

## OFFERING CIRCULAR



### SCREEN HOLDINGS CO., LTD.

(incorporated in Japan with limited liability under the laws of Japan)

#### ¥15,000,000,000 Zero Coupon Convertible Bonds due 2022

OFFER PRICE: 103.0 PER CENT

#### ¥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 2022 (the “2022 Bonds”) and the ¥15,000,000,000 Zero Coupon Convertible Bonds due 2025 (the “2025 Bonds”) (each being bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (together, the “Bonds” (and each a “Series”), which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) of SCREEN Holdings Co., Ltd. (the “Company”) will be issued in registered form in denominations 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, in the case of all the Bonds, 25 June 2018 up to, and including, 27 May 2022 (in the case of the 2022 Bonds) and up to, and including, 28 May 2025 (in the case of the 2025 Bonds), unless the relevant Bonds have been previously redeemed, acquired or purchased and cancelled or become due and payable, entitling the Bondholder (as defined in the terms and conditions of the Bonds for the relevant Series) (the “2022 Bonds Conditions” and the “2025 Bonds Conditions” respectively and, collectively, 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 for the relevant Series), subject to adjustment in certain events as set out in the Conditions, of ¥11,578 per Share in respect of the 2022 Bonds and ¥12,337 per Share in respect of the 2025 Bonds. With respect to the 2025 Bonds only, (i) prior to (and including) 10 June 2022, the Stock Acquisition Rights may be exercised by the holder of a 2025 Bond during any particular calendar quarter only if the Closing Price of the Shares for 20 consecutive Trading Days ending on the last Trading Day of the immediately preceding calendar quarter is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in the 2025 Bonds Conditions) on the last Trading Day of such immediately preceding calendar quarter, and (ii) from (and including) 11 June 2022 but prior to (and including) 11 March 2025, the Stock Acquisition Rights may be exercised by the holder of a 2025 Bond during any particular calendar quarter (or, in respect of the calendar quarter commencing on 1 January 2025, until 11 March 2025) only if the Closing Price of the Shares for 20 consecutive Trading Days ending on the last Trading Day of the immediately preceding calendar quarter is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in the 2025 Bonds Conditions) on the last Trading Day of such immediately preceding calendar quarter. Such condition to the exercise of the Stock Acquisition Rights in respect of the 2025 Bonds shall not be applicable (1) if a notice of redemption has been given to the Bondholders of the 2025 Bonds, or (2) if the Company is first required to give notice of specified corporate transactions to the Bondholders of the 2025 Bonds as set out in Condition 6.2 of the 2025 Bonds, or (3) during any period in which any rating assigned by a specified rating agency to the Company’s issuer rating or long-term issuer rating is below a specified level or certain other ratings events occur. The closing price of the Shares as reported on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) on 24 May 2018, was ¥9,490 per Share.

Unless previously redeemed, acquired or purchased and cancelled, the 2022 Bonds will be redeemed at 100 per cent of their principal amount on 10 June 2022 and the 2025 Bonds will be redeemed at 100 per cent of their principal amount on 11 June 2025. With respect to the 2022 Bonds, on or after 10 December 2021, and with respect to the 2025 Bonds, on or after 11 December 2024, the Company may, by giving notice to the Bondholders of the relevant Series, acquire from such Bondholders all of the Bonds of such Series held by them in exchange for (a) (if the Closing Price of the Shares on the Trading Day immediately preceding the date on which such notice is first given is higher than the Conversion Price then in effect) an amount equal to 100 per cent of the principal amount of the Bonds of the relevant Series in cash plus the Type A Acquisition Shares (as defined in the Conditions for the relevant Series), if any, to be determined in accordance with the Conditions for the relevant Series; or (b) (if the Closing Price of the Shares on the Trading Day immediately preceding the date on which such notice is first given is equal to or lower than the Conversion Price then in effect) the Type B Acquisition Shares (as defined in the Conditions for the relevant Series) and the Adjustment Amount (as defined in the Conditions for the relevant Series), if any, in cash, to be determined in accordance with the Conditions for the relevant Series. On or after 11 June 2020 in the case of the 2022 Bonds and 11 June 2024 in the case of the 2025 Bonds, and prior to maturity, the Bonds of the relevant Series may be redeemed in whole but not in part at 100 per cent of their principal amount at the option of the Company as set out in the Conditions. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds of such Series as at the date of such notice is less than 10 per cent of the aggregate principal amount of the Bonds of such Series as at the date of issue thereof, the Bonds of such Series may be redeemed in whole but not in part at 100 per cent of their principal amount, at the option of the Company as set out in the Conditions. The Bonds of each Series may also be redeemed by the Company in whole but not in part in certain other limited events (including Corporate Events (as defined in the Conditions)), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

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 of the relevant Series). If Japanese withholding taxes are imposed on payments in respect of the Bonds of a Series, the Company may, at any time, redeem all of the Bonds of such Series at 100 per cent of their principal amount (as set out herein).

Approval in-principle has been received for the listing of the Bonds of each Series 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 of each Series 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.

Each Series of Bonds will be represented by a global certificate (each, a “Global Certificate”) evidencing the Bonds of such Series in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depository for each of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) on or about 11 June 2018 (the “Closing Date”) for the accounts of their respective accountholders. The Managers (as defined in “Subscription and Sale”) expect to deliver the Bonds of each Series through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date. The closings of the 2022 Bonds and the 2025 Bonds are conditional upon each other. The 2022 Bonds and the 2025 Bonds are not fungible with each other.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds of any Series 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. In addition, the Bonds of any Series 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 of each Series 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 of any Series.

#### Joint Bookrunners and Joint Lead Managers

**Nomura**

**Morgan Stanley**

Co-Manager

**Daiwa Capital Markets Europe**

The date of this Offering Circular is 24 May 2018.

*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 herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions 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 otherwise requires, references to the “Group” are to the Company and its consolidated subsidiaries and its affiliate 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 (or the acquisition thereof at the option of the Company).*

*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 the Company or the Managers. 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 the date hereof, 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 Managers to subscribe for, or purchase, any of the Bonds or the Shares issued upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company). The distribution of this Offering Circular and the offering of the Bonds and the Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and the Shares and distribution of this Offering Circular, see “Subscription and Sale”.*

*None of the Trustee, the Principal Agent, the Custodian, the Registrar, the Custodian’s Agent (each as defined in “Summary Information—The Bonds”) or, to the fullest extent permitted by law, the Managers, accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Managers, the Trustee, the Principal Agent, the Custodian, the Registrar and the Custodian’s Agent 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 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 and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, Singapore, the European Economic Area (including the United Kingdom), Hong Kong and Switzerland and to persons connected therewith. See “Subscription and Sale”.*

*The Bonds and the Shares have not been and will not be registered under the FIEA. Each 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 other applicable Japanese 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. The Bonds and the Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act (“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”.*

**MiFID II product governance / Professional investors and ECPs only target market:** For the purposes of Directive EU 2014/65/EU (as amended, “MiFID II”), the target market in respect of the Bonds is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person offering, selling or recommending the Bonds (a “distributor”) should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds and determining appropriate distribution channels.

**PRIIPs Regulation/ Prospectus Directive/Prohibition of sales to EEA retail investors:** The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IN CONNECTION WITH THE ISSUE OF THE 2022 BONDS, NOMURA INTERNATIONAL PLC (THE “2022 BONDS STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE 2022 BONDS STABILISING MANAGER) MAY OVER-ALLOT THE 2022 BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE 2022 BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE 2022 BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE 2022 BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE 2022 BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE 2022 BONDS STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE 2022 BONDS STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

**IN CONNECTION WITH THE ISSUE OF THE 2025 BONDS, NOMURA INTERNATIONAL PLC (THE “2025 BONDS STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE 2025 BONDS STABILISING MANAGER) MAY OVER-ALLOT THE 2025 BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE 2025 BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE 2025 BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE 2025 BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE 2025 BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE 2025 BONDS STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE 2025 BONDS 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 “euro” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references 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, unless otherwise specified, in respect of the financial statements and amounts reproduced directly therefrom, where financial information is presented in millions of yen, amounts of less than one million have been rounded up or down to the nearest one million (with half a million being rounded upwards), 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 up or down to the nearest one-tenth of a billion (with one-twentieth of a billion being rounded upwards), except that, in certain cases, the rounding has been adjusted to make the total of individual figures equal to the total figure representing the aggregate of those individual figures. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, rounded up to the nearest 0.1 per cent (with 0.05 per cent being rounded up) or to the nearest 0.01 per cent (with 0.005 per cent being rounded up)), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than up or down to the nearest 0.1 per cent or 0.01 per cent, as the case may be, to make the total of the relevant items equal to 100 per cent.

The Company’s fiscal year end is 31 March. The Group’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which may 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, at pages F-4 to F-25 (the “F-pages”) the audited consolidated financial statements of the Group, prepared and presented in accordance with Japanese GAAP, as at and for the fiscal year ended 31 March 2017 (including corresponding figures as at and for the fiscal year ended 31 March 2016), and the audit report with respect thereto included herein at page F-3.

This Offering Circular also contains, at pages A-1 to A-10 (the “A-pages”), the unaudited consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017), which are English translations of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2018. Such consolidated financial statements are unaudited and there can be no assurance that such unaudited financial information will accord in all respects to the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018 which are currently being prepared by the Group and will be published towards the end of June 2018. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018 prepared in accordance with the 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 2018 included in this Offering Circular and the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018, 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 2018 becoming available.

There are differences in the categorisation and presentation format of certain line items between the English language audited consolidated financial statements and that of the unaudited consolidated financial statements. As such, the presentation of certain figures in the audited consolidated financial statements (which have been prepared in English) included in this Offering Circular will not match and will not be directly comparable to the numbers in the unaudited consolidated financial statements (which have been prepared in Japanese and translated into English) also included in this Offering Circular. In addition, the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 included in this Offering

Circular omit certain disclosures, including some of the notes, compared to the audited consolidated financial statements as at and for the fiscal year ended 31 March 2017 included in this Offering Circular.

Furthermore, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2017 (including corresponding figures as at and for the fiscal year ended 31 March 2016) included herein in the F-pages were subject to a different rounding convention than the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017) included herein in the A-pages. Yen figures in the F-pages have been rounded either up or down in such a way to ensure that line items representing totals in the same table will total correctly. Yen figures in the A-pages have been rounded down to the nearest million yen, without regard to the total. As a result, in respect of the figures as at and for the fiscal year ended 31 March 2017 (which can be found in both the F-pages and the A-pages), there may be rounding differences between the figures appearing in the F-pages and the A-pages even where they relate to the same line item. Figures as at and for the fiscal year ended 31 March 2017 appearing in the main part of this Offering Circular have been extracted from the audited consolidated financial statements included in the F-pages, unless specifically otherwise stated.

### **Per Segment Data**

In this Offering Circular, unless specifically otherwise stated, where figures for net sales and operating income are presented on a per segment basis, such figures represent the total net sales and total operating income for such segment, without taking into account any inter-segment eliminations, except that figures for net sales in respect of “Others” are stated on the basis of sales to external customers (after inter-segment eliminations).

The Group’s reportable segments are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results. Under a holding company structure, the Company has business operating companies categorised as product or service segments. Each business operating company plans and executes overall business plans in their specific areas of operation. Consequently, the Group has created four business segments for reporting: the Semiconductor Equipment (SE) segment, the Graphic Arts Equipment (GA) segment, the Display Production Equipment and Coater (FT) segment and PCB-related Equipment (PE) segment, categorised by products based on these business operating companies.

On 1 April 2017, the printed circuit board (“PCB”)-related equipment business of the previous SCREEN Graphic and Precision Solutions Co., Ltd. was spun off to form SCREEN PE Solutions Co., Ltd., a wholly-owned subsidiary of the Company. Consequently, from the fiscal year ended 31 March 2018, the graphic arts equipment and PCB-related equipment businesses were classified as reportable segments, under the segment names Graphic Arts Equipment business (GA) and PCB-related Equipment business (PE) (replacing the former Graphic and Precision Solutions (GP) segment). In line with these changes, the other reportable segments have also been renamed as follows: the Semiconductor Solutions business (SE) has been renamed as the Semiconductor Equipment business (SE), and the Finetech Solutions business (FT) has been renamed as the Display Production Equipment and Coater business (FT). The segment data contained in this Offering Circular for the fiscal year ended 31 March 2017 have been restated to conform to the new segmentation, unless otherwise specifically stated, but the segment data for the fiscal year ended 31 March 2016 have not been so restated.

### **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 or upon acquisition of the Bonds by the Company. 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 (other than where the references are to the acquisition of the Bonds pursuant to the Company’s option to acquire the Bonds under Condition 7.2 for the relevant Series).

## **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 “may”, “might”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “project”, “believe” 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 to the Group 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”.*

### SCREEN HOLDINGS CO., LTD.

The Group is a leading manufacturer in the world of a range of equipment used in semiconductor production (“semiconductor production equipment”) and in flat panel display (“FPD”) production (“FPD production equipment”), based on its core technologies in the areas of surface processing, direct imaging and image processing. The Group has what it believes is among the highest global market share in terms of sales of products such as single wafer cleaning equipment, batch-type cleaning equipment and spin scrubbers in the semiconductor production equipment business, as well as coater/developers in the FPD production equipment business. The Group also manufactures graphic arts equipment such as “computer to plate” (“CTP”) equipment and “print on demand” (“POD”) equipment, and printed-circuit board (PCB)-related equipment.

The Group’s operations are principally divided into the following four reporting segments:

- *Semiconductor Equipment business (SE)*, engaged in the development, manufacturing, sale, and maintenance services of semiconductor production equipment. The Group’s major customers in this segment include the major semiconductor manufacturers around the world. For the fiscal year ended 31 March 2018, the Group’s net sales in this segment amounted to ¥227,184 million.
- *Graphic Arts Equipment business (GA)*, engaged in the development, manufacturing, sale, and maintenance services of graphic arts equipment. For the fiscal year ended 31 March 2018, the Group’s net sales in this segment amounted to ¥53,414 million.
- *Display Production Equipment and Coater business (FT)*, engaged in the development, manufacturing, sale, and maintenance services of FPD production equipment and coater equipment. For the fiscal year ended 31 March 2018, the Group’s net sales in this segment amounted to ¥45,252 million.
- *PCB-related Equipment business (PE)*, engaged in the development, manufacturing, sale, and maintenance services of PCB-related equipment. For the fiscal year ended 31 March 2018, the Group’s net sales in this segment amounted to ¥12,193 million.

Other businesses, not comprised in the above-mentioned reporting segments, including development, manufacturing and sales of equipment in life science business, inspection and measurement, software development, planning and production of printed matter and other businesses, are categorised as “Others”. For the fiscal year ended 31 March 2018, the Group’s net sales to outside customers in this segment amounted to ¥1,623 million.

As at 31 March 2018, the Company had 57 consolidated subsidiaries, two non-consolidated subsidiaries and one affiliate accounted for by the equity method. For the fiscal year ended 31 March 2018, the Group’s net sales, operating income and profit attributable to owners of parent amounted to ¥339,368 million, ¥42,725 million and ¥28,507 million, respectively. For the fiscal year ended 31 March 2018, the Group’s net sales to customers located overseas amounted to 81.7 per cent of total consolidated net sales.

The Company’s registered office is located at Tenjinkita-machi 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto 602-8585, Japan.

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 24 May 2018 was approximately ¥482,043 million.

## THE OFFERING

<b>Issuer</b> .....	SCREEN Holdings Co., Ltd.
<b>Securities Offered</b> .....	2022 Bonds: ¥15,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2022 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i> ).  2025 Bonds: ¥15,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2025 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i> ).
<b>Issue Price</b> .....	2022 Bonds: 100.5 per cent 2025 Bonds: 100.5 per cent
<b>Offer Price</b> .....	2022 Bonds: 103.0 per cent 2025 Bonds: 103.0 per cent
<b>Closing Date</b> .....	On or about 11 June 2018 in respect of each Series  The closings of the 2022 Bonds and the 2025 Bonds are conditional upon each other.
<b>Delivery</b> .....	It is expected that each Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
<b>Form</b> .....	The Bonds of each Series will be issued in registered form, evidenced by a Global Certificate. Definitive Certificates in respect of a Series will only be available in certain limited circumstances. See “Summary of Provisions Relating to the Bonds While in Global Form”.
<b>Listing</b> .....	Approval in-principle has been received for the listing of the Bonds of each Series on the SGX-ST. The Bonds of each Series 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 of such Series are listed on the SGX-ST.
<b>Lock-up</b> .....	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 relevant 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 depository receipt facility; or

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

without the prior written consent of the 2022 Bonds Joint Lead Managers (as defined in “Subscription and Sale”) (on behalf of the 2022 Bonds Managers (as defined in “Subscription and Sale”)) (in the case of the 2022 Bonds) and the 2025 Bonds Joint Lead Managers (as defined in “Subscription and Sale”) (on behalf of the 2025 Bonds Managers (as defined in “Subscription and Sale”)) (in the case of the 2025 Bonds), 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 or the acquisition thereof at the option of the Company;

(b) the sale or disposition of the Shares to directors and corporate officers of the Company and directors and corporate officers of any of its subsidiaries pursuant to the performance-linked share compensation plan of the Group as described 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 from the issue of the Bonds are estimated to amount to approximately ¥30 billion, and are expected to be used primarily for capital expenditures with the aim of achieving the Group’s management plans, as follows:

(i) approximately ¥15 billion by the end of March 2020, for capital expenditure aimed at improving production capacity and efficiency, including the construction of new facilities in the Group’s Hikone plant; and

(ii) approximately ¥15 billion by the end of March 2020, for capital expenditure in relation to research and development (“R&D”) facilities, aimed at maintaining and expanding the Group’s product competitiveness through development of cutting-edge technologies in the SE segment, strengthening core technologies and product capabilities in the Group’s other existing businesses, and expanding the business portfolio (including new businesses) of the Group as a whole.

See “Use of Proceeds”.

## THE BONDS

**Form and Denomination**..... The Bonds of each Series are issued in registered form in the denomination of ¥10,000,000 each.

**Initial Conversion Price**..... 2022 Bonds: ¥11,578 per Share

2025 Bonds: ¥12,337 per Share

The above is subject to adjustment in certain events. See Condition 5 for the relevant Series.

**Coupon** ..... 2022 Bonds: Zero  
2025 Bonds: Zero

**Exercise of Stock Acquisition Rights**.... Subject to and upon compliance with the provisions of Condition 5 for the relevant Series, any holder of a Bond may exercise its Stock Acquisition Rights, at any time on and after 25 June 2018 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 27 May 2022 (in the case of the 2022 Bonds) and 28 May 2025 (in the case of the 2025 Bonds) (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5 for the relevant Series.

The Conditions for each Series provide, among other things, that Stock Acquisition Rights may not be exercised if the relevant Stock Acquisition Date (as defined in Condition 5.9.4 for the relevant Series) (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 in Condition 5.1.4 for the relevant Series).

**Condition to the Exercise of Stock Acquisition Rights** .....

With respect to the 2025 Bonds only:

(i) prior to (and including) 10 June 2022, and subject to the 2025 Bonds Conditions, a holder of the 2025 Bonds may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter; and

(ii) from (and including) 11 June 2022 but prior to (and including) 11 March 2025, and subject to the 2025 Bonds Conditions, a holder of the 2025 Bonds may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date 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,

in each case as determined by the Principal Agent (as defined in the 2025 Bonds Conditions) and notified by the Principal Agent on behalf of the Company to the Trustee in writing and to the Bondholders of the 2025 Bonds in accordance with Condition 19 of the 2025 Bonds, subject to adjustment in the manner provided in Condition 5.2 of the 2025 Bonds.

If the relevant condition as set out in (i) or (ii) above is satisfied, then the holder of the 2025 Bonds may (subject to the 2025 Bonds Conditions) exercise Stock Acquisition Rights relating to such 2025

Bonds on and after the first day of the following calendar quarter (or, (a) in the case of (i) above, in the case of the calendar quarter commenced on 1 April 2018, on and after 25 June 2018, and (b) in the case of (ii) above, in the case of the calendar quarter commencing on 1 April 2022, on and after 11 June 2022) until the end of such quarter (or, (a) in the case of (i) above, in the case of the calendar quarter commencing on 1 April 2022, until 10 June 2022, and (b) in the case of (ii) above, in the case of the calendar quarter commencing on 1 January 2025, until 11 March 2025), provided the relevant Deposit Date (as defined in Condition 5.9.4 of the 2025 Bonds) falls during the Exercise Period (as defined in Condition 5.1.4 of the 2025 Bonds).

The above conditions to the exercise of Stock Acquisition Rights shall not be applicable (i) if a notice of redemption is given pursuant to Condition 7.3, 7.4, 7.5 (except in the case of any 2025 Bonds that relevant holders elect not to have redeemed), 7.6, 7.7 or 7.8 of the 2025 Bonds; or (ii) if the Company is first required to give notice of specified corporate transactions to the Bondholders of the 2025 Bonds as set out in Condition 6.2 of the 2025 Bonds; 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) a long-term issuer rating is no longer assigned to the Company by JCR and/or (c) the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn.

**Status** ..... The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2 for the relevant Series) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 for the relevant Series 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 of any Series remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1 for the relevant Series) 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 for the relevant Series) unless the same security or such other security or guarantee as provided in Condition 2 for the relevant Series is accorded to the relevant Bonds of the relevant Series. See Condition 2 for the relevant Series.

**Redemption at Maturity** ..... Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, or become due and repayable, 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 10 June 2022 in the case of the 2022 Bonds or on 11 June 2025 in the case of the 2025 Bonds.

**Acquisition of the Bonds at the Option of the Company**..... On or after 10 December 2021 (in the case of the 2022 Bonds) or on or after 11 December 2024 (in the case of the 2025 Bonds), the Company may (subject to certain conditions), by giving notice (which shall be irrevocable) to the Bondholders of the relevant Series, acquire from the Bondholders of the relevant Series all, but not some only, of the Bonds of the relevant Series outstanding on the

Acquisition Option Date (as defined in Condition 7.2.1 for the relevant Series). All Bonds of the relevant Series shall be deemed to be so acquired by the Company (and each Bondholder of such Series will be bound to agree to such acquisition) in exchange for:

- (a) if the Closing Price of the Shares on the Trading Day immediately preceding the date on which such notice is first given is higher than the Conversion Price of the Bonds of the relevant Series on such Trading Day, (i) an amount equal to 100 per cent of the principal amount of the Bonds of such Series payable on the Acquisition Option Date in cash, and (ii) the Type A Acquisition Shares (as defined in Condition 7.2.1 for the relevant Series), if any, to be issued with effect as of such Acquisition Option Date; or
- (b) if the Closing Price of the Shares on the Trading Day immediately preceding the date on which such notice is first given is equal to or lower than the Conversion Price of the Bonds of the relevant Series on such Trading Day, (i) the Type B Acquisition Shares (as defined in Condition 7.2.1 for the relevant Series), and (ii) the Adjustment Amount (as defined in Condition 7.2.1 for the relevant Series), payable on the Acquisition Option Date.

In order to obtain delivery of any Type A Acquisition Shares or Type B Acquisition Shares (each as defined in Condition 7.2.1 for the relevant Series), Bondholders of the relevant Series will be required to deliver a Share Settlement Notice (as defined in Condition 7.2.2 for the relevant Series) no later than the Determination Date (as defined in Condition 7.2.1 for the relevant Series). See Condition 7.2 for the relevant Series.

**Early Redemption—Redemption at the Option of the Company .....**

The Company may, on or after 11 June 2020 (in the case of the 2022 Bonds) and 11 June 2024 (in the case of the 2025 Bonds), and in each case prior to maturity, having given not less than 30 nor more than 60 days' prior notice to the Bondholders in accordance with Condition 19 for the relevant Series (which notice shall be irrevocable), redeem all, but not some only, of the Bonds of the relevant Series then outstanding at 100 per cent of their principal amount. See Condition 7.3 for the relevant Series.

**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 irrevocable notice of redemption to the Bondholders in accordance with Condition 19 for the relevant Series, redeem all, but not some only, of the Bonds of the relevant Series 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 of such Series is less than 10 per cent of the aggregate principal amount of the Bonds of such Series as at the date of issue thereof. See Condition 7.4 for the relevant Series.

**Early Redemption—Redemption for Taxation Reasons.....**

If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders of the relevant Series, that (i) the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9 for the relevant Series) in accordance with Condition 9 for the relevant Series 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 24 May 2018, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19 for the relevant Series, redeem all, but not some only, of the Bonds of such Series then outstanding at 100 per cent of their principal amount. If, however, the outstanding principal amount of the Bonds of the relevant Series at the time of such notice of redemption is 10 per cent or more of the aggregate principal amount of the Bonds of such Series as at 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 of such Series 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 7.5 for the relevant Series.

### **Early Redemption—Corporate**

**Events** ..... In the case of a Corporate Event, the Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 for the relevant Series of such Corporate Event and the anticipated effective date of such transaction and the provisions set out in Condition 6 for such Series shall apply. See Condition 6 for the relevant Series.

Upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 for the relevant Series to redeem all, but not some only, of the Bonds of the relevant Series 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 7.6 for such Series and in accordance with the provisions of Condition 7.6 for the relevant Series on the Corporate Event Redemption Date (as defined in Condition 7.6 for the relevant Series) 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 for the relevant Series) 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 or application of such laws) to effect a scheme provided for by Condition 6.4.1 for the relevant Series; 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 for the relevant Series; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2 for the relevant Series, 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 for the relevant Series) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1 for the relevant Series) 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 or an Authorised Officer (as defined in Condition 3.1 for the relevant Series) 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 7.6 for the relevant Series.

**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 7.7.1 for the relevant Series) 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 for the relevant Series), and the Offeror acquires any Shares pursuant to the offer, then the Company shall redeem all, but not some only, of the Bonds of the relevant Series then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.6 for the relevant Series, subject to the provisions of Condition 7.7 for the relevant Series. See Condition 7.7 for the relevant Series.

**Early Redemption—Squeezeout**

**Event**..... Upon the occurrence of a Squeezeout Event (as defined in Condition 7.8.1 for the relevant Series), the Company shall redeem all, but not some only, of the Bonds of the relevant Series then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.6 for the relevant Series, subject to the provisions of Condition 7.8 for the relevant Series. See Condition 7.8 for the relevant Series.

**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 ¥1,000,000,000 (or its equivalent in any other currency or currencies). See Conditions 10.3 and 10.4 for the relevant Series.

**Taxation**..... All payments by the Company in respect of the Bonds of any Series will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9 for the relevant Series.

**Governing Law** ..... English law

**Jurisdiction** ..... English courts

**International Securities Identification**

**Numbers (“ISIN”)** ..... 2022 Bonds: XS1829905238  
 2025 Bonds: XS1829905311

**Common Codes**..... 2022 Bonds: 182990523

2025 Bonds: 182990531



**Legal Entity Identifier (“LEI”) of the  
Company** ..... 353800ND89FTQ9XQ0R07  
**Trustee, Custodian and Registrar**..... MUFG Union Bank, N.A.  
**Principal Agent** ..... MUFG Bank, Ltd., London Branch  
**Custodian’s Agent in Japan** ..... MUFG Bank, Ltd.

## INVESTMENT CONSIDERATIONS

*Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:*

### **Considerations Relating to the Group and its Business**

#### ***Semiconductor and FPD market trends***

While the semiconductor and flat panel display (“FPD”) markets have recorded significant growth based on rapid technological innovation, they are also susceptible to deterioration in market supply-demand balance which leads to cyclical upturns and downturns. The semiconductor and FPD industries have historically been cyclical, the timing, length and volatility of which can be difficult to predict (although in recent years both the length and volatility of such cycles have somewhat lessened with, for example, demand for semiconductors developing due to diversification of applications into areas such as internet of things (“IoT”), advanced driver-assistance systems (“ADAS”) and 5G communications systems, as well as the ever increasing data communication and storage needs of businesses and individuals), and are subject to volatility and sudden changes in customer requirements for new manufacturing capacity and advanced technology. The Group’s semiconductor production equipment and FPD production equipment businesses are directly affected by the level of capital expenditure of its customers in the semiconductor and FPD industries, respectively, and the amount and mix of capital equipment spending between different products and technologies by its customers can have a significant impact on the Group’s business results. The Group is subject to variable industry conditions, as demand for manufacturing equipment and services can change depending on a variety of factors, including the timing and requirements of new and emerging technologies and market drivers, production capacity relative to demand for semiconductors and displays, end-user demand, production volumes, access to affordable capital, consumer buying patterns and general economic conditions (both general and in specific industries such as semiconductor and electronics industries). Given such market conditions, the Group is promoting an improvement in its break-even sales ratio so that it can consistently generate profits during market downturns. However, there can be no assurance that any future downturn in the cycle or in the semiconductor and/or FPD industries generally will not be severe, or more severe than in the past, or that other industries (such as the electronics or automotive industries) to which the Group supplies its products will not suffer downturns. Any such factors may materially adversely affect the Group’s business, results of operations and financial condition.

#### ***Concentration of transactions with specific customers***

The Group delivers production equipment to leading semiconductor manufacturers in Japan and overseas. However, as raising production capacity and responding to miniaturisation trends in this industry requires huge capital investments, the Group’s customer base is highly concentrated, and has become increasingly concentrated as a result of continued consolidation (see “Business—Operations—Semiconductor Equipment (SE Segment)”). As a result, the actions of even a single customer can expose the Group’s business and results of operations to greater volatility. If customers do not place orders, or they substantially reduce, delay or cancel orders, the Group may not be able to replace the business, which may materially adversely affect the Group’s results of operations and financial condition. The concentration of the Group’s customer base increases its risks related to the financial condition of its customers, and the deterioration in financial condition of a single customer or the failure of a single customer to perform its obligations. To the extent its customers experience liquidity constraints, the Group may incur additional bad debt expense, which may have a significant impact on its results of operations. Major customers may also seek pricing, payment, intellectual property-related, or other commercial terms that are less favourable to the Group, which may have a material adverse effect on the Group’s business, results of operations and financial condition.

#### ***Competition***

The markets in which the Group operates are highly competitive as reflected in the rapid changes in technologies, changes in customers’ requirements and regular introduction of new products. In particular, the primary competitive factors in the semiconductor production equipment business are the ability to maintain technological expertise, quality of existing production capabilities and extensive customer base. The competitive environment in which the Group is placed is one where innovation is critical, and the Group’s future success depends on many competitive factors including the development of new technologies and effective commercialisation and customer acceptance of its equipment and services, and in order to grow its business further, the Group must continue to strive to increase its position in its current markets as well as expand, where

appropriate, to new markets (such as the recently expanding China market), as well as optimise operational performance. The development, introduction and support of a broadening set of products in a geographically diverse and competitive environment, that may require greater collaboration with customers and other industry participants, have grown more complex over time. To compete successfully, the Group would need to, among others:

- identify, address and respond quickly to changes in relevant technologies and markets, new applications, customer requirements and end-use demand;
- develop new products and technologies, improve and develop new applications for existing products, and adapt products for use by customers in different applications and markets with varying technical requirements;
- differentiate its products from those of competitors, meet customers' performance specifications, provide appropriately priced products, and achieve market acceptance;
- focus on product development and sales and marketing activities that address customers' requirements and strengthen customer relationships;
- effectively allocate resources between its existing products and markets, the development of new products, and expanding into new and adjacent markets;
- accurately forecast demand, work with suppliers and meet production schedules for its products;
- achieve appropriate productivity of capital invested in R&D activities, continuously improve its manufacturing processes and achieve cost efficiencies across product offerings, including through a review of its supply chain; and
- continue to improve its design capabilities and commonality of platforms and types of parts used in different systems to reduce supply costs and development and production time.

If the Group is unable to successfully anticipate technological and market changes, develop and commercialise new products and technologies, and respond to changes in customer requirements and market trends, its current position in the markets, financial condition and results of operations may be adversely affected.

### ***New product development***

In order to strengthen its earnings structure by expanding market share through timely introduction of products that incorporate the latest technologies, the Group is working on strengthening and invigorating its development capabilities by concentrating development themes in line with the respective strategies of each business division, and by sharing technologies held within the Group and effectively utilise external technology resources. Technological innovation advances rapidly and product cycles are getting ever shorter. Therefore, the development of new technologies, adoption of new systems, emergence of new products or the emergence or increased performance of competitors may cause rapid obsolescence and price reductions in a way which the Group cannot foresee, and consequently materially adversely affect the operating results of the Group. If new products or existing products have reliability, quality, design, or safety problems, the Group's performance may be impacted by reduced orders, higher manufacturing costs, delays in acceptance of and payment for new products, and additional service and warranty expenses. The Group may be unable to develop and manufacture products successfully, or products that the Group introduces may fail in the marketplace. The Group's failure to develop and offer the correct technology solutions in a timely manner with productive and cost-effective products could materially adversely affect its business. Furthermore, new or improved products may entail higher costs and lower profits, at least in the initial stages of sales. The Group's failure to commercialise new products in a timely manner could result in loss of market share, unanticipated costs, and inventory obsolescence, any of which may materially adversely affect the Group's business, results of operations and financial condition.

### ***Production quality***

The Group has created its quality management system on the basis of standards for quality management systems (ISO 9001) and works to enhance the quality of its products and services. Users of the Group's products require consistently high reliability and high performance in all areas. While the Group continues to strive to maintain the highest standards for all its products, it is possible that unforeseen or unexpected faults or malfunctions may occur. Any partial or complete malfunction of one of the Group's products could result in loss of current and future business through loss of customers' trust, reputational damage, and, in severe cases, recalls

of the customers' products and payment of damages, which may result in substantial losses to the Group. Any such incidents may materially adversely affect the Group's business, results of operations and financial condition.

### ***Concentration of production sites***

Japan and other parts of the world where the Group operates have historically experienced, and the Group's operations are vulnerable to, earthquakes and other natural disasters, including volcanic eruptions, tsunamis, typhoons, cyclones, hurricanes, floods, landslides and other extreme weather conditions, fires, infectious diseases and epidemics. In addition, other events outside the Group's control (such as deliberate acts of sabotage and hacking of information technology ("IT") systems), power outages or accidents, whether due to human or equipment error, and whether at the Group's facilities or otherwise, could damage, cause operational interruptions or otherwise adversely affect any of the Group's manufacturing or other facilities.

In particular, the Group's domestic manufacturing sites are concentrated in the Kyoto and Shiga regions, and a largescale natural disaster affecting this area could seriously damage the Group's operations. To reduce the potential for loss and ensure continuation or early resumption of business operations, the Group has been promoting business continuity management ("BCM"). However, the halting of operations at a production site as a result of such a disaster may materially adversely affect the Group's business, results of operations and financial condition.

### ***Overseas business***

The Group's business operations are international, with manufacturing sites and sales markets located overseas. These overseas activities are subject to certain political and economic risks, including but not limited to:

- political and economic instability or slowdown and social turmoil;
- impositions or increases of trade, investment and other restrictions or customs and duties by foreign governments;
- changes in, or introduction of, legal and regulatory constraints, tariffs and other trade barriers;
- the possibilities of unfavourable taxation treatment, or impositions or increases of withholding and other taxes on remittance and other payments by subsidiaries and affiliates;
- relatively limited effective protection for intellectual property rights and other legal rights in some countries;
- difficulties in enforcing contractual rights;
- volatility in foreign exchange markets;
- changes in raw material, commodity and energy prices and demand as well as shipping costs, due to fluctuating exchange rates or other factors;
- political and social attitudes, laws, rules, regulations and policies within countries that favour domestic companies over non-domestic companies, including customer or government supported efforts to promote the development and growth of local competitors;
- changes in the political and/or economic relationship between Japan and the countries in which the Group or its customers operate;
- acts of terrorism, war, coup d'états, natural disasters, adverse weather conditions and epidemics;
- labour disputes, industrial action, general strikes and significant increases in labour costs;
- unexpected events and accidents caused in particular by less developed infrastructure (such as power failures);
- inability to effectively tailor the Group's products to the differing demands in new overseas markets; and
- difficulties associated with managing local personnel and operations, including supervision, monitoring and management control.

Adverse developments in the above and other factors associated with international business operations may materially adversely affect the Group's business, results of operations and financial condition.

In addition, if the overseas operations of the customers of the Group are similarly affected, this may affect such customers' demand for the Group's products and the Group's business, results of operations and financial condition may be materially adversely affected.

### ***Mergers and acquisitions, capital participation, alliances and other relationships***

The Group may engage in mergers and acquisitions ("M&A") or capital participation in, or enter into alliances or other relationships with, other companies as part of its business strategy. While the Group intends to thoroughly examine each specific project before taking action, there can be no assurance that such activities will achieve the desired results, that the Group will be able to recoup the value of the investments made by the Group, or that the Group will not terminate such tie-ups, alliances or other relationships. Risks relating to corporate acquisition and similar activities include unidentified liabilities of the companies which the Group may acquire or merge with, the possible inability to successfully integrate and manage acquired operations and personnel as well as the risk that the anticipated economies of scale or synergies do not materialise. In addition, the Group may not be able to identify attractive opportunities and might not be able to carry out such corporate acquisition on attractive terms, or not be successful in its bid for a target. If the Group fails to successfully manage any acquired business, or otherwise fails to achieve the intended results of such activities, the Group's business, results of operations and financial condition may be materially adversely affected.

### ***Management Strategies***

The Group is currently pursuing its "Challenge 2019" three-year medium-term management plan, which covers the three fiscal years ending 31 March 2020 (see "Business—Strategy"). The success of the implementation of any of the Group's strategies and aims is subject to various internal and external factors, including general economic and market conditions in which the Group operates, fluctuations in exchange rates, the level of competition, demand for the Group's products as well as those of its customers. There can be no assurance that the Group's strategies will be implemented successfully, that the implementation of such strategies will have its intended effect, that the assumptions underlying the strategies and plans will not differ materially from actual circumstances, that targets (whether quantitative or qualitative, and whether in the long term or short term) set in any such strategy will be met in time or at all, or that such targets and aims will not be changed in the future by the Company's management.

As part of the Group's growth strategy, the Group expects there to be a trend to increase capital expenditure in the near future in order to increase manufacturing capacity and R&D capabilities to allow the Group to capture further business opportunities (see "Use of Proceeds", "Recent Business—Capital Expenditure" and "Business—Production"). However, there can be no assurance that such investment would be successful for the Group to reap the returns of such investment.

### ***Intellectual property rights***

Over the years the Group has strived to introduce into the market products utilising the latest technologies and has created various proprietary technologies within each business division. In addition, the Group has worked to establish and protect its intellectual property rights under related intellectual property laws and in contracts with other companies. Patents and other intellectual properties are an important competitive factor for the Group, and any interference in the Group's exercise of such rights could have a material adverse effect on the Group's financial condition and operating results. In the course of its business, the Group is subject to claims by third parties alleging that the Group's products or processes infringe on their intellectual property rights. If these claims were to be successful, these claims may affect the performance and financial position of the Group. Moreover, the Group's products incorporate intellectual property rights developed and licensed by third parties. There can be no assurance that, in the future, the owners of intellectual property rights will extend such rights to the Group. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

### ***Information security***

In the course of its business operations, the Group handles various personal, customer and technological information. The Group has established a "Network System Management Regulations" to strengthen the security

of internal information systems as well as the “SCREEN Group CSR Charter”, which establishes a code of conduct for all Group employees to comply with in their business operations, seeking to reinforce information management. In recent years, there have been many publicly reported cases in Japan of leakages of personal information and records in the possession of corporations. Although the Group has taken various measures to secure personal and other confidential information, it may not be able to completely prevent personal information from being leaked and subsequently misused due to factors such as human error or deliberate misconduct by employees or contractual parties, power outage, natural disasters, malfunction of software and equipment, hacking and computer virus attacks, tampering or unauthorised access to the system. In the event of any such leakage, the Group could be the subject of lawsuits or complaints from the affected parties. Leakage, improper access and/or misuse of personal information could also subject the Group to civil liability and regulatory action in various jurisdictions in which it operates, including Japan. As a result, the Group’s business, results of operations and financial condition could be materially adversely affected.

### ***Interest rate fluctuations***

All of the Group’s interest-bearing debt as at 31 March 2018 was fixed-rate debt (or floating rate debt subject to an interest rate swap) and was, therefore, not subject to significant interest rate fluctuation risk. However, the Group may become exposed to interest rate fluctuation risk depending on future funding requirements of the Group. Increases in prevailing interest rates may have the effect of increasing interest payments by the Group and may increase the refinancing cost on maturity of the Group’s debts. Although the Group may enter into hedges against the risk of interest rate fluctuations to a certain extent, such hedging activities may not, or may only partially cover, the risks relating to interest payable by the Group, and interest rate fluctuations could increase the Group’s interest payment burden. Further, any negative movements (or possible occurrence thereof) in any credit ratings obtained by the Company may increase the Group’s funding or refinancing costs. Any such factors may materially adversely affect the Group’s business, results of operations and financial condition.

### ***Procurement of funds and financial covenants***

Certain of the Company’s loan contracts with financial institutions are subject to financial covenants relating to maintenance of a certain level of net assets as at the end of each fiscal year and ordinary income (being operating income plus non-operating income less non-operating expenses) for each fiscal year. If the Group fails to satisfy its debt obligations or comply with financial covenants, it may find itself to be in default and any of its borrowings may become immediately due and payable, and such default may also constitute a default under other of the Group’s obligations. There can be no assurance that the Group would have sufficient financial resources or be able to arrange financing to repay any borrowings at such time. Any of these factors may materially adversely affect the Group’s business, results of operations and financial condition.

### ***Exchange rate fluctuations***

As the Group has a high overseas sales ratio, it makes a proactive effort to avoid exchange rate risks on export sales by conducting transactions denominated in yen. However, some transactions are denominated in foreign currencies. While the Group endeavours to reduce some of its currency exchange rate risks through taking measures such as the use of certain derivative financial instruments including currency forwards for hedging purposes, such measures may not be adequate to hedge all currency exchange rate risks. Any such fluctuations in foreign exchange rates beyond the Group’s expectations may materially adversely affect the Group’s business, results of operations and financial condition. Further, by utilising hedging instruments, the Group may potentially lose profits that would result from the exchange rates moving in the direction opposite the hedge expectations. In addition, as a result of translating the foreign currency financial statements of the Company’s foreign subsidiaries into yen, the Group’s results of operations and financial condition, including items such as assets, liabilities, net sales and expenses, may also fluctuate in accordance with foreign exchange rate fluctuations.

### ***Retirement Benefit Obligations***

The Group’s cost and liabilities for retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the long-term expected rate of return on plan assets. Changes in the discount rate and expected rate of return have the potential to affect the Group’s results and financial condition. Costs related to the Group’s retirement benefit plans may increase if the fair value of the plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligation are

based, such as a decline in the expected rate of return on plan assets. In addition, the Group may be required to recognise expenses related to the recognition of previously unrecognised service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and actuarial differences. Any such factors may materially adversely affect the Group's results of operations and financial condition.

### ***Human Resources***

The ability to attract and retain highly skilled employees, including R&D personnel, engineers and other technical personnel with advanced knowledge and skills in the Group's business fields, is very important for the Group's business success. The Group also requires talented management personnel with the ability to manage the Group's business competitively in world markets. Competition for qualified personnel is intense in the industry the Group is in, and the Group may not be successful in hiring and retaining these people or may have to pay a significant amount of salary for them. If the Group loses the services of its highly qualified and experienced employees, in particular to competitors, or cannot attract and retain other qualified personnel, the Group's business could suffer through competitors gaining a competitive advantage by obtaining the technologies and knowledge held by such personnel, less successful products due to a reduced ability to design, manufacture and market its products, or through less effective management due to loss of accumulated knowledge of the Group's business. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

### ***Major lawsuits***

As with any major business, the Group faces risks of disputes or litigation both in Japan and overseas, whether with or without merit, in relation to its business. The Group could also become the target of administrative measures or other actions. Due to the inherent uncertainty of litigation and legal proceedings, it is not possible to predict when and whether any significant litigation and legal proceedings will be brought against the Group and whether it will prevail. If any significant litigation, legal proceedings, administrative actions or related proceedings are brought against the Group, it may negatively affect the Group's reputation, business, results of operations and financial condition.

### ***Regulation***

The Group's business activities are subject to the laws and regulations of each country where the Group operates, relating to matters such as trade, antitrust, patent, product liability, environment, recycling, health and safety, corporate governance and compliance, as well as governmental permits for conducting business and making investments, taxation, laws and regulations governing the safety of electronics products, laws and regulations relating to national security between nations and export/import restrictions. Certain of the laws and regulations, such as those relating to anti-corruption, sometimes not only require compliance by the Group but also by parties acting on its behalf (including agents and dealers). While the Group has in place risk management, internal control and compliance systems for the purpose of complying with such laws and regulations, such systems may require frequent monitoring, maintenance and continual improvements by the Group's senior management and staff. Such internal control and compliance systems, no matter how sophisticated in design, still contain inherent limitations caused by misjudgement or fault, or deliberate acts of misconduct or fraud. There can be no assurance that efforts to maintain these systems will at all times be effective and adequate, or that efforts made by the Group to promote compliance will always succeed in ensuring compliance or in preventing deliberate misconduct by employees or relevant third parties. Any violation of the relevant regulations could result in fines or other penalties and could also harm the Group's reputation. In addition, the regulatory environment in which the Group operates is subject to change and such change may lead to the Group having to bear increased compliance costs. The Group's costs and its business generally may be materially adversely affected as a result of new or revised laws or regulations or by changes in the interpretation or enforcement of existing laws and regulations. Any of these factors could have a materially adverse effect on the Group's results of operations and financial condition.

### ***Environmental liabilities***

The Group's operations are subject to a variety of environmental laws and regulations, including those relating to waste water discharge, handling of hazardous materials, disposal of industrial, solid and hazardous wastes, and remediation of soil and ground water contamination. The Group uses a number of chemicals or similar substances, and generates wastes, that are classified as hazardous. The Group requires environmental

permits to conduct many of its operations. Violations of environmental laws and regulations could result in substantial fines, penalties, and other sanctions. Changes in environmental laws or regulations (or in their enforcement) affecting or limiting, for example, certain of the Group's manufacturing processes, uses of chemicals, or its disposal practices, could restrict the Group's ability to operate as it is currently operating, impose additional costs or otherwise cause delays in the delivery of its products to its customers, which may lead to damaging its relationships with them. In addition, the Group may experience releases of certain chemicals or discover existing contamination, which could cause the Group to incur material clean-up costs or other damages. Moreover, changes in environmental, health and safety regulations could inhibit or interrupt the Group's operations, or require modifications to its facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities. Any of these factors could have a materially adverse effect on the Group's results of operations and financial condition.

### ***Impact of impairment accounting***

The Group has a substantial amount of long-lived assets including property, plant and equipment. The long-lived assets are reviewed for impairment and when the carrying amount of an asset or asset group may not be recoverable, impairment losses may be recorded in accordance with applicable accounting standards. To the extent any goodwill is recorded in connection with any M&A activities, such goodwill will also be tested for impairment. Any such impairment may materially adversely affect the Group's results of operations and financial condition. Moreover, the Group holds investment securities including marketable securities. Although the Group generally intends to hold such securities on a long-term basis, changes in market prices or in the financial position of the issuing companies could necessitate the recording of unrealised losses or impairment losses by the Group, which could have an adverse effect on the Group's results of operations and financial condition.

### ***Recoverability of deferred tax assets***

The Group records deferred tax assets based on a reasonable estimation of future taxable income in accordance with applicable accounting standards. The Group's financial condition and results of operations could be materially adversely affected if its deferred tax assets are reversed due to a change in its estimation of future taxable income, or a change in applicable income tax rates or other factors.

## **Considerations Relating to the Group's Financial Statements**

### ***Differences in Generally Accepted Accounting Principles***

The Group's 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 countries. The Group's consolidated 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 consolidated financial statements to IFRS or to any other generally accepted accounting principles or reporting standards in other countries. If at any point in the future the Company were to apply IFRS or any other generally accepted accounting principles for its financial reporting, the reported financial results of the Group may differ materially from prior years' financial results prepared under Japanese GAAP.

### ***Unaudited Financial Statements***

This Offering Circular contains unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 (with comparative information in respect of the fiscal year ended 31 March 2017), which have not been audited by the Company's independent auditor and which consists of English translations of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2018. This information is unaudited and there can be no assurance that such unaudited financial information will accord in all respects with the audited consolidated financial statements which are currently being prepared by the Group and will be published towards the end of June 2018. Further, there are differences in the categorisation and presentation format of certain line items between the English language audited consolidated financial statements and that of the unaudited consolidated financial statements translated into English, which may make direct comparisons difficult; moreover, such unaudited consolidated financial statements omit certain disclosures, as compared to the audited consolidated financial statements contained herein. See "Presentation of Financial and Other Information".

As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018 prepared in accordance with the FIEA are not available. The Group is in the



process of finalising such consolidated financial statements and may possibly make changes in classifications and to the presentation of its unaudited consolidated financial statements 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 2018 included in this Offering Circular and the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018, 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 2018 becoming available.

Furthermore, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2017 (including corresponding figures as at and for the fiscal year ended 31 March 2016) included herein in the F-pages were subject to a different rounding convention than the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017) included herein in the A-pages (see “Presentation of Financial and Other Information”). Figures as at and for the fiscal year ended 31 March 2017 appearing in this Offering Circular, other than in the A-pages, have been extracted from the audited consolidated financial statements included in the F-pages unless specifically otherwise stated.

## **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) (including regulations promulgated thereunder, the “Book-Entry Act”) in January 2009, under the current rules and practices of the Japan Securities Depository Center, Inc. (“JASDEC”), delivery of the Shares to the Bondholders after the Stock Acquisition Date will take at least three business days. In order to avoid any JASDEC system processing errors around the record dates, the Stock Acquisition Rights have been designed under Condition 5.1.4 for each Series so that they 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 Company’s Articles of Incorporation as at the date of this Offering Circular, 31 March 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 Companies Act, the rules of the JASDEC book-entry transfer system, the Company’s Articles of Incorporation 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”.

### ***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 for each Series. 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.

### ***Trading market for the Bonds***

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

### ***Market price 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.

### ***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.

### ***Future changes in Japanese law***

Future changes to provisions relating to Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 of each Series 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.

### **Forward-looking Statements**

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results 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, and as such actual results may differ, in some cases significantly, from these forward-looking statements. 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. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, changes in market trends in respect of semiconductors and FPDs, volatility in customers' businesses, levels of competition, technological innovation, volatility in interest rate and foreign exchange rate markets and changes in regulation. 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 Group or persons acting on the Group's behalf are qualified in their entirety by these cautionary statements.

## TERMS AND CONDITIONS OF THE 2022 BONDS

*The following terms and conditions (the “Conditions”) of the 2022 Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):*

The ¥15,000,000,000 Zero Coupon Convertible Bonds due 2022 (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) issued by SCREEN Holdings Co., Ltd. (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 11 June 2018 made between the Company and MUFG Union Bank, N.A. (the “Trustee”, which expression shall include all persons for the time being trustee or trustees appointed 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 11 June 2018 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 written request 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 445 South Figueroa Street, Suite 401, Los Angeles, CA 90071, United States of America, 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 (but excluding the Registrar).

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) (the “Issue Price”) 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” means 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 a global certificate (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 relevant Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in the Bonds evidenced by a Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the 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, acquisitions 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 prior written request.

*Transfers of interests in the Bonds evidenced by a 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, 7.6, 7.7 or 7.8, (ii) during the period from and including the Determination Date (as defined in Condition 3.1) or, if earlier, the time at which a Share Settlement Notice (as defined in Condition 3.1) in respect of such Bond has been given pursuant to Condition 7.2, up to but excluding the Acquisition Option Date (as defined in Condition 3.1), (iii) 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), or (iv) after a notice of redemption has been given pursuant to Condition 7.3, 7.4 or 7.5 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.5).

#### 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-kan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

“Acquisition Notice” has the meaning provided in Condition 7.2.1;

“Acquisition Option Date” has the meaning provided in Condition 7.2.1;

“Acquisition Shares” has the meaning provided in Condition 7.2.1;

“Additional Amounts” has the meaning provided in Condition 9;

“Additional Shares” has the meaning provided in Condition 5.3;

“Adjustment Amount” has the meaning provided in Condition 7.2.1;

“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);

“Average VWAP per Share” has the meaning provided in Condition 7.2.1;

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

“Base Dividend” has the meaning provided in Condition 5.2.4;

“Board of Directors”, in respect of any company, means the board of directors of such company within the meaning of the Companies Act;

“Bondholder” and “holder” have the meaning provided in Condition 1.2;

“Bonds without Share Settlement Notice” has the meaning provided in Condition 7.2.3;

“Book-Entry Act” means the Act on Book-Entry Transfer of Company Bonds, Shares, 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 7.4;

“Closed Period” has the meaning provided in Condition 7.11;

“Closing Date” means 11 June 2018;

“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 above 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 the relevant schedule 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 7.6;

“Corporate Event Redemption Price” has the meaning provided in Condition 7.6;

“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 5.2.9;

“Custodian” means MUFG Union Bank, N.A. at its specified office at 445 South Figueroa Street, Suite 401, Los Angeles, CA 90071, United States of America 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 MUFG Bank, 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 7.7.1;

“Deposit Date” has the meaning provided in Condition 5.9.4;

“Determination Date” has the meaning provided in Condition 7.2.1;

“Dividend Adjustment Amount” has the meaning provided in Condition 7.2.1;

“Due Date” has the meaning provided in Condition 9;

“Event of Default” means any of the events listed in Condition 10, which, if so required by that Condition, has been certified in writing by the Trustee to the Company in accordance with that Condition that, in the opinion of the Trustee, it is materially prejudicial to the interests of the Bondholders, upon the occurrence of which the Bonds may become due and payable;

“Ex-Dividend Date” has the meaning provided in Condition 7.2.1;

“Exercise Period” has the meaning provided in Condition 5.1.4;

“Extraordinary Dividend” has the meaning provided in Condition 5.2.4;

“Extraordinary Resolution” means a resolution passed (i) at a meeting of the Bondholders duly convened (including the 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, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

“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 required, 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 to the Trustee in writing 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;

“Issue Price” has the meaning provided in Condition 1.1;

“JCR” means Japan Credit Rating Agency, Ltd. or its successors;

“Last Day Conversion Price” shall have the meaning provided in Condition 7.2.1;

“Listing” has the meaning provided in Condition 6.4.2;

“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 required, 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 7.7.1;

“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, 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 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 7.6, 7.7 and 7.8;

"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 the Accounting Standards Board of Japan);

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Period" has the meaning provided in Condition 5.2.15;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means 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 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;

"Relevant VWAP Period" has the meaning provided in Condition 7.2.1;

"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;

"Share Settlement Notice" has the meaning provided in Condition 7.2.2;

"Squeezeout Effective Date" has the meaning provided in Condition 7.8.1;

"Squeezeout Event" has the meaning provided in Condition 7.8.1;

“Squeezeout Redemption Date” has the meaning provided in Condition 7.8.1;

“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 7.5;

“Tax Redemption Notice” has the meaning provided in Condition 7.5;

“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 of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

“Transfer Business Day” has the meaning provided in Condition 1.4.3;

“Type A Acquisition” has the meaning provided in Condition 7.2.1;

“Type A Acquisition Shares” has the meaning provided in Condition 7.2.1;

“Type A Acquisition Share Value” has the meaning provided in Condition 7.2.1;

“Type B Acquisition” has the meaning provided in Condition 7.2.1;

“Type B Acquisition Shares” has the meaning provided in Condition 7.2.1;

“Type B Acquisition Share Value” has the meaning provided in Condition 7.2.1;

“VWAP” has the meaning provided in Condition 7.2.1; 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 (other than where the references are to the acquisition of the Bonds pursuant to Condition 7.2). 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, Incorporated. 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 *Stock Acquisition Rights and the 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 ¥11,578 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 at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, 25 June 2018 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 27 May 2022, or:

- (i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled by the Company pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled; or
- (ii) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3, 7.4 or 7.5, 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 7.5, the relevant Bondholder has elected that such Bond shall not be redeemed); or
- (iii) if the Bonds shall become due to be redeemed pursuant to Condition 7.6, 7.7 or 7.8, 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; or
- (iv) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.9, then up to the time when such Bond is so cancelled; or
- (v) 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 27 May 2022;
- (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, 7.7 and 7.8);
- (c) in the case of a Type A Acquisition (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date, and in the case of a Type B Acquisition (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date; and
- (d) 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; 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(d) 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 (unless the Trustee is also the Principal Agent) 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 (unless the Trustee is also the Principal Agent) 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 three 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.

*So long as the Bonds are evidenced by a Global Certificate, the Company will be required to give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 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 three 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); “business day” in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.*

*As at the date of this Offering Circular, the Record Date fixed by the Articles of Incorporation is 31 March. By way of example, in respect of the Record Date falling on 31 March 2019 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) 27 March 2019 to (and including) 1 April 2019.*

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 purposes.

- 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).

## 5.2 *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 5.2.5 or 5.2.8, 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 5.2.6 or 5.2.8, or
- (iv) the date of issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

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, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, 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 5.2.10) 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:

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

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 5.2.11) 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 5.2.10) 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 5.2.10) 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:

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

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 5.2.11) 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 5.2.10) 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 (including Extraordinary Dividends)*: 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) other than Extraordinary Dividends, 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:

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

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, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, 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 or an Authorised Officer 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 or, (ii) in the case of an Extraordinary Dividend, 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 (including a distribution of an Extraordinary Dividend); 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.

“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 ¥133,765.

*The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥155.*

“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.

5.2.5 *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 and bonds with stock acquisition rights due 2025) issued by the Company on the Closing Date, 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 5.2.10) 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 5.2.8, be adjusted in accordance with the following formula:

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

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 5.2.11) 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 5.2.10) 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;

5.2.6 *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 5.2.10) 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 5.2.8, be adjusted in accordance with the following formula:

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

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 5.2.11) 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 5.2.10) 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;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities:* if the Company shall grant, issue or offer 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 and the stock acquisition rights incorporated in bonds with stock acquisition rights due 2025 issued by the Company on the Closing Date, or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) 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 grant, issue or offer 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 grant, issue or offer of

such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

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 5.2.11) at the close of business in Japan on the date of the grant, issue or offer 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 5.2.10) 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;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer 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 5.2.5, 5.2.6 and/or 5.2.7 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:

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

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 5.2.11) 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 5.2.10) 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 5.2.10) 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 5.2.10) 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 grant, issue or offer 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.

- 5.2.9 *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, and any event which requires an adjustment with reference to the same Current Market Price per Share) 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;

- 5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, 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 allotment, grant, issue, transfer 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 allotment, grant, issue, transfer 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 5.2.10 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 5.2.10 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;

- 5.2.11 *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 5.2.8 (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 allotment, grant, issue, transfer 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, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;
- 5.2.12 *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;
- 5.2.13 *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; and
- 5.2.14 *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.

### 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 enquiries as to whether any adjustment is required to be made and will not be responsible or liable in any respect 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 with at least 30 days' written notice 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 MUFG Bank, 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 a 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 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 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 (the passing of any such resolution 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 7.6(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 that which would have been received by a holder of 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;
- 6.5.7 *Acquisition at the Option of the New Obligor:* The New Stock Acquisition Rights together with the Bonds may be acquired by the New Obligor substantially in the same manner as described in Condition 7.2.
- 6.5.8 *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

6.5.9 *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 a 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, Acquisition, Purchase and Cancellation**

#### 7.1 *Final Maturity*

Unless the Bonds have previously been redeemed, acquired 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 10 June 2022. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

#### 7.2 *Acquisition at the Option of the Company*

7.2.1 *Acquisition Notice*: On or after 10 December 2021, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may, but shall not be bound to, give notice (the “Acquisition 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), to acquire from the Bondholders all, but not some only, of the Bonds outstanding on the Acquisition Option Date (as defined below); provided that such option to acquire, in the case of a Type B Acquisition, may not be exercised by the Company if an Event of Default has occurred. Such Acquisition Notice shall specify the date fixed for such acquisition (the “Acquisition Option Date”), which shall be a date not less than 60 and not more than 75 days after the date that the Acquisition Notice is first given; and upon giving such notice, all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date. Each Bondholder by accepting or acquiring any Bond agrees that such Bond shall be so acquired by the Company on the Acquisition Option Date (whether or not a Share Settlement Notice is delivered as required by Condition 7.2.2).

Subject to Conditions 7.2.2 and 7.2.3, the Company shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Company:

- (A) if the Closing Price of the Shares on the Trading Day immediately preceding the date on which the Acquisition Notice is first given is higher than the Conversion Price on such Trading Day,
  - (i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent of the principal amount of the Bonds on the Acquisition Option Date in cash, and

- (ii) issue and deliver the Type A Acquisition Shares in accordance with Condition 7.2.2, if any, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date,

in each case, to the Bondholders (“Type A Acquisition”); or

- (B) if the Closing Price of the Shares on the Trading Day immediately preceding the date on which Acquisition Notice is first given is equal to or lower than the Conversion Price on such Trading Day,

- (i) issue and deliver the Type B Acquisition Shares in accordance with Condition 7.2.2, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date; and

- (ii) pay in the same manner as provided in Condition 8, the Adjustment Amount, if any, on the Acquisition Option Date,

in each case, to the Bondholders (“Type B Acquisition”).

The Acquisition Notice shall specify whether the Closing Price of the Shares on the first Trading Day immediately preceding the date of such notice was (i) higher than, or (ii) equal to or lower than, the Conversion Price then in effect. In the case of a Type B Acquisition, immediately prior to giving the Acquisition Notice (but on the same day as the giving of such Acquisition Notice), the Company shall provide the Trustee with a certificate by a Representative Director or an Authorised Officer certifying to the effect that, as at the date thereof, no Event of Default or, no condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, has occurred. The Trustee may rely absolutely without liability to Bondholders or any other person on such certificate as to the absence of any Event of Default or, any condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, on such date.

Any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the Type A Acquisition Shares, the Type B Acquisition Shares or the Adjustment Amount pursuant to this Condition 7.2 shall be borne by the Company.

Bonds that have been so acquired by the Company shall be cancelled upon acquisition in accordance with these Conditions, and all Certificates in respect of Bonds so cancelled shall be promptly forwarded to the Principal Agent for cancellation.

In these Conditions:

“Acquisition Shares” means the Type A Acquisition Shares or the Type B Acquisition Shares, as the case may be.

“Adjustment Amount” means such yen amount per Bond, if any (subject to a minimum of ¥0, and rounded down to the nearest yen) calculated in accordance with the formula below:

$$AA = PA - SV$$

where:

AA = Adjustment Amount in respect of such Bond;

PA = 100 per cent of the principal amount of such Bond; and

SV = the Type B Acquisition Share Value of such Bond;



“Average VWAP per Share” means the average of the Volume Weighted Average Prices (“VWAP”) of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during the Relevant VWAP Period, provided that:

- (a) in the case of a Type A Acquisition;
  - (i) if an Ex-Dividend Date falls, or will fall, within the period from but excluding the first day of the Relevant VWAP Period to and including the Acquisition Option Date, the Average VWAP per Share used as the denominator in the formula for calculating the Type A Acquisition Shares (as set out in the definition of “Type A Acquisition Shares”) shall be adjusted by subtracting the Dividend Adjustment Amount from the VWAP of the Shares on each Trading Day during the period from and including the first day of the Relevant VWAP Period to and including the earlier of (x) the Trading Day immediately prior to the Ex-Dividend Date, and (y) the last day of the Relevant VWAP Period; and
  - (ii) if an Ex-Dividend Date falls within the period from and including the second Tokyo Business Day after the date of the Acquisition Notice to and including the last day of the Relevant VWAP Period, the Average VWAP per Share for the purpose of calculating the Type A Acquisition Share Value (as contained in the definition of “Type A Acquisition Share Value”) shall be adjusted by adding the Dividend Adjustment Amount to the VWAP of the Shares on each Trading Day during the period from and including the later of (x) the Ex-Dividend Date and (y) the first day of the Relevant VWAP Period, to and including the last day of the Relevant VWAP Period;
- (b) in the case of a Type B Acquisition, if an Ex-Dividend Date falls, or will fall, within the period from but excluding the first day of the Relevant VWAP Period to and including the Acquisition Option Date, the Average VWAP per Share used for the purpose of calculating the Type B Acquisition Share Value per Bond (as contained in the definition of “Type B Acquisition Share Value”) shall be adjusted by subtracting the Dividend Adjustment Amount from the VWAP of the Shares on each Trading Day during the period from and including the first day of the Relevant VWAP Period to and including the earlier of (i) the Trading Day immediately prior to Ex-Dividend Date and (ii) the last day of the Relevant VWAP Period;
- (c) if on any Trading Day, VWAP of the Shares is not reported by, nor otherwise available from, the Relevant Stock Exchange, or VWAP reported by the Relevant Stock Exchange is manifestly incorrect, the average trading prices of the Shares using a volume weighted method on the Relevant Stock Exchange on such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company in its sole discretion (acting in a commercially reasonable manner) shall be deemed to be the VWAP on such Trading Day (but subject to adjustment pursuant to (a) or (b) above (as the case may be), if required); and
- (d) if during the Relevant VWAP Period any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the last day of the Relevant VWAP Period) to

the Conversion Price under the provisions of Condition 5.2, the Average VWAP 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 shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser) in order to compensate for the effect of such event.

*As a consequence of the adjustments identified in (a) above, the Average VWAP per Share for the purposes of calculating the Type A Acquisition Shares may differ from the Average VWAP per Share used for the purposes of calculating the Type A Acquisition Share Value.*

“Determination Date” means the date falling 14 calendar days prior to the Acquisition Option Date.

The Company shall give notice to the Bondholders in accordance with Condition 19 of the Average VWAP per Share as soon as reasonably practicable upon determination thereof.

“Dividend Adjustment Amount” for the purposes of the calculation of an adjustment to the Average VWAP per Share means the amount determined by the Company as of the last day of the Relevant VWAP Period, which shall be:

- (i) the expected cash dividend per Share most recently publicly announced by the Company with respect to the Record Date relating to the relevant Ex-Dividend Date; or
- (ii) if no public announcement has been made as to an expected cash dividend per Share as set out in (i) above, the actual cash dividend per Share in respect of the corresponding Record Date one year prior to the relevant Record Date; or
- (iii) if, in the opinion of the Company, neither the expected nor the actual cash dividend as set out in (i) or (ii) above (as the case may be) provides a reasonable basis for adjustment of the Average VWAP per Share, the amount determined by the Company in its sole discretion as being appropriate and fair to give effect to the impact of the Ex-Dividend Date on the relevant VWAP.

For the purposes of this Condition 7.2.1, a “dividend” means a “distribution of surplus”, within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act.

“Ex-Dividend Date” means the second Tokyo Business Day immediately prior to any Record Date for a dividend declared or to be declared by the Company (provided that if such Record Date falls on a date that is not a Tokyo Business Day, then the Ex-Dividend Date means the third Tokyo Business Day immediately prior to such Record Date); provided further that if, in the opinion of the Company, there has been a change to the mandatory provisions of Japanese law, regulation or practice which affects the timing or application of ex-dividend dates, the Ex-Dividend Date may be amended by the Company, and/or the Company may make such other changes to this Condition 7.2.1 as it shall consider appropriate and fair, in each case, to the extent permitted by applicable law and to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders.

“Last Day Conversion Price” means the Conversion Price in effect on the last day of the Relevant VWAP Period.

“Relevant VWAP Period” means the 20 consecutive Trading Days beginning on, and including, the 5th Trading Day from, but excluding, the date on which the Company gives the Acquisition Notice to the Bondholders in accordance with Condition 19.

“Type A Acquisition Shares” means such number of Shares per Bond, if any, calculated in accordance with the formula below:

$$\text{Type A Acquisition Shares} = \frac{\text{The amount by which the Type A Acquisition Share Value exceeds the principal amount of each Bond}}{\text{Average VWAP per Share}}$$

provided that fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof, and provided further that, if during the period from but excluding the last day of the Relevant VWAP Period to but excluding the Acquisition Option Date any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the Acquisition Option Date) to the Conversion Price under the provisions of Condition 5.2, the Type A Acquisition Shares, as determined above, shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser).

“Type A Acquisition Share Value” means the yen amount per Bond calculated in accordance with the formula below:

$$\text{Type A Acquisition Share Value} = \frac{\text{Principal Amount of the Bond}}{\text{Last Day Conversion Price}} \times \text{Average VWAP per Share}$$

“Type B Acquisition Shares” means such number of Shares per Bond calculated by dividing (i) the principal amount of the Bond by (ii) the Last Day Conversion Price, provided that fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof, provided further that, if during the period from but excluding the last day of the Relevant VWAP Period to but excluding the Acquisition Option Date any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the Acquisition Option Date) to the Conversion Price under the provisions of Condition 5.2, the Type B Acquisition Shares, as determined above, shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser).

“Type B Acquisition Share Value” means the yen amount per Bond comprising the product of the number of the Type B Acquisition Shares deliverable per Bond multiplied by the Average VWAP per Share.

All calculations with respect to the Type A Acquisition Share Value, Type B Acquisition Share Value and the Average VWAP per Share 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.

7.2.2 *Share Settlement Notice:* In order to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.2, each Bondholder must deliver to the specified office of an Agent, no later than the Determination Date, a duly completed share settlement notice substantially in the form set out in the Agency Agreement (a “Share Settlement Notice”, a copy of which may be obtained from the specified office of any Agent) with respect to the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Share Settlement Notice relates. A Share Settlement Notice shall be irrevocable once delivered.

Delivery of the Acquisition Shares by or on behalf of the Company pursuant to this Condition 7.2 will be made on or as soon as practicable after the Acquisition Option

Date in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, 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 will transfer the relevant Acquisition Shares to or to the order of the relevant Bondholders at such account maintained with an Account Management Institution in Japan as specified in the relevant Share Settlement 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 relevant Bondholder in the relevant Share Settlement Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.5 shall apply with any necessary changes to the Acquisition Shares with references to the Stock Acquisition Date therein being construed as references to the Acquisition Option Date.

Any determination as to whether a Share Settlement Notice has been properly completed and delivered as provided in these Conditions shall be made by the Principal Agent in its sole discretion and shall be conclusive and binding on the relevant Bondholders, the Company and the Trustee.

A Share Settlement Notice may be delivered by a holder with respect to one or more Bonds. To the extent that a Share Settlement Notice is delivered with respect to more than one Bond, the number of Acquisition Shares to be delivered pursuant to this Condition 7.2 shall be calculated on the basis of the aggregate number of Bonds referred to in such Share Settlement Notice.

7.2.3 *Sale of Shares:* If, on the day immediately following the Determination Date, there are any Bonds ("Bonds without Share Settlement Notice") in respect of which a duly completed Share Settlement Notice has not been received by an Agent on or prior to the Determination Date, the following provisions shall apply in respect of such Bonds without Share Settlement Notice:

- (i) the Company shall deliver or cause to be delivered all the Acquisition Shares deliverable with respect to all such Bonds without Share Settlement Notice to the Custodian's Agent on behalf of the Custodian on or as soon as possible after the Acquisition Option Date whereupon all such Acquisition Shares shall be deemed to be delivered and paid to the relevant Bondholders; and
- (ii) all the Acquisition Shares so delivered pursuant to Condition 7.2.3(i) shall be sold (whether in one or more lots) by the Custodian's Agent, acting on behalf and by order of the Custodian (subject to any limitations then imposed by Japanese law and any necessary consents being obtained), and (subject to the deduction by the Custodian's Agent of any amount which shall be payable in respect of any liability of the Custodian or the Custodian's Agent to taxation and the payment of any capital, stamp, issue or registration duties (if any) and any fees or costs incurred by the Custodian or the Custodian's Agent in connection with the allotment and sale thereof) the net proceeds thereof shall be paid by the Custodian's Agent to the Custodian (or any Agent if so instructed by the Custodian) for distribution to holders of the Bonds without Share Settlement Notice in the same manner as provided in Condition 8 (save that no presentation and surrender of the relevant Certificates are required) in proportion to the numbers of the Bonds without Share Settlement Notice held by them.

For the avoidance of doubt, calculations with respect to the number of Acquisition Shares and the Adjustment Amount (if any) with regard to the Bonds without Share Settlement Notice to be deemed to be delivered and paid pursuant to Condition 7.2.3(i) shall be made on the basis of the aggregate number of all such Bonds without Share Settlement Notice (and not on the basis of the number of Bonds held by the relevant Bondholders or on a per Bond basis).

In undertaking the sale of any Acquisition Shares pursuant to this Condition 7.2.3, the Custodian may, following consultation with the Company, appoint an independent

investment bank, securities company, financial institution, broker, accountancy firm or consultancy firm of established repute to advise the Custodian as to the manner and/or timing of any such sale (or on such other matters as the Custodian shall deem appropriate in connection therewith) and shall be entitled to act, without liability to anyone, on the advice thereof. The fees of any such appointment and advice shall be paid by the Company.

None of the Company, the Trustee, the Custodian, the Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder for the timing and/or manner of any such sale (including if no such sale can be made), the price at which the Acquisition Shares are sold, or for any loss suffered by any Bondholder as a result of the same. None of the Company, the Trustee, the Custodian, Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder (i) for any loss suffered by Bondholders as a result of any failure by the Custodian's Agent to effect any such sale or to pay over the net proceeds of the sale to the Custodian (or any Agent if instructed by the Custodian), and for distribution to holders of Bonds without Share Settlement Notice or (ii) for monitoring or supervising the performance by the Custodian's Agent of its functions pursuant to this Condition 7.2. The Contracts (Rights of Third Parties) Act 1999 shall apply in favour of the Custodian and the Custodian's Agent in relation to Condition 7.2.

The payment of the net proceeds of the sale of any Acquisition Shares shall satisfy the obligation with respect to the delivery of the Acquisition Shares. Each Bondholder by accepting or acquiring any Bond shall be deemed to agree to any such sale and manner of sale thereof by the Custodian's Agent, and such sale and transfer shall be binding on all Bondholders.

- 7.2.4 *Acquisition Notice Void:* Notwithstanding the provisions of Condition 7.2.1, if the Shares are not listed on the Relevant Stock Exchange on the Acquisition Option Date, the Acquisition Notice shall be treated as null and void and the relevant Bonds will be redeemed, subject as provided herein, for cash in accordance with the provisions of Condition 7 other than this Condition 7.2 and payment in respect thereof shall be made in accordance with Condition 8.

If the Company becomes aware, after the Acquisition Notice having been given, that the Shares will not be listed on the Relevant Stock Exchange on the Acquisition Option Date (other than in the circumstances set out in Condition 7.7 in which case the provisions of Condition 7.7 shall apply), the Company shall give notice of the nullification of the Acquisition Notice to the Bondholders in accordance with Condition 19 forthwith upon becoming so aware.

In addition, if an Event of Default occurs at any time after the giving of the Acquisition Notice in respect of a Type B Acquisition but before the Acquisition Option Date, then the Acquisition Notice shall, unless the Bonds have already been acquired on the Acquisition Option Date, become null and void and the provisions of Condition 10 will apply.

- 7.2.5 *Exercise of Stock Acquisition Rights:* The Company's right to acquire the Bonds in the manner set forth in this Condition 7.2 does not affect a Bondholder's right to exercise its Stock Acquisition Rights hereunder during the Exercise Period. For the avoidance of doubt, in the case of a Type A Acquisition, the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date, and in the case of the Type B Acquisition, the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date.

### 7.3 *Redemption at the Option of the Company*

On or after 11 June 2020, and prior to maturity, the Company may (subject to Condition 7.12), 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.

#### 7.4 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.12), 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 of the date of issue thereof.

#### 7.5 ***Redemption for Taxation Reasons***

The Company may (subject to Condition 7.12), 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 24 May 2018, 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 has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled 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.

#### 7.6 ***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 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 7.6 (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 or application 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 or an Authorised Officer 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 entitled to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.6.

Any notice of redemption given under this Condition 7.6 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 7.6(iii) or 7.6(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 27 May 2022 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	170.00	180.00	190.00	
11 June 2018 ....	97.61	99.72	102.88	107.13	112.43	118.69	125.79	133.60	142.02	150.95	160.30	170.02	180.00	190.00	
11 June 2019 ....	97.58	98.85	101.16	104.76	109.74	116.01	123.39	131.66	140.62	150.11	160.00	170.00	180.00	190.00	
11 June 2020 ....	97.99	98.46	99.21	100.28	103.16	110.35	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	
11 June 2021 ....	98.84	99.05	99.50	100.26	103.14	110.35	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	
27 May 2022 ....	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	

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 7.6, 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 7.6, is more than 190.00 per cent, the Corporate Event Redemption Price shall be 190.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 28 May 2022 to (and including) 9 June 2022, the Corporate Event Redemption Price shall be 100.00 per cent.

## **7.7 *Redemption on Delisting of the Shares***

### **7.7.1 *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 7.6.1 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 from the Company to the contrary that the Offeror has not so acquired any Shares.

7.7.2 *Redemption Price:* The redemption price applicable to the redemption under this Condition 7.7 shall be calculated in the same manner as provided in Condition 7.6, 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 7.6 shall apply to the above redemption price without any adjustment.

7.7.3 *Offer Followed by Corporate Event or Squeezeout Event:* Notwithstanding the above provisions of this Condition 7.7, 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 7.7 shall not apply (but, for the avoidance of doubt, the provisions of Condition 6 and Condition 7.6 or 7.8, 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 7.7.2 (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 7.7.1 without being subject to the provisions of this Condition 7.7.3), 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).

7.7.4 *Irrevocable Notice:* Any notice of redemption given under this Condition 7.7 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

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

- (a) any of the events set out in (i) through (iv) of Condition 7.7.1; or
- (b) any of the events set out in Condition 7.7.3 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 and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.7.6 *Condition:* If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.7 and either Condition 7.6 or 7.8, as the case may be, the procedure pursuant to Condition 7.6 or 7.8, as the case may be, shall apply.

## 7.8 ***Squeezeout Redemption***

7.8.1 *Redemption:* Upon the occurrence of a Squeezeout Event, 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, sale or the consolidation of the Shares with respect to the Squeezeout Event, as the case may be; 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 (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, such as for the purpose of making the Company a wholly-owned subsidiary of another corporation, (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 (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing.

7.8.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.8 shall be calculated in the same manner as provided in Condition 7.6, 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 7.6 shall apply to the above redemption price without any adjustment.

#### 7.9 *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.

#### 7.10 *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 7.9 shall be forwarded to the Principal Agent for cancellation.

#### 7.11 *Notice of Redemption or Acquisition*

All notices to Bondholders 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 7.3, 7.4 or 7.5 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.

**7.12 *Priorities Among Redemption and Acquisition Provisions***

If any notice of redemption or acquisition is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8, no other notice may be, or as the case may be, is required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.7.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.5 and subject to Condition 7.2.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.6 or 7.8, or (b) the events set out in (i) to (iv) of Condition 7.7.1 occur, then a notice pursuant to Condition 7.2, 7.3, 7.4 or 7.5 may not subsequently be given.

**7.13 *Calculations***

The Trustee, the Custodian, the Registrar, the Principal Agent and the other Agents 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.

**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 and Registrar***

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 with at least 30 days’ written notice to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents or Registrar (as the case may be), 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; and (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed. 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 (unless the Trustee is also 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 7.5, 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; or
- (ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date 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.

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 7.5.

In these Conditions, 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 7.5 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 ¥1,000,000,000 (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 ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); 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 ¥1,000,000,000 (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 7.6, 7.7 or 7.8 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, 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 itself adjudication of bankruptcy or seeking with respect to itself 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 7.6, 7.7 or 7.8 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, 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 this Condition 10, 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 7.6 or Condition 7.7 (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 7.6(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.7.1); and
  - (iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.8 (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 (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, 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 or consolidation of Shares pursuant to a 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 7.6 or 7.7); 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 Registrar, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of SWIFT message, fax or telex notices by the Trustee or the Agents to the Registrar, the Principal Agent, 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, among other things, (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 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, manner and substance 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 or an Authorised Officer 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 7.5 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);
- (iv) a Representative Director or an Authorised Officer 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 or an Authorised Officer) 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 an 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 for the time being 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 addressed to the Company and the Trustee 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, 7.6 and/or 7.8 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed to the Company and the Trustee 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 Condition 7.7, 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 and/or prefunded 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 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 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 and to be paid its costs and expenses in priority to the claims of Bondholders. 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 or any other person 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, Independent Financial Adviser or such expert (as the case may be) in respect thereof is limited by a monetary (or any other) 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; and 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 Independent Financial Adviser, the Trustee shall have the power, but shall not be obliged, 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 English language 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 a 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 Law Debenture Corporate Services Limited, whose office is at present at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture 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.

## TERMS AND CONDITIONS OF THE 2025 BONDS

*The following terms and conditions (the “Conditions”) of the 2025 Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, 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) issued by SCREEN Holdings Co., Ltd. (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 11 June 2018 made between the Company and MUFG Union Bank, N.A. (the “Trustee”, which expression shall include all persons for the time being trustee or trustees appointed 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 11 June 2018 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 written request 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 445 South Figueroa Street, Suite 401, Los Angeles, CA 90071, United States of America, 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 (but excluding the Registrar).

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) (the “Issue Price”) 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” means 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 a global certificate (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 relevant Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in the Bonds evidenced by a Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the 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, acquisitions 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 prior written request.

*Transfers of interests in the Bonds evidenced by a 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, 7.6, 7.7 or 7.8, (ii) during the period from and including the Determination Date (as defined in Condition 3.1) or, if earlier, the time at which a Share Settlement Notice (as defined in Condition 3.1) in respect of such Bond has been given pursuant to Condition 7.2, up to but excluding the Acquisition Option Date (as defined in Condition 3.1), (iii) 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), or (iv) after a notice of redemption has been given pursuant to Condition 7.3, 7.4 or 7.5 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.5).

#### 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;

“Acquisition Notice” has the meaning provided in Condition 7.2.1;

“Acquisition Option Date” has the meaning provided in Condition 7.2.1;

“Acquisition Shares” has the meaning provided in Condition 7.2.1;

“Additional Amounts” has the meaning provided in Condition 9;

“Additional Shares” has the meaning provided in Condition 5.3;

“Adjustment Amount” has the meaning provided in Condition 7.2.1;

“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);

“Average VWAP per Share” has the meaning provided in Condition 7.2.1;

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

“Base Dividend” has the meaning provided in Condition 5.2.4;

“Board of Directors”, in respect of any company, means the board of directors of such company within the meaning of the Companies Act;

“Bondholder” and “holder” have the meaning provided in Condition 1.2;

“Bonds without Share Settlement Notice” has the meaning provided in Condition 7.2.3;

“Book-Entry Act” means the Act on Book-Entry Transfer of Company Bonds, Shares, 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 7.4;

“Closed Period” has the meaning provided in Condition 7.11;

“Closing Date” means 11 June 2018;

“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 above 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 the relevant schedule 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 7.6;

“Corporate Event Redemption Price” has the meaning provided in Condition 7.6;

“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 5.2.9;

"Custodian" means MUFG Union Bank, N.A. at its specified office at 445 South Figueroa Street, Suite 401, Los Angeles, CA 90071, United States of America 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 MUFG Bank, 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 7.7.1;

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

"Determination Date" has the meaning provided in Condition 7.2.1;

"Dividend Adjustment Amount" has the meaning provided in Condition 7.2.1;

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

"Event of Default" means any of the events listed in Condition 10, which, if so required by that Condition, has been certified in writing by the Trustee to the Company in accordance with that Condition that, in the opinion of the Trustee, it is materially prejudicial to the interests of the Bondholders, upon the occurrence of which the Bonds may become due and payable;

"Ex-Dividend Date" has the meaning provided in Condition 7.2.1;

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

"Extraordinary Dividend" has the meaning provided in Condition 5.2.4;

"Extraordinary Resolution" means a resolution passed (i) at a meeting of the Bondholders duly convened (including the 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, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

"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 required, 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 to the Trustee in writing 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;

“Issue Price” has the meaning provided in Condition 1.1;

“JCR” means Japan Credit Rating Agency, Ltd. or its successors;

“Last Day Conversion Price” shall have the meaning provided in Condition 7.2.1;

“Listing” has the meaning provided in Condition 6.4.2;

“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 required, 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 7.7.1;

“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, 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 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 7.6, 7.7 and 7.8;

"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 the Accounting Standards Board of Japan);

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Period" has the meaning provided in Condition 5.2.15;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means 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 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;

"Relevant VWAP Period" has the meaning provided in Condition 7.2.1;

"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;

"Share Settlement Notice" has the meaning provided in Condition 7.2.2;

"Squeezeout Effective Date" has the meaning provided in Condition 7.8.1;

"Squeezeout Event" has the meaning provided in Condition 7.8.1;

“Squeezeout Redemption Date” has the meaning provided in Condition 7.8.1;

“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 7.5;

“Tax Redemption Notice” has the meaning provided in Condition 7.5;

“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 of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

“Transfer Business Day” has the meaning provided in Condition 1.4.3;

“Type A Acquisition” has the meaning provided in Condition 7.2.1;

“Type A Acquisition Shares” has the meaning provided in Condition 7.2.1;

“Type A Acquisition Share Value” has the meaning provided in Condition 7.2.1;

“Type B Acquisition” has the meaning provided in Condition 7.2.1;

“Type B Acquisition Shares” has the meaning provided in Condition 7.2.1;

“Type B Acquisition Share Value” has the meaning provided in Condition 7.2.1;

“VWAP” has the meaning provided in Condition 7.2.1; 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 (other than where the references are to the acquisition of the Bonds pursuant to Condition 7.2). 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, Incorporated. 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 *Stock Acquisition Rights and the 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 ¥12,337 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period:* Subject to Condition 5.1.6, each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, 25 June 2018 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 28 May 2025, or:

- (i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled by the Company pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled; or
- (ii) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3, 7.4 or 7.5, 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 7.5, the relevant Bondholder has elected that such Bond shall not be redeemed); or
- (iii) if the Bonds shall become due to be redeemed pursuant to Condition 7.6, 7.7 or 7.8, 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; or
- (iv) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.9, then up to the time when such Bond is so cancelled; or
- (v) 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 28 May 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, 7.7 and 7.8);
- (c) in the case of a Type A Acquisition (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date, and in the case of a Type B Acquisition (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date; and
- (d) 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; 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(d) 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 (unless the Trustee is also the Principal Agent) 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 (unless the Trustee is also the Principal Agent) 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 three 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.

*So long as the Bonds are evidenced by a Global Certificate, the Company will be required to give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 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 three 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); “business day” in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.*

*As at the date of this Offering Circular, the Record Date fixed by the Articles of Incorporation is 31 March. By way of example, in respect of the Record Date falling on 31 March 2019 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) 27 March 2019 to (and including) 1 April 2019.*

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 purposes.

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:*

- (i) Prior to (and including) 10 June 2022, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter; and
- (ii) from (and including) 11 June 2022 but prior to (and including) 11 March 2025, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date 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,

in each case as determined by the Principal Agent and notified by the Principal Agent on behalf of the Company to the Trustee in writing and to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2.

If the relevant condition as set out in (i) or (ii) above 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 (or, (a) in the case of (i) above, in the case of the calendar quarter commenced on 1 April 2018, on and after 25 June 2018, and (b) in the case of (ii) above, in the case of the calendar quarter commencing on 1 April 2022, on and after 11 June 2022) until the end of such quarter (or, (a) in the case of (i) above, in the case of the calendar quarter commencing on 1 April 2022, until 10 June 2022, and (b) in the case of (ii) above, in the case of the calendar quarter commencing on 1 January 2025, until 11 March 2025), provided the relevant Deposit Date falls during the Exercise Period.

For the avoidance of doubt, during the period from and including 12 March 2025 to and including the close of business (at the place where the Stock Acquisition Right is to be exercised) on 28 May 2025, the conditions to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.6 shall not be applicable.

Further, 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) a long-term issuer rating is no longer assigned to the Company by JCR and/or (iii) the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn. 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 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8, 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 in respect of any Bonds elected by the relevant Bondholders not to be redeemed pursuant to Condition 7.5.

- 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 5.2.5 or 5.2.8, 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 5.2.6 or 5.2.8, or
- (iv) the date of issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

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, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, 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 5.2.10) 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:

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

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 5.2.11) 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 5.2.10) 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 5.2.10) 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:

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

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 5.2.11) 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 5.2.10) 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 (including Extraordinary Dividends)*: 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) other than Extraordinary Dividends, 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:

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

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, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, 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 or an Authorised Officer 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 or, (ii) in the case of an Extraordinary Dividend, 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 (including a distribution of an Extraordinary Dividend); 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.

“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 ¥125,550.

*The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥155.*

“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.

5.2.5 *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 and bonds with stock acquisition rights due 2022) issued by the Company on the Closing Date, 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 5.2.10) 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 5.2.8, be adjusted in accordance with the following formula:

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

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 5.2.11) 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 5.2.10) 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;

5.2.6 *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 5.2.10) 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 5.2.8, be adjusted in accordance with the following formula:

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

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 5.2.11) 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 5.2.10) 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;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities:* if the Company shall grant, issue or offer 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 and the stock acquisition rights incorporated in bonds with stock acquisition rights due 2022 issued by the Company on the Closing Date, or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) 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 grant, issue or offer 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 grant, issue or offer of

such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

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 5.2.11) at the close of business in Japan on the date of the grant, issue or offer 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 5.2.10) 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;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer 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 5.2.5, 5.2.6 and/or 5.2.7 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:

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

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 5.2.11) 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 5.2.10) 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 5.2.10) 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 5.2.10) 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 grant, issue or offer 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.

- 5.2.9 *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, and any event which requires an adjustment with reference to the same Current Market Price per Share) 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;

- 5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, 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 allotment, grant, issue, transfer 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 allotment, grant, issue, transfer 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 5.2.10 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 5.2.10 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;

- 5.2.11 *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 5.2.8 (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 allotment, grant, issue, transfer 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, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;
- 5.2.12 *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;
- 5.2.13 *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;
- 5.2.14 *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
- 5.2.15 *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 20 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; for the avoidance of doubt, if the Closing Price of the Shares for any Trading Day within the Relevant Period reflects (by reason of having become ex-rights or otherwise) an event which gives rise to an adjustment to the Conversion Price pursuant to this Condition 5.2 becoming effective immediately after the end of the Relevant Period, then such Closing Price shall be appropriately adjusted to be such price prior to such event having been so reflected, for the purposes of Condition 5.1.6.

### 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 enquiries as to whether any adjustment is required to be made and will not be responsible or liable in any respect 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 with at least 30 days' written notice 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 MUFG Bank, 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 a 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 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 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 (the passing of any such resolution 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 7.6(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 that which would have been received by a holder of 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 will be subject to conditions substantially the same as those described in Conditions 5.1.6 to 5.1.9;
- 6.5.7 *Acquisition at the Option of the New Obligor:* The New Stock Acquisition Rights together with the Bonds may be acquired by the New Obligor substantially in the same manner as described in Condition 7.2.
- 6.5.8 *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
- 6.5.9 *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 a 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, Acquisition, Purchase and Cancellation**

#### 7.1 *Final Maturity*

Unless the Bonds have previously been redeemed, acquired 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 11 June 2025. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

#### 7.2 *Acquisition at the Option of the Company*

- 7.2.1 *Acquisition Notice:* On or after 11 December 2024, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may, but shall not be bound to, give notice (the “Acquisition 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), to acquire from the Bondholders all, but not some only, of the Bonds outstanding on the Acquisition

Option Date (as defined below); provided that such option to acquire, in the case of a Type B Acquisition, may not be exercised by the Company if an Event of Default has occurred. Such Acquisition Notice shall specify the date fixed for such acquisition (the "Acquisition Option Date"), which shall be a date not less than 60 and not more than 75 days after the date that the Acquisition Notice is first given; and upon giving such notice, all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date. Each Bondholder by accepting or acquiring any Bond agrees that such Bond shall be so acquired by the Company on the Acquisition Option Date (whether or not a Share Settlement Notice is delivered as required by Condition 7.2.2).

Subject to Conditions 7.2.2 and 7.2.3, the Company shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Company:

- (A) if the Closing Price of the Shares on the Trading Day immediately preceding the date on which the Acquisition Notice is first given is higher than the Conversion Price on such Trading Day,
  - (i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent of the principal amount of the Bonds on the Acquisition Option Date in cash, and
  - (ii) issue and deliver the Type A Acquisition Shares in accordance with Condition 7.2.2, if any, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date,

in each case, to the Bondholders ("Type A Acquisition"); or

- (B) if the Closing Price of the Shares on the Trading Day immediately preceding the date on which Acquisition Notice is first given is equal to or lower than the Conversion Price on such Trading Day,
  - (i) issue and deliver the Type B Acquisition Shares in accordance with Condition 7.2.2, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date; and
  - (ii) pay in the same manner as provided in Condition 8, the Adjustment Amount, if any, on the Acquisition Option Date,

in each case, to the Bondholders ("Type B Acquisition").

The Acquisition Notice shall specify whether the Closing Price of the Shares on the first Trading Day immediately preceding the date of such notice was (i) higher than, or (ii) equal to or lower than, the Conversion Price then in effect. In the case of a Type B Acquisition, immediately prior to giving the Acquisition Notice (but on the same day as the giving of such Acquisition Notice), the Company shall provide the Trustee with a certificate by a Representative Director or an Authorised Officer certifying to the effect that, as at the date thereof, no Event of Default or, no condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, has occurred. The Trustee may rely absolutely without liability to Bondholders or any other person on such certificate as to the absence of any Event of Default or, any condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, on such date.

Any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the Type A Acquisition Shares, the Type B Acquisition Shares or the Adjustment Amount pursuant to this Condition 7.2 shall be borne by the Company.

Bonds that have been so acquired by the Company shall be cancelled upon acquisition in accordance with these Conditions, and all Certificates in

respect of Bonds so cancelled shall be promptly forwarded to the Principal Agent for cancellation.

In these Conditions:

“Acquisition Shares” means the Type A Acquisition Shares or the Type B Acquisition Shares, as the case may be.

“Adjustment Amount” means such yen amount per Bond, if any (subject to a minimum of ¥0, and rounded down to the nearest yen) calculated in accordance with the formula below:

$$AA = PA - SV$$

where:

AA = Adjustment Amount in respect of such Bond;

PA = 100 per cent of the principal amount of such Bond; and

SV = the Type B Acquisition Share Value of such Bond;

“Average VWAP per Share” means the average of the Volume Weighted Average Prices (“VWAP”) of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during the Relevant VWAP Period, provided that:

- (a) in the case of a Type A Acquisition;
  - (i) if an Ex-Dividend Date falls, or will fall, within the period from but excluding the first day of the Relevant VWAP Period to and including the Acquisition Option Date, the Average VWAP per Share used as the denominator in the formula for calculating the Type A Acquisition Shares (as set out in the definition of “Type A Acquisition Shares”) shall be adjusted by subtracting the Dividend Adjustment Amount from the VWAP of the Shares on each Trading Day during the period from and including the first day of the Relevant VWAP Period to and including the earlier of (x) the Trading Day immediately prior to the Ex-Dividend Date, and (y) the last day of the Relevant VWAP Period; and
  - (ii) if an Ex-Dividend Date falls within the period from and including the second Tokyo Business Day after the date of the Acquisition Notice to and including the last day of the Relevant VWAP Period, the Average VWAP per Share for the purpose of calculating the Type A Acquisition Share Value (as contained in the definition of “Type A Acquisition Share Value”) shall be adjusted by adding the Dividend Adjustment Amount to the VWAP of the Shares on each Trading Day during the period from and including the later of (x) the Ex-Dividend Date and (y) the first day of the Relevant VWAP Period, to and including the last day of the Relevant VWAP Period;
- (b) in the case of a Type B Acquisition, if an Ex-Dividend Date falls, or will fall, within the period from but excluding the first day of the Relevant VWAP Period to and including the Acquisition Option Date, the Average VWAP per Share used for the purpose of calculating the Type B Acquisition Share Value per Bond (as contained in the definition of “Type B Acquisition Share Value”)

shall be adjusted by subtracting the Dividend Adjustment Amount from the VWAP of the Shares on each Trading Day during the period from and including the first day of the Relevant VWAP Period to and including the earlier of (i) the Trading Day immediately prior to Ex-Dividend Date and (ii) the last day of the Relevant VWAP Period;

- (c) if on any Trading Day, VWAP of the Shares is not reported by, nor otherwise available from, the Relevant Stock Exchange, or VWAP reported by the Relevant Stock Exchange is manifestly incorrect, the average trading prices of the Shares using a volume weighted method on the Relevant Stock Exchange on such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company in its sole discretion (acting in a commercially reasonable manner) shall be deemed to be the VWAP on such Trading Day (but subject to adjustment pursuant to (a) or (b) above (as the case may be), if required); and
- (d) if during the Relevant VWAP Period any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the last day of the Relevant VWAP Period) to the Conversion Price under the provisions of Condition 5.2, the Average VWAP 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 shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser) in order to compensate for the effect of such event.

*As a consequence of the adjustments identified in (a) above, the Average VWAP per Share for the purposes of calculating the Type A Acquisition Shares may differ from the Average VWAP per Share used for the purposes of calculating the Type A Acquisition Share Value.*

“Determination Date” means the date falling 14 calendar days prior to the Acquisition Option Date.

The Company shall give notice to the Bondholders in accordance with Condition 19 of the Average VWAP per Share as soon as reasonably practicable upon determination thereof.

“Dividend Adjustment Amount” for the purposes of the calculation of an adjustment to the Average VWAP per Share means the amount determined by the Company as of the last day of the Relevant VWAP Period, which shall be:

- (i) the expected cash dividend per Share most recently publicly announced by the Company with respect to the Record Date relating to the relevant Ex-Dividend Date; or
- (ii) if no public announcement has been made as to an expected cash dividend per Share as set out in (i) above, the actual cash dividend per Share in respect of the corresponding Record Date one year prior to the relevant Record Date; or
- (iii) if, in the opinion of the Company, neither the expected nor the actual cash dividend as set out in (i) or (ii) above (as the case may be) provides a reasonable basis for adjustment of the Average VWAP per Share, the amount determined by the Company in its sole discretion as being appropriate and fair to give effect to the impact of the Ex-Dividend Date on the relevant VWAP.



For the purposes of this Condition 7.2.1, a “dividend” means a “distribution of surplus”, within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act.

“Ex-Dividend Date” means the second Tokyo Business Day immediately prior to any Record Date for a dividend declared or to be declared by the Company (provided that if such Record Date falls on a date that is not a Tokyo Business Day, then the Ex-Dividend Date means the third Tokyo Business Day immediately prior to such Record Date); provided further that if, in the opinion of the Company, there has been a change to the mandatory provisions of Japanese law, regulation or practice which affects the timing or application of ex-dividend dates, the Ex-Dividend Date may be amended by the Company, and/or the Company may make such other changes to this Condition 7.2.1 as it shall consider appropriate and fair, in each case, to the extent permitted by applicable law and to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders.

“Last Day Conversion Price” means the Conversion Price in effect on the last day of the Relevant VWAP Period.

“Relevant VWAP Period” means the 20 consecutive Trading Days beginning on, and including, the 5th Trading Day from, but excluding, the date on which the Company gives the Acquisition Notice to the Bondholders in accordance with Condition 19.

“Type A Acquisition Shares” means such number of Shares per Bond, if any, calculated in accordance with the formula below:

$$\text{Type A Acquisition Shares} = \frac{\text{The amount by which the Type A Acquisition Share Value exceeds the principal amount of each Bond}}{\text{Average VWAP per Share}}$$

provided that fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof, and provided further that, if during the period from but excluding the last day of the Relevant VWAP Period to but excluding the Acquisition Option Date any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the Acquisition Option Date) to the Conversion Price under the provisions of Condition 5.2, the Type A Acquisition Shares, as determined above, shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser).

“Type A Acquisition Share Value” means the yen amount per Bond calculated in accordance with the formula below:

$$\text{Type A Acquisition Share Value} = \frac{\text{Principal Amount of the Bond}}{\text{Last Day Conversion Price}} \times \text{Average VWAP per Share}$$

“Type B Acquisition Shares” means such number of Shares per Bond calculated by dividing (i) the principal amount of the Bond by (ii) the Last Day Conversion Price, provided that fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof, provided further that, if during the period from but excluding the last day of the Relevant VWAP Period to but excluding the Acquisition Option Date any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the Acquisition Option Date) to the Conversion Price under the provisions of Condition 5.2, the Type B Acquisition Shares, as determined above, shall be adjusted in such manner

and to such extent as the Company in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser).

“Type B Acquisition Share Value” means the yen amount per Bond comprising the product of the number of the Type B Acquisition Shares deliverable per Bond multiplied by the Average VWAP per Share.

All calculations with respect to the Type A Acquisition Share Value, Type B Acquisition Share Value and the Average VWAP per Share 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.

- 7.2.2 *Share Settlement Notice:* In order to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.2, each Bondholder must deliver to the specified office of an Agent, no later than the Determination Date, a duly completed share settlement notice substantially in the form set out in the Agency Agreement (a “Share Settlement Notice”, a copy of which may be obtained from the specified office of any Agent) with respect to the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Share Settlement Notice relates. A Share Settlement Notice shall be irrevocable once delivered.

Delivery of the Acquisition Shares by or on behalf of the Company pursuant to this Condition 7.2 will be made on or as soon as practicable after the Acquisition Option Date in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, 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 will transfer the relevant Acquisition Shares to or to the order of the relevant Bondholders at such account maintained with an Account Management Institution in Japan as specified in the relevant Share Settlement 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 relevant Bondholder in the relevant Share Settlement Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.5 shall apply with any necessary changes to the Acquisition Shares with references to the Stock Acquisition Date therein being construed as references to the Acquisition Option Date.

Any determination as to whether a Share Settlement Notice has been properly completed and delivered as provided in these Conditions shall be made by the Principal Agent in its sole discretion and shall be conclusive and binding on the relevant Bondholders, the Company and the Trustee.

A Share Settlement Notice may be delivered by a holder with respect to one or more Bonds. To the extent that a Share Settlement Notice is delivered with respect to more than one Bond, the number of Acquisition Shares to be delivered pursuant to this Condition 7.2 shall be calculated on the basis of the aggregate number of Bonds referred to in such Share Settlement Notice.

- 7.2.3 *Sale of Shares:* If, on the day immediately following the Determination Date, there are any Bonds (“Bonds without Share Settlement Notice”) in respect of which a duly completed Share Settlement Notice has not been received by an Agent on or prior to the Determination Date, the following provisions shall apply in respect of such Bonds without Share Settlement Notice:
- (i) the Company shall deliver or cause to be delivered all the Acquisition Shares deliverable with respect to all such Bonds without Share Settlement Notice to the Custodian’s Agent on behalf of the Custodian on or as soon as possible after the Acquisition Option Date whereupon all such Acquisition Shares shall be deemed to be delivered and paid to the relevant Bondholders; and
  - (ii) all the Acquisition Shares so delivered pursuant to Condition 7.2.3(i) shall be sold (whether in one or more lots) by the Custodian’s Agent, acting on behalf

and by order of the Custodian (subject to any limitations then imposed by Japanese law and any necessary consents being obtained), and (subject to the deduction by the Custodian's Agent of any amount which shall be payable in respect of any liability of the Custodian or the Custodian's Agent to taxation and the payment of any capital, stamp, issue or registration duties (if any) and any fees or costs incurred by the Custodian or the Custodian's Agent in connection with the allotment and sale thereof) the net proceeds thereof shall be paid by the Custodian's Agent to the Custodian (or any Agent if so instructed by the Custodian) for distribution to holders of the Bonds without Share Settlement Notice in the same manner as provided in Condition 8 (save that no presentation and surrender of the relevant Certificates are required) in proportion to the numbers of the Bonds without Share Settlement Notice held by them.

For the avoidance of doubt, calculations with respect to the number of Acquisition Shares and the Adjustment Amount (if any) with regard to the Bonds without Share Settlement Notice to be deemed to be delivered and paid pursuant to Condition 7.2.3(i) shall be made on the basis of the aggregate number of all such Bonds without Share Settlement Notice (and not on the basis of the number of Bonds held by the relevant Bondholders or on a per Bond basis).

In undertaking the sale of any Acquisition Shares pursuant to this Condition 7.2.3, the Custodian may, following consultation with the Company, appoint an independent investment bank, securities company, financial institution, broker, accountancy firm or consultancy firm of established repute to advise the Custodian as to the manner and/or timing of any such sale (or on such other matters as the Custodian shall deem appropriate in connection therewith) and shall be entitled to act, without liability to anyone, on the advice thereof. The fees of any such appointment and advice shall be paid by the Company.

None of the Company, the Trustee, the Custodian, the Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder for the timing and/or manner of any such sale (including if no such sale can be made), the price at which the Acquisition Shares are sold, or for any loss suffered by any Bondholder as a result of the same. None of the Company, the Trustee, the Custodian, Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder (i) for any loss suffered by Bondholders as a result of any failure by the Custodian's Agent to effect any such sale or to pay over the net proceeds of the sale to the Custodian (or any Agent if instructed by the Custodian), and for distribution to holders of Bonds without Share Settlement Notice or (ii) for monitoring or supervising the performance by the Custodian's Agent of its functions pursuant to this Condition 7.2. The Contracts (Rights of Third Parties) Act 1999 shall apply in favour of the Custodian and the Custodian's Agent in relation to Condition 7.2.

The payment of the net proceeds of the sale of any Acquisition Shares shall satisfy the obligation with respect to the delivery of the Acquisition Shares. Each Bondholder by accepting or acquiring any Bond shall be deemed to agree to any such sale and manner of sale thereof by the Custodian's Agent, and such sale and transfer shall be binding on all Bondholders.

7.2.4 *Acquisition Notice Void:* Notwithstanding the provisions of Condition 7.2.1, if the Shares are not listed on the Relevant Stock Exchange on the Acquisition Option Date, the Acquisition Notice shall be treated as null and void and the relevant Bonds will be redeemed, subject as provided herein, for cash in accordance with the provisions of Condition 7 other than this Condition 7.2 and payment in respect thereof shall be made in accordance with Condition 8.

If the Company becomes aware, after the Acquisition Notice having been given, that the Shares will not be listed on the Relevant Stock Exchange on the Acquisition Option Date (other than in the circumstances set out in Condition 7.7 in which case the provisions of Condition 7.7 shall apply), the Company shall give notice of the

nullification of the Acquisition Notice to the Bondholders in accordance with Condition 19 forthwith upon becoming so aware.

In addition, if an Event of Default occurs at any time after the giving of the Acquisition Notice in respect of a Type B Acquisition but before the Acquisition Option Date, then the Acquisition Notice shall, unless the Bonds have already been acquired on the Acquisition Option Date, become null and void and the provisions of Condition 10 will apply.

7.2.5 *Exercise of Stock Acquisition Rights:* The Company's right to acquire the Bonds in the manner set forth in this Condition 7.2 does not affect a Bondholder's right to exercise its Stock Acquisition Rights hereunder during the Exercise Period. For the avoidance of doubt, in the case of a Type A Acquisition, the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date, and in the case of the Type B Acquisition, the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date.

### 7.3 ***Redemption at the Option of the Company***

On or after 11 June 2024, and prior to maturity, the Company may (subject to Condition 7.12), 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.

### 7.4 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.12), 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 of the date of issue thereof.

### 7.5 ***Redemption for Taxation Reasons***

The Company may (subject to Condition 7.12), 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 24 May 2018, 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 has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled 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.

#### 7.6 *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 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 7.6 (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 or application 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 or an Authorised Officer 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 entitled to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.6.

Any notice of redemption given under this Condition 7.6 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 7.6(iii) or 7.6(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 28 May 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	170.00	180.00	190.00	
11 June 2018 ....	97.05	100.70	105.15	110.32	116.17	122.62	129.61	137.09	145.02	153.35	162.04	171.08	180.43	190.08	
11 June 2019 ....	97.23	100.62	104.86	109.89	115.64	122.04	129.03	136.54	144.51	152.91	161.70	170.83	180.27	190.01	
11 June 2020 ....	97.22	100.30	104.28	109.14	114.79	121.16	128.16	135.73	143.81	152.32	161.24	170.51	180.10	190.00	
11 June 2021 ....	97.25	99.91	103.55	108.16	113.68	120.00	127.05	134.72	142.94	151.63	160.73	170.20	180.00	190.00	
11 June 2022 ....	97.29	99.35	102.48	106.73	112.06	118.35	125.50	133.36	141.84	150.82	160.23	170.00	180.00	190.00	
11 June 2023 ....	97.51	98.68	100.92	104.50	109.49	115.79	123.22	131.54	140.54	150.08	160.00	170.00	180.00	190.00	
11 June 2024 ....	98.42	98.69	99.27	100.23	103.11	110.34	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	
28 May 2025 ....	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	

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 7.6, 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 7.6, is more than 190.00 per cent, the Corporate Event Redemption Price shall be 190.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 29 May 2025 to (and including) 10 June 2025, the Corporate Event Redemption Price shall be 100.00 per cent.

## 7.7 ***Redemption on Delisting of the Shares***

### 7.7.1 *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 7.6.1 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 from the Company to the contrary that the Offeror has not so acquired any Shares.

7.7.2 *Redemption Price:* The redemption price applicable to the redemption under this Condition 7.7 shall be calculated in the same manner as provided in Condition 7.6, 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 7.6 shall apply to the above redemption price without any adjustment.

7.7.3 *Offer Followed by Corporate Event or Squeezeout Event:* Notwithstanding the above provisions of this Condition 7.7, 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 7.7 shall not apply (but, for the avoidance of doubt, the provisions of Condition 6 and Condition 7.6 or 7.8, 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 7.7.2 (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 7.7.1 without being subject to the provisions of this Condition 7.7.3), 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).

7.7.4 *Irrevocable Notice:* Any notice of redemption given under this Condition 7.7 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

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

- (a) any of the events set out in (i) through (iv) of Condition 7.7.1; or
- (b) any of the events set out in Condition 7.7.3 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 and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.7.6 *Condition:* If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.7 and either Condition 7.6 or 7.8, as the case may be, the procedure pursuant to Condition 7.6 or 7.8, as the case may be, shall apply.



## 7.8 *Squeezeout Redemption*

- 7.8.1 *Redemption*: Upon the occurrence of a Squeezeout Event, 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, sale or the consolidation of the Shares with respect to the Squeezeout Event, as the case may be; 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 (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, such as for the purpose of making the Company a wholly-owned subsidiary of another corporation, (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 (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing.

- 7.8.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.8 shall be calculated in the same manner as provided in Condition 7.6, 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 7.6 shall apply to the above redemption price without any adjustment.

**7.9 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.

**7.10 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 7.9 shall be forwarded to the Principal Agent for cancellation.

**7.11 Notice of Redemption or Acquisition**

All notices to Bondholders 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 7.3, 7.4 or 7.5 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.

**7.12 Priorities Among Redemption and Acquisition Provisions**

If any notice of redemption or acquisition is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8, no other notice may be, or as the case may be, is required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.7.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.5 and subject to Condition 7.2.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.6 or 7.8, or (b) the events set out in (i) to (iv) of Condition 7.7.1 occur, then a notice pursuant to Condition 7.2, 7.3, 7.4 or 7.5 may not subsequently be given.

**7.13 Calculations**

The Trustee, the Custodian, the Registrar, the Principal Agent and the other Agents 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.

**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 and Registrar*

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 with at least 30 days’ written notice to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents or Registrar (as the case may be), 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; and (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed. 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 (unless the Trustee is also 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 7.5, 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; or

- (ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date 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.

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 7.5.

In these Conditions, 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 7.5 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 ¥1,000,000,000 (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 ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); 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 ¥1,000,000,000 (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 7.6, 7.7 or 7.8 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, 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 itself adjudication of bankruptcy or seeking with respect to itself 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 7.6, 7.7 or 7.8 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, 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 this Condition 10, 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 7.6 or Condition 7.7 (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 7.6(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.7.1); and
  - (iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.8 (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 (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, 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 or consolidation of Shares pursuant to a 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 7.6 or 7.7); 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 Registrar, the Principal Agent, the other Agents, the Custodian and the Custodian's



Agent (including the cost of SWIFT message, fax or telex notices by the Trustee or the Agents to the Registrar, the Principal Agent, 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, among other things, (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 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, manner and substance 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 or an Authorised Officer 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 7.5 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);
- (iv) a Representative Director or an Authorised Officer 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 or an Authorised Officer) 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 an 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 for the time being 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 addressed to the Company and the Trustee 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, 7.6 and/or 7.8 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed to the Company and the Trustee 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 Condition 7.7, 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 and/or prefunded 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 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 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 and to be paid its costs and expenses in priority to the claims of Bondholders. 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 or any other person 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, Independent Financial Adviser or such expert (as the case may be) in respect thereof is limited by a monetary (or any other) 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; and 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 Independent Financial Adviser, the Trustee shall have the power, but shall not be obliged, 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 English language 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 a 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 Law Debenture Corporate Services Limited, whose office is at present at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture 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 Certificates contain provisions which apply to the Bonds in respect of which the Global Certificates are issued, some of which modify the effect of the Conditions for each Series 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 of the Bonds of the relevant Series in respect of which a Global Certificate is issued shall (unless such Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders of such Series, and, at any such meeting, as having one vote in respect of each Bond in respect of which such 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 a Global Certificate is 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 a 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 such 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 such Global Certificate.

### **Payments**

Payments in respect of Bonds evidenced by a 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 a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register in respect of the relevant 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 for each Series.

### **Notices**

So long as the Bonds are evidenced by a 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 for each Series. Such notices shall be deemed to have been given in accordance with the Conditions for each Series 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 a 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 a Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions for each Series).

## **Trustee's Powers**

In considering the interests of Bondholders while a 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 relevant Bonds evidenced by a 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 a Global Certificate which is required by the Conditions for the relevant Series to be cancelled will be effected by reduction in the principal amount of the Bonds in the relevant Register and the endorsement (for information only) of the relevant Global Certificate by the Principal Agent.

## **Acquisition of Bonds at the Option of the Company**

If the Company exercises its option to give notice to acquire Bonds of a Series under Condition 7.2 for the relevant Series, subject to the requirements of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, a Share Settlement Notice may be duly completed by, or on behalf of, an accountholder in such system with an entitlement to the Bonds of the relevant Series. Deposit of the Global Certificate for the relevant Series with the Principal Agent shall not be required.

## **Early Redemption or Acquisition by the Company**

The options and obligations of the Company to redeem the Bonds of a Series prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 and 7.8 for the relevant Series 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 7.5 for the relevant Series may be exercised by the holder of the Bonds of such Series evidenced by a 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.

## **Electronic Consent**

While the Bonds of the relevant Series evidenced by a Global Certificate are registered in the name of any nominee for, or a nominee for any common depositary for, Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be), then (a) approval of a resolution proposed by the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent in nominal amount of the Bonds of such Series then outstanding (an "Electronic Consent" as defined in the Trust Deed relating to the relevant Series) shall, for all purposes (including in relation to Reserved Matters (as defined in the Trust Deed relating to the relevant Series)), take effect as an Extraordinary Resolution passed at a meeting of Bondholders of such Series duly convened and held, and shall be binding on all Bondholders of such Series whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed relating to the relevant Series) has been validly passed, subject to certain requirements set out in the Trust Deed relating to the relevant Series, the Company and



the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, by accountholders in the relevant clearing system with entitlements to Bonds of such Series evidenced by the relevant Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds such entitlement directly with the accountholder or via one or more intermediaries.

### **Enforcement**

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which a 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 of such Series.

## USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥30 billion, and are expected to be used primarily for capital expenditures with the aim of achieving the Group's management plans, as follows:

- (i) approximately ¥15 billion by the end of March 2020, for capital expenditure aimed at improving production capacity and efficiency, including the construction of new facilities in the Group's Hikone plant; and
- (ii) approximately ¥15 billion by the end of March 2020, for capital expenditure in relation to R&D facilities, aimed at maintaining and expanding the Group's product competitiveness through development of cutting-edge technologies in the SE segment, strengthening core technologies and product capabilities in the Group's other existing businesses, and expanding the business portfolio (including new businesses) of the Group as a whole.

## SCREEN HOLDINGS CO., LTD.

The Group is a leading manufacturer in the world of a range of semiconductor production equipment and FPD production equipment, based on its core technologies in the areas of surface processing, direct imaging and image processing. The Group has what it believes is among the highest global market share in terms of sales of products such as single wafer cleaning equipment, batch-type cleaning equipment and spin scrubbers in the semiconductor production equipment business, as well as coater/developers in the FPD production equipment business. The Group also manufactures graphic arts equipment such as CTP equipment and POD equipment, and PCB-related equipment.

The Group's operations are principally divided into the following four reporting segments:

- *Semiconductor Equipment business (SE)*, engaged in the development, manufacturing, sale, and maintenance services of semiconductor production equipment. The Group's major customers in this segment include the major semiconductor manufacturers around the world.
- *Graphic Arts Equipment business (GA)*, engaged in the development, manufacturing, sale, and maintenance services of graphic arts equipment.
- *Display Production Equipment and Coater business (FT)*, engaged in the development, manufacturing, sale, and maintenance services of FPD production equipment and coater equipment.
- *PCB-related Equipment business (PE)*, engaged in the development, manufacturing, sale, and maintenance services of PCB-related equipment.

Other businesses, not comprised in the above-mentioned reporting segments, including development, manufacturing and sales of equipment in life science business, inspection and measurement, software development, planning and production of printed matter and other businesses, are categorised as "Others".

As at 31 March 2018, the Company had 57 consolidated subsidiaries, two non-consolidated subsidiaries and one affiliate accounted for by the equity method. For the fiscal year ended 31 March 2018, the Group's net sales, operating income and profit attributable to owners of parent amounted to ¥339,368 million, ¥42,725 million and ¥28,507 million, respectively. For the fiscal year ended 31 March 2017, the Group's net sales to customers located overseas (after inter-segment eliminations) amounted to 81.7 per cent of total consolidated net sales.

### 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 income data for the fiscal years ended 31 March 2016 and 2017 and the consolidated balance sheet data as at 31 March 2016 and 2017 have been extracted without material adjustment from the audited consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2017 (including corresponding figures as at and for the fiscal year ended 31 March 2016) included elsewhere in this Offering Circular. The consolidated statement of income data for the year ended 31 March 2018 and the consolidated balance sheet data as at 31 March 2018 have been extracted without material adjustment from the unaudited consolidated financial statements of the Group (being English translations of the unaudited annual consolidated financial statements as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017) contained in the preliminary results announcement (*kessan tanshin*) of the Group) included elsewhere in this Offering Circular. See "Presentation of Financial and Other Information" for differences in presentation and other matters relating to such unaudited annual consolidated financial information.

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differs 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		
	2016	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(Millions of yen, except per Share data and percentages)		
<b>Statements of Income Data</b>			
Net sales <sup>(2)</sup> .....	¥ 259,675	¥ 300,234	¥ 339,368
SE.....	165,801	206,098	227,184
GA.....	61,280	45,830	53,414
FT.....	31,590	38,104	45,252
PE.....	–	8,918	12,193
Others (excluding inter-segment) <sup>(3)</sup> .....	1,085	1,453	1,623
Adjustments <sup>(3)</sup> .....	(81)	(169)	(299)
Operating income <sup>(2)</sup> .....	23,557	33,732	42,725
SE.....	18,716	29,315	36,301
GA.....	3,169	1,472	3,060
FT.....	2,748	4,392	4,589
PE.....	–	752	1,013
Others.....	(1,138)	(1,453)	(1,543)
Adjustments.....	62	(746)	(697)
Income before income taxes.....	23,943	31,055	41,952
Profit attributable to owners of parent.....	18,816	24,169	28,507
<b>Balance Sheet Data</b>			
Total assets.....	270,094	300,660	366,193
Current assets.....	188,522	215,159	261,485
Cash and cash equivalents <sup>(4)</sup> .....	30,157	44,923	50,817
Time deposits <sup>(4)</sup> .....	2,215	3,910	2,296
Net property, plant and equipment.....	43,378	41,758	48,973
Total intangible assets.....	2,394	2,905	4,953
Total investments and other assets <sup>(5)</sup> .....	35,800	40,838	50,781
Total current liabilities.....	120,857	135,576	175,529
Current portion of long-term loans payable <sup>(6)</sup> .....	4,080	4,080	5,679
Current portion of bonds payable <sup>(6)</sup> .....	13,600	–	–
Total long-term liabilities <sup>(7)</sup> .....	28,948	22,168	19,783
Long-term loans payable <sup>(6)(8)</sup> .....	18,986	10,907	5,227
Total net assets.....	120,289	142,916	170,880
Total shareholders' equity.....	116,957	136,282	157,864
<b>Cash Flow Data</b>			
Cash flows from operating activities.....	14,721	49,024	28,878
Cash flows from investing activities.....	(2,558)	(5,860)	(11,230)
Cash flows from financing activities.....	(2,846)	(27,479)	(11,512)
<b>Per Share Data (Yen)<sup>(9)</sup></b>			
Profit per Share.....	¥ 396.75	¥ 511.96	¥ 608.62
Cash dividends per Share.....	60.00	87.00	110.00
Net assets per Share.....	2,533.41	3,040.79	3,661.96
<b>Other Data (Millions of yen)</b>			
Depreciation and amortisation.....	¥ 5,030	¥ 5,398	¥ 5,708
Capital expenditures.....	6,352	8,256	14,428
R&D expenses.....	15,166	17,794	20,837
Order backlog.....	96,287	118,558	178,643
<b>Ratios (Per cent)</b>			
Return on assets (ROA) <sup>(10)</sup> .....	7.2%	8.5%	8.5%
Return on equity (ROE) <sup>(11)</sup> .....	16.3	18.4	18.2
Equity ratio <sup>(12)</sup> .....	44.3	47.5	46.7

Notes:

- (1) See "Presentation of Financial and Other Information".
- (2) On 1 April 2017, the PCB-related equipment business (PE) was split from the former Graphic and Precision Solutions (GP) segment. For the fiscal year ended 31 March 2016, the former GP segment (including the PCB-related equipment business) are included within GA for the purposes of the above table while for the fiscal year ended 31 March 2017, the former GP segment has been restated (as the GA and the PE segments) in accordance with the presentation for the fiscal year ended 31 March 2018 (using the rounding conventions used in the F-pages). See "Presentation of Financial and Other Information".

- (3) Net sales for “Others” comprise sales to outside customers (excluding inter-segment sales). As such, “Adjustments” with regard to net sales comprise inter-segment eliminations with respect to SE, GA, FT and PE.
- (4) Cash and cash equivalents and time deposits were stated as two separate line items in the consolidated balance sheets as at 31 March 2016 and 2017 in the F-pages. The total of cash and cash equivalents and time deposits is stated as “cash and time deposits” in the consolidated balance sheet as at 31 March 2018 in the A-pages.
- (5) Total investments and other assets excludes intangible assets. However, the line item “total investments and other assets” in the consolidated balance sheets as at 31 March 2016 and 2017 in the F-pages includes intangible assets.
- (6) The total of “current portion of long-term loans payable” and “current portion of bonds payable” is stated as “current portion of long-term debt” and “long-term loans payable” is stated as “long-term debt” in the consolidated balance sheets as at 31 March 2016 and 2017 in the F-pages.
- (7) This line item is stated as “total non-current liabilities” in the consolidated balance sheet as at 31 March 2018 in the A-pages.
- (8) Long-term loans payable excludes current portion of long-term loans payable.
- (9) The Company conducted a one-for-five share consolidation on 1 October 2016. The number of Shares for the fiscal years ended 31 March 2016 and 2017 used with respect to the per share data are based on the number of Shares issued and outstanding and have been adjusted as if such share consolidation had taken place on 1 April 2015. A year-end dividend of ¥110.0 per Share in respect of the fiscal year ended 31 March 2018 is subject to approval of the general meeting of shareholders to be held in June 2018.
- (10) ROA has been calculated by dividing profit attributable to owners of parent by the average of total assets at the beginning and at the end of the period.
- (11) ROE has been calculated by dividing profit attributable to owners of parent by the average of total net assets (less non-controlling interests) at the beginning and at the end of the period.
- (12) Equity ratio has been calculated by dividing total net assets (less non-controlling interests) at the end of the period by total assets at the end of the period.

## RECENT BUSINESS

*The following discussion and analysis of the Group's financial condition and results of operations should be read with "Presentation of Financial and Other Information", "SCREEN Holdings Co., Ltd.—Selected Consolidated Financial Information", the audited consolidated financial statements as at and for the fiscal year ended 31 March 2017 (including corresponding figures as at and for the fiscal year ended 31 March 2016) and the notes thereto included in the F-pages and the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017) and the notes thereto included in the A-pages, appearing elsewhere in this Offering Circular. The audited consolidated financial statements and the unaudited consolidated financial statements referred to above have been prepared and presented in accordance with Japanese GAAP.*

*In this "Recent Business" section, yen figures as at and for the fiscal year ended 31 March 2017 (including those used for the purposes of analysing increases or decreases as at and for the fiscal year ended 31 March 2018 as compared to the figures as at and for the fiscal year ended 31 March 2017) have been derived from the A-pages, which is subject to a different rounding convention as compared to the F-pages. See "Presentation of Financial and Other Information".*

### Overview

The Group is a leading manufacturer in the world of a range of semiconductor production equipment and FPD production equipment, based on its core technologies in the areas of surface processing, direct imaging and image processing. The Group's four reporting segments are "Semiconductor Equipment" (SE), "Graphic Arts Equipment" (GA), "Display Production Equipment and Coater" (FT) and "PCB-related Equipment" (PE). Other businesses, not comprised in the above-mentioned reporting segments, are categorised as "Others".

As at 31 March 2018, the Company had 57 consolidated subsidiaries, two non-consolidated subsidiaries and one affiliate accounted for by the equity method.

### Change in Business Segments

On 1 April 2017, the PCB-related equipment business (PE) of the previous SCREEN Graphic and Precision Solutions Co., Ltd. was spun off to form SCREEN PE Solutions Co., Ltd., a wholly-owned subsidiary of the Company. Consequently, from the fiscal year ended 31 March 2018, the graphic arts equipment and PCB-related equipment businesses were classified as reportable segments, under the segment names Graphic Arts Equipment business (GA) and PCB-related Equipment business (PE), and consequent changes were made to the other reporting segments (see "Presentation of Financial and Other Information"). The segment data contained in this Offering Circular for the fiscal year ended 31 March 2017 have been restated to conform to the new segmentation, unless otherwise specifically stated, but the segment data for the fiscal year ended 31 March 2016 have not been so restated.

## Consolidated Results for the Fiscal Year Ended 31 March 2018 Compared to the Fiscal Year Ended 31 March 2017

### Overview

During the fiscal year ended 31 March 2018, global economic conditions continued to improve gradually despite growing uncertainty regarding the exit of the UK from the European Union and concerns about financial policy in the United States. The US economy was firm, as employment and consumer spending continued to improve and capital investment gradually rose. The European economy gradually improved as personal consumption increased and capital investment steadily grew. China's economy showed signs of improvement, due in part to the effects of government policy aimed at stable growth. The Japanese economy, meanwhile, saw gentle improvement, backed by improving corporate earnings and employment as well as recovery in capital investment and consumer spending.

With regard to the business conditions surrounding the Group, in the semiconductor industry, capital investment among memory manufacturers increased, reflecting the increase in the processing capacity of data centres and a rise in demand for solid state drive storage. Capital investment in miniaturisation by foundries for high-end smartphones continued. Amid strong demand for data centres for IoT-related big data processing, capital investment among logic chip manufacturers was active. In the FPD business field, investment in

large-sized liquid crystal display panels for televisions was strong in China, due to the shift to larger, higher resolution television displays, and investment in Organic Light Emitting Diode (“OLED”) displays for smartphones was brisk, especially in South Korea and China.

## **Results**

Figures for the fiscal year ended 31 March 2017 set out (or used in the analysis of increases or decreases as compared to the fiscal year ended 31 March 2018) in the below analysis of results have been extracted from the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017) included in the A-pages. See “Presentation of Financial and Other Information”.

### *Net Sales*

Net sales for the fiscal year ended 31 March 2018 amounted to ¥339,368 million, an increase of ¥39,134 million, or 13.0 per cent, compared to the previous fiscal year. This primarily reflected a growth in sales of semiconductor production equipment.

### *Cost of Sales and Selling, General and Administrative Expenses*

Cost of sales for the fiscal year ended 31 March 2018 amounted to ¥229,837 million, an increase of ¥23,150 million, or 11.2 per cent, compared to the previous fiscal year. This primarily reflected the increase in net sales.

Selling, general and administrative expenses for the fiscal year ended 31 March 2018 amounted to ¥66,806 million, an increase of ¥6,990 million, or 11.7 per cent, compared to the previous fiscal year. This primarily reflected an increase in personnel costs, among others.

### *Operating Income*

As a result of the above, operating income for the fiscal year ended 31 March 2018 increased as compared to the previous fiscal year by ¥8,993 million, or 26.7 per cent, to ¥42,725 million.

### *Other Expenses, Net*

Other expenses, net (being non-operating expenses less non-operating income plus extraordinary expenses less extraordinary income) for the fiscal year ended 31 March 2018 amounted to ¥772 million, a decrease of ¥1,903 million, or 71.1 per cent, compared to the previous fiscal year. This primarily reflected decreases in loss on retirement of non-current assets and impairment loss (primarily reflecting the impairment loss recorded in the fiscal year ended 31 March 2017 in respect of the Group’s assets held by SCREEN Graphic and Precision Solutions Co., Ltd.).

### *Income before Income Taxes*

As a result of the above, income before income taxes for the fiscal year ended 31 March 2018 increased as compared to the previous fiscal year by ¥10,897 million, or 35.1 per cent, to ¥41,952 million.

### *Income Taxes and Profit (Loss) Attributable to Non-controlling Interests*

Total income taxes for the fiscal year ended 31 March 2018 amounted to ¥13,471 million, an increase of ¥6,602 million, or 96.1 per cent, compared to the previous fiscal year. This primarily reflected the clearing of accumulated losses for tax purposes.

Loss attributable to non-controlling interests for the fiscal year ended 31 March 2018 amounted to ¥26 million, compared to profit attributable to non-controlling interests of ¥17 million recorded in the previous fiscal year.

### *Profit Attributable to Owners of Parent*

As a result of the above, profit attributable to owners of parent for the fiscal year ended 31 March 2018 increased as compared to the previous fiscal year by ¥4,338 million, or 18.0 per cent, to ¥28,507 million.

## ***Results by Business Segment***

In the below analysis of results by business segment, where figures for net sales and operating income are presented on a per segment basis, such figures represent the total net sales and total operating income for such segment, without taking into account any inter-segment eliminations, except that figures for net sales in respect of “Others” are stated on the basis of sales to external customers (after inter-segment eliminations). Further, the net sales and operating income figures by segment for the fiscal year ended 31 March 2017 set out in the below analysis of results by business segment have been extracted from the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017) included in the A-pages. See “Presentation of Financial and Other Information”.

### ***Semiconductor Equipment business (SE)***

In the SE business, sales to foundries decreased year on year, while sales to memory and logic chip manufacturers grew. By product, sales of single wafer cleaning equipment fell, while sales of batch-type cleaning equipment and coater/developers increased. By region, sales in Taiwan decreased, while those in such markets as South Korea, China and North America grew. As a result, net sales in this segment amounted to ¥227,184 million, an increase of ¥21,086 million, or 10.2 per cent, compared to the previous fiscal year. Operating income in this segment amounted to ¥36,301 million, an increase of ¥6,986 million, or 23.8 per cent, compared to the previous fiscal year, due mainly to higher sales and an improvement in the variable cost ratio despite an increase in personnel costs and other fixed expenses.

### ***Graphic Arts Equipment business (GA)***

In the GA business, CTP (computer to plate) equipment sales fell, but POD (print on demand) equipment sales grew. Sales of ink and other consumables increased. As a result, net sales in this segment amounted to ¥53,414 million, an increase of ¥7,583 million, or 16.5 per cent, compared to the previous fiscal year. Operating income in this segment came to ¥3,060 million, an increase of ¥1,588 million, or 108.0 per cent, compared to the previous fiscal year, reflecting the increase in net sales.

### ***Display Production Equipment and Coater business (FT)***

In the FT business, sales in Japan were down year on year, but sales of production equipment for large-sized panels in China increased, as did sales of production equipment for OLED displays in South Korea and China. As a result, net sales in this segment amounted to ¥45,252 million, an increase of ¥7,148 million, or 18.8 per cent, compared to the previous fiscal year. Operating income in this segment came to ¥4,589 million, an increase of ¥197 million, or 4.5 per cent, compared to the previous fiscal year, reflecting the increase in net sales, despite a deterioration in the variable cost ratio and increase in fixed costs.

### ***PCB-related Equipment business (PE)***

In the PE business, sales of mainstay direct imaging equipment in South Korea and Taiwan increased due to an increase in demand for high-end smartphones. As a result, net sales in this segment amounted to ¥12,193 million, an increase of ¥3,275 million, or 36.7 per cent, compared to the previous fiscal year. Operating income in this segment came to ¥1,013 million, an increase of ¥261 million, or 34.8 per cent, compared to the previous fiscal year, reflecting the increase in net sales despite an increase in temporary expenses due to the spin-off of the PCB-related Equipment business.

### ***Others***

In the Others business, net sales to outside customers amounted to ¥1,623 million, an increase of ¥170 million, or 11.8 per cent, compared to the previous fiscal year.

## **Financial Condition**

### ***Consolidated Balance Sheet as at 31 March 2018 Compared to Consolidated Balance Sheet as at 31 March 2017***

Figures as at 31 March 2017 used in the analysis of increases or decreases as compared to the position as at 31 March 2018 in the below analysis of financial condition have been extracted from the unaudited consolidated financial statements as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017) included in the A-pages. See “Presentation of Financial and Other Information”.



Total assets as at 31 March 2018 amounted to ¥366,193 million, an increase of ¥65,533 million, or 21.8 per cent, compared to the previous fiscal year. This was largely due to an increase in notes and accounts receivable (including electronically recorded monetary claims) and inventories.

Total liabilities amounted to ¥195,312 million, an increase of ¥37,568 million, or 23.8 per cent, compared to 31 March 2017. This was mainly attributable to an increase in notes and accounts payable (including electronically recorded obligations).

Total net assets amounted to ¥170,880 million, an increase of ¥27,964 million, or 19.6 per cent, compared to 31 March 2017. This was mainly attributable to the recording of profit attributable to owners of parent as well as an increase in valuation difference on available-for-sale securities due to a rise in the market value of held stocks, despite payment of cash dividends and acquisition of treasury stock.

As a result, the equity ratio as at 31 March 2018 was 46.7 per cent, a decrease of 0.8 percentage points as compared to 31 March 2017.

## **Liquidity and Capital Resources**

### ***Cash Flows for the Fiscal Year Ended 31 March 2018 Compared to the Fiscal Year Ended 31 March 2017***

Net cash provided by operating activities for the fiscal year ended 31 March 2018 was ¥28,878 million, compared to ¥49,024 million in the previous fiscal year. This was because the sum of income before income taxes, an increase in notes and accounts payable (including electronically recorded obligations) and other inflows were greater than such cash outflows as an increase in notes and accounts receivable (including electronically recorded monetary claims) and inventories.

Net cash used in investing activities for the fiscal year ended 31 March 2018 was ¥11,230 million, compared to ¥5,860 million in the previous fiscal year. This was largely attributable to the purchase of property, plant and equipment, such as equipment for R&D.

Net cash used in financing activities for the fiscal year ended 31 March 2018 was ¥11,512 million, compared to ¥27,479 million in the previous fiscal year. This was due in part to the repayment of loans, payment of cash dividends, and acquisition of treasury stock.

As a result, cash and cash equivalents as at 31 March 2018 totalled ¥50,817 million, an increase of ¥5,894 million compared to 31 March 2017.

## ***Funding***

As at 31 March 2018, the Group's interest-bearing debt (comprising of long-term loans payable, including current portion, and lease obligations) amounted to ¥13,156 million.

The Group's principal capital and liquidity needs relate to its manufacturing operations, R&D, sales and marketing activities and general working capital requirements. The Group meets its capital and liquidity needs primarily from cash flow from operations and loans from financial institutions.

As is customary in Japan, domestic 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 under certain circumstances, 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. Certain of the Company's loan contracts with financial institutions are subject to financial covenants relating to maintenance of a certain level of net assets as at the end of each fiscal year and ordinary income (being operating income plus non-operating income less non-operating expenses) for each fiscal year. The Group also has in place a commitment line with certain financial institutions in the aggregate amount of ¥30 billion, none of which was drawn as at 31 March 2018.

## Capital Expenditure

The following table sets out information with respect to the Group's capital expenditures for the periods indicated by business segment on an accrual basis:

	Year ended 31 March		
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(2)</sup>
	(Millions of yen)		
SE .....	¥3,571	¥5,070	¥ 9,052
GA .....	823	1,055	878
FT .....	181	297	787
PE .....	–	56	147
Others .....	245	686	504
Adjustments <sup>(3)</sup> .....	1,532	1,092	3,059
Total capital expenditure.....	<u>¥6,352</u>	<u>¥8,256</u>	<u>¥14,428</u>

Notes:

- (1) On 1 April 2017, the PCB-related equipment business (PE) was split from the former Graphic and Precision Solutions (GP) segment. For the fiscal years ended 31 March 2016, the former GP segment (including the PCB-related equipment business) are included within GA for the purposes of the above table while for the fiscal year ended 31 March 2017, the former GP segment has been restated (as the GA and the PE segments) in accordance with the presentation for the fiscal year ended 31 March 2018 (using the rounding conventions used in the F-pages). See “Presentation of Financial and Other Information”.
- (2) See “Presentation of Financial and Other Information”.
- (3) Adjustments comprise capital expenditures not included in the above segments and Others, and include capital expenditures common to the whole Group.

The Group's capital expenditure is generally funded by internally generated funds and borrowings from financial institutions.

In the fiscal year ended 31 March 2016, the Group's capital expenditures in the SE segment centred on R&D and manufacturing facilities for semiconductor production equipment, in the GP segment centred on R&D and manufacturing facilities for graphic arts equipment, in the FT segment mainly related to R&D and other facilities for FPD production equipment, in Others mainly related to R&D facilities, and in “Adjustments” centred on core business systems and facilities related to the Group's business site in Kumamoto, Japan.

In the fiscal year ended 31 March 2017, the Group's capital expenditures in the SE segment centred on R&D and manufacturing facilities for semiconductor production equipment, in the GA segment centred on R&D and manufacturing facilities for graphic arts equipment, in the FT segment mainly related to R&D and other facilities for FPD production equipment, in Others mainly related to R&D facilities, and in “Adjustments” centred on core business systems.

In the fiscal year ended 31 March 2018, the Group's capital expenditures in the SE segment centred on R&D facilities and core business systems for semiconductor production equipment, in the GA segment centred on R&D facilities and core business systems for graphic arts equipment, in the FT segment mainly related to R&D and manufacturing facilities for FPD production equipment, in the PE segment centred on R&D facilities for PCB-related equipment, in Others mainly related to R&D facilities, and in “Adjustments” centred on manufacturing facilities related to the Group's manufacturing site in Hikone.

In the fiscal year ending 31 March 2019, the Group expects to approximately double its amount in capital expenditure and focus on not only its R&D facilities but also revamping and expending its production system, in particular in relation to its “Manufacturing Innovation” project (see “Business—Production”). However, the Group's actual capital expenditure and its application may differ from the above plans and estimates.

## CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Group as at 31 March 2018, which has been extracted without material adjustment from the English translations of the unaudited annual consolidated financial statements of the Group contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2018, and as adjusted to give effect to the issue of the Bonds:

	As at 31 March 2018 <sup>(1)</sup>	
	Actual	As adjusted
	(Millions of yen)	
<b>Short-term debt<sup>(2)</sup>:</b>		
Current portion of long-term loans payable .....	¥ 5,679	¥ 5,679
Lease obligations .....	390	390
Total short-term debt .....	<u>6,070</u>	<u>6,070</u>
<b>Long-term debt<sup>(3)</sup>:</b>		
Long-term loans payable <sup>(4)</sup> .....	5,227	5,227
Lease obligations .....	1,858	1,858
The Bonds now being issued .....	–	30,000
Total long-term debt .....	<u>7,085</u>	<u>37,085</u>
<b>Net assets:</b>		
<b>Shareholders' equity:</b>		
Capital stock, no par value:		
Authorised: 180,000,000 Shares		
Issued: 50,794,866 Shares <sup>(6)</sup> .....	54,044	54,044
Capital surplus .....	4,546	4,546
Retained earnings .....	117,358	117,358
Treasury stock (4,142,444 Shares <sup>(7)</sup> ), at cost .....	(18,085)	(18,085)
Total shareholders' equity .....	<u>157,864</u>	<u>157,864</u>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities .....	18,427	18,427
Foreign currency translation adjustment .....	(4,714)	(4,714)
Remeasurements of defined benefit plans .....	(738)	(738)
Total accumulated other comprehensive income .....	<u>12,974</u>	<u>12,974</u>
Non-controlling interests .....	40	40
Total net assets .....	<u>170,880</u>	<u>170,880</u>
Total capitalisation and indebtedness <sup>(8)</sup> .....	<u>¥184,036</u>	<u>¥ 214,036</u>

Notes:

- (1) The above table should be read in conjunction with the unaudited consolidated financial statements of the Group contained herein. See "Presentation of Financial and Other Information".
- (2) As at 31 March 2018, none of the Group's short-term debt was secured and none of the Group's short-term debt was guaranteed.
- (3) As at 31 March 2018, none of the Group's long-term debt was secured and none of the Group's long-term debt was guaranteed.
- (4) Long-term loans payable excludes current portion of long-term loans payable.
- (5) As at 31 March 2018, the Group had ¥25 million of contingent liabilities in respect of guarantees of debt of employees.
- (6) All of the issued Shares are fully-paid and non-assessable.
- (7) Includes 105,700 Shares held through a trust account in respect of the performance-based compensation system for directors and corporate officers. See "Management and Employees—Performance-Linked Share Compensation System".
- (8) Total capitalisation and indebtedness is the total of short-term debt, long-term debt and net assets.
- (9) There has been no material change in the Group's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 March 2018.

## INFORMATION CONCERNING THE SHARES

### Changes in Issued Share Capital

The Company has an authorised share capital of 180,000,000 Shares, of which 50,794,866 were in issue as at 31 March 2018. The following table shows the changes in the issued share capital of the Company as at the dates indicated below:

Date	Type of issue	Number of Shares issued (cancelled)	Total number of Shares in issue
1 October 2016 .....	One-for-five consolidation of Shares	(203,179,467)	50,794,866

As at 31 March 2018, there has been no change in issued share capital of the Company since 1 October 2016.

### Dividends

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders and pledgees of record as at 31 March of each year pursuant to a resolution passed at the general meeting of shareholders. 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. 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 out the dividends paid by the Company to its shareholders and pledgees of record as at the record dates indicated:

Record Date	Dividends per Share (Yen)
31 March 2013 .....	—
31 March 2014 .....	¥ 3.00
31 March 2015 .....	7.00
31 March 2016 .....	60.00
31 March 2017 .....	87.00
31 March 2018 <sup>(2)</sup> .....	110.00

Notes:

- (1) The Company conducted a one-for-five share consolidation on 1 October 2016. Amounts of dividends per Share for record dates of 31 March 2015 and earlier are amounts before the share consolidation, and with regard to the dividend per Share for the record date of 31 March 2016, the amount set out above has been adjusted as if such share consolidation had taken place on 1 April 2015.
- (2) Subject to approval at the general meeting of shareholders to be held in June 2018.

The Company's basic policy is to secure retained earnings necessary for growth investment and the sound maintenance of its financial base in order to be able to respond to future changes in the business environment. Considering this aim and other factors, the Group aims for a total consolidated shareholder return ratio of 25 per cent or above.

## Japanese Stock Market and Price Range of the Shares

The Shares are listed on the First Section of the Tokyo Stock Exchange. The following table shows the highest and lowest reported prices of the Shares on the Tokyo Stock Exchange, and the highs and lows of the daily closing Nikkei Stock Average (an index of 225 selected stocks listed on its First Section) and of the daily closing level of the Tokyo Stock Price Index (“TOPIX”) for the periods indicated:

Calendar Year	Price per Share		Nikkei Stock Average		TOPIX	
	High	Low	High	Low	High	Low
	(Yen)		(Yen)		(Points)	
2013	¥ 3,375	¥1,920	¥16,291.31	¥10,486.99	1,302.29	871.88
2014	4,070	2,055	17,935.64	13,910.16	1,447.58	1,132.76
2015	5,020	2,550	20,868.03	16,795.96	1,691.29	1,357.98
2016	7,340	3,810	19,494.53	14,952.02	1,552.36	1,196.28
2017:						
First quarter	8,330	6,600	19,633.75	18,787.99	1,577.40	1,506.33
Second quarter	8,930	7,200	20,230.41	18,335.63	1,624.07	1,459.07
Third quarter	7,940	6,970	20,397.58	19,274.82	1,676.17	1,590.71
Fourth quarter	11,640	7,770	22,939.18	20,400.78	1,831.93	1,673.62
2018:						
First quarter	10,700	8,020	24,124.15	20,617.86	1,911.07	1,664.94
Second quarter (up to 24 May 2018)	10,120	8,500	23,002.37	21,292.29	1,815.25	1,703.80

Note:

- (1) The Company conducted a one-for-five share consolidation on 1 October 2016. Share prices on and prior to 27 September 2016 (the last day before the Shares became ex-rights as regards the share consolidation) in the above table have been adjusted as if such share consolidation had taken place on 1 January 2013.

On 24 May 2018, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥9,490 per Share. The closing Nikkei Stock Average and TOPIX on the same date were ¥22,437.01 and 1,775.65, respectively.

## Principal Shareholders and Distribution of Shares

As at 31 March 2018, the 10 largest shareholders of record and the number and percentage of Shares held by them were as follows:

Shareholder	Number of Shares held	Percentage of total Shares in issue
	(Thousands)	(Per cent)
The Master Trust Bank of Japan, Ltd. (Trust Account) <sup>(2)</sup>	6,688	13.16%
Japan Trustee Services Bank, Ltd. (Trust Account) <sup>(2)</sup>	4,508	8.87
Nippon Life Insurance Company	1,830	3.60
The Bank of Kyoto, Ltd.	1,346	2.65
State Street Bank and Trust Company 505001	981	1.93
SCREEN’s Business Partners Shareholders’ Association Synchronize	917	1.80
Resona Bank, Ltd.	912	1.79
The Shiga Bank, Ltd.	848	1.67
MUFG Bank, Ltd. <sup>(3)</sup>	784	1.54
Japan Trustee Services Bank, Ltd. (Trust Account 5) <sup>(2)</sup>	723	1.42
Total	19,541	38.47%

Notes:

- (1) In addition to the amounts in the above table, the Company held 4,036 thousand Shares (7.94 per cent of total Shares in issue) as treasury stock as at 31 March 2018 (excluding Shares held through a trust account in respect of the performance-based compensation system for directors and corporate officers (see “Management and Employees—Performance-Linked Share Compensation System”).
- (2) The following Shares are held by such holders in their trust accounts:
- |   |                       |
|---|-----------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account): | 6,688 thousand Shares |
| Japan Trustee Services Bank, Ltd. (Trust Account):    | 4,508 thousand Shares |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) : | 723 thousand Shares   |

- (3) The corporate name of The Bank of Tokyo-Mitsubishi UFJ, Ltd. was changed with effect from 1 April 2018 to MUFG Bank, Ltd.
- (4) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than five per cent of the total issued voting Shares to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance, and also requires such person to file a similar report concerning one per cent or more changes in such substantial shareholdings 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”). As at 24 May 2018, the Company has not received any such reports since 1 April 2018 which has not been reflected in the above table.
- (5) 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 2018 was as follows:

Category	Number of Shareholders	Number of Shares held (Units <sup>(1)</sup> )	Proportion of Shares Held (Per cent)
Government and municipal bodies .....	–	–	–
Japanese financial institutions <sup>(2)</sup> .....	64	235,150	46.29%
Japanese financial instruments and exchange operators.....	52	10,657	2.09
Other Japanese corporations <sup>(3)</sup> .....	312	31,766	6.25
Foreign corporations and others (including foreign individuals) .....	346	133,967	26.37
Japanese individuals and others <sup>(4)</sup> .....	9,733	96,406	18.97
Total.....	10,507	507,949	100.00%

Notes:

- (1) One unit comprises 100 Shares.
- (2) Includes 105,700 Shares held through a trust account in respect of the performance-based compensation system for directors and corporate officers (see “Management and Employees—Performance-Linked Share Compensation System”).
- (3) Includes two units of Shares registered in the name of JASDEC.
- (4) 4,036,744 Shares held as treasury stock (excluding Shares held through a trust account in respect of the performance-based compensation system for directors and corporate officers (see “Management and Employees—Performance-Linked Share Compensation System”)) by the Company are included (as 40,367 units of Shares) in Japanese individuals and others.

As at 31 March 2018, the Directors and Corporate Auditors of the Company together held 97,456 Shares, or 0.19 per cent of the total issued Shares. As at the same date, 105,700 Shares (0.20 per cent of the total issued Shares) were held through a trust account in respect of the performance-based compensation system for directors and corporate officers (see “Management and Employees—Performance-Linked Share Compensation System”).

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.

## BUSINESS

### Overview

The Group is a leading manufacturer in the world of a range of semiconductor production equipment and in FPD production equipment, based on its core technologies in the areas of surface processing, direct imaging and image processing. The Group has what it believes is among the highest global market share in terms of sales of products such as single wafer cleaning equipment, batch-type cleaning equipment and spin scrubbers in the semiconductor production equipment business, as well as coater/developers in the FPD production equipment business. The Group also manufactures graphic arts equipment such as CTP equipment and POD equipment, and PCB-related equipment.

The Group's operations are principally divided into the following four reporting segments: (i) Semiconductor Equipment business (SE), (ii) Graphic Arts Equipment business (GA), (iii) Display Production Equipment and Coater business (FT), and (iv) PCB-related Equipment business (PE). Other businesses, not comprised in the above-mentioned reporting segments, are categorised as "Others". See "Presentation of Financial and Other Information" for business segmentation prior to 1 April 2017.

As at 31 March 2018, the Company had 57 consolidated subsidiaries, two non-consolidated subsidiaries and one affiliate accounted for by the equity method. For the fiscal year ended 31 March 2018, the Group's net sales, operating income and profit attributable to owners of parent amounted to ¥339,368 million, ¥42,725 million and ¥28,507 million, respectively. For the fiscal year ended 31 March 2018, the Group's net sales to customers located overseas (after inter-segment eliminations) amounted to 81.7 per cent of total consolidated net sales.

The Company's registered office is located at Tenjinkita-machi 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto 602-8585, Japan.

The Shares are listed on the First Section of the Tokyo Stock Exchange.

### History

The Company was incorporated in October 1943 in Kyoto, Japan, with limited liability under the laws of Japan under the name of Dainippon Screen Mfg. Co., Ltd., as a manufacturer of glass screens for use in the process of photographic reproduction.

In January 1963, the Company developed shadow masks for CRTs for televisions. In March 1963, the Company commenced operations at its plant in Hikone, Shiga for the mass production of shadow masks.

From August 1962, the Company commenced the sale in Japan (under licence) of colour scanners produced in the United States. In April 1966, the Company developed Scanograph I, the first colour scanner produced in Japan. In July of that year, the Company established its first overseas representative office, in Los Angeles. This marked the commencement of the establishment of the Company's overseas operations. In July 1967, the Company established its first overseas subsidiary, DS America Inc.

In November 1975, the Company commenced the production and sales of semiconductor manufacturing equipment, with the sale of its semiconductor wafer etching machine, EMW-322/411. In April 1981, the Company introduced its first electronic page make-up system, Sigmagraph System 2000. The Company established its Rakusai Plant to expand its semiconductor production equipment operations in August 1985. In May 1992, the Company opened its Yasu plant to strengthen the mass production of semiconductor production equipment.

In October 1998, the Company established its Taga plant for the production of next-generation semiconductor production equipment. In March 2001, the Company built Fab. FC-1, a new plant in Hikone, Shiga Prefecture for manufacturing 300 mm wafer compatible cleaning equipment.

In October 2003, the Company established its Chinese manufacturing subsidiary, the current SCREEN GP Hangzhou Co., Ltd., and in June 2005, the Company acquired Inca Digital Printers LTD. of the UK.

In November 2006, the Company built CS-1 at its Hikone plant to establish a manufacturing structure for post-eighth generation FPD production equipment, and also built Fab. FC-2 to establish a mass production structure for semiconductor wafer cleaning equipment. In March 2008, the Company opened the Process Technology Centre at its Hikone plant to be the development centre for semiconductor manufacturing processes.

The Company became a holding company and changed its name to SCREEN Holdings Co., Ltd. in October 2014. At the same time, the semiconductor production equipment business of the Company was assumed by its SCREEN Semiconductor Solutions Co., Ltd. (a current consolidated subsidiary of the Company). In November 2014, the graphic arts equipment and the PCB-related equipment businesses of the Company were assumed by SCREEN Graphic and Precision Solutions Co., Ltd. (the current SCREEN Graphic Solutions Co., Ltd., a consolidated subsidiary of the Company), and the FPD production equipment business of the Company was assumed by SCREEN Finetech Solutions Co., Ltd. (a current consolidated subsidiary of the Company). In April 2017, the PCB-related equipment business of SCREEN Graphic and Precision Solutions Co., Ltd. was assumed by SCREEN PE Solutions Co., Ltd. (a current consolidated subsidiary of the Company), and the former's name of SCREEN Graphic and Precision Solutions Co., Ltd. was changed to SCREEN Graphic Solutions Co., Ltd.

The Shares were listed on the Osaka Securities Exchange in 1962, the Second Section of the Tokyo Stock Exchange in 1967, and listed on the First Section of the Tokyo Stock Exchange in 1970 (the Osaka Securities Exchange listing now having been merged with the Tokyo Stock Exchange listing).

## **Strategy**

The Group is currently implementing its three-year medium-term management plan, "Challenge 2019", which covers the three fiscal years ending 31 March 2020. With the aim of expanding sales, maintaining and improving profitability, and maintaining and improving capital efficiency, the Group is taking the following main initiatives under the plan:

- Improving the net sales break-even point ratio in existing businesses, and controlling the net sales break-even point in response to sales fluctuations;
- Establishing earning platforms in peripheral areas based on the production equipment business. In this regard, the Group intends to further strengthen its after-sales businesses, including modifications (and including consumables businesses in the graphic arts business);
- Aggressively investing in growth while maintaining financial discipline. The Group intends to explore opportunities for and implement effective M&A; under a strategy of open innovation, the Group also intends to explore opportunities for and implement such measures as collaboration and business alliances with research institutes and other companies, as well as investment in and support for venture capitals;
- Advancing CSR management with an emphasis on ESG (Environment, Social and Governance). The Group will strive to create environmental value and contribute to the reduction of carbon emissions and recycling of resources at the societal level, and work to ensure opportunities for decent work and create social value and to implement a system of both passive and active governance while disclosing ESG information; and
- Enhancing shareholder returns. The Group will aim for a total consolidated shareholder return ratio of 25 per cent or above.

In terms of each business area, the Group is taking the following initiatives:

### ***Semiconductor equipment business: Aim for a growth rate surpassing the market average***

In terms of the market environment, the Group believes that investment by foundries/logic chip makers towards the miniaturisation for leading-edge nodes may increase, while demand for 3D-NAND and DRAM bits growth may increase. The Group intends to work to increase its market share in every device field, including cleaning equipment, through focusing on the sales increase in the post-processing market as well as the memory field, and expanding market share for the annealing system, while in new fields, moving into the advanced package field, which the Group expects will grow.

### ***Graphic arts equipment business: Carry out earnings structure reforms with the aim of expanding market share***

The Group is expecting the POD ("print on demand", printing the number of copies needed when they are needed, using a digital printer) market may expand in the commercial printing field, while the CTP ("computer to plate", production equipment for offset printing, being a method for creating printing plates through direct output of the data to be printed from a computer to the printing plates) market may gradually decline.



The Group will work to maintain CTP sales and increase its share of consumable products including POD ink (for label/packaging or roll-fed inkjet printers). The Group intends to work to increase sales in the ink business, which is stable and which the Group expects will grow, through measures such as investing in functional ink, and at the same time reform earnings structure while focusing on keeping inventory low.

***Display production equipment and coater business: Build a new business portfolio***

The Group believes that, in the display market, the market for array coaters may decrease due to an oversupply of panels, while in new business fields, investment in lithium-ion batteries may increase due to a rise in the number of electric vehicles. In the display business, the Group expects that new applications (such as OLEDs, flexible displays and automotive uses) will act to increase sales and broaden the scope of its business. The Group intends to expand to new areas in this business, and to reconfigure the business portfolio.

***PCB-related equipment business: Boost market presence***

The Group believes that smartphone replacement demand may continue, while the PCB market may grow thanks to increased demand for IoT services and their use in the automobile, telecommunications, data storage, robotics and health care industries. Having formed a separate operating company for this business within the Group in April 2017, the Group intends to launch new products to expand sales and boost its market presence.

***New businesses: Embrace new challenges***

In the Life Science field, the Group believes that investment in R&D in such areas as drug discovery, regenerative medicine, and iPS cell treatments may increase. In the automobile, inspection and measuring industry, the Group believes that demand for automation of visual inspection for forged parts and other may grow. The Group will work to strengthen its sales capabilities and to expand its product line-up, targeting growth markets. The Group intends to move into the sales growth phase based on feedback from its clients regarding its equipment.

## Operations

The Group's reportable segments are categorised under Semiconductor Equipment, Graphic Arts Equipment, Display Production Equipment and Coater and PCB-related Equipment. The Group's other businesses not included in the reportable segments, are categorised as "Others". (See "Presentation of Financial and Other Information" for business segmentation prior to 1 April 2017.) The table below sets out by segment the principal Group companies involved in the segment's business, and the major products and the main businesses conducted:

Segment	Principal Group companies	Major products/businesses
Semiconductor Equipment	SCREEN Semiconductor Solutions Co., Ltd. Tech In Tech Co., Ltd. SCREEN SPE USA, LLC SCREEN SPE Germany GmbH SCREEN SPE Taiwan Co., Ltd. SCREEN Electronics Shanghai Co., Ltd.	Development, manufacturing, sale and maintenance services of semiconductor production equipment, including single wafer cleaning equipment, batch-type cleaning equipment, scrubbers and laser annealers.
Graphic Arts Equipment	SCREEN Graphic Solutions Co., Ltd. Media Technology Japan Co., Ltd. SCREEN GP Europe B.V. Inca Digital Printers LTD. SCREEN GP Hangzhou Co., Ltd.	Development, manufacturing, sale and maintenance services of graphic arts equipment such as full-colour variable printing systems, UV inkjet label printing systems and thermal plate recorders.
Display Production Equipment and Coater	SCREEN Finetech Solutions Co., Ltd.	Development, manufacturing, sale and maintenance services of display production equipment and coaters, including coater/developers, low-inductance antenna ("LIA") plasma chemical vapour deposition ("CVD") / sputter equipment and coater / dryers.
PCB-related Equipment	SCREEN PE Solutions Co., Ltd.	Development, manufacturing, sale and maintenance services of PCB-related equipment such as direct imaging systems, automatic optical inspection systems and automatic final visual inspection systems.
Others	SCREEN Advanced System Solutions Co., Ltd.	Development, manufacturing and sale of equipment in life science business, inspection and measurement, software development, planning and production of printed matter and other businesses.

The following tables set out the Group's net sales by segment for the periods indicated:

	<b>Fiscal Year Ended 31 March</b>		
	<b>2016<sup>(1)</sup></b>	<b>2017<sup>(1)</sup></b>	<b>2018<sup>(2)</sup></b>
	(Millions of yen)		
Reporting Segments:			
SE .....	¥165,801	¥206,098	¥227,184
GA .....	61,280	45,830	53,414
FT .....	31,590	38,104	45,252
PE .....	–	8,918	12,193
Others (excluding inter-segment) <sup>(3)</sup> .....	1,085	1,453	1,623
Adjustments <sup>(3)</sup> .....	(81)	(169)	(299)
Total consolidated net sales .....	<u>¥259,675</u>	<u>¥300,234</u>	<u>¥339,368</u>

### Notes:

- (1) On 1 April 2017, the PCB-related equipment business (PE) was split from the former Graphic and Precision Solutions (GP) segment. For the fiscal year ended 31 March 2016, the former GP segment (including the PCB-related equipment business) are included within

GA for the purposes of the above table while for the fiscal year ended 31 March 2017, the former GP segment has been restated (as the GA and the PE segments) in accordance with the presentation for the fiscal year ended 31 March 2018 (using the rounding conventions used in the F-pages). See “Presentation of Financial and Other Information”.

- (2) See “Presentation of Financial and Other Information”.
- (3) Net sales for “Others” comprise sales to outside customers (excluding inter-segment sales). As such, “Adjustments” with regard to net sales comprise inter-segment eliminations with respect to SE, GA, FT and PE.

The following table sets out by segment the Group’s segment income for the periods indicated:

	<b>Fiscal Year Ended 31 March</b>		
	<b>2016<sup>(1)</sup></b>	<b>2017<sup>(1)</sup></b>	<b>2018<sup>(2)</sup></b>
	<b>(Millions of yen)</b>		
<b>Reporting Segments:</b>			
SE .....	¥18,716	¥29,315	¥36,301
GA .....	3,169	1,472	3,060
FT .....	2,748	4,392	4,589
PE .....	–	752	1,013
Others .....	<u>(1,138)</u>	<u>(1,453)</u>	<u>(1,543)</u>
Subtotal.....	23,495	34,478	43,422
Adjustments <sup>(3)</sup> .....	62	(746)	(697)
<b>Total consolidated operating income .....</b>	<b><u>¥23,557</u></b>	<b><u>¥33,732</u></b>	<b><u>¥42,725</u></b>

Notes:

- (1) On 1 April 2017, the PCB-related equipment business (PE) was split from the former Graphic and Precision Solutions (GP) segment. For the fiscal year ended 31 March 2016, the former GP segment (including the PCB-related equipment business) are included within GA for the purposes of the above table while for the fiscal year ended 31 March 2017, the former GP segment has been restated (as the GA and the PE segments) in accordance with the presentation for the fiscal year ended 31 March 2018 (using the rounding conventions used in the F-pages). See “Presentation of Financial and Other Information”.
- (2) See “Presentation of Financial and Other Information”.
- (3) This includes inter-segment eliminations.

### ***Semiconductor Equipment Business (SE Segment)***

The Group’s principal products in this segment are equipment for the surface processing that is an essential part of circuit formation on silicon wafers for semiconductor devices. Processing includes cleaning, coating, developing and annealing.

Semiconductor production equipment comprises wafer processing equipment (known within the industry as “front end equipment”) and assembly and testing equipment. The Group is one of the leading suppliers of front end semiconductor production equipment such as single wafer cleaning equipment and batch-type cleaning equipment.

With the etching technology and photolithography cultivated over many years as core technologies, the Group entered the semiconductor manufacturing equipment market in the 1970s, and in line with its growth, the Group has built its expertise in the areas of surface processing (technologies for reforming the surface by, among others, application of material, cleaning and etching), direct imaging (technologies for forming patterns and pictures directly by using methods such as lithography and inkjet) and image processing (technologies for processing images such as correction, verification and conversion of image data), developing them into its three core technologies.

The Group’s principal customers in this segment are major semiconductor manufacturers around the world including foundries, memory product (including dynamic random access memory (DRAM) and flash memory) manufacturers and logic product manufacturers, among others. In recent years, more than 10 per cent of the Group’s consolidated net sales is consistently from one customer, reflecting the continued consolidation of companies in this industry. Due to the diversification of applications of semiconductors and electronic devices into areas such as IoT, ADAS and 5G communication systems, as well as the ever increasing data communication and storage needs of businesses and individuals, demand for semiconductors has been moving beyond the conventional cycle (historically considered to be about four years). Given market developments, the Group is promoting its “Manufacturing Innovation” project to renew and strengthen its production systems (see “—Production”).

The Group’s main products are semiconductor production equipment, including silicon wafer cleaning equipment (including single wafer cleaning equipment, batch-type cleaning equipment, and spin scrubbers),

coater/developers and annealers. Silicon wafers are principally used in the production of semiconductors, forming the base for integrated circuits. A silicon wafer is cleaned with water and chemicals before the production process begins and before or after each step in the semiconductor manufacturing process, for example, deposition and etching. Cleaning is necessary because any contaminants and particles attaching to the surface of the silicon wafer will lower the yield of semiconductor production, unless removed. A single wafer cleaning system performs cleaning of individual wafers, and offers superior performance compared to batch cleaning systems that can process up to 50 wafers at a time. In recent years, there has been a growing requirement for single wafer cleaning systems with throughputs similar to batch systems.

The Group's focus in respect of its SE business is on wet cleaning equipment. The wet cleaning process involves three distinct stages. The first is the immersion of the silicon wafers in chemical solutions. The second is the dipping of the silicon wafers into deionised water (so as to rinse off the chemical solutions). The third stage is the drying of the silicon wafers, either by using a vapour solvent or a spin drying machine.

Single wafer cleaning systems comprise the biggest share (in terms of sales) of the Group's wet cleaning equipment offered by the Group. The Group manufactures single wafer cleaning systems that offer numerous super clean chambers featuring "Advanced Process Atmosphere Control 2" ("APAC2"), the Group's ultra-clean chamber technology which enables the creation of super-clean conditions inside chambers, significantly improving the processing environment. In 2016, the Group finalised its development and started sales of the new SU-3300 single wafer cleaning system equipped with APAC2, which provides a world-leading throughput combined with a range of distinctive cleaning technologies.

The Group has particular expertise in the design and manufacture of batch-type cleaning equipment. In particular, the Group focuses on the production of "single-bath batch cleaning systems" which were first introduced by the Group, as well as the more conventional "multi-bath batch cleaning systems". Single-bath batch cleaning systems are more compact, operate more efficiently and have higher ability of cleaning compared to multi-bath batch cleaning systems. The Group considers that it is the market leader in single-bath batch cleaning technology.

The Group also manufactures spin scrubbers which uses a combination of tools such as bevel brushes and spray tools for cleaning, and spin coater/developer equipment which spreads a photosensitive chemical, known as photoresist, onto the silicon wafer.

Other products produced by the Group relating to semiconductor production equipment include laser and lamp annealers (thermal systems), film thickness measurement systems, and wafer inspection systems.

The Group is working to further strengthen its business through increasing its product line-up such as the recently developed coater/developer "SOKUDO DUO" lithography equipment equipped with various defect control functions, millisecond annealing equipment indispensable for advanced device characteristics, and nano-level laser annealing equipment. The Group is also promoting its "Frontier Project" for new markets of 200 mm or smaller wafers with such demand expected to grow in the future together with the development of IoT, in which the Group is comprehensively developing applications for its existing technology, including that of image processing, and furthering its product and technological development.

### ***Graphic Arts Equipment Business (GA Segment)***

The Group's principal products in this segment are POD equipment (high-speed inkjet printer), CTP equipment and related services. The Group offers a variety of graphic arts solutions that can produce high-quality, high-definition printed materials in a stable manner.

POD equipment manufactured by the Group include high-speed inkjet printing systems, including full colour variable printing systems incorporating a range of leading technologies in its printhead, ink and transport systems, as well as wide-format UV inkjet printing systems that are utilised in the sign/display business and in-store promotions material. The Group also produces UV inkjet label printing systems. The Group is concentrating its efforts into the growing consumables business such as provision of ink, after-sales services and maintenance agreements.

CTP equipment manufactured by the Group includes equipment which records digitalised images directly from computers to printing plates without the need for the interim stage of film recording and exposure from film onto a plate.

The Group also offers various workflow solutions including the workflow solution platform “EQUIOS”, which allows multiple different types of devices to be operated from a single interface, integrating knowhow developed for prepress technology with various functions that enable fully automated workflow and high-speed variable printing.

The Group also provides interactive support for the stable operation of its graphic arts equipment, and further offers the *Hiragino* font utilised in smartphone displays.

#### ***Display Production Equipment and Coater Business (FT Segment)***

The Group provides a wide range of equipment and services for the manufacturing of displays used in digital devices such as FPD TVs and smartphones. The Group has a particular strength in coater/developers for TFT array substrates, in which the Group has a world leading market share. The Group provides equipment for manufacturing OLED displays, which is gathering interest with regard to flexible display technology, and to develop various applications including for lithium ion batteries utilising film formation technologies.

The Group’s FPD production equipment include coater/developers, coater/printers, wet processors and exposure systems. The Group also manufactures wet coating equipment such as roll-to-roll coater/dryers, nozzle printers, multi-purpose coaters and direct-catalyst coated membranes (manufacturing equipment for polymer electrolyte fuel cell) and dry coating equipment such as LIA Plasma CVD Equipment and LIA Sputter Equipment.

Applying high precision coating technologies for displays, the Group offers roll-to-roll coating drying apparatus using web conveyancing technology for applications such as secondary batteries including lithium ion batteries. In respect of the fuel cell manufacturing equipment, the Group’s direct coating technologies have been highly regarded, and production is progressing. In addition to such wet film forming equipment, the Group is starting to sell dry film forming equipment equipped with the Group’s vacuum deposition technology, pursuing new markets such as the building materials industry.

#### ***PCB-related Equipment Business (PE Segment)***

Leveraging on its core technologies of direct imaging and image processing, the Group provides equipment for manufacturing PCBs such as exposure equipment and inspection equipment, as well as offering related services. As integration and miniaturisation of PCBs become more and more advanced, the Group is continuing to work to develop PCB production equipment and solutions for leading-edge mass production plants.

The main products in this area includes exposure and inspection equipment used in the manufacture of PCB for smartphone and tablet devices as well as in-vehicle systems. PCB is a board on which circuit pattern is made of copper on which electronic components such as integrated circuit are mounted. The Group’s products include laser plotters, to plot patterns onto a film which serves as the master film for patterns, precision measurement units for pattern film and inspection system for the accuracy of PCB circuits.

#### ***Others***

Other businesses, not comprised in the above-mentioned reporting segments, including development, manufacturing and sales of equipment in life science business, inspection and measurement, software development, planning and production of printed matter and other businesses, are categorised as “Others”. The following are the principal products in this segment:

##### *Life Science*

The Group has commercialised a high-speed 3D cell culture scanner and cell morphology analysis system that uses the Group’s proprietary image processing technologies. The devices are able to perform high-speed measurement and analysis of the multiplication and morphological changes in cells without using a test reagent.

##### *Inspection and Measurement*

The Group has developed a fully automated system to visually inspect the entire surface hot forged components for automobiles. Replacing the ordinary human visual inspection, the Group’s product is able to inspect defect in rough forged surface, dimensional tolerance, and variability.

## Production

The following table sets out the principal production facilities of the Group as at 31 March 2018, and the products manufactured at such facilities:

Name of Facility	Location	Products Manufactured
Rakusai Site (WHITE CANVAS RAKUSAI)	Kyoto, Japan	Semiconductor production equipment
Kumiyama Plant	Kyoto, Japan	Graphic arts equipment
Yasu Plant	Shiga, Japan	PCB-related equipment
Hikone Plant	Shiga, Japan	Semiconductor production equipment, display production equipment and coaters
Taga Plant	Shiga, Japan	Semiconductor production equipment
Inca Digital Printers LTD.	Cambridge, UK	Graphic arts equipment
SCREEN GP Hangzhou Co., Ltd.	Hangzhou, China	Graphic arts equipment

The Group is currently promoting its “Manufacturing Innovation” project to revamp and expand its production systems in the SE segment, including construction of a new factory in Hikone, Japan. The factory will incorporate an earthquake-resistant, base-isolated structure and will be designed to enhance the Group’s business continuity management (BCM) and business continuity planning (BCP) systems. It will also be equipped with a functional logistics system and large-scale automated storage and retrieval system. These technologies are expected to significantly increase manufacturing efficiency while reducing operator workloads and production lead times.

In addition, a further new factory will also be constructed in Hikone, Japan as part of the FT segment. The factory is expected to be able to supply the systems required for the production of larger displays, as well as provide the stringent levels of cleanliness necessary for the manufacture of production equipment for flexible displays including increasingly precise OLED panels. It is also expected to be able to supply the post-processing systems for displays and the coating systems for rechargeable batteries.

See also “—Property and Equipment” below.

## Sales and Marketing

Sales and marketing activities are undertaken by the Group’s sales personnel located in Japan and overseas, including through provision of after-installation services, with some undertaken through agents, especially in the GA segment.

The following table shows information relating to the Group’s consolidated net sales by market for the periods indicated:

	Fiscal Year Ended 31 March		
	2016	2017	2018
	(Millions of yen / Per cent)		
Domestic sales <sup>(1)</sup> .....	¥ 73,229	¥ 59,386	¥ 62,247
Overseas sales <sup>(2)</sup> .....	186,446	240,848	277,120
North America.....	36,219	27,543	38,702
Asia & Oceania.....	126,717	180,171	204,834
Europe.....	20,160	22,873	23,169
Others.....	3,350	10,261	10,414
Total consolidated net sales.....	¥259,675	¥300,234	¥339,368
Ratio of overseas sales to net sales (per cent).....	71.8%	80.2%	81.7%

Notes:

(1) Sales to customers in Japan by the Company and its consolidated subsidiaries.

(2) Sales to customers outside Japan by the Company and its consolidated subsidiaries.

As shown in the above table, a large proportion of the Group’s products are sold overseas. Group companies overseas maintain close contact with key customers, to provide customer service, including maintenance, and to conduct marketing campaigns.

## Distribution

In relation to semiconductor production equipment and FPD production equipment, the Group uses transportation companies to transport its equipment from its factories to the customer (in the case of domestic sales) and to airports and ports (in the case of overseas sales). In the case of semiconductor production equipment, generally the products are transported in units to the customer and the Group assembles the products on site at the customers' premises, in the case of customers in Japan, by the Group's maintenance staff and, in the case of customers overseas, by maintenance staff at the Group's relevant overseas subsidiary.

In relation to graphic arts equipment, in Japan, the Group is in general responsible for the transportation and safe delivery of the product to the customers' premises.

## Components and Raw Materials

The Group purchases a diverse range of components and raw materials.

The principal components used by the Group in the manufacture of semiconductor production equipment and FPD production equipment include robotic parts, frames (polyvinyl chloride (PVC) and stainless steel), quartz, piping, and sequencers. The Group sources such materials from a variety of domestic and overseas suppliers.

The primary components and raw materials used by the Group in the manufacture of graphic arts equipment are lenses, lamps and other electric/electronic parts and appliances. The Group purchases finished and semi-finished products and components from outside sources for utilisation with or incorporation within the Group's products. To supplement its own product range in particular markets, the Group also purchases certain finished goods which are made according to the Group's designs and specifications.

## Quality Control

The Group believes that effective quality control is key to customer satisfaction. The Group employs quality control procedures at each critical stage of the production process. These procedures include component and raw material verification tests, engineering and design verification tests and product verification tests. Certain customers attend the product verification tests. The Group, in respect of each of its principal manufacturing facilities, has received ISO 9001.

## Research and Development

The success of the Group is dependent on its ability to bring new products to market on a timely basis and at competitive prices. Due to the rapid pace of change and technological advance in the markets in which the Group competes, R&D is an important factor in the Group maintaining its market position.

The Group leverages on "photolithography" as a core technology, and is engaged in R&D activities from basic research to product development utilising various technologies such as cleaning technology, application technology, image information processing technology and inspection and measurement technology. Further, at the same time as investing in development to expand and strengthen its existing businesses, the Group actively promotes R&D activities aimed at commercialisation of new business in various fields such as life science and inspection measurement.

The following table shows the Group's expenditure on R&D activities and their percentages of consolidated net sales for the periods indicated:

	Fiscal Year Ended 31 March		
	2016	2017	2018
	(Millions of yen / Per cent)		
Total R&D expenses .....	¥15,166	¥17,794	¥20,837
R&D expenses as a percentage of consolidated net sales .....	5.8%	5.9%	6.1%

For the fiscal year ended 31 March 2018, 58.3 per cent, 14.4 per cent, 6.1 per cent, 3.2 per cent and 18.0 per cent of the Group's total R&D expenses were spent on R&D relating to the SE, GA, FT and PE segments and Others, respectively.

In the SE segment, the Group has been cooperating with overseas research institutes in the development of ultra-miniaturisation technology of semiconductor circuits, cutting-edge semiconductor process with respect to washing, wet etching, lithography (coater developer) and laser annealing. Moreover, in order to respond to customer's demands such as improvement of stability, productivity and economic efficiency and meeting next-generation process requirements, the Group developed a single wafer cleaning system SU3300 which clears

performance issues such as fine pattern collapse control and minute particle removal, at the same time as reducing costs. The Group has also developed DW-3000 for PLP, a direct drawing exposure device for large panels that has realised among the highest levels in the world of resolution for FOPLP (fan-out panel level package).

In the GA segment, the Group has been working on a joint development of high-speed inline digital printing solutions for the corrugated cardboard industry together with an European counterpart.

In the FT segment, the Group has been developing a technology to directly apply and dry electrode catalyst on the electrolyte membrane of fuel cell in the energy field, and has developed its “RT series” of fuel cell manufacturing systems that can continuously produce a membrane with a catalyst layer with a roll-to-roll system, which can realise significant improvement in productivity and reduction in production cost.

In the PE segment, the Group has been working on the development of high productivity and high definition products to expand the line-up of direct drawing equipment.

The Group has also been involved in basic research as well as R&D for new businesses, including, in the life science area, the development of a system that can efficiently manufacture surgical organ models.

## **Competition**

The markets in which the Group operates are highly competitive and characterised by rapid technological change. The Group’s ability to compete generally depends on its ability to timely commercialise its technology, continually improve its products, and develop new products that meet evolving customer requirements. Significant competitive factors include technical capability and differentiation, productivity, cost-effectiveness and the ability to support a global customer base. The importance of these factors varies according to customers’ needs, including such customers’ product mix and product requirements, applications, and the timing and circumstances of capital expenditure decisions. Substantial competition exists in all areas of the Group’s business.

In the SE segment, in the markets for 300 mm wafers, the Group leverages on its core technologies of surface processing, direct imaging and image processing, with particular strengths in the development of ultra-miniaturisation technology, as well as its management capabilities through the establishment of base technologies through R&D efforts and M&A activities. The Group’s “Frontier Project” for new markets of 200 mm or smaller wafers, in which the Group is comprehensively developing applications for its existing technology, including that of image processing, and furthering its product and technological development, has also proven to be a competitive strength in the IoT area including micro-electro mechanical systems (MEMS). Competitors in the SE business include global manufacturers based in Japan and overseas.

In the GA segment, while the Group has a leading global market share in the CTP equipment, demand generally has been declining world-wide as the market is shrinking. With regard to POD, the Group’s competitive strengths include image processing technology and colour management technology which enable high-quality exposure and printing, as well as the consumables business (such as ink) which supports the profitability of the segment. Competitors in the GA business include global manufacturers in the printer business based both in Japan and overseas.

In the FT segment, competition is diversified among product lines, principally among Japanese and South Korean manufacturers. The Group’s competitive strengths in this business include the technologies and solutions gained through its long history in the display industry as well as its handling technology based on its coater/developer business.

In the PE segment, the Group competes with several manufacturers in Japan and in Israel, and the Group believes its competitive strength is in productivity and reliability.

## **Intellectual Property**

Patents and other intellectual properties are an important competitive factor for the Group because of the emphasis on product innovation in the markets for a number of the Group’s products. The Group relies to a large extent on technology it has developed, and it seeks to protect such technology through a combination of patents, trademarks and other intellectual property rights.

The Group maintains various licences to use Japanese and foreign patents. The Group has also granted licences to various Japanese and foreign companies. In some instances, cross-licences of their respective patents are entered into between the parties.



Although the Group considers the Group's intellectual property rights (taken as a whole) important to the operations of its business, it does not consider any one of them or any group of them to be of such importance that its expiration or termination would materially affect the Group's business. The Company considers it has good relations with its major licensors and licensees and has not experienced difficulty in renewing licences.

### **Corporate Social Responsibility**

The Group has established a CSR Charter that sets forth the code of conduct that all Group executives and employees should keep in mind by showing the principles of action based on the corporate philosophy of "Sharing the future", "Human resource development", and "The pursuit of technology" that embodies the spirit behind the Company's foundation, compliance, and human rights; the Group intends to formulate action guidelines in relation to product responsibility and the supply chain, and these guidelines are to be followed in fulfilment of its corporate social responsibility. In addition to complying with legal statutes, the Group seeks to contribute to the sustainable development of society by satisfying the expectations of its stakeholders (customers, employees, shareholders, creditors, suppliers, local communities, administrative bodies, among others) through ethical and transparent business conduct.

### **Group EHS Management**

The Group has obtained certification of four management systems and implements an integrated management system consisting of "Environmental management (E)", "Health management (H)" and "Disaster prevention and Safety (S)" (together, "EHS"). The Group manages various risks and opportunities in a comprehensive manner. These risks and opportunities include climate change, the increasingly stringent international environmental regulations, an increasing need for products with low environmental impact, a rise in occupational safety risks as products become larger, the growing complexity in managing the health of workers as types of employment diversify, and the risk of businesses or the supply chain being interrupted due to natural disasters.

The Group's EHS framework covers (i) environmental management, including reducing total CO<sub>2</sub> emissions, reducing environmental impact and preserve biodiversity, and promote product EHS through supplying products that contribute to safety and the global environment, (ii) disaster prevention and safety, including promoting disaster-prevention BCM to improve the ability to deal with major disasters, and focus on health and safety to reduce occupational accidents resulting in lost working days, (iii) health management, including establishing healthy workplaces and preventing disease, and (iv) an integrated EHS management system and processes that span all of the above.

### **Environmental Conservation**

The Group views the tackling of environmental issues such as global warming and chemical pollution as a fundamental task for achieving the sustainable development of society, and the Group is working to reduce CO<sub>2</sub> emissions, cut waste, lessen the environmental impact of products, conserve energy/resources, and preserve biodiversity.

Environmental activities taken by the Group include the following:

- *Reducing CO<sub>2</sub> emissions.* The Group works to reduce CO<sub>2</sub> emissions from its business activities, including production activities, and logistics operations, including working proactively to achieve a modal shift during shipping, from trucks to marine and rail.
- *Reducing waste.* The Group continues to endeavour to reduce "external emissions" (being Waste (recycled waste + combusted waste + buried waste) + valuable resources) as well as to reduce the amount of water used in manufacturing. The Group also reports on the volumes of chemical substances it handles and emits, including hydrogen fluoride and ferric chloride.
- *Reducing environmental impact at customer sites.* The Group strives to develop products that help reduce environmental impact in order to actively contribute to its customers' environmental preservation efforts. Products that meet the Group's own assessment standards are certified as "Green Products", and are marketed as goods that offer strong environmental performance. Certain of the Group's printing-equipment-related product lines have also obtained high-level (three-star) green printing certification (a system based on voluntary environmental standards established by the Japan Federation of Printing Industries).

- *Reducing CO<sub>2</sub> emissions when products are used.* Over the product lifecycle of the Group's products, most of the CO<sub>2</sub> emissions are generated when customers use them. The Group therefore endeavours to develop products that consume less energy, water and chemical liquids during use, and in this way, the Group is working to reduce CO<sub>2</sub> emissions and achieve more efficient use of energy and resources throughout the product lifecycle.

## Property and Equipment

The following table sets out certain information with respect to the significant properties, plant and equipment of the Company as at 31 March 2017:

Name of Property	Location	Business Segment to which the Property Relates	Description of the Property (Principal Use)	Book Value					
				Buildings and Structures	Machinery and Vehicles	Land <sup>(1)</sup>	Lease Assets	Others <sup>(2)</sup>	Total
(Millions of yen)									
Headquarters <sup>(4)</sup> ...	Kyoto, Japan	All (common)	Offices, rental facilities	¥ 2,192	¥ 50	¥2,122 (18)	¥ 6	¥ 971	¥5,344
Hikone plant <sup>(4)</sup> ...	Shiga, Japan	All (common)	Rental facilities	4,378	248	1,707 (141)	87	111	6,533
Yasu plant <sup>(4)</sup> .....	Shiga, Japan	All (common)	Rental facilities	739	11	– [27]	1,575	30	2,357
Taga plant <sup>(4)</sup> .....	Shiga, Japan	All (common)	Rental facilities	1,938	0	892 (29)	–	10	2,842
Kumiyama plant <sup>(4)</sup> .....	Kyoto, Japan	All (common)	Rental facilities	73	5	489 (9)	–	104	672
Rakusai plant <sup>(4)</sup> ..	Kyoto, Japan	Others, All (common)	R&D facilities, rental facilities	1,141	572	1,242 (9)	3	587	3,547
Monzen-nakacho office <sup>(4)</sup> .....	Tokyo, Japan	All (common)	Offices, rental facilities	162	0	–	–	10	173
Kumamoto plant <sup>(4)</sup> .....	Kumamoto, Japan	All (common)	Manufacturing site, rental facilities	508	–	1,389 (119)	–	7	1,905
Quartz Lead <sup>(4)</sup> ....	Fukushima, Japan	All (common)	Rental facilities	313	9	525 (24)	–	0	849
Kyoto-Minami plant <sup>(4)</sup> .....	Kyoto, Japan	All (common)	Rental facilities	169	0	493 (3)	–	5	667

### Notes:

- (1) Parts of the land or buildings are leased. Figures in round parentheses in the "Land" column are land areas owned in thousand square metres, while figures in square parentheses in this column are land areas leased in thousand square metres.
- (2) "Others" include tools, equipment, furniture, construction in progress and software.
- (3) The above amounts do not include consumption tax amounts.
- (4) Parts of the buildings owned are leased to consolidated subsidiaries of the Company.
- (5) As at 31 March 2017, there were no material properties that were not in use.

The following table sets out certain information with respect to the Company's domestic subsidiaries' significant properties, plant and equipment as at 31 March 2017:

Name of Subsidiary	Location	Business Segment to which the Property Relates	Description of the Property (Principal Use)	Book Value					Total
				Buildings and Structures	Machinery and Vehicles	Land <sup>(1)</sup>	Lease Assets	Others <sup>(2)</sup>	
(Millions of yen)									
SCREEN									
Semiconductor Solutions Co., Ltd. ....	Shiga, Japan and others	SE	Manufacturing and R&D facilities	¥ 255	¥ 9,017	–	¥711	¥4,094	¥14,079
SCREEN Finetech Solutions Co., Ltd. ....	Shiga, Japan and others	FT	Manufacturing and R&D facilities	4	620	–	–	204	830
Tech In Tech Co., Ltd. ....	Kyoto, Japan and others	SE	R&D and manufacturing facilities	357	20	371 (2)	–	80	830
INITOUT Japan Co., Ltd. ....	Kyoto, Japan and others	Others	Network-related facilities and others	4	–	–	–	137	141
FASSE Co., Ltd. ....	Toyama, Japan and others	SE	Manufacturing facilities	78	11	– [3]	6	34	130
SCREEN Graphic and Precision Solutions Co., Ltd. <sup>(4)</sup> .....	Kyoto, Japan and others	GP	Manufacturing and R&D facilities	0	0	–	0	0	0

Notes:

- (1) Parts of the land or buildings are leased. Figures in round parentheses in the "Land" column are land areas owned in thousand square metres, while figures in square parentheses in this column are land areas leased in thousand square metres.
- (2) "Others" include tools, equipment, furniture, construction in progress and software.
- (3) The above amounts do not include consumption tax amounts.
- (4) The book values for this company was reduced to the recoverable value following impairment in the fiscal year ended 31 March 2017 (as a result of the expected future cash flow from the asset group falling below the book value).
- (5) As at 31 March 2017, there were no material properties that were not in use.

The following table sets out certain information with respect to the Company's overseas subsidiaries' significant properties, plant and equipment as at 31 March 2017:

Name of Subsidiary	Location	Business Segment to which the Property Relates	Description of the Property (Principal Use)	Book Value					Total
				Buildings and Structures	Machinery and Vehicles	Land <sup>(1)</sup>	Lease Assets	Others <sup>(2)</sup>	
(Millions of yen)									
SCREEN SPE Taiwan Co., Ltd.....	Hsinchu, Taiwan and others	SE	Office	¥208	¥12	¥ 300	¥-	¥169	¥691
						(1)			
SCREEN HD Singapore PTE. Ltd.....	Singapore	SE, GP	Technical Centre, office	640	6	-	-	2	648
						[2]			
SCREEN GP Europe B.V. ....	Amstelveen, The Netherlands and others	GP	Office	207	9	231	-	53	503
						(13)			
SCREEN GP Hangzhou Co., Ltd.....	Hangzhou, China	GP	Manufacturing facilities	359	68	-	-	63	492
						[23]			
SCREEN GP IJC Ltd.....	Cambridge, UK	GP	R&D facilities	-	316	-	-	145	461
Silicon Light Machines Corp. ....	California, USA and others	GP	R&D and manufacturing facilities	-	267	-	-	22	290
SCREEN GP Americas, LLC.....	Illinois, USA and others	GP	Office	139	5	-	-	24	168
Inca Digital Printers LTD. ....	Cambridge, UK	GP	Manufacturing facilities	77	74	-	-	5	156
						[7]			
SCREEN HD Korea Co., Ltd.....	Seoul, South Korea and others	SE, GP, FT	Training centre, office	6	127	-	-	9	143
SCREEN SPE USA, LLC.....	California, USA and others	SE	Office	17	101	-	-	14	133
						[6]			
Laser Systems & Solutions of Europe SASU....	Gennevilliers, France	SE	R&D and manufacturing facilities	47	29	-	-	31	108
						[2]			

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Notes:

- (1) Parts of the land or buildings are leased. Figures in round parentheses in the “Land” column are land areas owned in thousand square metres, while figures in square parentheses in this column are land areas leased in thousand square metres.
- (2) “Others” include tools, equipment, furniture, construction in progress and software.
- (3) The above amounts do not include consumption tax amounts.
- (4) As at 31 March 2017, there were no material properties that were not in use.

## **Regulations**

The Group’s business activities are subject to various governmental regulations in the countries in which it operates, including regulations relating to business and investment approvals, consumer protection including product liabilities and safety measures, export regulations, tariffs, antitrust, anti-dumping, corrupt business practices, labour relations, health and safety, intellectual property, transportation, taxation, exchange controls, environmental and recycling requirements as well as other matters.

## **Corporate Governance**

The Company takes the form of a company with a Board of Corporate Auditors. The Group adopts a holding company structure with its main four business areas split into each “business operating company” to enable tactical and firm business execution. The Company establishes/determines basic policies and basic strategy for the Group management, and the allocation of management resources. It also has a function to oversee the business execution of each Group company so that it clarifies functional segregation of business execution and oversight.

The Company’s Board of Directors establishes/determines basic policies and basic strategy for the Group management and important matters in business execution, as well as overseeing business execution, holding regular meetings and additional meetings as necessary. Directors’ compensation consists of three elements: (i) fixed remuneration, (ii) a performance-based bonus (decided based on the degree to which annual performance targets are achieved), and (iii) a performance-linked share compensation (decided based on the degree to which annual performance targets and the medium-term management plan are achieved). The share compensation is intended to tighten the link between compensation paid to recipients and corporate share value, thereby sharpening their motivation to improve corporate performance and value over the medium to long term. Outside directors’ compensation does not include a performance-linked share compensation.

The Board of Corporate Auditors monitors business execution of Directors from an independent objective standpoint, holding regular meetings and additional meetings as necessary.

The Group has a corporate officer system to facilitate nimble and bold decision making. Corporate officers perform effective execution following the basic policy and basic strategy decided by the Board of Directors. Further, the Management Committee, comprising full-time directors and corporate officers, and as necessary, presidents of the relevant Group companies, meets to deliberate matters related to management and facilitate the decision making of the Board of Directors and the Representative Directors.

## **Compliance**

The Group promotes compliance in accordance with the SCREEN Group CSR Charter. The CSR & Group Audit Department and Legal Department plays the central role in compliance promotion. Overseas subsidiaries of the Company work with local attorneys conversant in local laws to determine the state of compliance, clarify any issues, and implement improvement measures. The CSR & Group Audit Department conducts internal audits of the status of legal compliance and adherence to corporate ethics, and also conducts follow-up audits each year to confirm that issues identified in the previous year’s audits have been resolved. For the prevention and early detection of any illegal, dishonest, unethical, or fraudulent conduct or acts, the Group has established an internal reporting hotline run by the CSR & Group Audit Department that all Group employees and executives can directly access. The Group has also established hotlines operated through legal firms and other third-party agents to further facilitate whistleblowing.

The Security Export Control Department handles matters related to compliance with legislation on exporting products and components. The department obtains updates on export control-related legislation, making this information available to executives and employees involved in export-related businesses, and also supports compliance with export control processes as defined by internal regulations, such as product classification and transaction screening.

**Insurance**

The Group maintains a range of insurance policies which the relevant Group companies believe are adequate for the conduct of its businesses and the value of its properties and assets. The insurance policies cover certain liability risks, including product liability, personal injury, death and property damage and damages caused by business suspension in relation to certain products. The insurance policies also cover damage from certain natural disasters, but only to a limited extent particularly in respect of damage from earthquakes.

**Legal Proceedings**

The Group is, from time to time, involved in various legal proceedings in the ordinary course of its business. The Group is not currently involved in any litigation or other legal proceedings which, if determined against the Group, would individually or in the aggregate have a materially adverse effect on the Group's business, financial condition or results of operations.

## MANAGEMENT AND EMPLOYEES

### Management

The Company's Board of Directors carries the ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation provide for not more than 13 Directors. Directors are elected at a general meeting 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 fiscal year ending within one year after such Director's election, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Director of the Company, each of whom has the authority individually to represent the Company. The Board of Directors may also elect from among its members one Chairman, one Vice Chairman, one President respectively, and one or more Vice Presidents, Senior Managing Directors and Managing Directors.

The Company's Articles of Incorporation also provide for not more than four Corporate Auditors, who are elected at a general meeting 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 fiscal year ending within four years after such Corporate Auditor's election, although they may serve any number of consecutive terms.

Under Japanese laws, Corporate Auditors 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. The Corporate Auditors form the Board of Corporate Auditors. In addition, under Japanese laws, the number of Corporate Auditors must be three or more, and at least half of them are required to be persons who have never been directors, accounting advisors, executive officers or employees of the Company or of any of its subsidiaries within 10 years prior to assuming the position of Corporate Auditors. Corporate Auditors have the duties of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by a Representative Director to the general meetings of shareholders and of reporting their opinions thereon to the shareholders. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary at such meetings but they are not entitled to vote. In addition, they are required to elect from among themselves at least one full-time 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 the relevant Directors and the independent auditor. 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 by a resolution of a general meeting of shareholders a certified public accountant or an auditing corporation as an independent auditor, who has the statutory duties of auditing the financial statements to be submitted by a Representative Director to the general meetings of shareholders and reporting thereon to the relevant Corporate Auditors and the relevant Directors. Currently, the Company's independent auditor is KPMG AZSA LLC.

The Company's Directors and the Corporate Auditors as at the date of this Offering Circular are set out in the table below:

Name	Title
Eiji Kakiuchi .....	Representative Director, Member of the Board, President, Chief Executive Officer
Shin Minamishima .....	Representative Director, Member of the Board, Senior Managing Director, Chief Officer of CSR Management
Katsutoshi Oki .....	Managing Director, Member of the Board, Chief Officer of Corporate Strategy
Soichi Nadahara .....	Managing Director, Member of the Board, Chief Technology Officer
Yoichi Kondo .....	Managing Director, Member of the Board, Chief Financial Officer
Kimito Ando .....	Director, Member of the Board, General Affairs and Human Resources Strategy Tokyo Representative
Yoshio Tateishi <sup>(1)(2)</sup> .....	Director, Member of the Board
Shosaku Murayama <sup>(1)</sup> .....	Director, Member of the Board
Shigeru Saito <sup>(1)</sup> .....	Director, Member of the Board
Tatsuo Miyawaki .....	Senior Corporate Auditor (full time)
Akio Umeda .....	Corporate Auditor (full time)
Kenzaburo Nishikawa <sup>(3)</sup> .....	Corporate Auditor
Yoshio Nishi <sup>(3)</sup> .....	Corporate Auditor

Notes:

- (1) Outside Director under the Companies Act.
- (2) Mr. Yoshio Tateishi is expected to retire from his position as Director, Member of the Board as of 26 June 2018.
- (3) Outside Corporate Auditor under the Companies Act.

All the Directors of the Company, other than the Outside Directors, are engaged in the business of the Company on a full-time basis.

The business address for the Company's Directors is Tenjinkita-machi 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto 602-8585, Japan.

The aggregate remuneration of the Directors (including the Outside Directors) and the Corporate Auditors (including the Outside Corporate Auditors) for the fiscal year ended 31 March 2018 paid to by the Company was ¥403 million and ¥53 million, respectively.

The Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of its Directors (excluding those who are representative managing or executive Directors or employees of the Company) and Corporate Auditors to limit the maximum amount of damages arising in connection with their failure to execute their duties in good faith and without gross negligence to the total amount stipulated in Article 425, Paragraph 1, Item 1 and Item 2 of the Companies Act.

As at 31 March 2018, 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. As at 31 March 2018, there were no outstanding loans granted by any company of the Group to the Company's Directors, and no guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.



## Employees

The following table sets out the number of full-time employees (excluding secondees to outside of the Group but including secondees from outside of the Group) of the Group as at 31 March 2016, 2017 and 2018, according to reporting segments:

	As at 31 March		
	2016	2017	2018
SE .....	2,489	2,714	3,028
GP .....	1,435	1,453	–
GA .....	–	–	1,238
FT .....	368	377	454
PE .....	–	–	251
Others .....	552	626	627
Group (common to all companies).....	338	252	237
Total .....	<u>5,182</u>	<u>5,422</u>	<u>5,835</u>

Note:

- (1) On 1 April 2017, the PCB-related equipment business (PE) was split from the former Graphic and Precision Solutions (GP) segment. For the figures relating to 31 March 2016 and 2017, the figures prior to such change in segmentation are stated in the table above.

The Company considers the Group's labour relations (including those with the relevant labour unions) to be good. A significant portion of the full-time employees (excluding its officers) of the Company and certain of its domestic subsidiaries are organised into labour unions.

## Stock Option Plans

The Company currently has no stock option plans.

## Performance-Linked Share Compensation System

The Company has a performance-based compensation system which grants Shares to Directors, excluding Outside Directors, and corporate officers of the Company as well as directors, excluding outside directors, and corporate officers of subsidiaries of the Company, through a trust account. These directors and corporate officers are granted points on their position and their contributions towards achieving numerical performance targets for key management indicators and eligible recipients receive Shares from the trust account in an amount that corresponds to points accumulated at the time of the individual's retirement.

## SUBSIDIARIES AND AFFILIATES

As at 31 March 2018, the Company had 57 consolidated subsidiaries, two non-consolidated subsidiaries and one affiliate accounted for by the equity method.

The following table sets out certain information as at 31 March 2018 with respect to the Company's principal consolidated subsidiaries and affiliate accounted for by the equity method:

Name	Capital (Millions of yen, unless otherwise stated)	Percentage of Voting Rights <sup>(1)</sup> (Per cent)	Business
<b>Consolidated Subsidiaries</b>			
SCREEN Semiconductor Solutions Co., Ltd. ...	¥310	100.0	Development, production, sales and maintenance services of semiconductor production equipment
Tech In Tech Co., Ltd. ....	480	100.0 (100.0)	Development and production of semiconductor production equipment
SEBACS Co., Ltd. ....	70	100.0 (100.0)	Maintenance services of semiconductor production equipment
Quartz Lead Co., Ltd. ....	95	100.0 (100.0)	Production of semiconductor production equipment parts
FASSE Co., Ltd. ....	90	100.0 (100.0)	Assembly of semiconductor production equipment
Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd. ....	80	100.0 (100.0)	Modification of semiconductor related equipment and refurbishment and sales of used equipment
SCREEN Graphic Solutions Co., Ltd. ....	100	100.0	Development, production and sales of printing equipment
Media Technology Japan Co., Ltd. ....	300	100.0 (100.0)	Sales of printing equipment and printed board equipment
MT Service Japan East Co., Ltd. ....	70	100.0 (100.0)	Maintenance service of printing equipment
MT Service Japan West Co., Ltd. ....	50	100.0 (100.0)	Maintenance service of printing equipment
SCREEN Finetech Solutions Co., Ltd. ....	100	100.0	Development, production, sales and maintenance services of display production equipment and coaters
FEBACS Co., Ltd. ....	50	100.0 (100.0)	Maintenance services of display production equipment and coaters
SCREEN Laminattech Co., Ltd. ....	50	100.0 (100.0)	Development, production and sales of assembly processing equipment used in display manufacturing
SCREEN PE Solutions Co., Ltd. ....	100	100.0	Development, manufacturing and sales of PCB-related equipment
MEBACS Co., Ltd. ....	50	100.0 (100.0)	Maintenance service of printed board equipment

Name	Capital (Millions of yen, unless otherwise stated)	Percentage of Voting Rights <sup>(1)</sup> (Per cent)	Business
SCREEN Advanced System Solutions Co., Ltd.....	10	100.0	Software business
S.Ten Nines Kyoto Co., Ltd.....	50	100.0 (100.0)	Development of software for semiconductor production equipment, display production equipment and coaters, printing equipment and printed board equipment
SCREEN Manufacturing Support Solutions Co., Ltd.....	10	100.0	Manufacturing support and manufacturing contracting operations
TRANSUP Japan Co., Ltd. ....	10	100.0 (100.0)	Logistics operations
SCREEN KUMAMOTO Co., Ltd. ....	50	100.0 (100.0)	Assembly and adjustment of Group's products
SCREEN Business Support Solutions Co., Ltd.....	10	100.0	Shared services operations (operations related to administration, accounting, human resources, information system)
Tec Communications Co., Ltd. ....	50	100.0 (100.0)	Planning and production of printed material
INITOUT Japan Co., Ltd. ....	60	100.0 (100.0)	IT related service
Link Ring Japan Co., Ltd. ....	20	100.0 (100.0)	Temporary staffing, accounting related business
GERANT Co., Ltd.....	10	100.0 (100.0)	Facilities services
SCREEN IP Solutions Co., Ltd.....	10	100.0	Intellectual property service- related operations
EMD Corporation.....	36	68.8	Development, production and sales of plasma system and plasma source
Alpha MED Scientific Inc.....	7	77.9	Development, production and sales of equipment related to life science field
SCREEN SPE USA, LLC .....	US\$18,876 thousand	100.0 (100.0)	Sales support and maintenance services of semiconductor production equipment
SCREEN SPE Germany GmbH.....	€14,367 thousand	100.0 (100.0)	Sales support and maintenance services of semiconductor production equipment

Name	Capital (Millions of yen, unless otherwise stated)	Percentage of Voting Rights <sup>(1)</sup> (Per cent)	Business
SCREEN SPE Ireland Ltd.....	€1	100.0 (100.0)	Maintenance services of semiconductor production equipment
SCREEN SPE France SARL .....	€50 thousand	100.0 (100.0)	Maintenance services of semiconductor production equipment
SCREEN SPE Italy S.R.L.....	€50 thousand	100.0 (100.0)	Maintenance services of semiconductor production equipment
SCREEN SPE Israel Ltd.....	€18	100.0 (100.0)	Maintenance services of semiconductor production equipment
Laser Systems & Solutions of Europe SASU ..	€6,000 thousand	100.0 (100.0)	Development and production of semiconductor production equipment
SCREEN Electronics Shanghai Co., Ltd. ....	US\$500 thousand	100.0	Sales support and maintenance services of semiconductor production equipment
SCREEN SPE Taiwan Co., Ltd. ....	TWD215,000 thousand	100.0 (100.0)	Sales support and maintenance services of semiconductor production equipment
SCREEN SPE Singapore PTE. Ltd.....	SGD15,800 thousand	100.0 (100.0)	Sales support and maintenance service of semiconductor production equipment
SCREEN SPE Korea Co., Ltd.....	KRW2,000 million	100.0	Sales support and maintenance service of semiconductor production equipment
SCREEN GP Americas, LLC .....	US\$14,798 thousand	100.0 (100.0)	Sales support and maintenance services of printing equipment
Silicon Light Machines Corp. ....	US\$0.1	100.0 (100.0)	Development and production of printing equipment parts
Inca Digital Printers LTD. ....	GBP604 thousand	100.0 (100.0)	Development, production and sales of printing equipment
SCREEN GP IJC Ltd. ....	GBP1,000 thousand	100.0 (100.0)	Development of printing equipment
SCREEN GP Europe B.V. ....	€3,540 thousand	100.0 (100.0)	Sales and maintenance services of printing equipment
SCREEN GP China Co., Ltd.....	HKD8,000 thousand	100.0 (100.0)	Sales and maintenance service of printing equipment and printed board equipment
SCREEN GP Shanghai Co., Ltd. ....	US\$250 thousand	100.0 (100.0)	Sales and maintenance services of printing equipment
SCREEN GP Hangzhou Co., Ltd.....	280	100.0	Production of printing equipment

Name	Capital (Millions of yen, unless otherwise stated)	Percentage of Voting Rights <sup>(1)</sup> (Per cent)	Business
SCREEN HD Korea Co., Ltd.....	KRW997 million	100.0	Sales support and maintenance service of display production equipment and coaters and printed board equipment, and sales and maintenance services of printing equipment
SCREEN GP Taiwan Co., Ltd. ....	TWD30,000 thousand	100.0 (100.0)	Sales and maintenance service of printing equipment and printed board equipment
SCREEN Holdings Singapore PTE Ltd.....	SGD3,500 thousand	100.0	Sales and maintenance service of printing equipment, and sales support and maintenance service of printed board equipment
SCREEN GP Australia PTY., Ltd.....	AUD3,000 thousand	100.0 (100.0)	Sales and maintenance service of printing equipment
SCREEN FT Taiwan Co., Ltd.....	TWD109,743 thousand	100.0 (100.0)	Sales support and maintenance services of display production equipment and coaters
SCREEN Finetech Solutions Shanghai Co., Ltd. ....	US\$800 thousand	100.0 (100.0)	Sales support and maintenance services of display production equipment and coaters
TRIVIS Co., Ltd.....	KRW200 million	51.0 (51.0)	Development, production and sales of printed board equipment
SCREEN North America Holdings, Inc. ....	US\$650	100.0	Holding company for US affiliate companies
SCREEN HD Shanghai Co., Ltd.....	US\$20 thousand	100.0	Management of Chinese affiliate companies
<b>Affiliate Accounted for by the Equity Method</b>			
CGS Publishing Technologies International GmbH.....	€200 thousand	39.0 (39.0)	Development and sales of software for printing equipment

Notes:

- (1) Figures in parentheses denote indirect holding.
- (2) In the above table, TWD stands for Taiwan dollar, SGD stands for Singapore dollar, GBP stands for sterling pounds, HKD stands for Hong Kong dollar, KRW stands for South Korean won and AUD stands for Australian dollar.

## 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 "Description of the Shares and Certain Regulations", 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 in 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 his or her 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 proxies and provide related services for standard fees.

The Company's transfer agent is Sumitomo Mitsui Trust Bank, Limited, located at 4-1, 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" (as 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 the requirements described in (a) through (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.

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. 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 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.

#### ***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 at any given time shall be equal to the amount of Surplus less the aggregate of the followings:

- (a) the book value of the Company’s treasury stock;
- (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 Company’s non-consolidated balance sheet as at the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with ordinances of the Ministry of Justice.

If the Company has become at its option 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 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 the Corporate Auditors and reviewed by 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 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. Moreover, holders of Shares constituting less than one unit will have no other shareholder rights except for 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 holders 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 a full one 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, in general, 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 held in June each year pursuant to the Company's Articles of Incorporation. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating, among others, 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 one 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 number 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 subsidiary;
- (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 Company's Corporate Auditors;
- (vi) exemption from a portion of liability of the Company's Directors, Corporate Auditors or independent auditors;
- (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) any 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 interests in any of the Company's significant subsidiaries which meets certain requirements;
- (xii) taking over of the whole of the business of another company;
- (xiii) dissolution or merger or consolidation;
- (xiv) corporate split; and
- (xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*).

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) through (xv) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act as are necessary to determine that its impact is immaterial.

## Liquidation Rights

In the event of the Company's liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Shares in proportion to the respective numbers of Shares held by them.

## **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”. 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.

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 in order to determine the shareholders who are 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 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 by the Company of the Shares**

The Company may acquire Shares (i) from a specific shareholder other than any of the Company’s subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (ii) from any of the Company’s subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) 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 (i) above, any other shareholder may make a request to a Representative Director of the Company 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 (i) 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 (i) 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 the Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Shares by resolution of its Board of Directors.

## **Request by Controlling Shareholder to Sell All Shares**

A shareholder holding, directly or indirectly, 90 per cent. (or such other percentage above 90 per cent. as may be 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 shares (excluding treasury stock) amounting to more than five per cent. of the total issued shares of capital stock of a company that is listed on any Japanese stock exchange to file a report with the director of the relevant Local Finance Bureau of the Ministry of Finance within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of one per cent or more in the holding or of any change in material matters set forth in any previously filed reports. For this purpose, shares issuable to such person upon 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 the 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 Electronic Disclosure for Investors' NETWORK, known as the EDINET system.

## TAXATION

### **Japan**

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon exercise of the Stock Acquisition Rights incorporated in the Bonds who are nonresident individuals or non-Japanese corporations 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 double taxation conventions occurring 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 on listed shares issued by a Japanese corporation (such as the Shares) to any corporate or individual shareholders (including those shareholders who are non-resident individuals or non-Japanese corporations), except for any individual shareholder who holds 3 per cent. or more of the total issued shares of the relevant Japanese corporation, 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 rates until 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.

## SUBSCRIPTION AND SALE

### Subscription Agreements

Pursuant to a subscription agreement dated 24 May 2018 in respect of the 2022 Bonds (the “2022 Bonds Subscription Agreement”) between the Company on the one hand and Nomura International plc (“Nomura”), Morgan Stanley & Co. International plc (“Morgan Stanley”, and together with Nomura, the “2022 Bonds Joint Lead Managers”), and Daiwa Capital Markets Europe Limited (together with the 2022 Bonds Joint Lead Managers, the “2022 Bonds Managers”) on the other, the 2022 Bonds Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of the 2022 Bonds as indicated in the table below at the issue price (the “2022 Bonds Issue Price”) of 100.5 per cent of the principal amount of the 2022 Bonds and to offer the 2022 Bonds at the offer price in respect of the 2022 Bonds as stated on the cover page of this Offering Circular (the “2022 Bonds Offer Price”).

<b>2022 Bonds Managers</b>	<b>Aggregate Principal Amount of the 2022 Bonds</b>
Nomura International plc .....	¥ 8,250,000,000
Morgan Stanley & Co. International plc.....	5,250,000,000
Daiwa Capital Markets Europe Limited .....	1,500,000,000
Total .....	¥ 15,000,000,000

Pursuant to a subscription agreement dated 24 May 2018 in respect of the 2025 Bonds (the “2025 Bonds Subscription Agreement” and together with the 2022 Bonds Subscription Agreement, the “Subscription Agreements” and each a “Subscription Agreement”) between the Company on the one hand and Nomura and Morgan Stanley (together, the “2025 Bonds Joint Lead Managers” and the 2025 Bonds Joint Lead Managers together with the 2022 Bonds Joint Lead Managers being referred to herein as the “Joint Lead Managers”), and Daiwa Capital Markets Europe Limited (together with the 2025 Bonds Joint Lead Managers, the “2025 Bonds Managers” and the 2025 Bonds Managers together with the 2022 Bonds Managers being referred to herein as the “Managers”) on the other, the 2025 Bonds Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of the 2025 Bonds as indicated in the table below at the issue price (the “2025 Bonds Issue Price”) of 100.5 per cent of the principal amount of the 2025 Bonds and to offer the 2025 Bonds at the offer price in respect of the 2025 Bonds as stated on the cover page of this Offering Circular (the “2025 Bonds Offer Price”).

<b>2025 Bonds Managers</b>	<b>Aggregate Principal Amount of the 2025 Bonds</b>
Nomura International plc .....	¥ 8,250,000,000
Morgan Stanley & Co. International plc.....	5,250,000,000
Daiwa Capital Markets Europe Limited .....	1,500,000,000
Total .....	¥ 15,000,000,000

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 2022 Bonds Offer Price and the 2022 Bonds Issue Price will be retained by the 2022 Bonds Managers and the difference between the 2025 Bonds Offer Price and the 2025 Bonds Issue Price will be retained by the 2025 Bonds Managers.

The closings of the 2022 Bonds and the 2025 Bonds are conditional upon each other.

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Managers are entitled to be released and discharged from their obligations under the relevant Subscription Agreement or to terminate the relevant Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Managers against certain liabilities in connection with the issue and offering of the Bonds.

## Lock-up Arrangements

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 relevant 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 depository receipt facility; or
- (iv) publicly announce any intention to do any of the above,

without the prior written consent of the 2022 Bonds Joint Lead Managers (on behalf of the 2022 Bonds Managers) (in the case of the 2022 Bonds) and the 2025 Bonds Joint Lead Managers (on behalf of the 2025 Bonds Managers) (in the case of the 2025 Bonds), 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 or the acquisition thereof at the option of the Company;
- (b) the sale or disposition of the Shares to directors and corporate officers of the Company and directors and corporate officers of any of its subsidiaries pursuant to the performance-linked share compensation plan of the Group as described 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 and 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*

The Bonds are being offered and sold outside of the United States in reliance on Regulation S. Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) have been or will be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

### ***Prohibition of Sales to EEA Retail Investors***

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, including by Directive 2010/73/EU and including any relevant implementing measure in any Member State of the European Economic Area which has implemented Directive 2003/71/EC); and
- (b) the expression “offer” includes 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.

### ***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***

Each 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 (or the acquisition thereof at the option of the Company) 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 (or the acquisition thereof at the option of the Company) in, from or otherwise involving the United Kingdom.

### ***Japan***

The Bonds have not been and will not be registered under the FIEA. Accordingly, each 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**

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) or caused the Bonds or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) or cause the Bonds or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, 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 or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company), whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 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 or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (c) 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
- (d) 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,

securities (as defined in Section 239(1) of the SFA) 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 or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) 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**

Each Manager has represented and agreed that:

- (a) it has not offered or sold, and will not offer or sell in Hong Kong, by means of any document, any Bonds or Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued, or had in its possession for the purpose of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement,

invitation or document relating to the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company), 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 securities laws of Hong Kong) other than with respect to Bonds and Shares issuable upon exercise of the Stock Acquisition Rights (or the acquisition thereof at the option of the Company) 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 any of the Managers 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 Managers or their affiliates 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, any 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 any of the Managers 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 Managers or their affiliates 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 Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISINs and Common Codes are as follows:

	ISIN	Common Code
2022 Bonds .....	XS1829905238	182990523
2025 Bonds .....	XS1829905311	182990531

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 7735. The Legal Entity Identifier (LEI) for the Company is 353800ND89FTQ9XQ0R07.
3. Approval in-principle has been received for the listing of the Bonds of each Series on the SGX-ST. The Bonds of each Series 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 of such Series are listed on the SGX-ST. For so long as the Bonds of any Series are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate of the relevant Series 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.
4. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 24 May 2018 of the Board of Directors of the Company.
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 prospects of the Group since 31 March 2017.
6. Save as disclosed in this Offering Circular, neither the Company nor any other member of the Group is, or has been 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 or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.
7. Copies of the latest annual report of the Group including the audited annual consolidated financial statements in English, and the Group's latest unaudited annual consolidated financial statements in English (being English translations of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group in Japanese) 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. The consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2017 (including corresponding figures as at and for the fiscal year ended 31 March 2016), included in this Offering Circular, have been audited by KPMG AZSA LLC, the Company's independent auditor, as stated in its audit report appearing herein.
9. 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.
10. The Trustee is entitled under the Trust Deeds to rely without liability to Bondholders or any other person on reports and certificates prepared by the Auditors or any Independent Financial Adviser or other expert pursuant to the Conditions and/or the Trust Deeds whether or not addressed to the Trustee and whether or not the same are subject to any limitation on the liability of such party by reference to a monetary cap or otherwise.

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## **Independent Auditor's Report**

To the Board of SCREEN Holdings Co., Ltd.:

We have audited the accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated income statement, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **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 such internal control as management determines is necessary to enable the preparation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA LLC*

*KPMG AZSA LLC*  
June 27, 2017  
Kyoto, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries  
As of March 31, 2017 and 2016

Assets	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Current Assets:</b>			
Cash and cash equivalents (Note 11)	¥ 44,923	¥ 30,157	\$ 401,098
Time deposits (Note 11)	3,910	2,215	34,911
Trade notes and accounts receivable (Note 11)	59,152	67,587	528,143
Allowance for doubtful receivables (Note 11)	(569)	(789)	(5,080)
Inventories (Note 7)	91,721	76,663	818,938
Deferred tax assets (Note 4)	5,972	5,156	53,321
Prepaid expenses and other	10,050	7,563	89,732
Total current assets	215,159	188,522	1,921,063
<b>Property, Plant and Equipment, at Cost:</b>			
Land	9,554	9,766	85,304
Buildings and structures	52,604	53,578	469,679
Machinery, equipment and other	51,732	50,895	461,892
Lease assets (Notes 3 and 8)	6,426	6,613	57,375
Construction in progress	1,886	1,074	16,839
Total property, plant and equipment	122,202	121,926	1,091,089
Accumulated depreciation	(80,444)	(78,548)	(718,250)
Net property, plant and equipment	41,758	43,378	372,839
<b>Investments and Other Assets:</b>			
Investment securities (Notes 11 and 13)	33,205	28,540	296,473
Lease assets (Notes 3 and 8)	36	34	321
Net defined benefit asset (Note 14)	4,703	4,280	41,991
Deferred tax assets (Note 4)	536	496	4,786
Other assets	5,263	4,844	46,991
Total investments and other assets	43,743	38,194	390,562
<b>Total Assets</b>	<b>¥ 300,660</b>	<b>¥ 270,094</b>	<b>\$ 2,684,464</b>

The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Shares of authorized capital stock, issued capital stock and treasury stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

(Continued)



<b>Liabilities and Net Assets</b>	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Current Liabilities:</b>			
Current portion of long-term debt (Notes 5 and 11)	¥ 4,080	¥ 17,680	\$ 36,429
Lease obligations (Notes 3 and 11)	405	411	3,616
Notes and accounts payable –			
Trade (Note 11)	84,302	70,060	752,696
Construction and other	3,801	3,415	33,938
Accrued expenses	7,234	7,708	64,589
Income taxes payable	6,509	4,430	58,116
Provision for product warranties	5,761	4,564	51,438
Provision for bonuses	3,405	1,044	30,402
Provision for directors' bonuses	82	73	732
Provision for loss on order received	89	2	795
Other current liabilities	19,908	11,470	177,749
<b>Total current liabilities</b>	<b>135,576</b>	<b>120,857</b>	<b>1,210,500</b>
<b>Long-Term Liabilities:</b>			
Long-term debt (Notes 5 and 11)	10,907	18,986	97,384
Net defined benefit liability (Note 14)	764	737	6,821
Provision for directors' retirement benefits	130	103	1,161
Lease obligations (Notes 3 and 11)	2,195	2,559	19,598
Deferred tax liabilities (Note 4)	7,349	5,989	65,616
Asset retirement obligations	49	49	438
Other long-term liabilities	774	525	6,911
<b>Total long-term liabilities</b>	<b>22,168</b>	<b>28,948</b>	<b>197,929</b>
<b>Contingent Liabilities (Note 10)</b>			
<b>Net Assets (Note 6):</b>			
<b>Shareholders' Equity:</b>			
Capital stock			
Authorized – 180,000,000 shares in 2017 and 2016			
Issued – 50,794,866 shares in 2017 and 2016	54,045	54,045	482,545
Capital surplus	4,600	4,583	41,071
Retained earnings	92,937	71,602	829,795
Treasury stock, at cost			
3,831,798 shares in 2017 and 3,566,169 shares in 2016	(15,300)	(13,273)	(136,607)
<b>Total shareholders' equity</b>	<b>136,282</b>	<b>116,957</b>	<b>1,216,804</b>
<b>Accumulated Other Comprehensive Income:</b>			
Valuation difference on available-for-sale securities	12,847	8,364	114,705
Foreign currency translation adjustment	(4,911)	(3,910)	(43,849)
Remeasurements of defined benefit plans	(1,413)	(1,761)	(12,616)
<b>Total accumulated other comprehensive income</b>	<b>6,523</b>	<b>2,693</b>	<b>58,240</b>
<b>Non-controlling interests:</b>			
Non-controlling interests	111	639	991
<b>Total net assets</b>	<b>142,916</b>	<b>120,289</b>	<b>1,276,035</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 300,660</b>	<b>¥ 270,094</b>	<b>\$ 2,684,464</b>

(Concluded)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Net Sales (Note 9)</b>	¥ 300,234	¥ 259,675	\$ 2,680,661
<b>Cost of Sales (Note 9)</b>	<b>206,687</b>	178,677	<b>1,845,420</b>
Gross profit	93,547	80,998	835,241
<b>Selling, General and Administrative Expenses</b>	<b>59,815</b>	57,441	<b>534,062</b>
Operating income (Note 9)	33,732	23,557	301,179
<b>Other (Income) Expenses:</b>			
Interest and dividend income	(563)	(661)	(5,027)
Interest expenses	819	1,095	7,313
Exchange loss on foreign currency transactions, net	314	253	2,804
Compensation income	(130)	(179)	(1,161)
Subsidy income	(45)	(308)	(402)
Loss on retirement of non-current assets	1,232	302	11,000
Gain on sales of investment securities (Note 11)	(1,065)	(993)	(9,509)
Loss on valuation of investment securities	173	1	1,545
Impairment loss (Note 15)	1,856	227	16,571
Other, net	86	(123)	768
Net other (income) expenses	2,677	(386)	23,902
<b>Income before Income Taxes</b>	<b>31,055</b>	23,943	<b>277,277</b>
<b>Income Taxes (Note 4)</b>			
Current	8,192	5,922	73,143
Deferred	(1,323)	(923)	(11,812)
Total income taxes	6,869	4,999	61,331
<b>Profit</b>	<b>24,186</b>	18,944	<b>215,946</b>
<b>Profit Attributable to Non-controlling Interests</b>	<b>17</b>	128	<b>151</b>
<b>Profit Attributable to Owners of Parent</b>	¥ <b>24,169</b>	¥ 18,816	\$ <b>215,795</b>

## Per Share of Capital Stock:

	Yen		U.S. dollars
	2017	2016	2017
Net income	¥ 511.96	¥ 396.75	\$ 4.57
Net income – diluted	—	—	—
Cash dividends, applicable to earnings for the year	87.00	60.00	0.78

The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock and cash dividends per share of capital stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Profit</b>	¥ <b>24,186</b>	¥ 18,944	\$ <b>215,946</b>
<b>Other Comprehensive Income (Note 2)</b>			
Valuation difference on available-for-sale securities	<b>4,483</b>	(4,223)	<b>40,027</b>
Foreign currency translation adjustment	<b>(1,006)</b>	(2,533)	<b>(8,982)</b>
Remeasurements of defined benefit plans	<b>348</b>	(621)	<b>3,107</b>
Total other comprehensive income	<b>3,825</b>	(7,377)	<b>34,152</b>
<b>Comprehensive Income</b>	¥ <b>28,011</b>	¥ 11,567	\$ <b>250,098</b>
Comprehensive income attributable to			
Owners of parent	<b>27,999</b>	11,456	<b>249,991</b>
Non-controlling interests	<b>12</b>	111	<b>107</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2017 and 2016

	Millions of yen										
	Shares of issued capital stock (thousands)	Shareholders' equity				Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for- sale securities	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Non- controlling interests		
Balance at the Beginning of Fiscal 2016	50,795	¥54,045	¥4,583	¥54,448	¥(12,263)	¥12,586	¥(1,394)	¥(1,140)	¥648	¥111,513	
Profit attributable to owners of parent	—	—	—	18,816	—	—	—	—	—	18,816	
Cash dividends paid, ¥7.00 per share	—	—	—	(1,662)	—	—	—	—	—	(1,662)	
Valuation difference on available-for-sale securities	—	—	—	—	—	(4,222)	—	—	—	(4,222)	
Foreign currency translation adjustments	—	—	—	—	—	—	(2,516)	—	—	(2,516)	
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	(621)	—	(621)	
Acquisition of treasury stock	—	—	—	—	(1,010)	—	—	—	—	(1,010)	
Other	—	—	—	—	—	—	—	—	(9)	(9)	
Balance at the End of Fiscal 2016	50,795	¥54,045	¥4,583	¥71,602	¥(13,273)	¥ 8,364	¥(3,910)	¥(1,761)	¥639	¥120,289	
Balance at the Beginning of Fiscal 2017	<b>50,795</b>	<b>¥54,045</b>	<b>¥4,583</b>	<b>¥71,602</b>	<b>¥(13,273)</b>	<b>¥ 8,364</b>	<b>¥(3,910)</b>	<b>¥(1,761)</b>	<b>¥639</b>	<b>¥120,289</b>	
Profit attributable to owners of parent	—	—	—	24,169	—	—	—	—	—	24,169	
Cash dividends paid, ¥6.00 per share	—	—	—	(2,834)	—	—	—	—	—	(2,834)	
Valuation difference on available-for-sale securities	—	—	—	—	—	4,483	—	—	—	4,483	
Foreign currency translation adjustments	—	—	—	—	—	—	(1,001)	—	—	(1,001)	
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	348	—	348	
Acquisition of treasury stock	—	—	—	—	(2,027)	—	—	—	—	(2,027)	
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	0	
Purchase of shares of consolidated subsidiaries treasury stock	—	—	(2)	—	—	—	—	—	—	(2)	
Purchase of shares of consolidated subsidiaries	—	—	19	—	—	—	—	—	—	19	
Other	—	—	—	—	—	—	—	—	(528)	(528)	
Balance at the End of Fiscal 2017	<b>50,795</b>	<b>¥54,045</b>	<b>¥4,600</b>	<b>¥92,937</b>	<b>¥(15,300)</b>	<b>¥12,847</b>	<b>¥(4,911)</b>	<b>¥(1,413)</b>	<b>¥111</b>	<b>¥142,916</b>	

	Thousands of U.S. dollars										
	Shares of issued capital stock (thousands)	Shareholders' equity				Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for- sale securities	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Non- controlling interests		
Balance at the Beginning of Fiscal 2017		\$482,545	\$40,920	\$639,304	\$(118,509)	\$ 74,679	\$(34,912)	\$(15,723)	\$5,705	\$1,074,009	
Profit attributable to owners of parent	—	—	—	215,795	—	—	—	—	—	215,795	
Cash dividends paid, \$0.54 per share	—	—	—	(25,304)	—	—	—	—	—	(25,304)	
Valuation difference on available-for-sale securities	—	—	—	—	—	40,026	—	—	—	40,026	
Foreign currency translation adjustments	—	—	—	—	—	—	(8,937)	—	—	(8,937)	
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	3,107	—	3,107	
Acquisition of treasury stock	—	—	—	—	(18,098)	—	—	—	—	(18,098)	
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	0	
Purchase of shares of consolidated subsidiaries treasury stock	—	—	(18)	—	—	—	—	—	—	(18)	
Purchase of shares of consolidated subsidiaries	—	—	169	—	—	—	—	—	—	169	
Other	—	—	—	—	—	—	—	—	(4,714)	(4,714)	
Balance at the End of Fiscal 2017		<b>\$482,545</b>	<b>\$41,071</b>	<b>\$829,795</b>	<b>\$(136,607)</b>	<b>\$114,705</b>	<b>\$(43,849)</b>	<b>\$(12,616)</b>	<b>\$ 991</b>	<b>\$1,276,035</b>	

The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Shares of issued capital stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Cash Flows

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 31,055	¥ 23,943	\$ 277,277
Depreciation and amortization	5,398	5,030	48,196
Impairment loss	1,856	227	16,571
Loss (gain) on valuation of investment securities	173	1	1,545
Loss (gain) on sales of investment securities	(1,065)	(993)	(9,509)
Loss on retirement of non-current assets	1,232	302	11,000
Increase (decrease) in net defined benefit liability	(12)	(113)	(107)
Increase (decrease) in provision for bonuses	2,361	1,044	21,080
Increase (decrease) in provision for directors' bonuses	10	(54)	89
Increase (decrease) in provision for product warranties	1,190	45	10,625
Increase (decrease) in provision for loss on order received	86	(16)	768
Interest and dividend income	(563)	(661)	(5,027)
Interest expenses	819	1,095	7,313
Decrease (increase) in trade notes and accounts receivable	8,175	(12,919)	72,991
Decrease (increase) in inventories	(16,397)	(8,536)	(146,402)
Decrease (increase) in other current assets	(1,534)	(1,506)	(13,696)
Increase (decrease) in trade notes and accounts payable	14,683	8,551	131,098
Increase (decrease) in other current liabilities	8,921	4,046	79,652
Other, net	342	288	3,053
Subtotal	56,730	19,774	506,517
Interest and dividend income received	564	675	5,036
Interest expenses paid	(876)	(1,097)	(7,821)
Contribution in connection with the shift to a defined contribution pension plan	(0)	(0)	(0)
Income taxes paid	(7,394)	(4,631)	(66,018)
Net cash provided by (used in) operating activities	49,024	14,721	437,714
<b>Cash Flows from Investing Activities:</b>			
Decrease (increase) in time deposits, net	(1,708)	1,176	(15,250)
Purchase of property, plant and equipment	(5,497)	(5,458)	(49,080)
Proceeds from sales of property, plant and equipment	313	97	2,795
Purchase of investment securities	(193)	(20)	(1,723)
Proceeds from sales of investment securities	2,733	2,510	24,402
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(23)	—
Other, net	(1,508)	(840)	(13,465)
Net cash used in investing activities	(5,860)	(2,558)	(52,321)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from long-term debt	1,000	4,000	8,929
Repayments of long-term debt	(9,080)	(3,680)	(81,071)
Repayments of finance lease obligations	(415)	(398)	(3,705)
Redemption of bonds	(13,600)	—	(121,429)
Decrease (increase) in treasury stock, net	(2,027)	(1,010)	(18,098)
Cash dividends paid	(2,834)	(1,662)	(25,304)
Cash dividends paid to non-controlling interests	(3)	(96)	(27)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(513)	—	(4,580)
Purchase of treasury shares of subsidiaries	(7)	—	(63)
Net cash used in financing activities	(27,479)	(2,846)	(245,348)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(919)</b>	<b>(1,151)</b>	<b>(8,206)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>14,766</b>	<b>8,166</b>	<b>131,839</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>30,157</b>	<b>21,991</b>	<b>269,259</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥ 44,923</b>	<b>¥ 30,157</b>	<b>\$ 401,098</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to Consolidated Financial Statements

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2017 and 2016

## Note 1: Summary of Significant Accounting and Reporting Policies

### *(a) Basis of presenting consolidated financial statements*

The accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. (the “Company”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accounts of the consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the four specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. Certain Japanese yen amounts in the accompanying consolidated financial statements have been translated into U.S. dollar amounts solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2017, which was ¥112 to U.S. \$1.00. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at this or any other rate of exchange. Certain amounts in the prior years’ consolidated financial statements have been reclassified to conform to the current year’s presentation.

### *(b) Principles of consolidation*

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control by the Company. Investments in unconsolidated subsidiaries are accounted for by the equity method.

### *(c) Translation of foreign currencies*

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates. Except for shareholders’ equity accounts, which are translated at historical rates, balance sheets of the consolidated overseas subsidiaries are translated into Japanese yen at year-end rates. Except for transactions with the Company, which are translated at rates used by the Company, income statements of the consolidated overseas subsidiaries are translated at average rates. The resulting translation adjustments are presented as foreign currency translation adjustments in net assets.

### *(d) Inventories*

The Company and its consolidated domestic subsidiaries state the value of inventories mainly by either the first-in, first-out method or the specific identification method. With regard to the amounts stated in the balance sheet, the book value devaluation method is used to write down the value of inventory in the event of a decline in profitability. Consolidated overseas subsidiaries state inventories mainly at the lower of cost or net realizable value either by the first-in, first-out method or the specific identification method.

### *(e) Securities*

The Company and its consolidated subsidiaries classify securities as “available-for-sale securities.” Available-for-sale securities with available fair values are stated at fair value. Unrealized holding gains (losses) on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sales of such securities are computed using moving average cost. Other securities with no available fair values are stated at moving average cost.

### *(f) Depreciation*

Depreciation of property, plant and equipment of the Company, its consolidated domestic subsidiaries and its consolidated overseas subsidiaries is computed mainly by the straight-line method. The estimated useful lives for buildings and structures and machinery and equipment are 2 to 60 years and 2 to 17 years, respectively. Maintenance and repairs, including minor renewals and

betterments, are charged to income as incurred. Leased assets related to finance lease transactions in which ownership transfers to the lessee are depreciated in the same manner as owned property, plant and equipment. Leased assets related to finance lease transactions in which ownership does not transfer are depreciated on a straight-line basis, with the lease periods as the useful life and no residual value.

*(g) Impairment of fixed assets*

The Company and its consolidated subsidiaries evaluate the book value of fixed assets for impairment. If the book value of a fixed asset is impaired, the amount by which the book value exceeds the recoverable amount is recognized as impairment loss.

*(h) Software*

Software, included in "Other assets," is amortized using the straight-line method over its estimated useful life (3-5 years for internal use software and 3 years for software for sale).

*(i) Research and development*

Expenses related to research and development are charged to income as incurred and amounted to ¥17,794 million (\$158,875 thousand) in 2017 and ¥15,166 million in 2016.

*(j) Cash and cash equivalents*

Cash and cash equivalents include cash on hand and deposits placed with banks on demand or with maturities of three months or less.

*(k) Goodwill*

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years. However, when no significant difference in the amounts exists, it is expensed in the year of the acquisition.

*(l) Bonds issue costs*

Bonds issue costs are charged to expenses as incurred.

*(m) Income taxes*

The Company and its consolidated subsidiaries record deferred tax assets and liabilities on loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes by using the asset/ liability approach.

*(n) Allowance for doubtful receivables*

An allowance for doubtful receivables is provided to cover possible losses on collection. The Company and its consolidated domestic subsidiaries provide the allowance for doubtful receivables by adding individually estimated uncollectible amounts of specific items to an amount based on the actual rate of past uncollected receivables. The consolidated overseas subsidiaries provide the allowance for doubtful receivables based mainly on the estimated uncollectible amounts of specific receivables.

*(o) Provision for bonuses*

The Company and certain consolidated subsidiaries provide provision for employees' bonuses based on the estimated amounts of payments to be accrued in the fiscal year.

*(p) Provision for directors' bonuses*

Certain consolidated subsidiaries provide provision for directors' bonuses based on the estimated amounts of payments for the fiscal year.

*(q) Employees' severance and retirement benefits*

The Company and its consolidated subsidiaries provide funded or unfunded defined benefit plans and defined contribution plans for employees' severance and retirement benefits. The Company and certain consolidated domestic subsidiaries have a cash balance plan in defined benefit pension plans combined with defined contribution pension plans. Certain consolidated domestic subsidiaries have unfunded lump-sum payment plans. Certain consolidated overseas subsidiaries have defined contribution plans. In calculating retirement benefit obligations, the method of attributing expected benefit to periods up to the end of the fiscal year is based on a benefit formula basis. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees (mainly 13 years) commencing with the following period.

*(r) Retirement benefits for directors and corporate auditors*

Certain consolidated subsidiaries have unfunded retirement and termination allowance plans for directors and statutory auditors. The amounts required under the plans have been fully accrued.

*(s) Provision for product warranties*

The Company and certain consolidated subsidiaries provide for estimated product warranty costs for the warranty period after product delivery based on actual payments in the past.

(t) *Provision for loss on order received*

Estimated loss accrued in or after the next fiscal year is provided to cover possible future loss related to orders received if future losses is expected and can be reasonably estimated. (If the net sales value is negative after calculations based on the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued on July 5, 2006), the amounts are provided for as provision for loss on order received.)

(u) *Derivatives and hedge accounting*

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. When a forward foreign exchange contract meets certain conditions, the hedged item is stated at the forward exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. The Company uses forward foreign exchange contracts, interest rate swap contracts and interest rate cap contracts only for the purpose of mitigating future risk of fluctuation in foreign currency exchange rates and interest rates. In terms of forward foreign exchange contracts, the

Company uses them within the amounts of foreign currency receivables and authorized forecast transactions. The following table summarizes the derivative financial instruments used in hedge accounting and the related hedged items.

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency receivables
Interest rate swap contracts	Interest on short-term and long-term debt

The Company executes and manages derivative transactions in accordance with established internal policies and specified limits on the amounts of derivative transactions allowed. The derivative transactions are reported to and approved by the Board of Directors. The Company evaluates hedge effectiveness semiannually by comparing the cumulative changes in the hedging derivative instruments and the items hedged.

**(Additional information)**

***(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)***

Effective from the fiscal year ended March 31, 2017, the Company and its consolidated domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

**Note 2: Consolidated Statements of Comprehensive Income**

Amounts reclassified as net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ 7,352	¥ (5,336)	\$ 65,643
Reclassification adjustments	(1,065)	(993)	(9,509)
Subtotal, before tax	6,287	(6,329)	56,134
Tax (expense) or benefit	(1,804)	2,106	(16,107)
Subtotal, net of tax	4,483	(4,223)	40,027
Foreign currency translation adjustment:			
Increase (decrease) during the year	(1,006)	(2,533)	(8,982)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(73)	(874)	(652)
Reclassification adjustments	421	253	3,759
Subtotal, before tax	348	(621)	3,107
Tax (expense) or benefit	—	—	—
Subtotal, net of tax	348	(621)	3,107
Total other comprehensive income	¥ 3,825	¥ (7,377)	\$ 34,152



### Note 3: Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2017 and 2016 were as follows:

Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lease assets	¥ 40	¥ 37	\$ 357
Lease obligations	44	38	393

### Note 4: Income Taxes

The Company is subject to several taxes based on income with an aggregate statutory tax rate of approximately 30.8% in 2017 and 33.0% in 2016. As of March 31, 2017, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥47,809 million (\$426,866

thousand), which were available to offset the respective future taxable incomes of these companies. Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Deferred tax assets (current)</b>			
Accrued bonuses for employees/ provision for bonuses	¥ 1,560	¥ 1,133	\$ 13,929
Loss on valuation of inventories	2,810	2,396	25,089
Provision for product warranties	1,723	1,310	15,384
Unrealized income on inventories	1,082	1,153	9,661
Other	2,309	2,351	20,615
Valuation allowance	(3,502)	(3,181)	(31,268)
<b>Deferred tax liabilities (current)</b>			
Adjustment of allowance for doubtful accounts and other	(11)	(9)	(97)
Net deferred tax assets (current)	¥ 5,971	¥ 5,153	\$ 53,313
<b>Deferred tax assets (noncurrent)</b>			
Net operating loss carryforwards	¥ 14,760	¥ 18,224	\$ 131,786
Research and development expenses	1,248	1,236	11,143
Depreciation	1,597	1,163	14,259
Impairment loss	1,361	786	12,152
Net defined benefit liability	491	585	4,384
Other	2,509	2,095	22,401
Valuation allowance	(20,596)	(22,949)	(183,893)
<b>Deferred tax liabilities (noncurrent)</b>			
Undistributed earnings of consolidated overseas subsidiaries	(1,156)	(1,477)	(10,321)
Valuation difference on available-for-sale securities	(5,105)	(3,291)	(45,580)
Net defined benefit asset	(1,918)	(1,860)	(17,125)
Other	(4)	(5)	(36)
Net deferred tax liabilities (noncurrent)	¥ (6,813)	¥ (5,493)	\$ (60,830)

A reconciliation of the aggregate statutory income tax rate and the effective income tax rate as a percentage of income before income taxes for the years ended March 31, 2017 and 2016 was as follows:

	2017	2016
<b>Statutory income tax rate</b>	<b>30.8%</b>	33.0%
Nondeductible expenses	0.3	0.6
Valuation allowance	(6.0)	(12.3)
Tax rate difference from parent company	(1.9)	(2.1)
Undistributed earnings of consolidated overseas subsidiaries	(1.0)	(0.1)
Consolidated overseas subsidiaries' source of dividends	0.9	1.7
Other, net	(1.0)	0.1
Effective income tax rate	<b>22.1%</b>	20.9%

## Note 5: Short-Term and Long-Term Debt

Short-term debt generally consists of short-term notes from banks. There was no short-term debt as of March 31, 2017 and 2016.

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
0.35% to 1.69% loans from Japanese banks, due in installments through 2021			
Secured	¥ —	¥ —	\$ —
Unsecured	10,622	18,087	94,840
0.59% to 1.58% loans from a governmental institution, due in installments through 2021			
Secured	—	—	—
Unsecured	1,800	2,600	16,071
0.80% to 1.59% loans from an insurance company, due in installments through 2021			
Secured	—	—	—
Unsecured	2,565	2,379	22,902
2.00% unsecured notes, due June 7, 2016	—	8,600	—
1.34% unsecured notes, due September 26, 2016	—	5,000	—
Total	14,987	36,666	133,813
Current portion of long-term debt shown in current liabilities	(4,080)	(17,680)	(36,429)
Long-term debt, less current portion	¥ 10,907	¥ 18,986	\$ 97,384

As is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that additional security and guarantees for present and future indebtedness will be given upon request by the bank and that any collateral so furnished will be applicable to all indebtedness to that bank. In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term or short-term debt that becomes due and, in case of default and certain other specified events, against all other debts payable to the bank. To date, the Company has not received any such requests from its banks.

The Company has contracts for commitment lines by which banks are bound to extend loans up to a prearranged amount upon request. As of March 31,

2017, the total financing available under these contracts amounted to ¥30,000 million (\$267,857 thousand), and no amount of these commitment lines had been used.

The aggregate annual maturities of long-term debt are as follows:

Years ended March 31	Millions of yen	Thousands of
2019	¥ 5,680	\$ 50,714
2020	1,504	13,429
2021	3,614	32,268
2022	109	973
2023 and thereafter	—	—
Total	¥ 10,907	\$ 97,384

## Note 6: Net Assets and Per Share Data

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus. Under the Japanese Corporate Law (the "Law"), in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital

or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, and are potentially available for dividends. Both of these appropriations generally require a resolution of the shareholders' meeting. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of

the Company in accordance with Japanese laws and regulations. Net income per share is based on the weighted average number of shares of capital stock outstanding. Diluted net income per share is computed using the weighted average number of shares after assuming conversion of all dilutive convertible notes and the exercise of all outstanding stock acquisition rights. Diluted net income per share of capital stock for the fiscal year ended March 31, 2017 is not shown because there was no dilutive stock. The Company implemented a one-for-five consolidation of its common stock on October 1,

2016. Cash dividends per share are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016. At the annual shareholders' meeting held on June 27, 2017, the shareholders approved cash dividends of ¥87.00 (\$0.78) per share, totaling ¥4,086 million (\$36,482 thousand). The application had not been accrued in the consolidated financial statements as of March 31, 2017. Such appropriations are recognized in the period in which they are approved by the shareholders.

## Note 7: Inventories

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished goods	¥ 50,771	¥ 40,956	\$ 453,313
Work in process	32,943	28,657	294,134
Raw materials and supplies	8,007	7,020	71,491
Total	¥ 91,721	¥ 76,633	\$ 818,938

## Note 8: Leases

### 1. Finance leases

A. Information relating to finance leases for which the ownership of the leased assets is considered to be transferred to the lessee as of and for the years ended March 31, 2017 and 2016 was as follows:

(As lessee)

#### 1) Description of leased assets

1. Tangible fixed assets: Mainly the production facilities in the Semiconductor Solutions business ("Machinery, equipment and other")

2. Intangible fixed assets: Software

#### 2) Depreciation method for leased assets

As described in Note 1, "Summary of Significant Accounting and Reporting Policies, (f) Depreciation"

B. Information related to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2017 and 2016 was as follows:

(As lessee)

#### 1) Description of leased assets

1. Tangible fixed assets: Mainly the production facilities and the R&D facilities in the

Semiconductor Solutions business ("Buildings and structures" and "Machinery, equipment and other")

2. Intangible fixed assets: Software

#### 2) Depreciation method for leased assets

As described in Note 1, "Summary of Significant Accounting and Reporting Policies, (f) Depreciation"

2. Operating leases

(As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 626	¥ 429	\$ 5,589
Due after one year	962	688	8,590
Total	¥ 1,588	¥ 1,117	\$ 14,179

## Note 9: Segment Information

### 1. General information about reportable segments

#### (1) Calculation method for reportable segments

The SCREEN Group's reportable segments are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results.

Under a holding company structure, the Company has the business operating companies categorized as product or service segments. Each business operating company plans and executes overall business plans in their specific areas of operation.

Consequently, the SCREEN Group has created three business segments for reporting: the Semiconductor Solutions (SE) segment, the Graphic and Precision Solutions (GP) segment and the Finetech Solutions (FT) segment, categorized by products based on these business operating companies.

### (2) Products and services of reportable segments

The SE segment develops and manufactures semiconductor production equipment and conducts sales and maintenance services. In the GP segment, graphic arts equipment and PCB related equipment are developed, manufactured, sold and maintained. The FT segment develops, manufactures, and markets FPD production equipment and others and conducts maintenance services.

### 2. Basis of measurement about reportable segment income (loss), segment assets and other material items

The accounting methods applied to reported business segments are identical with those stated in Note 1, "Summary of Significant Accounting and Reporting Policies." Income for each reportable segment reflects operating income. Intersegment revenues and transfers are calculated based on market prices.

### 3. Information about reportable segment income (loss), segment assets and other material items

As of and for the year ended March 31, 2017	Millions of yen					
	Reportable segment			Others	Adjustments	Consolidated
	SE	GP	FT			
<b>Sales</b>						
Sales to outside customers	¥ 205,989	¥ 54,697	¥ 38,095	¥ 1,453	¥ —	¥ 300,234
Intersegment sales and transfers	109	51	9	13,353	(13,522)	—
<b>Total</b>	<b>206,098</b>	<b>54,748</b>	<b>38,104</b>	<b>14,806</b>	<b>(13,522)</b>	<b>300,234</b>
Segment income (loss)	¥ 29,315	¥ 2,224	¥ 4,392	¥ (1,453)	¥ (746)	¥ 33,732
Segment assets	¥ 163,899	¥ 51,000	¥ 31,826	¥ 9,054	¥ 44,881	¥ 300,660
<b>Other</b>						
Depreciation and amortization	2,602	688	102	344	1,662	5,398
Impairment loss	—	1,753	—	—	103	1,856
Capital expenditures	5,070	1,111	297	686	1,092	8,256

As of and for the year ended March 31, 2016	Millions of yen					
	Reportable segment			Others	Adjustments	Consolidated
	SE	GP	FT			
<b>Sales</b>						
Sales to outside customers	¥ 165,801	¥ 61,231	¥ 31,558	¥ 1,085	¥ —	¥ 259,675
Intersegment sales and transfers	0	49	32	11,553	(11,634)	—
<b>Total</b>	<b>165,801</b>	<b>61,280</b>	<b>31,590</b>	<b>12,638</b>	<b>(11,634)</b>	<b>259,675</b>
Segment income (loss)	¥ 18,716	¥ 3,169	¥ 2,748	¥ (1,138)	¥ 62	¥ 23,557
Segment assets	¥ 132,524	¥ 50,334	¥ 28,372	¥ 6,637	¥ 52,227	¥ 270,094
<b>Other</b>						
Depreciation and amortization	2,490	646	88	185	1,621	5,030
Impairment loss	113	—	—	—	114	227
Capital expenditures	3,571	823	181	245	1,532	6,352

As of and for the year ended March 31, 2017	Thousands of U.S. dollars					
	Reportable segment			Others	Adjustments	Consolidated
	SE	GP	FT			
<b>Sales</b>						
Sales to outside customers	\$1,839,188	\$488,366	\$340,134	\$ 12,973	\$ —	\$2,680,661
Intersegment sales and transfers	973	455	80	119,224	(120,732)	—
Total	1,840,161	488,821	340,214	132,197	(120,732)	2,680,661
Segment income (loss)	\$ 261,741	\$ 19,857	\$ 39,214	\$(12,972)	\$ (6,661)	\$ 301,179
Segment assets	\$1,463,384	\$455,357	\$284,161	\$ 80,839	\$ 400,723	\$2,684,464
<b>Other</b>						
Depreciation and amortization	23,232	6,143	911	3,071	14,839	48,196
Impairment loss	—	15,652	—	—	919	16,571
Capital expenditures	45,268	9,920	2,652	6,124	9,750	73,714

- Notes: 1. The “Other” category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and other, software development, planning and production of printed matter and other businesses.
2. Segment operating income (loss) adjustments of ¥(746) million (\$6,661 thousand) and ¥62 million for the years ended March 31, 2017 and 2016 are the Company’s profit (loss) not attributable to reportable segment.
- Segment assets adjustments of ¥44,881 million (\$400,723 thousand) and ¥52,227 million for the year ended March 31, 2017 and 2016, respectively, are the corporate assets not apportioned to each reportable segment.
3. Segment income (loss) is adjusted with operating income (loss) under consolidated statements of operations.

## <Related Information>

### 1. Information about geographic areas

#### (1) Net Sales

Years ended March 31,	Millions of yen				Thousands of U.S. dollars
	2017		2016		2017
Japan	¥ 59,386	(19.8%)	¥ 73,229	(28.2%)	\$ 530,232
Taiwan	93,749	(31.2%)	65,576	(25.2%)	837,045
South Korea	20,509	(6.8%)	20,666	(8.0%)	183,116
China	49,981	(16.7%)	31,996	(12.3%)	446,259
United States	27,246	(9.1%)	35,733	(13.8%)	243,268
Europe	22,873	(7.6%)	20,160	(7.8%)	204,223
Other	26,490	(8.8%)	12,315	(4.7%)	236,518
Total	¥ 300,234	(100.0%)	¥ 259,675	(100.0%)	\$ 2,680,661

- Notes: 1. Net sales are categorized by country or geographic area based on the location of the customer.
2. The numbers shown in parentheses are component ratios.

#### (2) Property, plant and equipment

Information about property, plant and equipment by geographic area is omitted because the amount of fixed assets held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

### 2. Information about major customers

Year ended March 31, 2017	Millions of yen	Thousands of U.S. dollars
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥ 71,860	\$ 641,607
Year ended March 31, 2016	Millions of yen	
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥ 35,337	

## Note 10: Contingent Liabilities

As of March 31, 2017 and 2016, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
As guarantors of			
Employees' housing loans	¥ 37	¥ 66	\$ 330
Trade notes receivable endorsed	47	47	420
Total	¥ 84	¥ 113	\$ 750

## Note 11: Financial Instruments

### 1. Qualitative information on financial instruments

#### A. Qualitative information on financial instruments

The SCREEN Group procures funds necessary to conduct business by means such as loans from financial institutions and the issuance of bonds in accordance with annual funding plans. Investments of capital are limited to instruments that satisfy safety and liquidity requirements. Derivative transactions are used only to hedge financial risk such as the risk of fluctuations in exchange rates and interest rates. Speculative transactions are not undertaken.

#### B. Details of financial instruments used, risks and processes for risk management

Financial instruments	Risks	Processes for risk management
Trade notes and accounts receivable	Credit risk of clients	The amounts outstanding are managed for each client and by due date. Also, the financial condition of the clients is monitored.
Accounts receivable denominated in foreign currency	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by using forward foreign exchange contracts on certain portions of the receivables.
Investments in securities	Risk of fluctuation in market prices	The fair values of the instruments and financial conditions of issuers are regularly monitored.
Trade notes and accounts payable, loans, bonds and lease obligations	Liquidity risk	Funding plans are prepared and renewed, and a certain level of liquidity on hand is maintained.
Portion of loans	Risk of fluctuation in interest rates	The risk is hedged by using interest rate swaps.

The derivative transactions which the Company uses are forward foreign exchange contracts and interest rate swap contracts and are only used for the purpose of mitigating risks of fluctuation in foreign currency exchange rates and interest rates. For information about hedging instruments, hedged items, hedging policies, evaluation of hedge effectiveness and management of derivative transactions, see Note 1, "Summary of Significant Accounting and Reporting Policies (u) Derivatives and hedge accounting." The Company believes that its credit risk is insignificant as the counterparties to its derivative transactions are limited to creditable financial institutions.

#### C. Supplemental information on fair values

The contract amounts of the derivative transactions described in Note 12, "Derivative Transactions," do not reflect the market risks of the derivative transactions themselves.

## 2. Fair values of financial instruments

As of March 31, 2017 and 2016, the book value and fair value of financial instruments and any differences between these figures are set forth in the table below. The table does not include financial instruments whose fair values were not readily determinable. (See Note 3, “Consolidated Statements of Cash Flows.”)

Years ended March 31,	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 48,833	¥ 48,833	¥ —	¥ 32,372	¥ 32,372	¥ —	\$ 436,009	\$ 436,009	\$ —
(2) Trade notes and accounts receivable	59,152	59,154		67,587	67,589		528,143	528,160	
Allowance for doubtful receivables <sup>(*)</sup>	(569)	(569)		(789)	(789)		(5,080)	(5,080)	
	58,583	58,585	2	66,798	66,800	2	523,063	523,080	17
(3) Investments in securities									
Available-for-sale securities	32,368	32,368	—	27,717	27,717	—	289,000	289,000	—
Total assets	¥139,784	¥139,786	2	¥126,887	¥126,889	2	\$1,248,072	\$1,248,089	\$ 17
(1) Notes and accounts payable – trade	¥ 84,302	¥ 84,302	—	¥ 70,060	¥ 70,060	—	\$ 752,696	\$ 752,696	\$ —
(2) Long-term debt	14,987	15,041	54	36,666	37,051	385	133,813	134,295	482
(3) Lease obligations	2,600	4,332	1,732	2,970	4,699	1,729	23,214	38,679	15,465
Total liabilities	¥101,889	¥103,675	¥1,786	¥109,696	¥111,810	¥2,114	\$ 909,723	\$ 925,670	\$15,947
Derivative transactions <sup>(*)</sup>									
(1) Without application of hedge accounting	¥ (218)	¥ (218)	¥ —	¥ 130	¥ 130	¥ —	\$ (1,946)	\$ (1,946)	\$ —
(2) With application of hedge accounting	—	—	—	—	—	—	—	—	—
Total derivative transactions	¥ (218)	¥ (218)	¥ —	¥ 130	¥ 130	¥ —	\$ (1,946)	\$ (1,946)	\$ —

(\*1) Allowance for doubtful receivables recorded for trade notes and accounts receivable is subtracted.

(\*2) Net assets and liabilities incurred by derivative transactions are shown in net figures, and items whose total amounts are liabilities are indicated in parentheses.

Notes: 1. Method of estimating fair values of financial instruments and items regarding investment in securities, and derivative transactions

### Assets

#### (1) Cash, cash equivalents and time deposits

As these assets are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values

#### (2) Trade notes and accounts receivable

The fair values of these assets are based on the current value classified by length of time until settlement and discounted with consideration for the length of time until settlement and credit risk.

#### (3) Investments in securities

The fair values of securities are based on market prices on the stock exchange. For information about securities classified by purpose, see Note 13, “Securities.”

### Liabilities

#### (1) Notes and accounts payable-trade

As these liabilities are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values.

#### (2) Long-term debt

The fair values of bonds are based on the “Reference Statistical Prices [Yields] for OTC Bond Transactions” released by Japan Securities Dealers Association. The fair values of other long-term debt are based on the current value, which is the principal discounted with consideration for the length of time until repayment and credit risk.

(3) Lease obligations

The fair values of lease obligations are based on the current value, which is the principal discounted with consideration for the length of the remaining period of lease obligation and credit risk.

Derivative transactions

See Note 12, "Derivative Transactions."

2. The book values of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2017 and 2016 were as follows:

Category	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
	Book value	Book value	Book value
Non-listed equity securities	¥ 837	¥ 823	\$ 7,473

The amount in the above table includes investments in nonconsolidated subsidiary of ¥6 million (\$54 thousand). These items do not have market prices and are deemed to require excessive cost to estimate the future cash flows. Therefore, they are not included in (3) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values.

3. Expected redemption amounts of receivables and securities with maturities after the consolidated financial statement date

	Millions of yen								Thousands of U.S. dollars			
	2017				2016				2017			
	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years
Cash, cash equivalents and time deposits	¥ 48,812	¥ —	¥ —	¥ —	¥32,352	¥ —	¥ —	¥ —	\$435,821	\$ —	\$ —	\$ —
Trade notes and accounts receivable	58,682	470	—	—	67,117	470	—	—	523,947	4,196	—	—
Investments in securities – available-for-sale securities with maturities	—	—	—	—	—	—	—	—	—	—	—	—
Total	¥107,494	¥470	¥—	¥—	¥99,469	¥470	¥—	¥—	\$959,768	\$4,196	\$—	\$—

4. Expected repayment amounts of long-term debt after the consolidated financial statements date

See Note 5, "Short-Term and Long-Term Debt."



## Note 12: Derivative Transactions

Outstanding derivative transactions as of March 31, 2017 and 2016 were as follows:

### 1. Derivative transactions for which hedge accounting has not been applied

#### Currency related

Years ended March 31,	Millions of yen								Thousands of U.S. dollars			
	2017				2016				2017			
	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Sell – U.S. dollars)	¥ 4,739	¥ —	¥ (151)	¥ (151)	¥ 4,808	¥ —	¥ 158	¥ 158	\$ 42,313	\$ —	\$ (1,347)	\$ (1,347)
(Sell – Euro)	2,910	837	(63)	(63)	1,922	—	6	6	25,982	7,473	(563)	(563)
(Sell – Pound)	208	—	(2)	(2)	—	—	—	—	1,857	—	(18)	(18)
(Sell – Australian dollars)	42	—	(1)	(1)	102	—	(1)	(1)	375	—	(9)	(9)
(Sell – Singapore dollars)	240	—	(1)	(1)	329	—	(3)	(3)	2,143	—	(9)	(9)
Total	¥ 8,139	¥ 837	¥ (218)	¥ (218)	¥ 7,161	¥ —	¥ 160	¥ 160	\$ 72,670	\$ 7,473	\$ (1,946)	\$ (1,946)

Notes: Method of estimating fair value

The fair values of exchange forward transactions as of March 31, 2017 and 2016 were estimated based on the prices presented by financial institutions.

Years ended March 31,	Millions of yen								Thousands of U.S. dollars			
	2017				2016				2017			
	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Buy – U.S. dollars)	¥ —	¥ —	¥ —	¥ —	¥ 616	¥ —	¥ (30)	¥ (30)	\$ —	\$ —	\$ —	\$ —
Total	¥ —	¥ —	¥ —	¥ —	¥ 616	¥ —	¥ (30)	¥ (30)	\$ —	\$ —	\$ —	\$ —

Note: Method of estimating fair value

The fair values of exchange forward transactions as of March 31, 2016 were estimated based on the prices presented by financial institutions.

### 2. Derivative transactions for which hedge accounting has been applied

#### (1) Currency related

Years ended March 31,	Hedged items	Millions of yen						Thousands of U.S. dollars		
		2017			2016			2017		
		Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value
Alternative method for forward foreign exchange contracts										
(Sell – U.S. dollars)	Accounts receivable	¥ 56	¥ —	Note	¥ 1,179	¥ —	Note	\$ 500	\$ —	Note
(Sell – Euro)	Accounts receivable	217	—	Note	—	—	Note	1,938	—	Note
Total		¥ 273	¥ —	Note	¥ 1,179	¥ —	Note	\$ 2,438	\$ —	Note

Note: Forward foreign exchange contracts subject to alternative method are accounted for together with accounts receivable as hedged items. Accordingly, their fair values are included in the fair values of accounts receivable.

(2) Interest rate related

Years ended March 31,	Hedged items	Millions of yen						Thousands of U.S. dollars		
		2017			2016			2017		
		Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value
Exceptional accounting for interest rate swap contracts										
Fixed rate payments and variable rate receipts	<b>Long-term loans</b>	<b>¥ 2,100</b>	<b>¥ 1,260</b>	<b>Note</b>	¥ 2,940	¥ 2,100	Note	<b>\$ 18,750</b>	<b>\$ 11,250</b>	<b>Note</b>

Note: Interest rate swap contracts subject to exceptional accounting treatment are accounted for together with long-term debt as hedged items. Accordingly, their fair values are included in the fair values of long-term debt.

**Note 13: Securities**

1. The following table summarizes acquisition costs and book values and any differences between these amounts of securities with available fair values as of March 31, 2017 and 2016:

*Available-for-sale securities*

	Millions of yen						Thousands of U.S. dollars			
	2017			2016			2017			
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	
Securities with book values exceeding acquisition costs:										
Equity securities	<b>¥ 12,788</b>	<b>¥ 30,881</b>	<b>¥ 18,093</b>	¥ 14,050	¥ 26,122	¥ 12,072	<b>\$ 114,178</b>	<b>\$ 275,723</b>	<b>\$ 161,545</b>	
Others	—	—	—	—	—	—	—	—	—	
Total	<b>¥ 12,788</b>	<b>¥ 30,881</b>	<b>¥ 18,093</b>	¥ 14,050	¥ 26,122	¥ 12,072	<b>\$ 114,178</b>	<b>\$ 275,723</b>	<b>\$ 161,545</b>	
Other securities:										
Equity securities	¥ 1,633	¥ 1,487	¥ (146)	¥ 2,012	¥ 1,595	¥ (417)	\$ 14,581	\$ 13,277	\$ (1,304)	
Others	—	—	—	—	—	—	—	—	—	
Total	<b>¥ 1,633</b>	<b>¥ 1,487</b>	<b>¥ (146)</b>	¥ 2,012	¥ 1,595	¥ (417)	<b>\$ 14,581</b>	<b>\$ 13,277</b>	<b>\$ (1,304)</b>	

2. Total sales of available-for-sale securities for the year ended March 31, 2017 amounted to ¥2,733 million (\$24,402 thousand), and the related total gain and loss amounted to ¥1,065 million (\$9,509 thousand) and ¥0 million (\$0 thousand), respectively. Total sales of available-for-sale securities for the year ended March 31, 2016 amounted to ¥2,510 million, and the related total gain and loss amounted to ¥1,006 million and ¥13 million, respectively.

## Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2017 and 2016 was as follows:

### 1. Defined benefit plans

#### (1) Movements in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 32,601	¥ 32,012	\$ 291,080
Service cost	1,507	1,468	13,455
Interest cost	341	341	3,045
Actuarial loss (gain)	(336)	(272)	(3,000)
Benefits paid	(1,023)	(1,108)	(9,134)
Other	91	160	813
Balance at end of year	¥ 33,181	¥ 32,601	\$ 296,259

#### (2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 36,143	¥ 36,043	\$ 322,705
Expected return on plan assets	971	977	8,670
Actuarial loss (gain)	(426)	(1,124)	(3,804)
Contributions paid by the employer	1,176	1,179	10,500
Benefits paid	(1,002)	(1,080)	(8,946)
Other	258	149	2,304
Balance at end of year	¥ 37,120	¥ 36,144	\$ 331,429

#### (3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligations	¥ 33,164	¥ 32,581	\$ 296,107
Plan assets	37,120	36,144	331,429
	(3,956)	(3,563)	(35,322)
Unfunded retirement benefit obligations	17	20	152
Total net liability (asset) for retirement benefits	¥ (3,939)	¥ (3,543)	\$ (35,170)
Net defined benefit liability	764	737	6,821
Net defined benefit asset	4,703	4,280	41,991
Total net liability (asset) for retirement benefits	¥ (3,939)	¥ (3,543)	\$ (35,170)

#### (4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 1,507	¥ 1,468	\$ 13,455
Interest cost	341	341	3,045
Expected return on plan assets	(971)	(977)	(8,670)
Net actuarial loss amortization	437	233	3,902
Total retirement benefit costs	¥ 1,314	¥ 1,065	\$ 11,732

(5) Remeasurements of defined benefit plans in other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial gains and losses	¥ 348	¥ (621)	\$ 3,107
Total balance	¥ 348	¥ (621)	\$ 3,107

(6) Remeasurements of defined benefit plans in accumulated comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial gains and losses that are yet to be recognized	¥ (1,413)	¥ (1,761)	\$ (12,616)
Total balance	¥ (1,413)	¥ (1,761)	\$ (12,616)

(7) Plan assets

1. Plan assets comprise:

	2017	2016
Bonds	46%	56%
Equity securities	22%	21%
Cash and cash equivalents	4%	3%
Life insurance company general accounts	20%	20%
Alternative	8%	—
Total	100%	100%

Note: Alternative is investment mainly for multi-asset investment fund.

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2017 and 2016 were as follows:

	2017	2016
Discount rate	0.9%~1.3%	0.9%~1.3%
Long-term expected rate of return	3.0%	3.0%

The Group does not take into account an expected pay raise rate in calculating retirement benefit costs.

2. Defined contribution plans

Contributions paid by the Company and its consolidated subsidiaries to defined contribution plans for the fiscal year ended March 31, 2017 and 2016 amounted to ¥700 million (\$6,250 thousand) and ¥734 million, respectively.

**Note 15: Impairment of Fixed Assets**

For the year ended March 31, 2017, the Company and its consolidated subsidiaries recorded impairment loss of ¥1,856 million (\$16,571 thousand). Significant properties included in this loss are listed in the table below.

(1) Assets for which impairment loss was recognized

Location	Major use	Asset category	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Kumiyama-cho, Kuze-gun, Kyoto, etc.	Operating assets	Machinery and equipment, etc.	¥ 1,753	\$ 15,652

(2) Background to recognition of impairment loss

The estimated future cash flows generated from the use of the groups of assets held by SCREEN Graphic and Precision Solutions Co., Ltd. fell below book values, and accordingly the book values of the assets were reduced to their recoverable amount, and the reduction was recorded as an impairment loss in other expenses.

*(3) Breakdown of impairment loss*

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment		
Buildings and structures	¥ 26	\$ 232
Machinery, equipment and other	1,405	12,545
Lease assets	2	18
Investments and other assets		
Other assets	320	2,857
<b>Total</b>	<b>¥ 1,753</b>	<b>\$ 15,652</b>

*(4) Grouping*

For assessing fixed asset impairment, the SCREEN Group generally groups its assets at each company level. The Company and its consolidated subsidiaries group their idle assets by the individual asset.

*(5) Calculation method for recoverable amounts*

The recoverable amounts of business assets are based on net sales values, and assets which are deemed difficult to be sold or converted to a different use are assessed at zero.

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### **Notice to Investors**

The accompanying unaudited consolidated financial statements of the Group as at and for the fiscal year ended 31 March 2018 (including corresponding figures as at and for the fiscal year ended 31 March 2017), are English translations of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2018. Such consolidated financial statements are unaudited and there can be no assurance that such unaudited consolidated financial information will accord in all respects to the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018 which are currently being prepared by the Group and will be published towards the end of June 2018. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018 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 2018 included in this Offering Circular and the audited consolidated financial statements as at and for the fiscal year ended 31 March 2018, 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 year ended 31 March 2018 becoming available.

## CONSOLIDATED BALANCE SHEETS

	(Millions of yen)	
	Mar. 31, 2017	Mar. 31, 2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and time deposits	¥ 48,832	¥ 53,114
Notes and accounts receivable – trade	57,026	71,887
Electronically recorded monetary claims – operating	2,125	13,519
Merchandise and finished goods	50,770	51,303
Work in process	32,943	44,262
Raw materials and supplies	8,007	10,755
Deferred tax assets	5,972	6,729
Other	10,050	10,500
Allowance for doubtful accounts	(569)	(587)
Total current assets	215,159	261,485
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	52,603	53,307
Accumulated depreciation	(38,484)	(39,137)
Buildings and structures (Net)	14,118	14,170
Machinery, equipment and vehicles	39,355	44,395
Accumulated depreciation	(27,869)	(30,161)
Machinery, equipment and vehicles (Net)	11,486	14,234
Land	9,554	9,662
Lease assets	6,426	5,024
Accumulated depreciation	(3,970)	(3,153)
Lease assets (Net)	2,455	1,871
Construction in progress	1,886	6,125
Other	12,375	13,384
Accumulated depreciation	(10,118)	(10,474)
Other (Net)	2,256	2,910
Total property, plant and equipment	41,757	48,973
<b>Intangible assets:</b>		
Lease assets	35	24
Other	2,868	4,928
Total intangible assets	2,904	4,953
<b>Investments and other assets:</b>		
Investment securities	33,204	41,479
Long-term loans receivable	6	6
Net defined benefit asset	4,703	5,576
Deferred tax assets	536	438
Other	2,920	3,553
Allowance for doubtful accounts	(532)	(273)
Total investments and other assets	40,838	50,781
Total non-current assets	85,500	104,707
<b>Total assets</b>	<b>300,659</b>	<b>366,193</b>



	(Millions of yen)	
	Mar. 31, 2017	Mar. 31, 2018
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable – trade	¥ 26,300	¥ 30,911
Electronically recorded obligations – operating	58,001	84,199
Current portion of long-term loans payable	4,079	5,679
Lease obligations	404	390
Income taxes payable	6,509	9,650
Notes payable-facilities	0	3
Electronically recorded obligations – facilities	6	26
Advances received	17,188	17,142
Provision for bonuses	3,405	4,204
Provision for directors’ bonuses	82	219
Provision for product warranties	5,761	6,373
Provision for loss on order received	88	58
Other	13,747	16,669
Total current liabilities	135,575	175,529
<b>Non-current liabilities:</b>		
Long-term loans payable	10,906	5,227
Lease obligations	2,195	1,858
Deferred tax liabilities	7,349	10,787
Net defined benefit liability	764	856
Provision for directors’ retirement benefits	130	141
Provision for stock payment	—	28
Provision for management board incentive plan trust	—	45
Asset retirement obligations	48	56
Other	773	782
Total non-current liabilities	22,168	19,783
Total liabilities	157,743	195,312
<b>NET ASSETS</b>		
<b>Shareholders’ equity:</b>		
Capital stock	54,044	54,044
Capital surplus	4,600	4,546
Retained earnings	92,936	117,358
Treasury stock	(15,299)	(18,085)
Total shareholders’ equity	136,282	157,864
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,847	18,427
Foreign currency translation adjustment	(4,911)	(4,714)
Remeasurements of defined benefit plans	(1,413)	(738)
Total accumulated other comprehensive income	6,522	12,974
<b>Non-controlling interests</b>	111	40
<b>Total net assets</b>	142,915	170,880
<b>Total liabilities and net assets</b>	300,659	366,193

## CONSOLIDATED STATEMENTS OF INCOME

	(Millions of yen)			
	Apr. 1, 2016- Mar.31, 2017		Apr.1, 2017- Mar.31, 2018	
<b>Net sales</b>	¥	300,233	¥	<b>339,368</b>
<b>Cost of sales</b>		206,686		<b>229,837</b>
<b>Gross profit</b>		93,547		<b>109,531</b>
<b>Selling, general and administrative expenses</b>		59,815		<b>66,806</b>
<b>Operating income</b>		33,731		<b>42,725</b>
<b>Non-operating income</b>				
Interest income		58		71
Dividends income		504		527
Insurance income		109		189
Compensation income		130		22
Other		493		295
Total non-operating income		1,296		<b>1,106</b>
<b>Non-operating expenses</b>				
Interest expenses		818		603
Foreign exchange losses, net		314		761
Loss on retirement of non-current assets		1,231		611
Other		643		526
Total non-operating expenses		3,008		<b>2,502</b>
<b>Ordinary income</b>		32,019		<b>41,329</b>
<b>Extraordinary income</b>				
Gain on sales of investment securities		1,064		872
Total extraordinary income		1,064		872
<b>Extraordinary loss</b>				
Loss on valuation of investment securities		173		166
Impairment loss		1,855		76
Other		0		5
Total extraordinary loss		2,029		<b>249</b>
Income before income taxes		31,055		<b>41,952</b>
Income taxes		8,192		<b>13,389</b>
Income taxes-deferred		(1,323)		82
Total income taxes		6,868		<b>13,471</b>
Profit		24,186		<b>28,480</b>
Profit (loss) attributable to non-controlling interests		17		<b>(26)</b>
<b>Profit attributable to owners of parent</b>		24,168		<b>28,507</b>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(Millions of yen)	
	Apr. 1, 2016- Mar.31, 2017	Apr.1, 2017- Mar.31, 2018
<b>Profit</b>	¥ 24,186	¥ 28,480
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,483	5,579
Foreign currency translation adjustment	(1,006)	197
Remeasurements of defined benefit plans	347	675
Total other comprehensive income	3,824	6,452
<b>Comprehensive income</b>	28,011	34,933
Comprehensive income attributable to:		
Owners of parent	27,999	34,959
Non-controlling interests	11	(26)

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Millions of yen)

Fiscal year ended March 31, 2017	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of beginning of current period	¥54,044	¥4,583	¥71,602	¥(13,272)	¥116,957
Increase (decrease) during the period					
Dividends from surplus			(2,833)		(2,833)
Profit attributable to owners of parent			24,168		24,168
Acquisition of treasury stock				(2,027)	(2,027)
Disposal of treasury stock		0		0	0
Purchase of consolidated subsidiaries' treasury stock		(2)			(2)
Purchase of shares of consolidated subsidiaries		19			19
Other					—
Total changes during the period	—	16	21,334	(2,027)	19,324
Balance as of end of current period	54,044	4,600	92,936	(15,299)	136,282

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of beginning of current period	¥ 8,364	¥(3,911)	¥(1,761)	¥2,692	¥ 638	¥120,288	
Increase (decrease) during the period							
Dividends from surplus				—		(2,833)	
Profit attributable to owners of parent				—		24,168	
Acquisition of treasury stock				—		(2,027)	
Disposal of treasury stock				—		0	
Purchase of consolidated subsidiaries' treasury stock				—		(2)	
Purchase of shares of consolidated subsidiaries				—		19	
Other	4,483	(1,000)	347	3,830	(527)	3,302	
Total changes during the period	4,483	(1,000)	347	3,830	(527)	22,627	
Balance as of end of current period	12,847	(4,911)	(1,413)	6,522	111	142,915	

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Millions of yen)

Fiscal year ended March 31, 2018	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of beginning of current period	¥54,044	¥4,600	¥ 92,936	¥(15,299)	¥136,282
Increase (decrease) during the period					
Dividends from surplus			(4,085)		(4,085)
Profit attributable to owners of parent			28,507		28,507
Acquisition of treasury stock				(2,785)	(2,785)
Disposal of treasury stock					—
Purchase of consolidated subsidiaries' treasury stock		(53)			(53)
Purchase of shares of consolidated subsidiaries					—
Other					—
Total changes during the period	—	(53)	24,421	(2,785)	21,582
Balance as of end of current period	54,044	4,546	117,358	(18,085)	157,864

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of beginning of current period	¥12,847	¥(4,911)	¥(1,413)	¥ 6,522	¥111	¥142,915
Increase (decrease) during the period						
Dividends from surplus				—		(4,085)
Profit attributable to owners of parent				—		28,507
Acquisition of treasury stock				—		(2,785)
Disposal of treasury stock				—		—
Purchase of consolidated subsidiaries' treasury stock				—		(53)
Purchase of shares of consolidated subsidiaries				—		—
Other	5,580	196	675	6,452	(70)	6,381
Total changes during the period	5,580	196	675	6,452	(70)	27,964
Balance as of end of current period	18,427	(4,714)	(738)	12,974	40	170,880

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr.1, 2016- Mar.31, 2017	Apr.1, 2017- Mar.31, 2018
<b>Cash flow from operating activities:</b>		
Income before income taxes	¥ 31,055	¥ 41,952
Depreciation and amortization	5,397	5,708
Impairment loss	1,855	76
Loss (gain) on valuation of investment securities	173	166
Loss (gain) on sales of investment securities	(1,064)	(872)
Loss on retirement of non-current assets	1,231	611
Increase (decrease) in net defined benefit liability	(12)	(159)
Increase (decrease) in provision for bonuses	2,360	798
Increase (decrease) in provision for directors' bonuses	9	137
Increase (decrease) in provision for stock payment	—	28
Increase (decrease) in provision for management board incentive plan trust	—	45
Increase (decrease) in provision for product warranties	1,189	610
Increase (decrease) in provision for loss on order received	86	(30)
Interest and dividend income	(563)	(598)
Interest expenses	818	603
Decrease (increase) in notes and accounts receivable including electronically recorded monetary claims	8,175	(25,928)
Decrease (increase) in inventories	(16,397)	(17,390)
Decrease (increase) in other current assets	(1,534)	441
Increase (decrease) in notes and accounts payable including electronically recorded obligations	14,682	30,011
Increase (decrease) in other current liabilities	8,920	3,485
Other, net	345	109
Subtotal	56,730	39,806
Interest and dividend income received	564	593
Interest expenses paid	(876)	(595)
Contribution in connection with the shift to a defined-contribution pension plan	(0)	(1)
Income taxes paid	(7,394)	(10,924)
Net cash provided by operating activities	49,024	28,878
<b>Cash flow from investing activities:</b>		
Decrease (increase) in time deposits	(1,707)	1,625
Purchase of property, plant and equipment	(5,496)	(9,907)
Proceeds from sales of property, plant and equipment	313	398
Purchase of investment securities	(192)	(825)
Proceeds from sales of investment securities	2,732	1,549
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(34)
Payments for transfer of business	—	(1,341)
Other, net	(1,508)	(2,694)
Net cash used in investing activities	(5,860)	(11,230)
<b>Cash flow from financing activities:</b>		
Proceeds from long-term loans payable	1,000	—
Repayments of long-term loans payable	(9,079)	(4,079)
Repayments of finance lease obligations	(415)	(413)
Redemption of bonds	(13,600)	—
Net decrease (increase) in treasury stock	(2,027)	(2,785)
Cash dividends paid	(2,833)	(4,068)
Dividends paid to non-controlling interests	(3)	—
Payments related to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(513)	—
Purchase of treasury stock of consolidated subsidiaries	(6)	(164)
Net cash used in financing activities	(27,479)	(11,512)
Effect of exchange rate changes on cash and cash equivalents	(918)	(241)
Net increase (decrease) in cash and cash equivalents	14,766	5,894
Cash and cash equivalents at beginning of period	30,156	44,922
Cash and cash equivalents at end of period	44,922	50,817

## SEGMENT INFORMATION

### 1. Segment Overview

#### *(1) Reportable Segments*

The SCREEN Group's reportable segments are the business units for which the Company obtains financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results.

The Group utilizes a holding company structure under which it has established business operating companies organized by categories of products and services. Each business operating company establishes a comprehensive strategy and implements business activities related to the products and services it handles for both domestic and overseas markets.

Accordingly, the SCREEN Group comprises four reportable segments based on said business operating companies and organized by products and services. The four segments are as follows: Semiconductor Equipment Business (SE), Graphic Arts Equipment Business (GA), Display Production Equipment and Coater Business (FT), and PCB-Related Equipment Business (PE).

#### *(2) Products and Services of Reportable Segments*

The SE segment develops and manufactures semiconductor production equipment and conducts sales and maintenance services. In the GA segment, graphic arts equipment is developed, manufactured, sold and maintained. The FT segment develops, manufactures and markets display production equipment and coater equipment, and it also conducts maintenance services. In the PE segment, PCB related equipment is developed, manufactured, sold and maintained.

#### *(Changes in reportable segments)*

On April 1, 2017, the printed circuit board (PCB)-related equipment business of the previous SCREEN Graphic and Precision Solutions Co., Ltd. was spun off to form SCREEN PE Solutions Co., Ltd., a fully owned Group subsidiary. Consequently, from the fiscal year ended March 31, 2018, the Graphic arts equipment and PCB-related equipment businesses were classified as reportable segments under the segment names Graphic arts equipment (GA) business and PCB-related equipment (PE) business.

In line with these changes, the other reportable segments have also been renamed as follows:

Semiconductor solutions (SE) business → Semiconductor equipment (SE) business

Finetech solutions (FT) business → Display production equipment and coater (FT) business

Segment information for the previous fiscal year has been prepared according to the reclassified segments and is presented under "Net Sales, Income (loss), Assets and Other amounts by Reportable Segment" for the fiscal year ended March 31, 2017.

### 2. Measurement of Net Sales, Income (loss), Assets and Other amounts by Reportable Segment

Income for each reportable segment is based on operating income. Intersegment revenues and transfers are based on market prices.

## SEGMENT INFORMATION

### 3. Net Sales, Income (loss), Assets and Other amounts by Reportable Segment

(Millions of yen)

	Fiscal year ended March 31, 2017								
	Reportable segment					Other*1	Total	Adjustments*2	Consolidated*3
	SE	GA	FT	PE	Total				
Sales									
(1) Sales to outside customers	¥205,988	¥45,778	¥38,094	¥8,918	¥298,781	¥ 1,452	¥300,233	¥ —	¥300,233
(2) Intersegment sales and transfers	108	51	9	—	169	13,353	13,522	(13,522)	—
Total	206,097	45,830	38,104	8,918	298,950	14,806	313,756	(13,522)	300,233
Segment income (loss)	29,315	1,471	4,391	752	35,931	(1,453)	34,477	(745)	33,731
Segment assets	163,898	42,075	31,825	8,924	246,724	9,054	255,779	44,880	300,659
Other									
Depreciation and amortization	2,601	624	102	64	3,392	343	3,736	1,661	5,397
Impairment loss	—	1,450	—	303	1,753	—	1,753	102	1,855
Increase in the amount of tangible fixed assets and intangible fixed assets	5,069	1,054	296	55	6,477	687	7,164	1,091	8,256

Notes \*1 The “Other” category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and other, software development, planning and production of printed matter and other businesses.

\*2 Segment operating income (loss) adjustment of ¥(745) million is the Company’s profit(loss) not attributable to a reportable segment. Segment assets adjustment of ¥44,880 million is the corporate assets not apportioned to each reportable segment.

\*3 Segment income (loss) is reconciled to operating income in the consolidated statements of income.

(Millions of yen)

	Fiscal year ended March 31, 2018								
	Reportable segment					Other*1	Total	Adjustments*2	Consolidated*3
	SE	GA	FT	PE	Total				
Sales									
(1) Sales to outside customers	¥227,182	¥53,221	¥45,210	¥12,131	¥337,745	¥ 1,623	¥339,368	¥ —	¥339,368
(2) Intersegment sales and transfers	2	192	42	61	299	15,312	15,611	(15,611)	—
Total	227,184	53,414	45,252	12,193	338,044	16,935	354,980	(15,611)	339,368
Segment income (loss)	36,301	3,060	4,589	1,013	44,966	(1,543)	43,422	(697)	42,725
Segment assets	205,302	48,477	36,252	9,727	299,760	10,311	310,072	56,121	366,193
Other									
Depreciation and amortization	3,052	492	144	13	3,702	414	4,117	1,590	5,708
Impairment loss	—	—	—	—	—	76	76	—	76
Increase in the amount of tangible fixed assets and intangible fixed assets	9,052	878	787	147	10,865	504	11,369	3,059	14,428

Notes \*1 The “Other” category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and other, software development, planning and production of printed matter and other businesses.

\*2 Segment operating income (loss) adjustment of ¥ (697) million is the Company’s profit (loss) not attributable to a reportable segment. Segment assets adjustment of ¥56,121 million is the corporate assets not apportioned to each reportable segment.

\*3 Segment income (loss) is reconciled to operating income in the consolidated statements of income.



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**SCREEN**