014 and 2013, respectively.

16. Other Comprehensive (Loss) Income

Reclassification adjustments and tax effects for each component of other comprehensive (loss) income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Net unrealized gain on other securities:			
Amount arising during the year	**¥ 150**	¥ 427	**$ 1,452**
Reclassification adjustments	**(263)**	0	**(2,553)**
Before tax effect	**(113)**	427	**(1,101)**
Tax effect	**41**	(171)	**400**
Total	**(72)**	256	**(701)**
Total other comprehensive (loss) income	**¥ (72)**	¥ 256	**$ (701)**

17. Leases

The Group utilizes finance leases for store equipment. Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

The Group continues to account for finance lease transactions not involving the transfer of ownership that commenced prior to April 1, 2008 as operating lease transactions.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2014 and 2013 which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2014			**2013**		
	Acquisition cost	**Accumulated depreciation**	**Net book value**	**Acquisition cost**	**Accumulated depreciation**	**Net book value**
Buildings and structures	**¥3,924**	**¥2,257**	**¥1,667**	¥3,924	¥2,060	¥1,864
Tools, furniture and fixtures	**—**	**—**	**—**	92	85	7
	¥3,924	**¥2,257**	**¥1,667**	¥4,016	¥2,145	¥1,871

	Thousands of U.S. dollars		
	2014		
	Acquisition cost	**Accumulated depreciation**	**Net book value**
Buildings and structures	**$38,130**	**$21,925**	**$16,205**
Tools, furniture and fixtures	**—**	**—**	**—**
	$38,130	**$21,925**	**$16,205**

Lease payments relating to finance leases accounted for as operating leases, the corresponding depreciation computed by the straight-line method for the respective lease periods assuming a nil residual value, interest expense computed by the interest method, and reversal of loss on impairment of finance leases accounted for as operating leases for the years ended March 31, 2014 and 2013 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Lease payments	**¥223**	¥594	**$2,165**
Reversal of loss on impairment of finance leased assets	**—**	0	**—**
Depreciation	**203**	551	**1,968**
Interest expense	**19**	26	**189**

Future minimum lease payments subsequent to March 31, 2014 for finance leases accounted for as operating leases were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2015	¥ 199	$ 1,930
2016 and thereafter	1,592	15,471
Total	¥1,791	$17,401

Future minimum lease payments subsequent to March 31, 2014 for non-cancelable operating leases as a lessee were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2015	¥ 3,224	$ 31,323
2016 and thereafter	28,613	278,014
Total	¥31,837	$309,337

Future minimum receipts subsequent to March 31, 2014 for non-cancelable operating leases as a lessor were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2015	¥ 261	$ 2,538
2016 and thereafter	4,268	41,466
Total	¥4,529	$44,004

18. Supplementary Information on the Consolidated Statement of Cash Flows

Information on significant non-cash transaction:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Increase in asset retirement obligations	**¥942**	¥363	**$9,151**
Capitalized lease	**¥259**	¥—	**$2,519**

19. Related Party Transactions

Principal transactions between the Company and a company which is majority owned by a director and the director's relatives during the years ended March 31, 2014 and 2013 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
SHOEI Co., Ltd.:			
Insurance expense	**¥134**	¥141	**$1,297**

The outstanding balance of prepaid expenses and accounts payable related to insurance expense outlined above amounted to ¥17 million ($167 thousand) and ¥13 million, and ¥0 million ($3 thousand) and ¥5 million at March 31, 2014 and 2013, respectively.

SHOEI Co., Ltd. ("SHOEI") is a majority owned company by a director and the director's relatives, located in Nisshin City, Aichi and it is engaged in the insurance business. The capital amount of SHOEI was ¥90 million ($874 thousand) at March 31, 2014 and 2013.

Insurance premiums are determined in the same manner as general insurance offered by insurance companies.

20. Segment Information

Reportable segments of the Group are "Sales of home electric appliances," "Home center stores" and "Others." As the "Home center stores" and "Others" segments are immaterial to the segment total, the disclosure of segment information for the years ended March 31, 2014 and 2013 has been omitted.

Loss on impairment of property and equipment for all segments was recorded in the amounts of ¥5,461 million ($53,064 thousand) and ¥4,540 million for the years ended March 31, 2014 and 2013, respectively. The remaining balance of goodwill for all segments as of March 31, 2014 and 2013 was nil. Amortization of negative goodwill for all segments was recorded in the amounts of ¥569 million ($5,531 thousand) and ¥1,139 million for the years ended March 31, 2014 and 2013, respectively. The remaining balance of negative goodwill for all segments was recorded in the amounts of ¥569 million as of the March 31, 2013, and there are no remaining balances of negative goodwill for all segments as of the March 31, 2014.

There was no gain on recognition of negative goodwill for the years ended March 31, 2014 and 2013.

As sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statements of operations, the disclosure of the segment information by product and service for the years ended March 31, 2014 and 2013 has been omitted.

As there were no overseas sales of products and services to external customers, the disclosure of net sales by geographical region for the years ended March 31, 2014 and 2013 has been omitted.

As there was no property and equipment located overseas, the disclosure of property and equipment by geographical region as of March 31, 2014 and 2013 has been omitted.

As sales of products and services to specific customers account for less than 10% of net sales in the consolidated statements of operations, the disclosure of information by major customers for the years ended March 31, 2014 and 2013 has been omitted.

21. Subsequent Event

Distribution of retained earnings of the Company

The following distribution of retained earnings at March 31, 2014 was approved at the Company's annual general meeting of shareholders held on June 27, 2014:

	Millions of yen	*Thousands of U.S. dollars*
Year-end cash dividends of ¥12.00 ($0.12) per share	¥ 1,326	$ 12,883

INDEX TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Notice to Investors

The accompanying unaudited consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2015 (with comparative information as at and for the fiscal year ended 31 March 2014), are an English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2015 under the rules of the Tokyo Stock Exchange. Such consolidated financial statements are unaudited and certain information to be included in the audited consolidated financial statements is omitted, and there can be no assurance that such unaudited consolidated financial statements will accord in all respects to the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 which are currently being prepared by the Group and will be published towards the end of June 2015. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 are not available, and the Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and the presentation of its unaudited consolidated financial statements included in this Offering Circular, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2015 included in this Offering Circular and the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements as at and for the fiscal year ended 31 March 2015 becoming available.

(1) Consolidated Balance Sheets

(Unit: Million yen)

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Assets		
Current Assets		
Cash and deposits	20,293	9,001
Notes and Accounts receivable-trade	46,377	29,223
Merchandise and finished goods	84,467	106,528
Deferred tax assets	9,409	8,070
Other	17,287	14,251
Allowance for doubtful account	(37)	(44)
Total current assets	177,797	167,030
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	*3 70,415	*3 68,062
Tools, furniture and fixtures, net	3,870	4,585
Land	*3,*5 77,299	*3,*5 73,519
Leased assets, net	911	767
Construction in progress	1,924	1,514
Other, net	177	283
Total property, plant and equipment	*1 154,599	*1 148,734
Intangible assets		
Other	5,080	4,162
Total intangible assets	5,080	4,162
Investment and other assets		
Investment securities	*2 3,464	*2 4,071
Leasehold deposits	29,304	28,963
Deferred tax assets	10,057	7,390
Other	5,757	7,101
Allowance for doubtful account	(262)	(115)
Total Investment and other assets	48,321	47,411
Total noncurrent assets	208,001	200,308
Total assets	385,799	367,338

(Unit: Million yen)

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	50,551	34,253
Short-term bank loan	4,000	27,000
Current portion of long-term bank loans	*3 22,645	*3 16,375
Lease obligations	153	95
Income taxes payable	2,604	559
Accrued consumption taxes	3,487	1,188
Allowance for bonuses	5,724	4,367
Allowance for point service program	9,378	9,229
Other	34,434	22,507
Total current liabilities	132,980	115,577
Noncurrent liabilities		
Bonds with subscription rights to shares	–	15,000
Long-term bank loans	*3 73,707	*3 58,831
Lease obligations	1,056	961
Deferred tax liabilities	50	26
Deferred tax liabilities for land revaluation	*5 2,078	*5 1,870
Allowance for merchandise warranties	7,487	8,416
Liability for retirement benefits	8,067	7,652
Asset retirement obligation	5,933	6,580
Other	*3 7,680	*3 7,336
Total noncurrent assets	106,062	106,674
Total liabilities	239,042	222,252
Net assets		
Shareholders' equity		
Common stock	11,940	11,940
Capital surplus	84,167	84,309
Retained earnings	59,220	60,401
Treasury stock, at cost	(801)	(5,471)
Total shareholders' equity	154,526	151,179
Accumulated other comprehensive income		
Net unrealized gain on other securities	192	719
Land revaluation difference	*5 (8,558)	*5 (7,011)
Retirement benefit liability adjustments	279	135
Total accumulated other comprehensive income	(8,087)	(6,156)
Stock acquisition rights	238	–
Minority interests	78	63
Total net assets	146,756	145,086
Total liabilities and net assets	385,799	367,338

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statement of income)

(Unit: Million yen)

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Net sales	766,699	691,216
Cost of sales	*6 564,199	*6 500,856
Gross profit	202,500	190,360
Selling, general and administrative expenses	*1 188,780	*1 179,614
Operating income	13,720	10,745
Non-operating income		
Interest and dividend income	202	228
Purchase discount	519	–
Amortization of negative goodwill	569	–
Equity in earnings of affiliates	65	70
Subsidy income	223	178
Other	1,214	1,277
Total non-operating income	2,794	1,754
Non-operating expenses		
Interest expenses	921	843
Other	709	538
Total non-operating expenses	1,631	1,381
Ordinary income	14,883	11,118
Extraordinary income		
Gain on sales of properties	*2 186	*2 17
Gain on sales of investment securities	334	157
Gain on sales of shares of subsidiary	–	2,574
Other	53	179
Total extraordinary income	574	2,929
Extraordinary loss		
Loss on sales of properties	*3 352	*3 120
Loss on retirements of properties	*4 277	*4 614
Impairment loss	*5 5,461	*5 2,790
Loss on cancellation of leasehold contract	162	200
Other	310	206
Total extraordinary loss	6,563	3,933
Income before income taxes	8,894	10,114
Income taxes - current	2,641	1,361
Income taxes - deferred	1,058	3,838
Total income taxes	3,700	5,200
Net income before minority interests	5,194	4,914
Minority interests in income(loss)	44	(15)
Net income	5,149	4,929

(Statement of comprehensive income)

(Unit: Million yen)

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Net income before minority interests	5,194	4,914
Other comprehensive income		
Net unrealized gain on other securities	(72)	527
Land revaluation difference	–	197
Retirement benefit liability adjustments	–	(144)
Total other comprehensive income	*(72)	*579
Comprehensive income	5,122	5,494
Attributable to:		
Shareholders of EDION corporation	5,077	5,509
Minority interests	44	(15)

(3) Consolidated Statements of Changes in Shareholders' Equity

2014 (April 1, 2013 to March 31, 2014)

(Unit: Million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earning	Treasury stock	Total shareholders' equity
Balance at the end of the previous period	10,174	82,334	56,914	(2,192)	147,230
Cumulative effect of changes in accounting policy					–
Rested balance	10,174	82,334	56,914	(2,192)	147,230
Changes of items during the period					
Issuance of new shares	1,765	1,765			3,531
Cash dividends			(2,120)		(2,120)
Net income			5,149		5,149
Purchase of treasury stock				(1)	(1)
Disposition of treasury stock		67		1,392	1,459
Reversal of land revaluation difference			(723)		(723)
Net changes of items other than shareholders' equity					
Total changes of items during the period	1,765	1,833	2,305	1,390	7,295
Balance at the end current period	11,940	84,167	59,220	(801)	154,526

	Accumulated other comprehensive income				Stock Acquisition Rights	Minority interests	Total net assets
	Net unrealized gain on other securities	Land revaluation difference	Retirement benefit liability adjustments	Total accumulated other comprehensive income			
Balance at the end of the previous period	264	(9,282)	–	(9,018)	242	34	138,489
Cumulative effect of changes in accounting policy							–
Rested balance	264	(9,282)	–	(9,018)	242	34	138,489
Changes of items during the period							
Issuance of new shares							3,531
Cash dividends							(2,120)
Net income							5,149
Purchase of treasury stock							(1)
Disposition of treasury stock							1,459
Reversal of land revaluation difference							(723)
Net changes of items other than shareholders' equity	(72)	723	279	931	(4)	44	971
Total changes of items during the period	(72)	723	279	931	(4)	44	8,267
Balance at the end current period	192	(8,558)	279	(8,087)	238	78	146,756

2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of the previous period	11,940	84,167	59,220	(801)	154,526
Cumulative effect of changes in accounting policy			21		21
Rested balance	11,940	84,167	59,241	(801)	154,548
Changes of items during the period					
Issuance of new shares					–
Cash dividends			(2,420)		(2,420)
Net income			4,929		4,929
Purchase of treasury stock				(4,999)	(4,999)
Disposition of treasury stock		141		329	471
Reversal of land revaluation difference			(1,350)		(1,350)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	141	1,159	(4,669)	(3,368)
Balance at the end current period	11,940	84,309	60,401	(5,471)	151,179

	Accumulated other comprehensive income				Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gain on other securities	Land revaluation difference	Retirement benefit liability adjustments	Total accumulated other comprehensive income			
Balance at the end of the previous period	192	(8,558)	279	(8,087)	238	78	146,756
Cumulative effect of changes in accounting policy							21
Rested balance	192	(8,558)	279	(8,087)	238	78	146,778
Changes of items during the period							
Issuance of new shares							–
Cash dividends							(2,420)
Net income							4,929
Purchase of treasury stock							(4,999)
Disposition of treasury stock							471
Reversal of land revaluation difference							(1,350)
Net changes of items other than shareholders' equity	527	1,547	(144)	1,930	(238)	(15)	1,676
Total changes of items during the period	527	1,547	(144)	1,930	(238)	(15)	(1,692)
Balance at the end current period	719	(7,011)	135	(6,156)	–	63	145,086

(4) Consolidated Statements of Cash Flows

(Unit: Million yen)

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes	8,894	10,114
Depreciation and amortization	12,398	10,363
Impairment loss	5,461	2,790
Amortization of goodwill and negative goodwill	(569)	–
Increase (decrease) in allowance for doubtful accounts	(47)	(140)
Increase (decrease) in allowance for employees' bonuses	1,695	(1,332)
Increase (decrease) in allowance for retirement	(8,913)	–
Increase (decrease) in liability for retirement benefits	8,067	(415)
Increase (decrease) in allowance for point service program	958	(109)
Interest and dividend income	(202)	(228)
Interest expense	921	843
Equity in (earnings) losses of affiliates	(65)	(70)
Loss on retirements of properties	277	614
Decrease (increase) in notes and accounts receivable-trade	(18,211)	17,141
Decrease (increase) in inventories	15,323	(23,015)
Increase (decrease) in notes and accounts payable-trade	5,504	(16,298)
Increase (decrease) in advances received	10,415	(9,564)
Other	4,567	(3,877)
Subtotal	46,478	(13,185)
Interest and dividend income received	117	61
Interest expense paid	(885)	(802)
Subsidies income received	17	384
Income taxes refunded	427	1
Income taxes paid	(415)	(3,674)
Net cash provided by (used in) operating activities	45,741	(17,215)

(Unit: Million yen)

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Net cash provided by (used in) investing activities		
Proceeds from redemption of investments in securities	1,000	–
Purchase of property, plant and equipment	(17,306)	(9,226)
Proceeds from sales of property, plant and equipments	3,598	3,791
Purchase of intangible assets	(1,019)	(1,296)
Payment of long-term prepaid expenses	(38)	(119)
Purchase on investments in securities	(169)	(64)
Proceeds from sales of investments in securities	931	436
Proceeds from sale of shares of subsidiary excluded from the scope of consolidation	–	4,047
Payment of leasehold deposit	(1,742)	(1,798)
Proceeds from repayments of leasehold deposit	1,323	640
Proceeds from leasehold deposit from tenants	649	282
Repayment of leasehold deposit from tenants	(217)	(146)
Other	(163)	(322)
Net cash provided by (used in) investing activities	(13,154)	(3,774)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term bank loans	(32,000)	23,000
Proceeds from long-term bank loans	20,723	1,500
Repayment of long-term bank loans	(11,900)	(22,540)
Proceeds from issuance of bond with subscription rights to shares	–	14,942
Redemption of convertible bonds	(1,765)	–
Proceeds from issuance of common stock	3,531	–
Purchase of treasury stock	(1)	(4,999)
Proceeds from sales of treasury stock	1,459	–
Proceeds from exercise of stock options	–	370
Cash dividends paid	(2,119)	(2,420)
Other	(188)	(155)
Net cash provided by (used in) financing activities	(22,259)	9,697
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	10,326	(11,292)
Cash and cash equivalents at beginning of the period	9,967	20,293
Cash and cash equivalents at ending of the period	*1 20,293	*1 9,001

(5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Significant Items for the Presentation of Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries 5 companies

(1) Major consolidated subsidiaries

3Q Co., Ltd., EDION COMMUNICATIONS Co., Ltd., EDION House System Corporation, NWORK Co., Ltd. and E.R. JAPAN Corporation

Effective October 1, 2014, the Company split the operation of Home center stores (excluding, the operation of its sales of home electric products) into a newly incorporated company, by means of company split, and transfer all shares of the newly incorporated company to KAHMA CO., Ltd as of October 1, 2014.

For more detail, please refer to "Notice concerning Company Split (Simple Incorporation-Type Company Split) and Transfer of all shares of the Newly Incorporated Company", announced on July 30, 2014.

Consequently, the Group has changed its reporting segments from *Home electric appliances sales, Home improvement stores and Others* to *Home electric appliances sales and Others* from the third quarter of this current fiscal year.

(i) Objective of Company Split

The Company operates six home center stores called "Home Expo" in Aichi, Japan. Considering the business environment of Home center market being increasingly oligopolistic in recent years and possibilities for the further expansion of "Home Expo", the Company determined that this transaction, the company split and transfer of shares of the newly incorporated company would enable us to optimize the Group's resource allocation and increase our profitability in order to enhance corporate value.

(ii) Business Activities and Scale of the Division to be Split

The Company's operation of Home center stores (excluding, the operation of its sales of home electric products)

Financial Results of the Division to be Split (Results of Fiscal 2013)

(Unit: Million yen)

	Operation of Home center stores (a)	The Group (b)	Ratio (a/b)
Net Sales	¥9,828	¥766,699	1.28%

(iii) Legal Form of Company Split

The method is an Incorporation-Type Company Split in which the Company is the splitting company and the newly incorporated company is the successor company. (Simple Incorporation-Type Company Split)
This Company Split, pursuant to Article 805 of the Company Act (Simple Split), will be executed without the approval of a General Meeting of the Shareholders.

(iv) Name and Overview of the Newly Incorporated Company
Company name: Home Expo Co., Ltd.
Address of headquarters: 411, Hidaka 3-chome, Kariya, Aichi, Japan
Representative : President and representative director Katsuyoshi Ishiguro
Business Description: Operation of Home center stores
Capital: ¥10 million ($99 thousand)
Personnel: 112

Assets and Liabilities of the Division to be Split (Amounts as of October 1, 2014)

(Unit: Million yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current Assets	985	Current Liabilities	68
Non-current Assets	770	Non-current Liabilities	97
Total Assets	1,756	Total Liabilities	165

(v) Date of the Company Split and the Transfer for the Shares
October 1, 2014

(vi) Name and Overview of Transferee of the Newly Incorporated Company's Shares
Company name: KAHMA Co., Ltd.
Address of headquarters: 411, Hidaka 3-chome, Kariya, Aichi, Japan
Representative : President, representative director and officer Yoshiyuki Toyoda
Business Description: Operation of Home center store
Capital: ¥6,001 million ($59,205 thousand)
Personnel: 1,036 (as of February 28, 2014)

(2)Non-consolidated subsidiaries

Not applicable

2. Application of equity method

Number of affiliates to which the equity method is applied: 3 companies

(1) Major affiliates

Fureai Channel Inc., SANFRECCE HIROSHIMA FC. and Maruni Wood Industry Inc.

(2) Affiliates to which the equity method is not applied

Neo System Co., Ltd.

The above company is excluded from the scope of application as its impact is not significant to the Company's net income or loss (equivalent to equity interests), retained earnings (equivalent to equity interests) etc.

3. Accounting period etc. of consolidated subsidiaries

The fiscal year end for consolidated subsidiaries is the same as the Group's fiscal year end.

4. Accounting policies

(1) Valuation standards and methods for major assets

(i) Securities

a. Held-to-maturity debt securities

Amortized cost method (straight-line)

b. Other securities

<For which a market value is available>

Market value method, based on the market price, etc., as of the fiscal year-end (with the entire amount of valuation differences directly included under net assets, and the cost of sales calculated using the moving average method)

<For which a market value is unavailable>

Moving average cost method

(ii) Derivatives

Market value method

(iii) Inventories

a. Merchandise

The valuation standard is the cost method. (Balance sheet amounts are determined by writing down the book value according to the decrease in profitability.)
Valuation method: Mainly the moving average method

b. Supplies

Last purchase price method

(2) Depreciation methods for major depreciation assets

(i) Property, plant and equipment (except leased assets)

Depreciation of buildings (except buildings and accompanying facilities) is calculated by the straight-line method. However, depreciation of some buildings acquired on March 31, 1998 or earlier is based on the declining-balance method. Depreciation of property, plant and equipment except for buildings is based on the declining-balance method.

Useful lives of major assets are as follows:
Buildings and structures: 2 to 60 years
Tools, furniture and fixtures: 2 to 20 years

(ii) Intangible assets (except leased assets)

Depreciation of intangible assets is calculated by the straight-line method. However, depreciation of software for internal use is based on the usable period (five years) in the Company.

(iii) Lease assets

Leased assets are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life. In addition, finance lease transactions that do not transfer ownership and whose start date is March 31, 2008 or earlier are recorded according to accounting treatment similar to that used for ordinary rental transactions.

(3) Basis for significant reserves

(i) Allowance for doubtful accounts

To prepare for losses from uncollectible account receivables, the Group provides for estimated uncollectible amount of normal receivables based on historical loss ratios. Specific claims including doubtful receivables, etc. are individually evaluated for the likelihood of recovery and the estimated uncollectible amount is provided.

(ii) Provision for bonuses

To prepare for payment of bonuses to employees, provision for bonuses is provided at the amount payable during the current fiscal year calculated based on the amount of bonuses expected to be paid in the future.

(iii) Provision for point card certificates

To prepare for expenses associated with the future use of points given to customers in accordance with the Company's point-card system, provision for point card certificates is recorded at the estimated amount of points used in the future at the end of the fiscal year.

(iv) Provision for product warranties

To prepare for repair costs to products sold during their warranty periods, provision for product warranties is provided at the estimated repair cost calculated based on past repair records and other factors.

(4) Accounting method for retirement benefits

(i) The attribution method for estimated retirement benefit amounts

When calculating retirement benefit obligations, benefit formula standard is used to allocate the estimated retirement benefit amount in the period until the end of the fiscal year.

(ii) Methods for processing actuarial gains and losses and past service liabilities

Prior service costs are amortized by the straight-line method over a period within the average remaining service years for employees (10 years) at the time of recognition.

Actuarial differences are amortized by the straight-line method over a period within the average remaining service years for employees (10 years) at the time of recognition, and allocated proportionally from the fiscal year following the respective fiscal year of recognition.

(5) Hedge accounting

Interest rate swaps are adopted for some debts to convert the terms of interest rate payment. Since this interest rate swap and the debts subject to interest rate swapping meet the requirements of hedge accounting, its notional principal, terms of paying and proceeding interest, and the term period are nearly equal to those of the said debts, this interest rate swap is not valuated at fair value and the net cost of paying and proceeding has been reflected in the interest for the debts.

(6) Amortization of goodwill and amortization period

Goodwill and past negative goodwill whose useful lives are able to be estimated are amortized evenly over their estimated useful life, and other goodwill and negative goodwill are amortized over five years.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash in hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

(8) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Changes in accounting principles)

(Application of Accounting Standard for Retirement Benefits)

Provisions stated in Section 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, hereinafter referred to as the “Retirement Benefits Accounting Standard”) and Section 67 of the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, hereinafter “Guidance on Retirement Benefits”) have been applied from the beginning of this fiscal year. With this application, calculation methods for retirement benefit obligations and service costs have been changed. Under this change, the calculation method for annual allocation expenses for projected benefit obligations is changed from the straight-line attribution standard pro-rated on employees’ years of service to benefit formula standard pro-rated on employees’ salaries. The method for determining the time period over which the discount rate is imputed is changed from the average remaining years of service for employees to mainly the expected period length of benefits payments and weighted average discount rate reflecting the amount to be paid in each period under the expected length of benefits payments for all employees under the plan.

In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the Company applied the Accounting Standard for Retirement Benefits at the beginning of this fiscal year, and the effect of the accounting change in retirement benefit obligations and service costs was reflected in retained earnings.

The effect of this change on consolidated financial results is immaterial.

(Changes in Presentation)

(Consolidated statement of income)

"Subsidy income", which was included in "Other" in the "Non-operating income" category for the previous fiscal year, is independently presented from the current fiscal year, due to its materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 1,438 million yen presented as "Other" in the "Non-operating income" segment for the previous year, has been reclassified as "Subsidy income" 223 million yen and "Other" 1,214 million yen, separately.

"Loss on abandonment of goods", which was independently presented in the "Non-operating expenses" category for the previous fiscal year, is included in "Other" in the "Non-operating expenses" from the current fiscal year, due to its materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, "Loss on abandonment of goods" 212 million yen presented independently in the "Non-operating income" category for the previous year, has been reclassified as "Other" in the "Non-operating expenses".

(Consolidated statement of cash flows)

"Increase (decrease) in advances received" and "Subsidy income received", which were included in "Other" in the "Cash flows from operating activities" category for the previous year, are independently presented from the current fiscal year, due to its materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 15,000 million yen presented as "Other" in the "Cash flows from operating activities" for the previous year, has been reclassified as "Increase (decrease) in advances received" 10,415 million yen, "Subsidy income received" 17 million and "Other" 4,567 million yen, separately.

(Consolidated Balance Sheets)

(Note 1) Accumulated depreciation of property, plant and equipment are as follows:

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Accumulated depreciation of property, plant and equipment	116,516 Million yen	118,425 Million yen

(Note 2) Equity securities to affiliates are as follows:

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Equity securities to affiliates	688 Million yen	758 Million yen

(Note 3) Pledged assets and secured debts

The assets pledged as collateral are as follows:

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Building and structures	3,110 Million yen	2,894 Million yen
Land	1,265	1,265
Total	4,375	4,159

Secured debts are as follows:

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Current portion of long-term bank loans	105 Million yen	107 Million yen
Long-term bank loans	1,297	1,189
"Other" in noncurrent liabilities(leasehold deposit received)	1,069	1,012

(Note 4) Guarantees

The Group provides its guarantee to financial institutions to repay loans made to the following affiliate company.

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Fureai Channel Inc.	224 Million yen	163 Million yen

(Note 5) The Company revaluated its land held for business use, in accordance with the Act on Revaluation of Land (Act No. 34 of March 31, 1998), and recorded the differences in land revaluation as the revaluation reserve for land revaluation in the net assets segment.

(i) Method of revaluation

Revaluation was made by reasonably adjusting the assessed value of fixed assets in accordance with the provision of Article 2, Paragraph 3 of the “Ordinance for enforcement of the Act on Revaluation of Land” (Ordinance No.119 of March 31, 1998).

(ii) Date of revaluation

March 28, 2002 and March 31, 2002

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Differences between the fair value of the revalued land at the end of fiscal year and its book value after revaluation	(11,621) Million yen	(11,596) Million yen

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Differences related to rental properties among the above differences	(3,185) Million yen	(3,134) Million yen

(Note 6) Overdraft and loan commitment (borrower)

To facilitate efficient procurement of operating capital, the Company has entered into overdraft agreements with 20 banks and loan commitment agreements with 11 banks. The balance of unused loans under these agreements as of the end of the period is as follows.

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Total of overdraft maximum amounts and loan commitments	103,000 Million yen	110,600 Million yen
Loan Payable outstanding	4,000	27,000
Available	99,000	83,600

(Consolidated statements of income)

(Note1) Major items and their amounts included in the “Selling, general and administrative expenses” are as follows:

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Advertising and promotion expenses	21,142 Million yen	21,604 Million yen
Provision for doubtful accounts	9	3
Provision for point service program	8,229	8,105
Provision for product warranties	5,797	6,810
Salary and bonuses	57,276	55,190
Provision for bonuses	5,641	4,282
Retirement benefit expenses	2,470	2,371
Rent expense for business use	23,928	22,344

(Note 2) The details of gain on sales of noncurrent assets are as follows:

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Building and structures	174 Million yen	3 Million yen
Land	9	4
Other property, plant and equipments	2	9
Total	186	17

(Note 3) The details of loss on sales of noncurrent assets are as follows:

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Building and structures	67 Million yen	5 Million yen
Land	284	109
Other property, plant and equipments	0	5
Total	352	120

(Note 4) The details of loss on retirement of noncurrent assets

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Building and structures	97 Million yen	107 Million yen
Tools, furniture and fixtures	32	49
Other property, plant and equipments	0	3
Other intangible assets	10	15
Retirement costs	137	437
Total	277	614

(Note 5) Impairment loss

The EDION Group recorded an impairment loss for the following asset group.

2014 (April 1, 2013 to March 31, 2014)

Purpose	Type	Location
Stores	Building and structures Other	Osaka prefecture and other
Leased premises	Building and structures Other	Hokkaido prefecture and other

The Group determines the grouping of fixed assets based on its management accounting segments, and classifies the assets that are currently unused and are not likely to be used for business purposes as idle assets.

The book values of the above asset groups that incurred consecutive operating losses were reduced to recoverable amounts.

Impairment loss by the asset group totaled 5,461 million yen: 5,331 million yen for stores and leased premises and 129 million yen for leased premises.

Impairment loss by asset type consisted of 4,823 million yen for buildings and structures, 210 million yen for tools, furniture and fixtures, 380 million yen for land.

The recoverable amount of each asset group was measured based on the higher of either its net realizable value or its value in use. For significant asset groups, the real estate appraisal value was used as the net realizable value. The value in use was calculated by discounting the future cash flows by the weighted average capital cost of 3.32%.

2015 (April 1, 2014 to March 31, 2015)

Purpose	Type	Location
Stores	Building and structures Other	Shizuoka prefecture and other
Leased premises	Building and structures Other	Mie prefecture and other
Other	Tools, furniture and fixture Land Software	Fukui prefecture and other

The Group determines the grouping of fixed assets based on its management accounting segments, and classifies the assets that are currently unused and are not likely to be used for business purposes as idle assets.

The book values of the above asset groups that incurred consecutive operating losses were reduced to recoverable amounts.

Impairment loss by the asset group totaled 2,790 million yen: 2,429 million yen for stores, 197 million yen for leased premises and 163 million yen for others.

Impairment loss by asset type consisted of 2,148 million yen for buildings and structures, 321 million yen for tools, furniture and fixtures, 266 million yen for land.

The recoverable amount of each asset group was measured based on the higher of either its net realizable value or its value in use. For significant asset groups, the real estate appraisal value was used as the net realizable value. The value in use was calculated by discounting the future cash flows by the weighted average capital cost of 3.69%.

(Note 6) The ending inventory balance represents the status after a write-down of the book value due to a decrease in profitability; the loss on valuation of inventories below is included in the cost of sales.

2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
36 Million yen	349 Million yen

(Consolidated Statements of Comprehensive Income)

(Note) Reclassification adjustments and tax effects relating to other comprehensive income

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Net unrealized gain on other securities:		
Difference arising during the current year	149 million yen	846 million yen
Reclassification adjustments	(262)	(95)
Before tax effect adjustments	(113)	750
Tax effects	41	(223)
Valuation difference on other securities	(72)	527
Land revaluation difference:		
Tax effects	–	197
Retirement benefit liability adjustments:		
Difference arising during the current year	–	53
Reclassification adjustments	–	(303)
Before tax effect adjustments	–	(249)
Tax effects	–	105
Retirement benefit liability adjustments	–	(144)
Total other comprehensive income	(72)	579

(Consolidated Statements of Changes in Shareholder's equity)

2014 (April 1, 2013 to March 31, 2014)

(1) Type and number of shares issued and of treasury stock

	Number of shares as of the beginning of the current year	Number of shares increased during the current year	Number of shares decreased during the current year	Number of shares as of the end of the current year
Shares issued				
Common stock	105,665,636 shares	6,340,000 shares	–	112,005,636 shares
Total	105,665,636 shares	6,340,000 shares	–	112,005,636 shares
Treasury stock				
Common stock	4,127,763 shares	2,430 shares	2,621,000 shares	1,509,193 shares
Total	4,127,763 shares	2,430 shares	2,621,000 shares	1,509,193 shares

(Note) The increase of 2,430 shares in the number of common shares in treasury stock is 2,430 shares purchased in the buyback of shares less than one unit. The decrease of 2,621,000 shares is 2,621,000 shares disposed associated with a capital and business alliance with the LIXIL Group.

(2) Stock acquisition rights and treasury stock acquisition rights

Category	Description	Type of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (thousand shares)				Balance as of the end of the current fiscal year (million yen)
			As of the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	As of the end of the current fiscal year	
The Company	Yen-based convertible bonds with stock acquisition rights to shares maturing May 10, 2013	Common stock	1,304	–	1,304	–	–
	Stock acquisition rights to shares as an stock option	Common stock	–	–	–	–	238
Total		–	1,304	–	1,304	–	238

(3) Dividends

(i) Dividends payment

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on June 27, 2013	Common stock	1,015	10	March 31, 2013	June 28, 2013
Board of Directors' Meeting held on November 6, 2013	Common stock	1,104	10	September 30, 2013	December 5, 2013

(ii) Dividends whose record date is within the current fiscal year but are to be effective in the following fiscal year

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share(yen)	Record date	Effective date
Annual Shareholders' Meeting held on June 27, 2014	Common stock	1,325	Retained earnings	12	March 31, 2014	June 30, 2014

2015 (April 1, 2014 to March 31, 2015)

(1) Type and number of shares issued and of treasury stock

	Number of shares as of the beginning of the current year	Number of shares increased during the current year	Number of shares decreased during the current year	Number of shares as of the end of the current year
Shares issued				
Common stock	112,005,636 shares	–	–	112,005,636 shares
Total	112,005,636 shares	–	–	112,005,636 shares
Treasury stock				
Common stock	1,509,193 shares	6,740,664 shares	620,300 shares	7,629,557 shares
Total	1,509,193 shares	6,740,664 shares	620,300 shares	7,629,557 shares

(Note) The increase of 6,740,664 shares in the number of common shares in treasury stock consists of 6,739,000 shares purchased through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System resolved by the Board of Directors on September 17, 2014 and 1,664 shares purchased in the buyback of shares less than one unit. The decrease of 620,300 shares in the number of common shares in treasury stock is resulting from exercise of stock option rights.

(2) Stock acquisition rights and treasury stock acquisition rights

Category	Description	Type of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (thousand shares)				Balance as of the end of the current fiscal year (million yen)
			As of the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	As of the end of the current fiscal year	
The Company	Euro-based convertible bonds with stock acquisition rights to shares due 2021	Common stock	–	16,741	–	16,741	–
Total		–	–	16,741	–	16,741	–

(3) Dividends

(i) Dividends payment

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on June 27, 2014	Common stock	1,325	12	March 31, 2014	June 30, 2014
Board of Directors' Meeting held on November 7, 2014	Common stock	1,094	10	September 30, 2014	December 4, 2014

(ii) Dividends whose record date is within the current fiscal year but are to be effective in the following fiscal year

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on June 26, 2015	Common stock	1,043	Retained earnings	10	March 31, 2015	June 29, 2015

(Consolidated Statement of Cash Flows)

(Note 1) Reconciliation of cash and cash equivalents as of the year end and the accounts reported in the consolidated balance sheet

Cash and cash equivalents as of the year end is the same as the balance reported in the consolidated balance sheet.

(Note 2) Significant non-cash transaction

Asset retirement obligations

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Increase in asset retirement obligations	941 million yen	854 million yen

Leased assets and lease obligations related to finance leases newly entered into during the years

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Leased assets and lease obligations related to finance leases	259 million yen	5 million yen

(Segment Information)

a. Segment information

2014 (April 1, 2013 to March 1, 2014)

Reporting segment of the Group are “Home electric appliances sales” business, “Home improvement stores “business and “Others”. Since “Home improvement stores” business and “Others” were immaterial in relation to the segment total, the disclosure of segment information for the year ended March 31, 2014 was omitted.

2015 (April 1, 2014 to March 1, 2015)

Reporting segment of the Group are “Home electric appliances sales” business and “Others”. Since “Others” was immaterial in relation to the segment total, the disclosure of segment information for the year ended March 31, 2015 was omitted.

(Changes on reporting segments)

Effective October 1, 2014, the Company split the operation of Home center stores (excluding, the operation of its sales of home electric products) into a newly incorporated company, by means of company split, and transfer all shares of the newly incorporated company to KAHMA CO., Ltd as of October 1, 2014.

For more detail, please refer to “Notice concerning Company Split (Simple Incorporation-Type Company Split) and Transfer of all shares of the Newly Incorporated Company”, announced on July 30, 2014.

Consequently, the Group has changed its reporting segments from *Home electric appliances sales, Home improvement stores and Others* to *Home electric appliances sales and Others* from the third quarter of this current fiscal year.

b. Related information

2014 (April 1, 2013 to March 31, 2014)

1. Segment information by product/service

Since sales of products/services to external customers in a single segment accounted for more than 90% of the net sales reported on the consolidated income statement, the disclosure of segment information by product/service is omitted.

2. Geographic segment information

(1) Net sales

Since there were no sales to overseas customers, the disclosure of geographic segment information for net sales is omitted.

(2) Property, plant and equipment

Since the Company did not have property, plant or equipment located overseas, the disclosure of geographic segment information for this category is omitted.

3. Information by major customer

Since no sales to a specific customer exceeded 10% of the net sales reported on the consolidated income statements, the disclosure of segment information by major customer is omitted.

2015 (April 1, 2014 to March 31, 2015)

1. Segment information by product/service

Since sales of products/services to external customers in a single segment accounted for more than 90% of the net sales reported on the consolidated income statement, the disclosure of segment information by product/service is omitted.

2. Geographic segment information

(1) Net sales

Since there were no sales to overseas customers, the disclosure of geographic segment information for net sales is omitted.

(2) Property, plant and equipment

Since the Company did not have property, plant or equipment located overseas, the disclosure of geographic segment information for this category is omitted.

3. Information by major customer

Since no sales to a specific customer exceeded 10% of the net sales reported on the consolidated income statements, the disclosure of segment information by major customer is omitted.

c. Impairment loss on noncurrent assets by reporting segment

2014 (April 1, 2013 to March 31, 2014)

Reporting segment of the Group are "Home electric appliances sales" business, "Home improvement stores "business and "Others". Since "Home improvement stores" business and "Others" were immaterial in relation to the segment total, the disclosure of segment information for the year ended March 31, 2014 was omitted. Impairment loss for the year ended March 31, 2014 was 5,461 million yen.

2015 (April 1, 2014 to March 31, 2015)

Reporting segment of the Group are "Home electric appliances sales" business and "Others". Since "Others" was immaterial in relation to the segment total, the disclosure of segment information for the year ended March 31, 2015 was omitted. Impairment loss for the year ended March 31, 2015 was 2,790 million yen.

d. Goodwill amortization and unamortized balance by reporting segment

2014 (April 1, 2013 to March 31, 2014)

Reporting segment of the Group are "Home electric appliances sales" business, "Home improvement stores "business and "Others". Since "Home improvement stores" business and "Others" were immaterial in relation to the segment total, the disclosure of segment information for the year ended March 31, 2014 was omitted. Amortization of goodwill and the balance of unamortized goodwill was none, respectively, as of March 31, 2014. Amortization of negative goodwill was 569 million yen and the balance of unamortized negative goodwill was zero as of March 31, 2014.

2015 (April 1, 2014 to March 31, 2015)

Not applicable

e. Gain on negative goodwill by reporting segment

2014 (April 1, 2013 to March 31, 2014)

Not applicable

2015 (April 1, 2014 to March 31, 2015)

Not applicable

(Per share information)

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Net assets per share	1,325.29 yen	1,389.43 yen
Net income per share, basic	48.42 yen	45.77 yen
Net income per share, diluted	48.33 yen	42.69 yen

(Note) Values used for determining net income per share, basic, and net income, diluted, per share are as follows:

	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Net income per share, basic		
Net income (million yen)	5,149	4,929
Net income not attributable to common stock shareholders (million yen)	–	–
Net income (loss) attributable to common stock (million yen)	5,149	4,929
Average shares outstanding during the year (thousand shares)	106,361	107,721
Net income per share, diluted		
Net income adjustments (million yen)	–	–
Increase in common stock (thousand shares)	203	7,760
Potentially issuable shares not included in the calculation of net income per share diluted, because no diluting effect arises	————	————

(Significant subsequent events)

Not applicable

(Omission of disclosures)

Other notes are omitted, because the necessity of these disclosures is regarded as immaterial.

With respect to these omitted notes, please refer to "The 14th period Security Report (April 1, 2014 to March 31, 2015)" scheduled to be submitted on June 29, 2015.

5. Other

(1) Change of directors

Please refer to "Notice Concerning the Appointment of Director" announced on May 8, 2015.

(2) Other

On February 16, 2012, the Company received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission (JFTC) on the charge of violating Article 2, Paragraph 9, Item 5 (abuse of a superior bargaining position) and Article 19 (unfair business practices) of the Anti-Monopoly Act. Furthermore, in accordance with the provisions set out in Article 49, Paragraph 6 and Article 50, Paragraph 4 of the Anti-Monopoly Act, the Company decided to request the JFTC to initiate a hearing regarding the said orders. Following the decision to initiate the hearing made on April 24, 2012, the hearing is still continuing.

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