

OFFERING CIRCULAR



SUZUKI MOTOR CORPORATION

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

¥100,000,000,000 Zero Coupon Convertible Bonds due 2021

OFFER PRICE: 103.0 PER CENT

¥100,000,000,000 Zero Coupon Convertible Bonds due 2023

OFFER PRICE: 102.5 PER CENT

The ¥100,000,000,000 Zero Coupon Convertible Bonds due 2021 (the “2021 Bonds”) and the ¥100,000,000,000 Zero Coupon Convertible Bonds due 2023 (the “2023 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 SUZUKI MOTOR CORPORATION (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, 15 April 2016 up to, and including, 17 March 2021 (in the case of the 2021 Bonds) and up to, and including, 17 March 2023 (in the case of the 2023 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 (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 of the relevant Series), subject to adjustment in certain events as set out in the Conditions, of ¥4,120.0 per Share in respect of the 2021 Bonds and ¥4,120.0 per Share in respect of the 2023 Bonds. However, prior to (and including) 31 December 2020 (in the case of the 2021 Bonds) and 31 December 2022 (in the case of the 2023 Bonds), the Stock Acquisition Rights may be exercised by the holder of a Bond of the relevant Series during any particular calendar quarter only if the Closing Price (as defined in the Conditions of the relevant Series) of the Shares for 20 consecutive Trading Days (as defined in the Conditions of the relevant Series) 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 on the last Trading Day of such immediately preceding calendar quarter. Such condition to the exercise of the Stock Acquisition Rights shall not be applicable, in general, (i) if a notice of redemption has been given to the holders of the Bonds of the relevant Series, (ii) if the Company is first required to give notice of specified corporate transactions to the holders of the Bonds of the relevant Series as set out in Condition 6.2 of the relevant Series, or (iii) during any period in which any rating assigned by a specified rating agency to the Company’s long-term issue rating (or, where such rating is not available, the Company’s issuer rating) is below a specified level or certain other ratings events occur. Further, prior to (and including) 31 December 2020 (in the case of the 2021 Bonds) and 31 December 2022 (in the case of the 2023 Bonds), such Stock Acquisition Rights may only be exercised if the latest available Closing Price of the Shares as at the Deposit Date (as defined in the Conditions of the relevant Series) is equal to or higher than the relevant Conversion Price then in effect. Moreover, in respect of any exercise of the Stock Acquisition Right by any Bondholder, the Deposit Date for which falls on or before 31 December 2020 (in the case of the 2021 Bonds) or 31 December 2022 (in the case of the 2023 Bonds), the Company shall acquire all of the Bonds which are the subject of such exercise from such Bondholder, in exchange for an amount in cash equal to 100 per cent of the principal amount of such Bonds plus the Exercise Acquisition Shares (as defined in the Conditions of the relevant Series), if any, to be determined in accordance with the Conditions of the relevant Series, subject to a maximum number of Shares equal to the Maximum Exercise Acquisition Shares (as defined in the Conditions of the relevant Series).

The closing price of the Shares as reported on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) on 7 March 2016, was ¥2,942.0 per Share.

Unless previously redeemed, acquired or purchased and cancelled, the 2021 Bonds will be redeemed at 100 per cent of their principal amount on 31 March 2021 and the 2023 Bonds will be redeemed at 100 per cent of their principal amount on 31 March 2023. At any time from and including 31 March 2020 to and including 16 December 2020 (in the case of the 2021 Bonds) and from and including 31 March 2022 to and including 16 December 2022 (in the case of the 2023 Bonds), the Company may give notice to holders of Bonds of the relevant Series to acquire from such Bondholders all, but not some only, of the Bonds of the relevant Series outstanding on 10 March 2021 (in the case of the 2021 Bonds) or 10 March 2023 (in the case of the 2023 Bonds), in exchange for an amount in cash equal to 100 per cent of the principal amount of such Bonds plus the Acquisition Shares (as defined in the Conditions of the relevant Series), if any, to be determined in accordance with the Conditions of the relevant Series, subject to a maximum number of Shares equal to the Maximum Acquisition Shares (as defined in the Conditions of the relevant Series). 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 1 April 2016 (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 2021 Bonds and the 2023 Bonds are conditional upon each other. The 2021 Bonds and the 2023 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 or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act (“Regulation S”). In addition, the Bonds 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.

For the 2021 Bonds

Sole Bookrunner and Lead Manager

Nomura

Co-Lead Managers

Mizuho International plc

SMBC Nikko

For the 2023 Bonds

Sole Bookrunner and Lead Manager

Nomura

Co-Lead Managers

Mizuho International plc

SMBC Nikko

The date of this Offering Circular is 7 March 2016.

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 affiliates accounted for by the equity method taken as a whole, and references to “Shares” are to those shares of common stock of the Company issuable upon exercise of Stock Acquisition Rights or upon acquisition of the Bonds by 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 acquisition of the Bonds by 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”) nor, 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 or to US persons (as defined in Regulation S). The Bonds and the Shares are being offered and sold outside the United States to non-US persons in reliance on Regulation S. See “Subscription and Sale”.

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to “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 where financial information is presented in millions of yen, amounts of less than one million have been rounded down to the nearest one million, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion. Accordingly, the total of each column of figures may not be equal to the total of the individual items. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent or to the nearest 0.01 per cent), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent or 0.01 per cent, as the case may be, to make the total of the relevant column equal to 100 per cent.

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

This Offering Circular contains the audited consolidated financial statements of the Group, prepared and presented in accordance with Japanese GAAP, as at and for the fiscal years ended 31 March 2015, 2014 and 2013, as indicated in the audit reports with respect thereto included herein at pages F-3 and F-39.

This Offering Circular also contains the unaudited quarterly consolidated balance sheets of the Company as at 31 December 2015 (together with a consolidated balance sheet of the Company as at 31 March 2015) and the related unaudited quarterly consolidated statements of income, comprehensive income and cash flows for each of the nine-month periods ended 31 December 2015 and 2014. The unaudited quarterly consolidated financial statements of the Company as at 31 December 2015 and for the nine-month periods ended 31 December 2015 and 2014 prepared by the Company in Japanese in accordance with the FIEA have been reviewed by the Company’s independent auditors in accordance with the quarterly review standards generally accepted in Japan under the FIEA, as indicated in the quarterly review report with respect thereto included herein at page Q-3.

Presentation of Minority Interests and Net Income

Effective from 1 April 2015, due to the application of the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 revised on 13 September 2013), the presentation captions for “income before minority interests”, “minority interests in income” and “net income” have been changed to “net income”, “net income attributable to non-controlling interests” and “net income attributable to owners of the parent”, respectively. Accordingly, changes in the presentation captions for such accounts have been made in the prior period financial information set forth in this Offering Circular.

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 (other than where references are to the acquisition of the Bonds by the Company) be construed accordingly. Further, references to the word “exercise” of Stock Acquisition Rights shall include, where the context so requires, a request for acquisition of the Stock Acquisition Rights by the Company where the provisions of Condition 5.10 apply, and the words “exercise”, “exercised” and “exercisable” shall be construed accordingly.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as “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”.

SUZUKI MOTOR CORPORATION

The Group is a global manufacturer of passenger vehicles (specialising in minivehicles and compact vehicles), commercial vehicles, motorcycles and all-terrain vehicles (“ATVs”), outboard motors and other related products such as motorised wheelchairs, electric senior vehicles and industrial equipment. With a particular focus in Japan as well as India and other growth markets, the Group’s products are sold in more than 200 countries and regions worldwide. Under the Group’s motto to “develop products of superior value by focusing on the customer” and with the slogan, “Small Cars for a Big Future”, the Group commits itself in promoting “production of small and subcompact vehicles” and “development of environmentally benign products” needed by customers, under the catch-phrase “Way of Life!”.

The Group’s operations are principally divided into the following three reportable segments:

- *Motorcycle*, engaged in the development, manufacture and sale of motorcycles and ATVs. For the fiscal year ended 31 March 2015 and the nine-month period ended 31 December 2015, the Group’s net sales to external customers in this segment amounted to ¥250,485 million and ¥172,883 million, respectively, or 8.3 per cent and 7.3 per cent of consolidated net sales for the respective periods.
- *Automobile*, engaged in the development, manufacture and sale of minivehicles, compact vehicles and regular-sized vehicles. For the fiscal year ended 31 March 2015 and the nine-month period ended 31 December 2015, the Group’s net sales to external customers in this segment amounted to ¥2,701,942 million and ¥2,130,687 million, respectively, or 89.6 per cent and 90.5 per cent of consolidated net sales for the respective periods.
- *Marine and Power Products and Others*, engaged in the development, manufacture and sale of outboard motors, engines for snowmobiles and others, electric senior vehicles and houses. For the fiscal year ended 31 March 2015 and the nine-month period ended 31 December 2015, the Group’s net sales to external customers in this segment amounted to ¥63,033 million and ¥52,019 million, respectively, or 2.1 per cent and 2.2 per cent of consolidated net sales for the respective periods.

As at 31 December 2015, the Company had 135 consolidated subsidiaries (of which 69 were domestic consolidated subsidiaries and 66 were overseas consolidated subsidiaries), one non-consolidated subsidiary and 34 affiliates (all of which were affiliates accounted for by the equity method).

For the fiscal year ended 31 March 2015, the Group’s net sales, operating income and net income attributable to owners of the parent amounted to ¥3,015,461 million, ¥179,424 million and ¥96,862 million, respectively, and net sales to external customers in Japan, India and other areas (based on the location of external customers) as a percentage of consolidated net sales amounted to 36.3 per cent, 26.1 per cent and 37.6 per cent, respectively. For the nine-month period ended 31 December 2015, the Group’s net sales, operating income and net income attributable to owners of the parent amounted to ¥2,355,591 million, ¥146,242 million and 102,260 million, respectively.

The Company’s registered office is located at 300 Takatsuka-cho, Minami-ku, Hamamatsu-shi, Shizuoka 432-8611, 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 7 March 2016 was approximately ¥1,650,601 million.

THE OFFERING

Issuer	SUZUKI MOTOR CORPORATION
Securities Offered	2021 Bonds: ¥100,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>). 2023 Bonds: ¥100,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2023 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>).
Issue Price	2021 Bonds: 100.5 per cent 2023 Bonds: 100.0 per cent
Offer Price	2021 Bonds: 103.0 per cent 2023 Bonds: 102.5 per cent
Closing Date	On or about 1 April 2016 in respect of each Series The closings of the 2021 Bonds and the 2023 Bonds are conditional upon each other.
Delivery	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.
Form	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”.
Listing	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.
Lock-up	In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreements (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 Nomura International plc (“Nomura”) on behalf of the 2021 Bonds Managers (as defined in “Subscription and Sale”) (in the case of the 2021 Bonds) and Nomura on behalf of the 2023 Bonds Managers (as defined in “Subscription and Sale”) (in the case of the 2023 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;
- (b) the issue or transfer of Shares by the Company upon exercise of stock acquisition rights outstanding as of the date hereof and referred to herein;
- (c) the grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or employees and directors of any of its subsidiaries and affiliates pursuant to its stock option plans;
- (d) 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;
- (e) 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
- (f) 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 ¥200 billion, and are expected to be used as strategic investment for accelerating the Group’s mid-term management plan and for strengthening its competitive position, primarily as follows:

- (i) approximately ¥60 billion by the end of April 2016, for repayment of a short-term loan borrowed for increasing the capital of Suzuki Motor Gujarat Private Ltd. (“SMG”), an automobile manufacturing subsidiary of the Company in Gujarat, India (with SMG to use such funds as capital expenditure for operation of the first stage construction of Gujarat manufacturing plant), for the purpose of strengthening the Group’s production and sales capacity in India;
- (ii) approximately ¥100 billion by the end of March 2018, for funding for increasing capital of SMG, for it to use for the purpose of second stage construction of Gujarat manufacturing plant and for the construction of a new plant for engine mission manufacturing in Gujarat;

- (iii) approximately ¥25 billion by the end of March 2018, for research and development in respect of developments relating to environmental and safety technologies in the automobile, motorcycle and marine and power products; and
- (iv) approximately ¥15 billion by the end of March 2018, for application towards capital expenditure for expanding facilities of dealerships, for the purpose of strengthening sales capacity in Japan.

Cancellation of Treasury Stock..... The Company announced on 7 March 2016 that it intends to cancel 70,047,304 Shares (comprising approximately 12.49 per cent of the issued Shares as at 29 February 2016) of treasury stock held by it with effect from 31 March 2016. Of the 119,795,591 Shares of treasury stock held by the Company as at 29 February 2016, 111,610,000 Shares had been repurchased by the Company from Volkswagen Aktiengesellschaft (“VW”) (see “Recent Business—Recent Developments—Significant Changes in the Amount of Shareholders’ Equity”). To the extent the Company continues to hold Shares of treasury stock after such cancellation, the Company intends to apply a part thereof in the issue of Shares upon exercise of the Stock Acquisition Rights or the acquisition thereof by the Company pursuant to the Conditions.

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 2021 Bonds: ¥4,120.0 per Share
2023 Bonds: ¥4,120.0 per Share

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

Coupon 2021 Bonds: Zero
2023 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 15 April 2016 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 17 March 2021 (in the case of the 2021 Bonds) and 17 March 2023 (in the case of the 2023 Bonds) (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5 for the relevant Series.

The Conditions of each Series provide, among other things, that Stock Acquisition Rights may not be exercised during such period whereby, in the case of any such exercise where the Deposit Date in respect thereof falls after the relevant Trigger Date (as defined in Condition 3.1 for the relevant Series (being 31 December 2020 in the case of the 2021 Bonds and 31 December 2022 in the case of the 2023 Bonds)), 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 Prior to (and including) the relevant Trigger Date, and subject to the Conditions of the relevant Series, a holder of the Bonds of the relevant Series may exercise its Stock Acquisition Rights only if:

- (a) as at the last Trading Day (as defined in Condition 3.1 of the relevant Series) of any calendar quarter, the Closing Price (as defined in Condition 3.1 of the relevant Series) of the Shares for 20 consecutive Trading Days ending on the last Trading Day of such calendar quarter is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in Condition 5.1.3 of the relevant Series) in effect on the last Trading Day of such calendar quarter, as determined by the Principal Agent (as defined in the Conditions of the relevant Series) and notified to the Bondholders in accordance with Condition 19 of the relevant Series, subject to adjustment in the manner provided in Condition 5.2 of the relevant Series. If this condition is satisfied, then the holder of the Bonds of the relevant Series may (subject to the Conditions of the relevant Series) exercise Stock Acquisition Rights relating to such Bonds on and after the first day of the following calendar quarter until the end of such quarter, provided that the relevant Deposit Date falls during the Exercise Period (as defined in Condition 5.1.4 of the relevant Series); and

- (b) the latest available Closing Price of the Shares as at the Deposit Date is equal to or higher than the relevant Conversion Price then in effect.

The conditions to the exercise of Stock Acquisition Rights set out in (a) above shall not be applicable (i) if a notice of redemption is given pursuant to Condition 7.3, 7.4 (except in the case of any Bonds of the relevant Series that relevant holders elect not to have redeemed), 7.5, 7.6 or 7.7 of the relevant Series; or (ii) if the Company is first required to give notice of specified corporate transactions to the holders of the Bonds of the relevant Series as set out in Condition 6.2 of the relevant Series; or (iii) during any period in which (x) any of the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) by Rating and Investment Information, Inc. or its successors (together, "R&I") is BB+ (or equivalent if the rating category is changed) or lower, (y) any of the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) is no longer assigned by R&I, or (z) any of the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) by R&I has been suspended or withdrawn by R&I, subject in each case to the conditions to the exercise of Stock Acquisition Rights set out in (b) above. See Conditions 5.1.6, 5.1.7, 5.1.8 and 5.1.9 of the relevant Series.

**Exercise of Stock Acquisition Rights
on or before the Trigger Date.....**

In respect of any exercise of the Stock Acquisition Right by any Bondholder, the Deposit Date for which falls on or before the Trigger Date in respect of the relevant Series, the Company shall acquire all of the Bonds which are the subject of such exercise from such Bondholder, in exchange for (i) an amount in cash equal to 100 per cent of the principal amount of such Bonds, and (ii) the Exercise Acquisition Shares (as defined in the Condition 5.10.2 of the relevant Series), if any, to be determined in accordance with the Conditions of the relevant Series, subject to a maximum number of Shares equal to the Maximum Exercise Acquisition Shares (as defined in Condition 5.10.2 of the relevant Series).

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 31 March 2021 in the case of the 2021 Bonds or on 31 March 2023 in the case of the 2023 Bonds.

Acquisition of all the Bonds at the Option of the Company.....

At any time from and including 31 March 2020 to and including 16 December 2020 (in the case of the 2021 Bonds) and from and including 31 March 2022 to and including 16 December 2022 (in the case of the 2023 Bonds), the Company may give notice to holders of Bonds of the relevant Series to acquire from such Bondholders all, but not some only, of the Bonds of the relevant Series outstanding on 10 March 2021 (in the case of the 2021 Bonds) or 10 March 2023 (in the case of the 2023 Bonds) (each such date being the “Acquisition Option Date” for the relevant Series). All such Bonds of the relevant Series shall be deemed to be so acquired by the Company (and each holder of the Bonds of the relevant Series will be bound to agree to such acquisition) in exchange for (i) an amount in cash equal to 100 per cent of the principal amount of such Bonds payable on the Acquisition Option Date, and (ii) the Acquisition Shares (as defined in Condition 7.2.1 of the relevant Series), if any, to be determined in accordance with the Conditions of the relevant Series, subject to a maximum number of Shares equal to the Maximum Acquisition Shares (as defined in Condition 7.2.1 of the relevant Series). Upon exercise by the Company of such option to acquire the Bonds, the Stock Acquisition Rights may not be exercised for the period from but excluding the relevant Trigger Date to and including the relevant Acquisition Option Date. See Condition 5.1.4(c) of the relevant Series.

In order to effect delivery of any Acquisition Shares, holders of Bonds of the relevant Series will be required to deliver a Share Settlement Notice (as defined in Condition 7.2.2 of the relevant Series) no later than the Determination Date (as defined in Condition 7.2.2 of the relevant Series).

See Condition 7.2 for the relevant Series.

The Company currently intends to exercise its option to acquire the Bonds pursuant to Condition 7.2 of each Series (although it is not bound to do so).

Early Redemption—Redemption at the Option of the Company upon Reduced Outstanding Amounts

The Company may, having given not less than 45 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 7.3 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 7 March 2016, 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 45 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 7.4 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 7.5 for such Series and in accordance with the provisions of Condition 7.5 for the relevant Series on the Corporate Event Redemption Date (as defined in Condition 7.5 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 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 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.

Notwithstanding the above, in respect of any Bonds of the relevant Series, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the relevant Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10 of the relevant Series), and the Exercise Acquisition Date in respect of which falls on or after the relevant Corporate Event Redemption Date, the provisions regarding redemption set out in Condition 7.5 of the relevant Series will not apply.

See Condition 7.5 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 7.6.1 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 each calculated in the same manner as referred to in Condition 7.5 for the relevant Series, subject to the provisions of Condition 7.6 for the relevant Series.

Notwithstanding the above, in respect of any Bonds of the relevant Series, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the relevant Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10 of the relevant Series), and the Exercise Acquisition Date in respect of which falls on or after the relevant Delisting Redemption Date, the provisions regarding redemption set out in Condition 7.6.1 of the relevant Series will not apply.

See Condition 7.6 for the relevant Series.

Early Redemption—Squeezeout Event

Upon the occurrence of a Squeezeout Event (as defined in Condition 7.7.1 for the relevant Series), the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.5 for the relevant Series, subject to the provisions of Condition 7.7 for the relevant Series.

Notwithstanding the above, in respect of any Bonds of the relevant Series, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the relevant Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10 of the relevant Series), and the Exercise Acquisition Date in respect of which falls on or after the relevant Squeezeout Redemption Date, the provisions regarding redemption set out in Condition 7.7.1 of the relevant Series will not apply.

See Condition 7.7 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”)	2021 Bonds: XS1374498977 2023 Bonds: XS1374502919
Common Codes	2021 Bonds: 137449897 2023 Bonds: 137450291
Trustee, Custodian and Registrar	MUFG Union Bank, N.A.
Principal Agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch
Custodian’s Agent in Japan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

GLOSSARY

Certain motorcycle and automobile industry terms and other terms used in this Offering Circular to describe the Group's business and financial performance are set out below. Some of the terms used in this Offering Circular may not necessarily correspond to common industry definitions for such terms.

Term	Description
A-segment vehicles.....	See definition of "compact vehicles".
ASEAN	The Association of Southeast Asian Nations, which is a geo-political and economic organisation of ten countries located in Southeast Asia including Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos and Vietnam.
ATV	All-terrain vehicle, which is a small, open motor vehicle having one or two seats and three or more wheels fitted with large tires, designed for use over rugged terrain as well as roads.
B-segment vehicles.....	See definition of "compact vehicles".
C-segment vehicles.....	See definition of "compact vehicles".
cm ³	Cubic centimetres, which is used as a measure of engine displacement. Sometimes referred to as "cc".
Compact vehicles.....	Automobiles that are smaller than mid-sized automobiles. Those with a length of below around 4.7 metres (although the definition varies by location) equate roughly to "C-segment" vehicles in Europe, while those with a length of below around 4.2 metres (although the definition varies by location), sometimes called "subcompact" vehicles, equate roughly to "A-segment" (the smallest segment in terms of size) and "B-segment" (the second smallest segment in terms of size) vehicles in Europe.
Engine displacement.....	Engine displacement is the volume of an engine's cylinders, a general indicator of its size and power. The displacement figure represents the total air displaced by the pistons in all of an engine's cylinders and is usually expressed in cm ³ of litres (or in North America, in cubic inches).
Knock down unit.....	A unit containing the parts needed to assemble a vehicle. Depending on the country, by procuring some of the parts locally, local manufacture status can be obtained, and the manufacturer is able to take advantage of tax advantages or other available benefits.
Minivehicle (<i>keijidosha</i>).....	Minivehicles (<i>keijidosha</i>) are cars, vans or trucks with engine displacements of 660cm ³ or less and with certain limitations on body size (such as a length of 3.4 metres or less), the number of passengers and load capacity. This type of car is made for the Japanese market due to the suitability of its small size to the terrain and fuel efficiency, as well as certain regulatory benefits (including insurance rates). Outside Japan, minivehicles would be included within the definition of subcompact vehicles (and within the "A-segment" vehicles in Europe).
MLIT.....	The Ministry of Land, Infrastructure, Transport and Tourism of Japan.
MPV/MUV	Multi-purpose or multi-utility vehicle, or minivan, designed for carrying both cargo and passengers. MPV is a reference to such vehicles in Indonesia. MUV is a reference to such vehicles in India.
OEM.....	Original equipment manufacturer. An OEM manufactures products or components that are purchased by another company and retailed under the purchasing company's brand name.
Subcompact vehicles.....	See definition of "compact vehicles".
SUV.....	Sport utility vehicle, which is a passenger vehicle usually equipped with four-wheel drive for on- or off-road capabilities. Some SUV models combine the towing capacity of a pickup truck with the passenger space of a minivan.

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

Economic and Market Conditions

Demand for automobiles and motorcycles, as well as the Group's other products such as marine and power products, depends to a large extent on economic, social and political conditions in a given market and the introduction of new vehicles and technologies. Each of the markets in which the Group competes has been subject to considerable volatility in demand. As the Group's revenues are derived from sales in markets worldwide (particularly those in emerging countries of Asia including India and Indonesia), with 63.7 per cent of the Group's sales comprising overseas sales (sales to customers located outside Japan) in the fiscal year ended 31 March 2015, economic conditions in such markets are particularly important to the Group. The Japanese economy has in recent years occasionally shown some signs of a recovery, although the trend has not been constant and weakness could be seen in personal consumption and certain other areas, and recent signs of weakness in certain overseas economies have also been increasing uncertainties in the Japanese market. The economy in India is generally showing signs of continuing growth, whereas in Indonesia, there are some signs of volatility (with inflation issues and weakness in the currency), although the economy is generally growing, driven by population growth. In Europe, the economy as a whole generally has been showing some signs of recovery. Meanwhile, China's economy has been showing signs of weakness, which has been adversely affecting economies and markets around the world. The shifts in demand for automobiles and motorcycles are continuing, and it is unclear how this situation will turn out in the future. The Group's results of operations and financial condition may be adversely affected if negative shifts in demand for automobiles and motorcycles continue or progresses further. In particular, a sustained loss of consumer confidence in these markets, which may be caused by an extended economic slowdown, recession, changes in consumer preferences, rising fuel prices, financial crisis or other factors could trigger a decline in demand for automobiles, motorcycles and power products that may adversely affect the Group's results. Demand may also be affected by factors directly impacting vehicle price or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes). Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in downward price pressure and materially adversely affect the Group's results of operations and financial condition. In addition, the Group conducts businesses around the world, and its dependency on the overseas manufacturing plants, especially in Asian emerging markets, has been increasing over the years. Any unexpected developments in these markets such as the rapid change in economic situations may also affect the Group's results of operations and financial condition.

Prices for automobiles, motorcycles and power products in certain markets may experience sharp changes over short periods of time. This volatility may be caused by various factors, including fierce competition, short-term fluctuations in demand caused by instability in underlying economic conditions, changes in tariffs, import regulations and other taxes, shortages of certain materials and parts, a steep rise in material prices and sales incentives. There can be no assurance that such price volatility will not continue for an extended period of time or that price volatility will not occur in markets that to date have not experienced such volatility. Further, overcapacity within the automobile, motorcycle and power product industries has increased and will likely continue to increase if the economic downturn continues in the Group's major markets, leading, potentially, to further increased price volatility. Price volatility in any of the Group's markets could adversely affect the Group's results of operations and financial condition.

Competition

Competition in the markets for all of the Group's products is very high. In particular, most of the Group's revenues are derived from the sales of automobiles and motorcycles (with net sales to external customers in the Automobile and Motorcycle segments comprising 89.6 per cent and 8.3 per cent of total net sales in the year ended 31 March 2015, respectively), and the Group faces intense competition from Japanese, global and/or local automobile and motorcycle manufacturers in all of the markets in which it operates. Although the global economy has been generally showing signs of a gradual recovery, competition in the automobile and motorcycle industry has further intensified amidst difficult overall market conditions. In addition, competition is likely to further intensify in light of further continuing globalisation in the worldwide automobile and motorcycle

industry, possibly resulting in industry reorganisations. Competition in the market for compact vehicles, which form the mainstay of the Group's automobile business, has also been intensifying especially in the developed countries such as Japan and Europe, as automobile manufacturers which have hitherto been more focused on the manufacture and sales of larger vehicles have been shifting their focus to the manufacture and sales of compact vehicles, due to factors such as the tightening of environmental regulatory requirements and as the ageing of the population continues (with older generations tending to prefer compact vehicles). In India, although the Group has seen some success in competing in the subcompact vehicle market, in the market for larger vehicles, which is expanding, the Group expects to face tough competition, especially in light of the fact that its brand image has tended to be associated with subcompact vehicles. Factors affecting competition include product quality and features, model popularity, reliability, safety, fuel economy and environmental performance, the amount of time required for innovation and development, efficiency of the manufacturing system, sales and service networks, pricing and customer service. Financing terms may also affect the competitiveness for the Group's products, in particular as financing for the Group's products are generally arranged by third parties and not within the Group. In addition, cost competitiveness may also affect automobile and motorcycle manufacturers including the Group, in light of the necessity to be compliant with increasingly demanding environmental regulations. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in a further downward price pressure and adversely affect the Group's results of operations and financial condition. If the Group is not able to respond adequately to rapid changes in the markets in which it operates to maintain its competitiveness, the Group's business, results of operations and financial condition may be materially adversely affected. There can be no assurance that the Group will be able to compete successfully in the future.

Ability to Introduce Attractive New Products

The ability to meet customer demand by introducing attractive new models of automobiles and motorcycles, as well as reducing the amount of time required for product development, are critical elements to the success of automobile and motorcycle manufacturers. In particular, it is critical to meet customer demand with respect to quality, safety and reliability. The Group's success depends to a great extent on the timely introduction of new automobile and motorcycle models at competitive prices and meeting rapidly changing customer preferences and demands, especially against a background where both the automobile market and motorcycle market are rapidly transforming in light of the changing global economy and market expectations, and where next-generation technologies (such as electric vehicles and safety-related functions (such as driving assistance functions)) are introduced and developed. There can however be no assurance that the Group will be able to adequately anticipate and appropriately respond to changing customer preferences and demand with respect to factors such as quality, reliability, safety, fuel efficiency, environmental friendliness, technological functions, styling and other features, as well as pricing, in a timely manner. Even where the Group is successful in anticipating customer preferences and demand, there can be no assurance that the Group will be capable of developing and manufacturing new, price competitive products or models, or variants of existing models, in a consistent and timely manner with its available technology, intellectual property, sources of raw materials and parts and components, funds available for capital expenditure and production capacity, including cost reduction capacity, or that such products or models will achieve favourable market penetration and/or generate a significant amount of net sales and/or profit. Further, there can be no assurance that the Group will be able to implement capital expenditures at the level and times planned by its management. The development process for new products and models can be lengthy and costly, and requires the Group to commit a significant amount of resources, including capital expenditure, well in advance of sales. If the Group is unable to develop and offer products that meet customer preferences and requirements and/or technological developments in a timely manner, or if the Group's competitors bring new or more popular products to the market more quickly, this could result in a lower market share and reduced sales volumes and margins for the Group, and may materially adversely affect the Group's results of operations and financial condition.

Supply of Raw Materials, Parts and Components and Dependence on Specific Suppliers

Increase in prices of raw materials and/or parts that the Group and/or the Group's suppliers use in manufacturing their products or parts and components, such as steel, rare metals, non-ferrous alloys including aluminium, and plastic parts, may lead to higher production costs for parts and components. Various factors including insufficient supply of or price increases in specific parts and raw materials, unstable economic conditions, revisions of import regulations and competitive circumstances may rapidly change the product prices and purchase prices of the Group. Similarly, in periods of rapidly increasing demand, shortage of parts and components may lead to increased prices being charged by suppliers. Any such factors could, in turn, negatively impact the Group's future profitability because the Group may not be able to pass all those costs on to its customers or require its suppliers to absorb such costs. There can be no assurance that such rapid price changes

will be temporary or that such changes will not occur in the markets where there have not been such changes so far. Rapid changes in product prices and purchase prices may adversely affect the performance and financial condition of the Group in any market where the Group conducts its businesses.

The Group purchases supplies including parts, components and raw materials from a number of external suppliers located around the world. For some supplies, the Group relies on a single supplier or a limited number of suppliers, on the basis of factors such as technical abilities, quality and price competitiveness, and the replacement of such supplier with another supplier may be difficult to achieve, either in a cost-effective manner or at all. Inability to obtain supplies from such single or limited source supplier may restrict the Group's ability to produce vehicles. Furthermore, even if the Group were to rely on a large number of suppliers, first-tier suppliers with whom the Group directly transacts may in turn rely on a single second-tier supplier or limited second-tier suppliers. The Group's ability to continue to obtain supplies from its suppliers in a timely and cost-effective manner is subject to a number of factors, some of which are not within the Group's control. These factors include the ability of the Group's suppliers to provide a continued source of supply, and the Group's ability to effectively compete and obtain competitive prices from suppliers. A loss of any single or limited source supplier or inability to obtain supplies from suppliers in a timely and cost-effective manner could lead to increased costs or delays or suspensions in the Group's production and deliveries, which could have a material adverse effect on the Group's results of operations and financial condition.

Foreign Exchange Fluctuations

The Group operates in many parts of the world and as a result, is affected by fluctuations in foreign exchange rates. As certain of the Company's overseas subsidiaries prepare their financial statements in currencies other than the Japanese yen, and such financial results are translated into Japanese yen for the purposes of the preparation of the Group's consolidated financial statements, the currency exchange rates prevailing at the time (such as the Company's year-end, or the average over the relevant period) affects the Group's results of operations and financial condition (including net assets). In this regard, the exchange rate between the Indian Rupee and the Japanese yen has a particularly significant effect on the Group's consolidated results of operations and financial condition due to the fact that the financial statements of Maruti Suzuki India Ltd. ("Maruti Suzuki") are translated from the Indian Rupee into the Japanese yen; in addition, as royalties payable by Maruti Suzuki are fixed in Japanese yen, the depreciation of the Indian Rupee against the Japanese yen also has the effect of increasing the Indian Rupee costs of Maruti Suzuki (and therefore negatively affecting the profits of Maruti Suzuki).

The Group exports motorcycles, automobiles, outboard motors and related parts to various countries in the world from Japan and other manufacturing sites overseas. The Group also purchases materials and components and sells its products and components in foreign currencies. In the year ended 31 March 2015, overseas sales by the Group (sales to customers located outside Japan) comprised 63.7 per cent of total consolidated net sales, and a significant portion of such sales were made in foreign currencies such as the Indian Rupee, the euro and the US dollar. As such, foreign exchange rate fluctuations may materially affect the Group's business, results of operations and financial condition. For example, the foreign exchange rate between the Indian Rupee and the US dollar affects the manufacturing costs, and therefore the profitability, of Maruti Suzuki in India, as such rate affects the local currency import prices of fuel and parts, and the appreciation of the euro against the Thai Baht or the Indian Rupee, or the appreciation of the US dollar against the Indonesian Rupiah, can negatively affect exports of the Group's products from manufacturing sites in Thailand and India to Europe and from manufacturing sites in Indonesia to other Asian countries, respectively.

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.

Risks Related to Overseas Business

The Group conducts its businesses worldwide, and in several countries, the Group conducts businesses through joint ventures with local entities, in part due to the legal and other requirements of those countries. These businesses are subject to various regulations, including the legal and other requirements of each country (including those related to tax, tariff, overseas investment and fund transfer to the home country). If these regulations or the business conditions or policies of these local entities change, it may have an adverse effect on the Group's business, results of operations and financial condition.

The Group derives a significant majority of its sales from overseas markets, with 63.7 per cent of the Group's consolidated net sales comprising overseas sales (sales to customers located outside Japan) in the year ended 31 March 2015. The Group also has significant manufacturing and sales operations overseas. As a result, the Group's business is and will continue to be subject to the risks generally associated with international business operations, including the following:

- exposure to wide-ranging and differing governmental regulations (including environmental and safety regulations, trade protection measures and other regulations affecting the import and export of its products and regulations related to vehicle ownership and transaction costs) and unexpected changes therein;
- difficulties in localising vehicles to target the specific needs, and to meet the preferences, of local consumers;
- changes in social, political and economic conditions, or the relationship between Japan and the relevant countries and regions (including any anti-Japan sentiment resulting from political or other tensions);
- possibilities of unfavourable taxation treatment, or impositions or increases of withholding and other taxes on remittances and other payments by subsidiaries and affiliates;
- disputes with regard to transfer pricing;
- transportation delays or disturbances, power and other utility shutdowns or shortages;
- restrictions on currency convertibility or remittance to Japan;
- limitations on the supply of skilled labour and changes in local labour conditions, including wage levels, work disruption and stoppages, industrial action and labour strikes;
- difficulties associated with managing local personnel and operations, including supervision, monitoring and management control, due to, among other factors, cultural differences;
- changes in tax laws, including tax incentives affecting vehicle purchases;
- limitations on protection of intellectual property rights; and
- terrorist incidents, riots, war, major accidents, natural disasters, adverse weather conditions and epidemics.

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 July 2012, a mob violence erupted at the Manesar plant of the Company's Indian subsidiary, Maruti Suzuki, after a disciplinary incident with a single employee, leading to one death, numerous personal injuries and damage to facilities, and the suspension of operations at the plant for a month. While the Group has taken certain measures since then to prevent the occurrence of such events, there can be no assurance that such measures will always be successful in preventing such incidents, or that such incidents will not recur. Maruti Suzuki has also recently experienced some interruptions to its production due to the unrest at Haryana state, which disrupted the supplies of some parts and components. There can be no assurance that such incidents will not recur, or that the Group's business, results of operations and financial condition will not be adversely affected by such or similar incidents.

The growth in the Group's business is increasingly dependent on revenues and profits from sales in Asian and other emerging markets. In situations where the Group considers important, it may need to make large strategic investments long before any profit can be expected. If factors that could not be anticipated when the investment decisions were made should subsequently materialise in the relevant locations, such as changes in governmental foreign exchange and investment policies, taxation and other legal systems, or if economic growth were to prove to be weaker or slower than initially anticipated, there may be an adverse impact on demand, which may delay or prevent the recovery of the Group's investment in such markets. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Product Quality

The Group recognises safety of products as a matter of its highest priority. While the Group strives to maintain the same level of quality globally, keeping a strict quality assurance system through product

development to sales, there can be no assurance that such systems will always operate successfully. Product liability or other claims challenging the safety of the Group's products may result in increased costs for litigation and compensation for damages and the Group's reputation and brand value may be materially damaged, which may lead to a sharp decline in sales of the Group's products, which may materially adversely affect the Group's business, results of operations and financial condition. Although the Group has in place a certain level of product liability insurance, it is not possible to cover all risks and liabilities with regard to product liability. The Group may face product and quality liability claims or become exposed to other liabilities if unexpected defects in its products (whether due to its own fault or due to defects found in parts manufactured by other parties) result in recalls or accidents. Further, if a large-scale recall (such as the recall of approximately 1.87 million and 1.62 million automobiles notified to the MLIT by the Company in April 2015 and March 2016, respectively (see "Business—Safety and Quality Control")) were to be made in respect of the Group's products to ensure customers' safety, this could lead to the Group needing to incur significant expenses. Any issues raised with regard to product quality (whether or not justified) could also result in loss of current and future business through loss of customers' trust and reputational damage. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

Legal and Regulatory Environment and Taxation Regimes

The worldwide automobile, motorcycle and marine and power product industries are subject to various laws and governmental regulations including those related to vehicle safety, environmental matters such as emission levels, fuel economy and mileage, noise levels and pollution, and regulations relating to production such as emission of contaminated material at manufacturing plants. Environmental regulations applicable to automobiles have been strengthened in many jurisdictions worldwide, and it is expected that this trend will continue. In such cases, certain production and other activities of the Group may be limited or prohibited, or the amount of capital expenditures and other expenses which might be required to complete remedial actions and/or to continue to comply with applicable environmental laws could be significant, which would increase the Group's cost of production and may materially adversely affect its business, results of operations and financial condition.

Automotive manufacturers are required to comply with safety and environmental standards based on applicable laws and government regulations and to implement recalls, repairs and other appropriate measures in the event that defects or other problems are discovered, which may result in significant costs being incurred. If the Group does not meet its compliance obligations, it may become subject to penalties or other sanctions and it may not be able to produce or sell the Group's vehicles in the relevant jurisdictions. In addition, the failure to meet such obligations, particularly if accompanied by adverse publicity and other negative circumstances, could lead to significant damage to the Group's brand and reputation as well as materially and adversely affect the Group's results of operations and financial condition. The Group may also, in order to reassure its customers of the safety of its vehicles, decide to voluntarily implement recalls or other safety measures or offer free repairs even if the vehicle complies with the safety or environmental standards of relevant laws and governmental regulations. New or tightened laws and regulations may also require the Group to incur significant additional expenses, including research and development ("R&D") expenses associated with development of technologies and products that meet such new or tightened laws and regulations in a timely manner. Any of these factors may materially adversely affect the Group's results of operations and financial condition.

Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. The Group has incurred, and expects to incur in the future, significant costs in complying with these regulations. The taxation regimes that apply to the Group's products (including taxes and subsidies relating to automobiles as well as transfer pricing) differ in each country in which the Group operates, and are subject to change. In Japan, minivehicles are levied a lower rate of automobile tax which may serve as a purchase incentive although such rate of tax was increased in April 2015 (which has had negative effects on the Group's minivehicle sales in Japan). Any changes to such or other taxation regimes or economic measures may materially adversely affect the Group's business, results of operations and financial condition.

Further, the Group is subject to laws, regulations and other requirements relating to consumer protection, fair trade, antitrust, and corporate, commercial and other laws and regulations including those relating to corporate governance, corrupt business practices, labour, health and safety. If the Group is unable to comply with these laws and regulations, if such laws and regulations were to become more stringent or materially new laws or regulations or changes to such laws and regulations are introduced, it may serve to limit or prohibit the Group's activities. If a violation of any of these laws and regulations were to occur, restrictions could be placed on the business activities of the Group, or the Group could face additional compliance costs, costly remedial action or fines or reputational damage. In addition, any changes to the relevant taxation systems, including the

expected increases in the Japanese consumption tax rates, may reduce consumer spending and thereby negatively affect the Group's performance and financial position. These factors may have a material adverse effect on the Group's business, results of operations and financial condition.

Risks Associated with Alliances and Investments

The Group has strategic alliances and collaborations with other automotive manufacturers and other companies in order to enhance its competitiveness and improve profitability, particularly in respect of matters such as R&D, manufacturing, sales and financing, and may engage in further such activities in the future. The Group will consider the potential for profitability and return on investment when seeking such opportunities. However, the performance of any such alliances can be uncertain and the outcome may not be consistent with expectations, due to a variety of factors such as unforeseen market changes and sudden changes in the operating environment. Further, results of strategic alliances with other companies can be unpredictable in part because their operational success is dependent on factors that, to some extent, are beyond the Group's control. In some cases, the Group may exercise limited control over the management, operations and assets of the companies in which it has invested, or it may be restricted from making major decisions without the consent of other participants. Moreover, the Group may encounter difficulties if its business goals and strategic objectives diverge from those of its alliance partners, some of which may be its competitors, or if its alliance partners no longer consider such alliances attractive. The entry into an alliance or collaboration may also restrict the Group's ability to enter into other alliances or collaborations, and the terms of future alliances may restrict the flexibility of the Group's operations. The financial condition of the Group's business partners may also deteriorate. There can be no assurance that strategic alliances with other companies will achieve the desired results or that the Group will be able to recoup the value of the investments made by the Group. Further, there can be no assurance that the Group will not terminate such alliances or other relationships. If the Group fails to achieve the intended results of such activities, the Group's business, results of operations and financial condition may be adversely affected.

The Group previously had a capital and a business alliance relationship with VW. By an arbitral award that the Company received on 29 August 2015 from the International Court of Arbitration of the International Chamber of Commerce ("ICC International Court of Arbitration"), the business alliance has been found to be validly terminated by the Group effective 18 May 2012. At the order of the arbitral award, VW has divested its Shares in the Company through the Company's share repurchase effected on 17 September 2015. On 25 September 2015 (German time), the Group sold its entire shareholding in VW to Porsche Automobil Holding SE. On 10 February 2016, the Company reached a settlement with VW on all remaining arbitration proceedings regarding the business alliance. See "Recent Business—Recent Developments—Significant Changes in the Amount of Shareholders' Equity", "Recent Business—Recent Developments—Changes in the Amount of Shares of VW held by the Company" and "Business—History—Volkswagen".

Legal Proceedings and Litigation

As with any major business, the Group faces risks of disputes or litigation both in Japan and overseas, whether with or without merit, in the course of its business. Such litigation and proceedings may relate, among others, to products, environmental liabilities and intellectual property issues. The Group could also become the target of governmental proceedings, administrative measures or other action. 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 or legal or administrative proceedings were to occur, the Group may need to spend significant management time and attention as well as costs to deal with such matters, and this, as well as any unfavourable outcomes in respect of such proceedings or lawsuits, may negatively affect the Group's reputation, business, results of operations and financial condition. See also "Business—History—Volkswagen" for further details in relation to recent arbitration proceedings that involved the Group.

Natural Disasters, Uncontrollable Events and Accidents

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 IT systems), power outages or accidents, whether due to human or equipment error, and whether at the Group's facilities or otherwise (including but not limited to those involving nuclear power stations operated by third parties), could damage, cause operational interruptions or otherwise adversely affect any of the Group's manufacturing or other facilities.

In particular, the principal manufacturing sites of the Group in Japan are located mainly in the Tokai region; further, the Company's head office and other important facilities of the Group are also concentrated in the Tokai region. The Tokai region in Japan is an area subject to "intensified measures against earthquake disasters" by the Japanese government, in anticipation of a potentially severe predicted earthquake, referred to as the "Tokai and Tonankai Megaquake". If a major earthquake were to occur in the Tokai region, the Group's facilities may experience catastrophic losses, business operations may be halted, shipments of products may be suspended or delayed, large losses and expenses to repair or replace such facilities may be incurred, or significant reductions or losses of revenues may be experienced, and the Group's business, results of operations and financial condition may be greatly adversely affected. The Group has taken various preventive measures such as quake-resistant measures for buildings and facilities, fire preventive measures, establishment of business continuity plans, purchase of earthquake insurance, entry into earthquake derivative transactions and the maintenance of a commitment line with financial institutions (see "Business—Insurance"), with a view to limiting the adverse consequences of such disasters. However, there can be no assurance that such measures will be effective in fully preventing any major loss in such cases.

Further, in the event of a major natural disaster or other uncontrollable event or accident, not only in the areas of the Group's manufacturing and business operations but also in the major markets in which the Group purchases materials, parts and components and supplies for the manufacture of the Group's products or in which the Group's products are distributed or sold, or if the Group's suppliers or customers, or the distribution systems used by the Group, its suppliers or its customers, were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events, it may result in disruptions and delays in the operation of the Group's business. Should significant or prolonged disruptions or delays related to the Group's business operations occur, it may materially adversely affect the Group's results of operations and financial condition.

Risk Management, Compliance and Internal Control

Given the world-wide nature of its business, the Group is faced with the need to comply with anti-corruption and other applicable laws and regulations across a wide range of jurisdictions. Such laws and regulations, and their application and enforcement, are of varying degrees of complexity and strictness in different jurisdictions, and sometimes not only require compliance by the Group but also by parties acting on its behalf (including agents and dealers). If the Group were to become the target of any material regulatory investigations and were found to be non-compliant, it could be subject to fines, penalties or other disciplinary actions (as well as civil and/or criminal charges). The Group has established risk management, compliance and internal control systems and procedures. However, certain areas within the risk management, compliance and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subjected to inappropriate activities such as fraudulent acts or corruptive practice (whether by its employees or third parties), or be found not to be in compliance with laws and regulations, which may in turn subject the Group to sanctions or penalties (which can, depending on culpability, be substantial), and its business and reputation, as well as its results of operations and financial condition, may be materially adversely affected. The internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgment or fault, or deliberate acts of misconduct or fraud. As such, there can be no assurance that the risk management, compliance and internal control systems of the Group are always adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or prosecution being taken against the Group and/or its employees, disruption to the risk management and/or compliance systems, and a material adverse effect on the Group's reputation, results of operations and financial condition.

Implementation of the Group's Management Plans and Strategies

The Group is currently pursuing its mid-term management plan "SUZUKI NEXT 100", covering the five fiscal years ending 31 March 2020. See "Business—Strategy". The success of the implementation of any of the Group's strategies is subject to various internal and external factors, including general economic and market conditions in which the Group and its suppliers operate, the level of competition, the level of consumer and other spending and demand for the Group's products and fluctuations in foreign exchange rates, as well as the risks and uncertainties set out in "—Forward-looking Statements" below. There can be no assurance that the Group's strategies will be implemented successfully, 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) 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. In particular,

targets set out in the management plan are aims and not commitments, and are forward-looking statements representing the management's operational goals and not projections of future performance by the Group. In addition, in preparing its long-term vision and management plan, and the targets set out therein, the Company's management has made various assumptions, including as to applicable foreign exchange rates and prices of raw materials and fuel. Prospective investors should not put undue reliance on targets, goals and aims set out in such long-term vision, management plan and strategies.

Seasonality

The Group tends to experience fluctuations in the level of sales throughout the year, with peak season for automobile sales normally occurring in and around March (and to a lesser extent, September) in Japan, as that is traditionally when new vehicle purchases are made in Japan (for example, minivehicle purchases by new graduates due to March being the educational year-end, or by replacement vehicles purchases by customers prior to due dates of automobile inspection), and also when increased sales efforts are made by the Group prior to its financial year-end. In India, sales tend to peak during the Diwali festive period (usually falling between mid-October and mid-November). In Muslim countries such as Indonesia, sales peak towards the end of Ramadan, where sales in high-priced goods tend to increase. For motorcycles, sales in Japan, Europe and the United States tend to be low in winter but more active in the warmer months from spring to summer. As the possibility of these fluctuations is generally known in advance, the Group plans and adjusts its production accordingly. However, the Group may not always be completely successful in making accurate seasonality assumptions with regard to its production requirements, which may lead to excess inventory and pricing pressures. Further, unanticipated events or circumstances having an adverse effect on consumer spending during the periods in which the Group expects higher sales in the relevant location may have an adverse effect on demand for the Group's products, and thereby on the Group's sales. As such, there can be no assurance that these fluctuations will not adversely affect the Group's business, results of operations and financial condition. Moreover, due to such seasonal fluctuations, the Group's results for any fiscal quarter are not necessarily indicative of the expected results for the relevant fiscal year.

Risks Related to Interest Rate Fluctuations and Funding

The industries in which the Group operates often require high capital expenditures and R&D costs. The Group relies on bank loans to fund a portion of such costs as well as its liquidity needs. As at 31 December 2015, the Group's interest-bearing liabilities amounted to ¥590.0 billion, principally denominated in Japanese yen. Prevailing interest rates for the currencies in which the Group's debts are denominated may increase in the future. 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 hedges against the risk of interest rate fluctuations on certain of its assets and liabilities holdings, 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 rate burden. Any such factors may adversely affect the Group's results of operations and financial condition.

Protection of Personal Information and Other Confidential Information

In the ordinary course of the Group's business, the Group retains personal information and other confidential information concerning its customers, business partners and employees. 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. Moreover, such incidents could create a negative public perception of the Group's operations, which may in turn harm customer, business partner and market confidence in the Group. As a result, the Group's results of operations and financial condition could be materially adversely affected.

Intellectual Property

Patents and other forms of intellectual property rights are important competitive factors to the Group because of the emphasis on innovation in the markets in which it operates, which are often characterised by rapid

technological evolutions. The Group relies on the technologies and know-how that it has developed for, or that have been licensed for use in, the Group's business, and seeks to protect such technologies and know-how through a combination of patents and other forms of intellectual property rights. However, there can be no assurance that the Group will always be successful in adequately protecting its technologies and know-how, including by securing patents or other intellectual property rights for such technologies and know-how, or acquiring or maintaining licenses at reasonable costs. Further, one of the contributing factors to the Group's success will be its ability to operate without infringing upon the patents or other intellectual property rights of others. There can however be no assurance that third parties will not assert infringement claims against the Group (with or without merit) or that such claims will not be successful. Such infringement claims could result in payment of monetary damages, suspension of the Group's operations involving the relevant technologies, necessity to develop or acquire non-infringing technologies, a significant management efforts, increased legal expenses, damage to the Group's reputation and other costs. Any of these factors may adversely affect the Group's business, results of operations and financial condition.

Risks Related to Systems and Information Technology

The Group depends on various information technology networks and systems to process, transmit and store electronic information in connection with various aspects of its business, including manufacturing, R&D, supply chain management, sales and accounting. In addition, the Group's vehicles rely on various information technologies in connection with their operation. The Group's information technology networks and systems may be vulnerable to damage, shutdowns or other disruptions due to hacking, computer viruses, errors or misconduct by employees, unavailability of third parties such as software developers or cloud computing vendors that the Group relies on, power shortages and outages or natural disasters. Such incidents could materially disrupt critical operations, disclose sensitive data or give rise to legal claims or proceedings, liability or regulatory sanctions, and could materially adversely affect the Group's results of operations and financial condition.

Hiring and Retention of Talented Personnel

The Group's success largely depends on its ability to attract and retain highly skilled employees, including engineers, R&D staff and other technical personnel with advanced knowledge and skills in the Group's business fields. The Group also requires talented management personnel with the ability to manage the Group's business competitively in world markets. Competition to hire highly skilled personnel is intense, and competition to retain such personnel is also becoming intense, and there can be no assurance that the Group can successfully and consistently meet its personnel recruitment and retention goals, or that the loss of certain important personnel, or a group of them, will not adversely affect the Group's business. Further, the Group's ability to meet its labour needs, including its ability to find qualified personnel to fill positions that become vacant while controlling its personnel costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified people in the work force in the regions in which the Group's operations are located, unemployment levels within those regions, prevailing salary rates, changing demographics, health and other insurance costs and changes in employment legislation. If the Group is unable to locate, attract or retain suitable personnel, or if costs relating to locating, recruiting and retaining suitable employees were to increase significantly, the Group's business, results of operations and financial condition may be materially adversely affected. In addition, if the Group's employees were to leave the Group to join its competitors, the Group's know-how and technology may be leaked to such competitors even if the Group has attempted to protect such know-how and technology through confidentiality agreements. Any such incidents may adversely affect the Group's business, results of operations and financial condition.

Employees' Retirement Benefit Obligations

Costs related to the Group's employee retirement benefit plans may increase if the fair value of its pension plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the retirement benefit obligation are based, such as a change in the assumed discount rate, a decline in the expected rate of return on plan assets, or changes in the revaluation ratio, salary rise ratio, retirement ratio or mortality ratio. 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 retirement benefit obligations and the resulting annual amortisation expense. In addition, there may be further changes in accounting standards and guidance relating to retirement benefits. Any of these factors may adversely affect the Group's results of operations, financial condition and net assets.

Risks Related to 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.

Impairment of Assets

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. 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 such as listed shares of its suppliers. 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.

Considerations Relating to the Group's Financial Statements

Differences in Generally Accepted Accounting Principles

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

Unaudited Financial Statements

This Offering Circular contains quarterly financial statements in respect of the nine-month periods ended 31 December 2015 and 2014, which are not required to be, and have not been, audited by the Company's independent auditors. The unaudited quarterly consolidated financial statements of the Company as at 31 December 2015 and for the nine-month periods ended 31 December 2015 and 2014 prepared by the Company in Japanese in accordance with the FIEA have been reviewed by the Company's independent auditors in accordance with the quarterly review standards generally accepted in Japan under the FIEA.

The quarterly financial statements contained in this Offering Circular are not wholly comparable with the annual financial statements contained in this Offering Circular and should not be so compared. Certain adjustments, accruals and deferrals which are made in the annual audited financial statements have been estimated or are not made in respect of such quarterly financial statements.

Considerations Relating to the Bonds and the Shares

Limited Issuance of Shares upon Exercises of Stock Acquisition Rights On or Before the Relevant Trigger Date and upon the Acquisition of the Bonds by the Company

In respect of any exercise of the Stock Acquisition Right by any Bondholder, the Deposit Date (as defined in Condition 5.9.4 of the relevant Series) for which falls on or before the relevant Trigger Date (as defined in Condition 3.1 of the relevant Series (being 31 December 2020 in the case of the 2021 Bonds or 31 December 2022 in the case of the 2023 Bonds)), the Company shall acquire all of the Bonds which are the subject of such exercise from such Bondholder, in exchange for an amount in cash equal to 100 per cent of the principal amount of such Bonds plus the Exercise Acquisition Shares (as defined in Condition 5.10.2 of the relevant Series), if any, to be determined in accordance with the Conditions of the relevant Series, subject to a maximum number of Shares equal to the Maximum Exercise Acquisition Shares (as defined in Condition 5.10.2

of the relevant Series). Bondholders should therefore note that an exercise of Stock Acquisition Rights on or prior to the relevant Trigger Date will lead to the delivery of only a limited number of Shares (if any), and not the number of Shares obtained by dividing the principal amount of such Bonds in respect of which the Stock Acquisition Rights are being exercised by the then current Conversion Price (as defined in Condition 5.1.3 of the relevant Series). Further, such acquisition by the Company is deemed to occur on the 35th calendar day immediately following the relevant Deposit Date, and as such, there is expected to be a longer period of time between the time of exercise and the delivery of the relevant cash and Shares (if any) than in the case of an exercise not subject to such acquisition by the Company. Bondholders should also note the conditions imposed upon the exercise of Stock Acquisition Rights set out in Conditions 5.1.6 to 5.1.9 of the relevant Series (including but not limited to the necessity for the latest available Closing Price of the Shares as at the relevant Deposit Date to be equal to or higher than the relevant Conversion Price then in effect).

In addition, upon exercise of the Company's option to acquire the Bonds pursuant to Condition 7.2 of each Series, the Company shall acquire all of such Bonds in exchange for an amount in cash equal to 100 per cent of the principal amount of such Bonds plus the Acquisition Shares (as defined in Condition 7.2.1 of the relevant Series), if any, to be determined in accordance with the Conditions of the relevant Series, subject to a maximum number of Shares equal to the Maximum Acquisition Shares (as defined in Condition 7.2.1 of the relevant Series). The Company currently intends to exercise its option to acquire the Bonds pursuant to Condition 7.2 of each Series (although it is not bound to do so), and Bondholders should note that upon such exercise by the Company, the Stock Acquisition Rights may not be exercised after the relevant Trigger Date. See Condition 5.1.4(c) of the relevant Series.

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 (as defined in Condition 5.9.4 of the relevant Series) may take three business days or more. 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(g) for each Series so that they may not be exercised during such period whereby, in the case of any such exercise where the Deposit Date in respect thereof falls after the relevant Trigger Date, the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day (as defined in Condition 3.1 of the relevant Series)) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4 of the relevant Series). Bondholders should therefore note in particular that exercises of Stock Acquisition Rights where the Deposit Date in respect thereof would fall after the relevant Trigger Date are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this Offering Circular, record dates for dividends are 31 March and 30 September in each year).

No Cash Amounts in respect of Non-unit Shares

Since the coming into effect of the Book-Entry Act, making it possible for listed shares of Japanese companies comprising less than one whole unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one whole unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one whole unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect, but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the 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, the Exercise Last Day Conversion Price (as defined in Condition 5.10.2 of the relevant Series) and the relevant Exercise VWAP per Shares (as defined in Condition 5.10.2 of the relevant Series) used for the calculation of the number of Exercise Acquisition Shares, and the Last Day Conversion Price (as defined in Condition 7.2.1 of the relevant Series) and the Average VWAP per Shares (as defined in Condition 7.2.1 of the relevant Series) used for calculation of the number of Acquisition Shares, will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions of 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 or upon acquisition of the Bonds by the Company 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, worldwide economic and market conditions, the level of competition, the Group's ability to introduce attractive new products, product quality issues, earthquakes and other natural disasters and accidents, risks generally associated

with international business operations, foreign exchange and interest rate fluctuations, shortages and price fluctuations relating to raw materials and parts, negative developments related to the Group's alliances and collaborations, limitations on the Group's ability to implement its mid-term management plan, and the impact of environmental, safety and other regulations. 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 2021 BONDS

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

The ¥100,000,000,000 Zero Coupon Convertible Bonds due 2021 (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 SUZUKI MOTOR CORPORATION (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 1 April 2016 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 1 April 2016 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 1251 Avenue of the Americas, 19th Floor, New York, NY 10020, U.S.A., and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the “Agents” shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (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) 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 (a “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 the relevant 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, 7.5, 7.6 or 7.7, (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 deposited with respect to such Bond pursuant to Condition 5.9.1 (including, for the avoidance of doubt, in the case of the acquisition of the relevant Bonds pursuant to Condition 5.10) (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 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

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 or prior thereto, according or procuring to be accorded to the Bonds and the Company's obligations under the Trust Deed, (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;

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

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

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

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

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

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

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

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

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

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

“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 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 7.3;

“Closed Period” has the meaning provided in Condition 7.10;

“Closing Date” means 1 April 2016;

“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 Schedule 1 to the Agency Agreement;

“Conversion Price” has the meaning provided in Condition 5.1.3;

“Corporate Event” has the meaning provided in Condition 6.1;

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

“Corporate Event Redemption Date” has the meaning provided in Condition 7.5;

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

“Corporate Event Redemption Price” has the meaning provided in Condition 7.5;

“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 1251 Avenue of the Americas, 19th Floor, New York, NY 10020, U.S.A. or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

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

“Delisting Redemption Date” has the meaning provided in Condition 7.6.1;

“Delisting Redemption Notice” has the meaning provided in Condition 7.6.1;

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

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

“Determination Date” has the meaning provided in Condition 7.2.2;

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

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

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

“Ex-Rights Date” has the meaning provided in Condition 5.10.2;

“Exercise Acquisition Date” has the meaning provided in Condition 5.10.1;

“Exercise Acquisition Shares” has the meaning provided in Condition 5.10.2;

“Exercise Acquisition Share Value” has the meaning provided in Condition 5.10.2;

“Exercise Last Day Conversion Price” has the meaning provided in Condition 5.10.2;

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

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

“Exercise VWAP Period” has the meaning provided in Condition 5.10.2;

“Exercise VWAP per Share” has the meaning provided in Condition 5.10.2;

“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 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;

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

“Listing” has the meaning provided in Condition 6.4.2;

“Maturity Date” has the meaning provided in Condition 7.1;

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

“Maximum Exercise Acquisition Shares” has the meaning provided in Condition 5.10.2;

“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 7.6.1;

“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;

“R&I” means Rating and Investment Information, Inc. or its successors;

“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 7.5, 7.6 and 7.7;

“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, 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 7.7.1;

“Squeezeout Event” has the meaning provided in Condition 7.7.1;

“Squeezeout Event Redemption Notice” has the meaning provided in Condition 7.7.1;

“Squeezeout Redemption Date” has the meaning provided in Condition 7.7.1;

“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 7.4;

“Tax Redemption Notice” has the meaning provided in Condition 7.4;

“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;

“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;

“Trigger Date” means 31 December 2020;

“Unadjusted VWAP Period” has the meaning provided in Condition 5.10.2;

“VWAP” means the Volume Weighted Average Prices; 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 5.10 or 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 system of 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.

References to the “exercise” of Stock Acquisition Rights shall include, where the context so requires, a request for acquisition of the Stock Acquisition Right by the Company where the provisions of Condition 5.10 apply (and the words “exercise”, “exercised” and “exercisable” shall be construed accordingly).

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, unless the provisions of Condition 5.10 apply, 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:* Subject to the provisions of Condition 5.10, 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 ¥4,120.0 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period:* Subject to Conditions 5.1.6 and 5.10, each Stock Acquisition Right may be exercised at any time during the period from, and including, 15 April 2016, to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 17 March 2021 (the “Exercise Period End Date”), or:

- (i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 5.10 or 7.2 and cancelled by the Company pursuant to Condition 5.10.2 or 7.2.1, respectively, then the Stock Acquisition Rights may be exercised 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 or 7.4, then the Stock Acquisition Rights may be exercised 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 (x) in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed, and (y) the Exercise Acquisition Date of the relevant Bond falls on a date from and including the second Tokyo Business Day prior to the date fixed for redemption thereof to but excluding the date fixed for redemption thereof); or
- (iii) if the Bonds shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then the Stock Acquisition Rights may be exercised 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 the Exercise Acquisition Date of the relevant Bond falls after 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 7.8, then the Stock Acquisition Rights may be exercised 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 the Stock Acquisition Rights may be exercised up to the time when such Bond becomes so due and repayable,

In the case of an exercise by a Bondholder of its Stock Acquisition Rights on or before the Trigger Date, if the Bonds become due and repayable pursuant to Condition 10 after such exercise but before the acquisition by the Company of the relevant Bonds pursuant to Condition 5.10, then, pursuant to the provision of Condition 5.1.4(v) above, as the Stock Acquisition Rights in respect of the Bonds have ceased to be exercisable as at the time when the Bonds so became due and repayable, the Company shall no longer be able to acquire the Stock Acquisition Rights in respect of such Bonds, and such Bonds will become due and repayable in the same manner and at the same timing as other outstanding Bonds in respect of which the Stock Acquisition Rights have not been exercised.

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after the Exercise Period End Date;
- (b) if the Company reasonably determines that it is necessary to suspend exercise of the Stock Acquisition Rights in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7), then:
 - (x) in the case of any such exercise where the Deposit Date in respect thereof would fall on or before the Trigger Date, the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not commence earlier than the 35th day prior to the Tokyo Business Day immediately prior to the relevant Corporate Event Effective Date and which period may not end later than 14 days after the Corporate Event Effective Date; and
 - (y) in the case of any such exercise where the Deposit Date in respect thereof would fall after the Trigger Date, 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;
- (c) in the case of an acquisition pursuant to Condition 7.2 (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised during the period from but excluding the Trigger Date to and including the Acquisition Option Date;
- (d) in the case of an acquisition pursuant to Condition 5.10, the relevant Stock Acquisition Rights incorporated in the relevant Bonds may not be exercised during the period from but excluding the relevant Deposit Date to and including the relevant Exercise Acquisition Date;
- (e) if a notice of redemption is given in accordance with Condition 7.3 or 7.4, then, in the case of any exercise of the Stock Acquisition Rights where the Deposit Date in respect thereof falls on or before the Trigger Date, the Stock Acquisition Rights may not be exercised during the period from and including the 35th calendar day prior to the date fixed for redemption thereof to and including the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed);

- (f) if a notice of redemption is given in accordance with Condition 7.5, 7.6 or 7.7, then, in the case of any exercise of the Stock Acquisition Rights where the Deposit Date in respect thereof falls on or before the Trigger Date, the Stock Acquisition Rights may not be exercised during the period from but excluding the third Business Day in London and Tokyo after the date on which such notice of redemption is given to and including the date fixed for redemption thereof; and
- (g) in the case of any such exercise where the Deposit Date in respect thereof falls after the Trigger Date, 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(g) 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; and

“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).

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 two Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions 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:* Prior to (and including) the Trigger Date, a Bondholder may exercise its Stock Acquisition Rights only if:
- (a) 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, as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2. If this condition is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter, provided that the relevant Deposit Date falls during the Exercise Period; and
 - (b) the latest available Closing Price of the Shares as at the Deposit Date is equal to or higher than the Conversion Price then in effect.

For the avoidance of doubt, even where a condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6(a) 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 (i) after the expiration of the Exercise Period, or (ii) if, in the case of any such exercise where the Deposit Date in respect thereof would fall on or before the Trigger Date, the latest available Closing Price of the Shares as at the Deposit Date is lower than the Conversion Price then in effect.

- 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(a) shall not be applicable during any period in which:
- (i) the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) by R&I is BB+ (or equivalent if the rating category is changed) or lower;
 - (ii) the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) is no longer assigned by R&I; or
 - (iii) the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) by R&I has been suspended or withdrawn by R&I.

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 or 7.7, the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6(a) shall not be applicable on and after the date of notice of such redemption except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed pursuant to Condition 7.4.

5.1.9 *Conditions to Conversion – Corporate Events:* Upon a Corporate Event being proposed, 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(a) shall not be applicable during the period from (and including) the date on 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.

5.1.10 *Exercise On or Before the Trigger Date:* In respect of each exercise of the Stock Acquisition Right by any Bondholder, the Deposit Date for which falls on or before the Trigger Date, the Company shall acquire all of the Bonds to which the relevant Conversion Notice relates, and the procedures set out in Condition 5.10 shall apply, and the provisions of Conditions 5.1.2, 5.9.4(ii), 5.9.5 and 5.9.6 shall not apply.

Pursuant to the provisions of Conditions 5.1.10 and 5.10, if a Bondholder exercises its Stock Acquisition Rights on or before the Trigger Date, such Bondholder will not receive Shares in accordance with Condition 5.1.2, but will instead receive the principal amount of the relevant Bonds in cash, together with the Exercise Acquisition Shares in respect of such Bonds, if any.

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 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 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 ¥97,080.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥40.

“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 stock acquisition rights incorporated in the bonds with stock acquisition rights due 2023 issued by the Company on the Closing Date) 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 to Non-shareholders 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 the bonds with stock acquisition rights due 2023 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) 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 issue of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);
- (iv) in the case of the grant, issue or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 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 grant, issue or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 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 and/or Exercise VWAP per Share 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 and/or Exercise VWAP per Share 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(a), 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.

5.3 ***Retroactive Adjustments***

The Company shall procure that:

- (i) in the case of any exercise of Stock Acquisition Rights where the Deposit Date in respect thereof would fall on or before the Trigger Date, if any adjustment to the Conversion Price becomes effective after the Exercise Acquisition Date retroactively to a date on or before the relevant Exercise Acquisition Date pursuant to any of the provisions of Condition 5.2, the provisions of Condition 5.10.3 shall be applied, *mutatis mutandis*, to such number of Shares (“Additional Exercise Acquisition Shares”) as is equal to the excess of the number of Exercise Acquisition Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect, as set out below, as of the said last day of the relevant Exercise VWAP Period, over the number of Exercise Acquisition Shares previously acquired pursuant to such exercise:
 - (a) the relevant Exercise Last Day Conversion Price is adjusted with retroactive effect in the same manner as set out in the definition of “Exercise Last Day Conversion Price” (as set out in Condition 5.10.2); and
 - (b) the relevant Exercise VWAP per Share is adjusted with retroactive effect in respect of the relevant Unadjusted VWAP Period (if any) in the same manner as set out in sub-paragraph (ii) in the definition of “Exercise VWAP per Share” (as set out in Condition 5.10.2).

In such event and in respect of such Additional Exercise Acquisition Shares, references in Condition 5.10.3 to the Exercise Acquisition Date shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price; and

- (ii) in the case of any exercise of Stock Acquisition Rights where the Deposit Date in respect thereof would fall after the Trigger Date, if the relevant Stock Acquisition Date in relation to such 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, 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.

In these Conditions, “Retroactive Adjustment” means such retroactive adjustment to the Conversion Price, the Exercise Last Day Conversion Price and/or the relevant Exercise VWAP per Share as set forth in (i) and (ii) above.

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, the effective date of such adjustment and the relevant Ex-Rights Date.

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 The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to

perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

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

- 5.9.3 *Conditions Precedent:* As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares (for the avoidance of doubt, including Exercise Acquisition Shares (if any)) 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 (for the avoidance of doubt, including Exercise Acquisition Shares (if any)) 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) or into which it receives the Exercise Acquisition Shares pursuant to Condition 5.10.3. Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares (including, for the avoidance of doubt, Exercise Acquisition Shares (if any)) 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:*

- (i) The time 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 Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond (for the avoidance of doubt, the definition of "Deposit Date" will also apply in the case where the Bonds are acquired pursuant to the provisions of Condition 5.10);
- (ii) Subject to the provisions of Condition 5.10, 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);
- (iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and
- (iv) If deposit 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 deposit 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.

Any determination as to whether a Conversion Notice has been properly completed and deposited 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.

- 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. Subject to the provisions of Condition 5.10, 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 the 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 the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

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

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

5.10 ***Acquisition by the Company of Bonds upon Exercise of Stock Acquisition Rights***

In respect of each exercise of the Stock Acquisition Right by any Bondholder, the Deposit Date for which falls on or before the Trigger Date, the following provisions of this Condition 5.10 shall apply (and, for the avoidance of doubt, the provisions of Conditions 5.1.2, 5.9.4(ii), 5.9.5 and 5.9.6 shall not apply).

5.10.1 *Notice of Acquisition by the Company:* On the relevant Deposit Date, the Company is deemed to have given notice to the relevant Bondholder to acquire all of the Bonds to which such Conversion Notice relates on the 35th calendar day immediately following such Deposit Date (such date being the "Exercise Acquisition Date" in respect of such Bonds), and all such Bonds shall be so acquired by the Company on the relevant Exercise Acquisition Date. Each Bondholder by accepting or acquiring any Bond agrees that such Bond shall be so acquired by the Company on the relevant Exercise Acquisition Date.

By way of example, if the Deposit Date is 1 June 2016 (London time), then the Exercise Acquisition Date will be 6 July 2016 (Tokyo time).

5.10.2 *Acquisition:* The Company shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Company pursuant to Condition 5.10.1:

- (i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent of the principal amount of the relevant Bonds on the relevant Exercise Acquisition Date in cash, and
- (ii) issue and deliver the Exercise Acquisition Shares in respect of the relevant Bonds in accordance with Condition 5.10.3, if any, registered in the name of the Custodian or its nominee, with effect as of the relevant Exercise Acquisition Date,

in each case, to the relevant Bondholder.

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.

At any time when the relevant Bond(s) is/are evidenced by a Global Certificate, as a deposit of Certificates shall not be required, such provisions relating to cancellation of Certificates shall not apply.

In these Conditions:

“Exercise Acquisition Shares” means such number of Shares per Bond, calculated in accordance with the formula below:

$$\text{Exercise Acquisition Shares} = \frac{\text{The amount by which the relevant Exercise Acquisition Share Value exceeds the principal amount of each relevant Bond}}{\text{Exercise VWAP per Share in respect of the relevant Exercise VWAP Period}}$$

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof;
- (ii) the maximum number of Exercise Acquisition Shares per Bond shall be the Maximum Exercise Acquisition Shares per Bond; and
- (iii) to the extent that a Conversion Notice is deposited with respect to more than one Bond, the number of Exercise Acquisition Shares (including, for the avoidance of doubt, the number of Maximum Exercise Acquisition Shares) to be delivered pursuant to this Condition 5.10 shall be calculated on the basis of the aggregate number of Bonds referred to in such Conversion Notice.

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

$$\text{Exercise Acquisition Share Value} = \frac{\text{The principal amount of the relevant Bond}}{\text{The relevant Exercise Last Day Conversion Price}} \times \text{Exercise VWAP per Share in respect of the relevant Exercise VWAP Period}$$

“Exercise Last Day Conversion Price” means the Conversion Price in effect on the last day of the relevant Exercise VWAP Period, provided that if during the period from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, any adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price becomes effective under the provisions of Condition 5.2, the Exercise Last Day Conversion Price shall be adjusted in the same manner as set out in Condition 5.2 (subject to the provisions of Conditions 5.4, 5.5, 5.6 and 5.7) with retroactive effect as of the last day of the relevant Exercise VWAP Period. For the avoidance of doubt, if any adjustment to the Conversion Price becomes effective on or before the last day of the relevant Exercise VWAP Period under the provisions of Condition 5.2, the Exercise Last Day Conversion Price shall be adjusted in such manner and to such extent as provided in Condition 5.2 (subject to the provisions of Conditions 5.4, 5.5, 5.6 and 5.7).

“Exercise VWAP Period” means the ten consecutive Trading Days beginning on the second Trading Day after the relevant Deposit Date.

By way of example, if the Deposit Date is 1 June 2016 (London time), and 2 June 2016 and 3 June 2016 are Trading Days, then the Exercise VWAP Period will begin on 3 June 2016 (Tokyo time).

“Exercise VWAP per Share” in respect of an Exercise VWAP Period means the average of the VWAP of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during such Exercise VWAP Period, provided that:

- (i) if on any Trading Day within such Exercise VWAP Period, 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 VWAP on such Trading Day;

- (ii) if any adjustment to the Conversion Price becomes effective on or before the last day of Exercise VWAP Period under the provisions of Condition 5.2, whereby there shall be any Unadjusted VWAP Period (as defined below), then the Exercise VWAP per Share as determined above shall be adjusted, in respect of such Unadjusted VWAP Period, by multiplying the VWAP on each Trading Day within such Unadjusted VWAP Period used in the calculation of such Exercise VWAP per Share by the following fraction:

$$\frac{\text{NCP}}{\text{OCP}}$$

where:

NCP = the Conversion Price after such adjustment; and

OCP = the Conversion Price before such adjustment.

In these Conditions:

“Unadjusted VWAP Period” means the period within the relevant Exercise VWAP Period during which the relevant event giving rise to the adjustment of the Conversion Price is not reflected in each Closing Price of the Shares for such period, which, in the case of an adjustment to the Conversion Price pursuant to Condition 5.2.1 to 5.2.7 (both inclusive), shall be the period from and including the first day of the relevant Exercise VWAP Period to and including the earlier of (x) one Trading Day prior to the relevant Ex-Rights Date (as defined below), and (y) the last day of the relevant Exercise VWAP Period.

“Ex-Rights Date” means:

- (a) in the case of the events set out in Condition 5.2.1 to 5.2.4 (both inclusive), the second Tokyo Business Day prior to the Record Date relating to such event, or, if no such Record Date is set in respect of such event, the third Tokyo Business Day prior to the effective date of such event; and
- (b) in the case of the issue of securities convertible into or exchangeable for Shares, the issue or transfer of Shares, or the grant, issue or offer of any rights or warrants (including stock acquisition rights), as set out in Conditions 5.2.5, 5.2.6 and 5.2.7, the calendar day immediately after the public announcement by the Company of such issue, transfer, grant or offer,

provided 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-rights dates, such Ex-Rights Date may be amended by the Company, and/or the Company may make such other changes to this definition of “Ex-Rights Date” 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; and

- (iii) if during the period from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date any adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price becomes effective under the provisions of Condition 5.2, whereby there shall be any Unadjusted VWAP Period, then the Exercise VWAP per Share shall be adjusted in the same manner as set out in (ii) above.

“Maximum Exercise Acquisition Shares” means such number of Shares per Bond, calculated in accordance with the formula below:

$$\text{Maximum Exercise Acquisition Shares} = \frac{\text{The principal amount of the relevant Bond}}{\text{The relevant Exercise Last Day Conversion Price} \times 200 \text{ per cent}}$$

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof; and
- (ii) if during the period from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date any adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price becomes effective under the provisions of Condition 5.2, then the relevant Maximum Exercise Acquisition Shares, as determined above, shall be adjusted through the adjustment of the relevant Exercise Last Day Conversion Price referred to above.

All calculations with respect to the Exercise Acquisition Share Value and the Exercise 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.

5.10.3 *Delivery*: Delivery of the Exercise Acquisition Shares by or on behalf of the Company pursuant to this Condition 5.10 will be made:

- (i) in the case (other than where (ii) below applies) of any Exercise Acquisition Shares other than those which become deliverable due to the occurrence of an adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) which becomes effective under the provisions of Condition 5.2 from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, on the relevant Exercise Acquisition Date (or if such delivery on the relevant Exercise Acquisition Date is impracticable, as soon as practicable and in any event within 14 days thereafter);
- (ii) in the case (other than where (iii) below applies) of any Exercise Acquisition Shares which become deliverable due to the occurrence of an adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) which becomes effective under the provisions of Condition 5.2 from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, on a Tokyo Business Day which falls on or as soon as practicable after the relevant Exercise Acquisition Date (and in any event within 14 days thereafter); or
- (iii) in the case of any Exercise Acquisition Shares which become deliverable under circumstances where an adjustment to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) due to a consolidation of Shares takes effect under Condition 5.2.1 on or before the relevant Exercise Acquisition Date, on the relevant Exercise Acquisition Date (or if such delivery on the relevant Exercise Acquisition Date is impracticable, as soon as practicable and in any event within 14 days thereafter),

in each case 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 Exercise 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 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 relevant Bondholder in the relevant Conversion 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 Exercise Acquisition Shares with references to the Stock Acquisition Date therein being construed as references to the relevant Exercise Acquisition Date.

The Agency Agreement provides that the Company will (through the relevant Agent) notify the relevant Bondholder of the relevant Exercise VWAP per Share, the number of Exercise Acquisition Shares deliverable pursuant to Condition 5.10 and the relevant Exercise Acquisition Date on which the relevant Bonds (including the relevant Stock Acquisition Rights) will be acquired by the Company, as soon as reasonably practicable upon determination thereof. The Agency Agreement provides that where an adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) becomes effective under the provisions of Condition 5.2 from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, then the Company will (through the relevant Agent) further notify the relevant Bondholder of any adjustments to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share, and the number of any additional Exercise Acquisition Shares or reduced number of Exercise Acquisition Shares, as the case may be, which may become deliverable pursuant to Condition 5.10, as soon as reasonably practicable upon determination thereof.

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 7.5(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 Conditions 5.10 and 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, provided that this Condition 6.5.8 shall not apply where the Bonds are acquired by the New Obligor substantially in the same manner as described in Condition 5.10; 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 31 March 2021 (the “Maturity Date”). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 *Acquisition of all the Bonds at the Option of the Company*

7.2.1 *Acquisition Notice*: At any time from and including 31 March 2020 to and including 16 December 2020, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may 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 10 March 2021 (the “Acquisition Option Date”); provided that the Company shall not be bound to exercise such option to acquire. Upon giving such Acquisition 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:

- (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 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.

Except as provided in Condition 7.2.3, any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the Acquisition Shares 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.

If the Company gives the Acquisition Notice, 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.

In these Conditions:

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

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

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof;
- (ii) 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 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); and

- (iii) the maximum number of Acquisition Shares per Bond shall be the Maximum Acquisition Shares per Bond.

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

$$\text{Acquisition Share Value} = \frac{\text{The principal amount of the Bond}}{\text{Last Day Conversion Price}} \times \text{Average VWAP per Share}$$

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

- (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 Acquisition Shares (as set out in the definition of “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;
- (ii) if an Ex-Dividend Date falls within the period from and including the second Tokyo Business Day after the Trigger Date to and including the last day of the Relevant VWAP Period, the Average VWAP per Share for the purpose of calculating the Acquisition Share Value (as contained in the definition of “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;
- (iii) if on any Trading Day within the Relevant VWAP Period, 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 (i) or (ii) above (as the case may be), if required); and
- (iv) 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 (i) and (ii) above, the Average VWAP per Share for the purposes of calculating the Acquisition Shares may differ from the Average VWAP per Share used for the purposes of calculating the Acquisition Share Value.

“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.

For the purposes of this Condition 7.2.1, “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, such 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 30th Trading Day prior to the Acquisition Option Date.

“Maximum Acquisition Shares” means such number of Shares per Bond, calculated in accordance with the formula below:

$$\text{Maximum Acquisition Shares} = \frac{\text{The principal amount of the Bond}}{\text{Last Day Conversion Price} \times 200 \text{ per cent}}$$

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof; and
- (ii) 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 Maximum 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).

All calculations with respect to the 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 (including, for the avoidance of doubt, the number of Maximum 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.

In these Conditions, “Determination Date” means 24 February 2021, being the date falling 14 calendar days prior to the Acquisition Option Date.

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 number of Acquisition Shares (including, for the avoidance of doubt, the number of Maximum Acquisition Shares) shall be calculated separately for each Bond without Share Settlement Notice, and the Company shall deliver or cause to be delivered all such Acquisition Shares deliverable 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.

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 or accountancy firm of international 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 7.6 in which case the provisions of Condition 7.6 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.

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, the Stock Acquisition Rights may not be exercised for the period from but excluding the Trigger Date to and including the Acquisition Option Date, if the Acquisition Notice is duly given.

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

The Company may, but shall not be bound to, having given not less than 45 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.

7.4 *Redemption for Taxation Reasons*

The Company may, but shall not be bound to, at any time, having given not less than 45 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 7 March 2016, 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 and the Trustee shall not be liable for any loss occasioned by acting on such certificate. 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.

7.5 *Corporate Event Redemption*

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.11) give not less than 14 Tokyo Business Days' prior notice (the "Corporate Event Redemption 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 7.5 (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 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 7.5 and the Trustee shall not be liable for any loss occasioned by acting on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(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 the Exercise Period End Date 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	
1 April 2016	100.01	102.56	106.05	110.45	115.71	121.75	128.50	135.88	143.82	152.26	161.13	170.41	
1 April 2017	99.84	102.06	105.27	109.48	114.63	120.65	127.45	134.94	143.03	151.63	160.70	170.16	
1 April 2018	99.52	101.31	104.15	108.10	113.13	119.16	126.06	133.74	142.06	150.93	160.26	170.00	
1 April 2019	99.25	100.47	102.75	106.30	111.14	117.20	124.31	132.30	141.00	150.27	160.00	170.00	
1 April 2020	99.33	99.75	101.04	103.77	108.23	114.41	122.01	130.68	140.08	150.00	160.00	170.00	
17 March 2021	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	

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 7.5, 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 7.5, is more than 170.00 per cent, the Corporate Event Redemption Price shall be 170.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) the calendar day immediately following the Exercise Period End Date to (and including) the calendar day immediately before Maturity Date, the Corporate Event Redemption Price shall be 100.00 per cent.

Notwithstanding the above, in respect of any Bonds, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10) and the Exercise Acquisition Date in respect of which falls on or after the Corporate Event Redemption Date, the provisions regarding redemption set out in Condition 7.5 above will not apply.

7.6 *Redemption on Delisting of the Shares*

7.6.1 *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 7.11) give notice (the “Delisting 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, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the “Delisting Redemption Date”) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Company shall as soon as practicable give notice of an offer as described in this Condition 7.5.1 to the Trustee in writing and to the Bondholders in accordance with Condition 19. The Trustee may assume until it has received actual written notice from the Company to the contrary that the Offeror has not so acquired any Shares.

Notwithstanding the above, in respect of any Bonds, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10), and the Exercise Acquisition Date in respect of which falls on or after the Delisting Redemption Date, the provisions regarding redemption set out in Condition 7.6.1 above will not apply.

- ### 7.6.2 *Redemption Price:*
- The redemption price applicable to the redemption under this Condition 7.6 shall be calculated in the same manner as provided in Condition 7.5, 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 second to last paragraph of Condition 7.5 shall apply to the above redemption price without any adjustment.

7.6.3 *Offer Followed by Corporate Event or Squeezeout Event:* Notwithstanding the above provisions of this Condition 7.6, 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 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Condition 6 and Condition 7.5 or 7.7, 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 7.6.2 (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 7.6.1 without being subject to the provisions of this Condition 7.6.3), 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).

7.6.4 *Irrevocable Notice:* 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.

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

- (a) any of the events set out in (i) through (iv) of Condition 7.6.1; or
- (b) any of the events set out in Condition 7.6.3 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.

7.6.6 *Condition:* If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.6 and either Condition 7.5 or 7.7, as the case may be, the procedure pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

7.7 *Squeezeout Redemption*

7.7.1 *Redemption:* Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.11) give notice (the "Squeezeout Event 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, 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 consolidation, as the case may be, of the Shares with respect to the Squeezeout Event; provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

“Squeezeout Event” means (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 (*kabushiki 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.

Notwithstanding the above, in respect of any Bonds, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10), and the Exercise Acquisition Date in respect of which falls on or after the Squeezeout Redemption Date, the provisions regarding redemption set out in Condition 7.7.1 above will not apply.

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 7.5, 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 second to last paragraph of Condition 7.5 shall apply to the above redemption price without any adjustment.

7.8 **Purchase**

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds

in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights relating to such Bonds and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.9 Cancellation

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

7.10 Notice of Redemption

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of 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 of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.11 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 or 7.7, no other notice may be, or as the case may be, required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.6.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4 and subject to Condition 7.2.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) to (iv) of Condition 7.6.1 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

7.12 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*

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, 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 7.4, 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 of 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 7.4.

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 7.4 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 7.5, 7.6 or 7.7 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 7.5, 7.6 or 7.7 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 or upon the acquisition of the Bonds by the Company 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 or upon the acquisition of the Bonds by the Company 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 or upon the acquisition of the Bonds by the Company 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 of the Stock Acquisition Rights or upon the acquisition of the Bonds by the Company, 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 7.5 or Condition 7.6 (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 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 (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 after the acquisition or consolidation of Shares, as the case may be, 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 7.5 or 7.6); 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 (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 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 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 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 which case, the Trustee shall be entitled to rely upon such certificate without

incurring any liability to any person for doing so. 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 7.4 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);
- (iv) a Representative Director of the New Obligor certifies that it will be solvent immediately after such substitution, and the Trustee shall not have regard to the New Obligor’s financial condition, profits or prospects or compare them with those of the Company;
- (v) the Company shall have certified (by a certificate of a Representative Director) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;
- (vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and
- (vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

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

12.4 ***Deemed Amendment***

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

- (i) the terms “Stock Acquisition Rights” and “Shares” shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and
- (ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13. **Prescription**

Claims in respect of the Bonds will become void unless made 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 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, 7.5 and/or 7.7 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 7.6, 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 any 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 in the absence of manifest error, any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. Independent Financial Adviser

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

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

19. Notices

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

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

20. Contracts (Rights of Third Parties) Act 1999

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

21. Governing Law and Submission to Jurisdiction

21.1 *Governing Law*

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

21.2 *Jurisdiction*

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

21.3 *Agent for Service of Process*

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

TERMS AND CONDITIONS OF THE 2023 BONDS

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

The ¥100,000,000,000 Zero Coupon Convertible Bonds due 2023 (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 SUZUKI MOTOR CORPORATION (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 1 April 2016 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 1 April 2016 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 1251 Avenue of the Americas, 19th Floor, New York, NY 10020, U.S.A., and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the “Agents” shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (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) is 100.0 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 (a “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 the relevant 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, 7.5, 7.6 or 7.7, (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 deposited with respect to such Bond pursuant to Condition 5.9.1 (including, for the avoidance of doubt, in the case of the acquisition of the relevant Bonds pursuant to Condition 5.10) (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 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

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 or prior thereto, according or procuring to be accorded to the Bonds and the Company's obligations under the Trust Deed, (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;

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

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

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

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

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

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

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

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

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

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

“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 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 7.3;

“Closed Period” has the meaning provided in Condition 7.10;

“Closing Date” means 1 April 2016;

“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 Schedule 1 to the Agency Agreement;

“Conversion Price” has the meaning provided in Condition 5.1.3;

“Corporate Event” has the meaning provided in Condition 6.1;

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

“Corporate Event Redemption Date” has the meaning provided in Condition 7.5;

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

“Corporate Event Redemption Price” has the meaning provided in Condition 7.5;

“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 1251 Avenue of the Americas, 19th Floor, New York, NY 10020, U.S.A. or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

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

“Delisting Redemption Date” has the meaning provided in Condition 7.6.1;

“Delisting Redemption Notice” has the meaning provided in Condition 7.6.1;

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

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

“Determination Date” has the meaning provided in Condition 7.2.2;

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

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

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

“Ex-Rights Date” has the meaning provided in Condition 5.10.2;

“Exercise Acquisition Date” has the meaning provided in Condition 5.10.1;

“Exercise Acquisition Shares” has the meaning provided in Condition 5.10.2;

“Exercise Acquisition Share Value” has the meaning provided in Condition 5.10.2;

“Exercise Last Day Conversion Price” has the meaning provided in Condition 5.10.2;

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

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

“Exercise VWAP Period” has the meaning provided in Condition 5.10.2;

“Exercise VWAP per Share” has the meaning provided in Condition 5.10.2;

“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 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;

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

“Listing” has the meaning provided in Condition 6.4.2;

“Maturity Date” has the meaning provided in Condition 7.1;

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

“Maximum Exercise Acquisition Shares” has the meaning provided in Condition 5.10.2;

“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 7.6.1;

“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;

“R&I” means Rating and Investment Information, Inc. or its successors;

“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 7.5, 7.6 and 7.7;

“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, 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 7.7.1;

“Squeezeout Event” has the meaning provided in Condition 7.7.1;

“Squeezeout Event Redemption Notice” has the meaning provided in Condition 7.7.1;

“Squeezeout Redemption Date” has the meaning provided in Condition 7.7.1;

“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 7.4;

“Tax Redemption Notice” has the meaning provided in Condition 7.4;

“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;

“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;

“Trigger Date” means 31 December 2022;

“Unadjusted VWAP Period” has the meaning provided in Condition 5.10.2;

“VWAP” means the Volume Weighted Average Prices; 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 5.10 or 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 system of 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.

References to the “exercise” of Stock Acquisition Rights shall include, where the context so requires, a request for acquisition of the Stock Acquisition Right by the Company where the provisions of Condition 5.10 apply (and the words “exercise”, “exercised” and “exercisable” shall be construed accordingly).

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, unless the provisions of Condition 5.10 apply, 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:* Subject to the provisions of Condition 5.10, 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 ¥4,120.0 per Share, subject to adjustment in the manner provided in Condition 5.2.
- 5.1.4 *Exercise Period:* Subject to Conditions 5.1.6 and 5.10, each Stock Acquisition Right may be exercised at any time during the period from, and including, 15 April 2016, to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 17 March 2023 (the “Exercise Period End Date”), or:
- (i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 5.10 or 7.2 and cancelled by the Company pursuant to Condition 5.10.2 or 7.2.1, respectively, then the Stock Acquisition Rights may be exercised 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 or 7.4, then the Stock Acquisition Rights may be exercised 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 (x) in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed, and (y) the Exercise Acquisition Date of the relevant Bond falls on a date from and including the second Tokyo Business Day prior to the date fixed for redemption thereof to but excluding the date fixed for redemption thereof); or
 - (iii) if the Bonds shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then the Stock Acquisition Rights may be exercised 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 the Exercise Acquisition Date of the relevant Bond falls after 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 7.8, then the Stock Acquisition Rights may be exercised 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 the Stock Acquisition Rights may be exercised up to the time when such Bond becomes so due and repayable,

In the case of an exercise by a Bondholder of its Stock Acquisition Rights on or before the Trigger Date, if the Bonds become due and repayable pursuant to Condition 10 after such exercise but before the acquisition by the Company of the relevant Bonds pursuant to Condition 5.10, then, pursuant to the provision of Condition 5.1.4(v) above, as the Stock Acquisition Rights in respect of the Bonds have ceased to be exercisable as at the time when the Bonds so became due and repayable, the Company shall no longer be able to acquire the Stock Acquisition Rights in respect of such Bonds, and such Bonds will become due and repayable in the same manner and at the same timing as other outstanding Bonds in respect of which the Stock Acquisition Rights have not been exercised.

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after the Exercise Period End Date;
- (b) if the Company reasonably determines that it is necessary to suspend exercise of the Stock Acquisition Rights in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7), then:
 - (x) in the case of any such exercise where the Deposit Date in respect thereof would fall on or before the Trigger Date, the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not commence earlier than the 35th day prior to the Tokyo Business Day immediately prior to the relevant Corporate Event Effective Date and which period may not end later than 14 days after the Corporate Event Effective Date; and
 - (y) in the case of any such exercise where the Deposit Date in respect thereof would fall after the Trigger Date, 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;
- (c) in the case of an acquisition pursuant to Condition 7.2 (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised during the period from but excluding the Trigger Date to and including the Acquisition Option Date;
- (d) in the case of an acquisition pursuant to Condition 5.10, the relevant Stock Acquisition Rights incorporated in the relevant Bonds may not be exercised during the period from but excluding the relevant Deposit Date to and including the relevant Exercise Acquisition Date;
- (e) if a notice of redemption is given in accordance with Condition 7.3 or 7.4, then, in the case of any exercise of the Stock Acquisition Rights where the Deposit Date in respect thereof falls on or before the Trigger Date, the Stock Acquisition Rights may not be exercised during the period from and including the 35th calendar day prior to the date fixed for redemption thereof to and including the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed);

- (f) if a notice of redemption is given in accordance with Condition 7.5, 7.6 or 7.7, then, in the case of any exercise of the Stock Acquisition Rights where the Deposit Date in respect thereof falls on or before the Trigger Date, the Stock Acquisition Rights may not be exercised during the period from but excluding the third Business Day in London and Tokyo after the date on which such notice of redemption is given to and including the date fixed for redemption thereof; and
- (g) in the case of any such exercise where the Deposit Date in respect thereof falls after the Trigger Date, 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(g) 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; and

“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).

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 two Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions 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:* Prior to (and including) the Trigger Date, a Bondholder may exercise its Stock Acquisition Rights only if:
- (a) 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, as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2. If this condition is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter, provided that the relevant Deposit Date falls during the Exercise Period; and
 - (b) the latest available Closing Price of the Shares as at the Deposit Date is equal to or higher than the Conversion Price then in effect.

For the avoidance of doubt, even where a condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6(a) 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 (i) after the expiration of the Exercise Period, or (ii) if, in the case of any such exercise where the Deposit Date in respect thereof would fall on or before the Trigger Date, the latest available Closing Price of the Shares as at the Deposit Date is lower than the Conversion Price then in effect.

- 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(a) shall not be applicable during any period in which:
- (i) the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) by R&I is BB+ (or equivalent if the rating category is changed) or lower;
 - (ii) the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) is no longer assigned by R&I; or
 - (iii) the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) by R&I has been suspended or withdrawn by R&I.

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 or 7.7, the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6(a) shall not be applicable on and after the date of notice of such redemption except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed pursuant to Condition 7.4.

5.1.9 *Conditions to Conversion – Corporate Events:* Upon a Corporate Event being proposed, 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(a) shall not be applicable during the period from (and including) the date on 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.

5.1.10 *Exercise On or Before the Trigger Date:* In respect of each exercise of the Stock Acquisition Right by any Bondholder, the Deposit Date for which falls on or before the Trigger Date, the Company shall acquire all of the Bonds to which the relevant Conversion Notice relates, and the procedures set out in Condition 5.10 shall apply, and the provisions of Conditions 5.1.2, 5.9.4(ii), 5.9.5 and 5.9.6 shall not apply.

Pursuant to the provisions of Conditions 5.1.10 and 5.10, if a Bondholder exercises its Stock Acquisition Rights on or before the Trigger Date, such Bondholder will not receive Shares in accordance with Condition 5.1.2, but will instead receive the principal amount of the relevant Bonds in cash, together with the Exercise Acquisition Shares in respect of such Bonds, if any.

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 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 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 ¥97,080.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥40.

“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 stock acquisition rights incorporated in the bonds with stock acquisition rights due 2021 issued by the Company on the Closing Date) 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 to Non-shareholders 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 the bonds with stock acquisition rights due 2021 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) 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 issue of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);
- (iv) in the case of the grant, issue or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 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 grant, issue or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 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 and/or Exercise VWAP per Share 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 and/or Exercise VWAP per Share 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(a), 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.

5.3 ***Retroactive Adjustments***

The Company shall procure that:

- (i) in the case of any exercise of Stock Acquisition Rights where the Deposit Date in respect thereof would fall on or before the Trigger Date, if any adjustment to the Conversion Price becomes effective after the Exercise Acquisition Date retroactively to a date on or before the relevant Exercise Acquisition Date pursuant to any of the provisions of Condition 5.2, the provisions of Condition 5.10.3 shall be applied, *mutatis mutandis*, to such number of Shares (“Additional Exercise Acquisition Shares”) as is equal to the excess of the number of Exercise Acquisition Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect, as set out below, as of the said last day of the relevant Exercise VWAP Period, over the number of Exercise Acquisition Shares previously acquired pursuant to such exercise:
 - (a) the relevant Exercise Last Day Conversion Price is adjusted with retroactive effect in the same manner as set out in the definition of “Exercise Last Day Conversion Price” (as set out in Condition 5.10.2); and
 - (b) the relevant Exercise VWAP per Share is adjusted with retroactive effect in respect of the relevant Unadjusted VWAP Period (if any) in the same manner as set out in sub-paragraph (ii) in the definition of “Exercise VWAP per Share” (as set out in Condition 5.10.2).

In such event and in respect of such Additional Exercise Acquisition Shares, references in Condition 5.10.3 to the Exercise Acquisition Date shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price; and

- (ii) in the case of any exercise of Stock Acquisition Rights where the Deposit Date in respect thereof would fall after the Trigger Date, if the relevant Stock Acquisition Date in relation to such 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, 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.

In these Conditions, “Retroactive Adjustment” means such retroactive adjustment to the Conversion Price, the Exercise Last Day Conversion Price and/or the relevant Exercise VWAP per Share as set forth in (i) and (ii) above.

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, the effective date of such adjustment and the relevant Ex-Rights Date.

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 The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to

perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

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

- 5.9.3 *Conditions Precedent:* As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares (for the avoidance of doubt, including Exercise Acquisition Shares (if any)) 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 (for the avoidance of doubt, including Exercise Acquisition Shares (if any)) 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) or into which it receives the Exercise Acquisition Shares pursuant to Condition 5.10.3. Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares (including, for the avoidance of doubt, Exercise Acquisition Shares (if any)) 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:*

- (i) The time 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 Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond (for the avoidance of doubt, the definition of "Deposit Date" will also apply in the case where the Bonds are acquired pursuant to the provisions of Condition 5.10);
- (ii) Subject to the provisions of Condition 5.10, 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);
- (iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and
- (iv) If deposit 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 deposit 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.

Any determination as to whether a Conversion Notice has been properly completed and deposited 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.

- 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. Subject to the provisions of Condition 5.10, 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 the 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 the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

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

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

5.10 ***Acquisition by the Company of Bonds upon Exercise of Stock Acquisition Rights***

In respect of each exercise of the Stock Acquisition Right by any Bondholder, the Deposit Date for which falls on or before the Trigger Date, the following provisions of this Condition 5.10 shall apply (and, for the avoidance of doubt, the provisions of Conditions 5.1.2, 5.9.4(ii), 5.9.5 and 5.9.6 shall not apply).

5.10.1 *Notice of Acquisition by the Company:* On the relevant Deposit Date, the Company is deemed to have given notice to the relevant Bondholder to acquire all of the Bonds to which such Conversion Notice relates on the 35th calendar day immediately following such Deposit Date (such date being the "Exercise Acquisition Date" in respect of such Bonds), and all such Bonds shall be so acquired by the Company on the relevant Exercise Acquisition Date. Each Bondholder by accepting or acquiring any Bond agrees that such Bond shall be so acquired by the Company on the relevant Exercise Acquisition Date.

By way of example, if the Deposit Date is 1 June 2016 (London time), then the Exercise Acquisition Date will be 6 July 2016 (Tokyo time).

5.10.2 *Acquisition:* The Company shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Company pursuant to Condition 5.10.1:

- (i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent of the principal amount of the relevant Bonds on the relevant Exercise Acquisition Date in cash, and
- (ii) issue and deliver the Exercise Acquisition Shares in respect of the relevant Bonds in accordance with Condition 5.10.3, if any, registered in the name of the Custodian or its nominee, with effect as of the relevant Exercise Acquisition Date,

in each case, to the relevant Bondholder.

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.

At any time when the relevant Bond(s) is/are evidenced by a Global Certificate, as a deposit of Certificates shall not be required, such provisions relating to cancellation of Certificates shall not apply.

In these Conditions:

“Exercise Acquisition Shares” means such number of Shares per Bond, calculated in accordance with the formula below:

$$\text{Exercise Acquisition Shares} = \frac{\text{The amount by which the relevant Exercise Acquisition Share Value exceeds the principal amount of each relevant Bond}}{\text{Exercise VWAP per Share in respect of the relevant Exercise VWAP Period}}$$

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof;
- (ii) the maximum number of Exercise Acquisition Shares per Bond shall be the Maximum Exercise Acquisition Shares per Bond; and
- (iii) to the extent that a Conversion Notice is deposited with respect to more than one Bond, the number of Exercise Acquisition Shares (including, for the avoidance of doubt, the number of Maximum Exercise Acquisition Shares) to be delivered pursuant to this Condition 5.10 shall be calculated on the basis of the aggregate number of Bonds referred to in such Conversion Notice.

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

$$\text{Exercise Acquisition Share Value} = \frac{\text{The principal amount of the relevant Bond}}{\text{The relevant Exercise Last Day Conversion Price}} \times \text{Exercise VWAP per Share in respect of the relevant Exercise VWAP Period}$$

“Exercise Last Day Conversion Price” means the Conversion Price in effect on the last day of the relevant Exercise VWAP Period, provided that if during the period from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, any adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price becomes effective under the provisions of Condition 5.2, the Exercise Last Day Conversion Price shall be adjusted in the same manner as set out in Condition 5.2 (subject to the provisions of Conditions 5.4, 5.5, 5.6 and 5.7) with retroactive effect as of the last day of the relevant Exercise VWAP Period. For the avoidance of doubt, if any adjustment to the Conversion Price becomes effective on or before the last day of the relevant Exercise VWAP Period under the provisions of Condition 5.2, the Exercise Last Day Conversion Price shall be adjusted in such manner and to such extent as provided in Condition 5.2 (subject to the provisions of Conditions 5.4, 5.5, 5.6 and 5.7).

“Exercise VWAP Period” means the ten consecutive Trading Days beginning on the second Trading Day after the relevant Deposit Date.

By way of example, if the Deposit Date is 1 June 2016 (London time), and 2 June 2016 and 3 June 2016 are Trading Days, then the Exercise VWAP Period will begin on 3 June 2016 (Tokyo time).

“Exercise VWAP per Share” in respect of an Exercise VWAP Period means the average of the VWAP of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during such Exercise VWAP Period, provided that:

- (i) if on any Trading Day within such Exercise VWAP Period, 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 VWAP on such Trading Day;

- (ii) if any adjustment to the Conversion Price becomes effective on or before the last day of Exercise VWAP Period under the provisions of Condition 5.2, whereby there shall be any Unadjusted VWAP Period (as defined below), then the Exercise VWAP per Share as determined above shall be adjusted, in respect of such Unadjusted VWAP Period, by multiplying the VWAP on each Trading Day within such Unadjusted VWAP Period used in the calculation of such Exercise VWAP per Share by the following fraction:

$$\frac{\text{NCP}}{\text{OCP}}$$

where:

NCP = the Conversion Price after such adjustment; and

OCP = the Conversion Price before such adjustment.

In these Conditions:

“Unadjusted VWAP Period” means the period within the relevant Exercise VWAP Period during which the relevant event giving rise to the adjustment of the Conversion Price is not reflected in each Closing Price of the Shares for such period, which, in the case of an adjustment to the Conversion Price pursuant to Condition 5.2.1 to 5.2.7 (both inclusive), shall be the period from and including the first day of the relevant Exercise VWAP Period to and including the earlier of (x) one Trading Day prior to the relevant Ex-Rights Date (as defined below), and (y) the last day of the relevant Exercise VWAP Period.

“Ex-Rights Date” means:

- (a) in the case of the events set out in Condition 5.2.1 to 5.2.4 (both inclusive), the second Tokyo Business Day prior to the Record Date relating to such event, or, if no such Record Date is set in respect of such event, the third Tokyo Business Day prior to the effective date of such event; and
- (b) in the case of the issue of securities convertible into or exchangeable for Shares, the issue or transfer of Shares, or the grant, issue or offer of any rights or warrants (including stock acquisition rights), as set out in Conditions 5.2.5, 5.2.6 and 5.2.7, the calendar day immediately after the public announcement by the Company of such issue, transfer, grant or offer,

provided 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-rights dates, such Ex-Rights Date may be amended by the Company, and/or the Company may make such other changes to this definition of “Ex-Rights Date” 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; and

- (iii) if during the period from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date any adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price becomes effective under the provisions of Condition 5.2, whereby there shall be any Unadjusted VWAP Period, then the Exercise VWAP per Share shall be adjusted in the same manner as set out in (ii) above.

“Maximum Exercise Acquisition Shares” means such number of Shares per Bond, calculated in accordance with the formula below:

$$\text{Maximum Exercise Acquisition Shares} = \frac{\text{The principal amount of the relevant Bond}}{\text{The relevant Exercise Last Day Conversion Price} \times 200 \text{ per cent}}$$

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof; and
- (ii) if during the period from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date any adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price becomes effective under the provisions of Condition 5.2, then the relevant Maximum Exercise Acquisition Shares, as determined above, shall be adjusted through the adjustment of the relevant Exercise Last Day Conversion Price referred to above.

All calculations with respect to the Exercise Acquisition Share Value and the Exercise 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.

5.10.3 *Delivery*: Delivery of the Exercise Acquisition Shares by or on behalf of the Company pursuant to this Condition 5.10 will be made:

- (i) in the case (other than where (ii) below applies) of any Exercise Acquisition Shares other than those which become deliverable due to the occurrence of an adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) which becomes effective under the provisions of Condition 5.2 from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, on the relevant Exercise Acquisition Date (or if such delivery on the relevant Exercise Acquisition Date is impracticable, as soon as practicable and in any event within 14 days thereafter);
- (ii) in the case (other than where (iii) below applies) of any Exercise Acquisition Shares which become deliverable due to the occurrence of an adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) which becomes effective under the provisions of Condition 5.2 from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, on a Tokyo Business Day which falls on or as soon as practicable after the relevant Exercise Acquisition Date (and in any event within 14 days thereafter); or
- (iii) in the case of any Exercise Acquisition Shares which become deliverable under circumstances where an adjustment to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) due to a consolidation of Shares takes effect under Condition 5.2.1 on or before the relevant Exercise Acquisition Date, on the relevant Exercise Acquisition Date (or if such delivery on the relevant Exercise Acquisition Date is impracticable, as soon as practicable and in any event within 14 days thereafter),

in each case 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 Exercise 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 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 relevant Bondholder in the relevant Conversion 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 Exercise Acquisition Shares with references to the Stock Acquisition Date therein being construed as references to the relevant Exercise Acquisition Date.

The Agency Agreement provides that the Company will (through the relevant Agent) notify the relevant Bondholder of the relevant Exercise VWAP per Share, the number of Exercise Acquisition Shares deliverable pursuant to Condition 5.10 and the relevant Exercise Acquisition Date on which the relevant Bonds (including the relevant Stock Acquisition Rights) will be acquired by the Company, as soon as reasonably practicable upon determination thereof. The Agency Agreement provides that where an adjustment (including any adjustment with retroactive effect pursuant to Condition 5.2) to the Conversion Price (and thereby, for the avoidance of doubt, an adjustment to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share (as the case may be)) becomes effective under the provisions of Condition 5.2 from but excluding the last day of the relevant Exercise VWAP Period to and including the relevant Exercise Acquisition Date, then the Company will (through the relevant Agent) further notify the relevant Bondholder of any adjustments to the relevant Exercise Last Day Conversion Price and/or Exercise VWAP per Share, and the number of any additional Exercise Acquisition Shares or reduced number of Exercise Acquisition Shares, as the case may be, which may become deliverable pursuant to Condition 5.10, as soon as reasonably practicable upon determination thereof.

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 7.5(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 Conditions 5.10 and 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, provided that this Condition 6.5.8 shall not apply where the Bonds are acquired by the New Obligor substantially in the same manner as described in Condition 5.10; 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 31 March 2023 (the “Maturity Date”). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 *Acquisition of all the Bonds at the Option of the Company*

7.2.1 *Acquisition Notice*: At any time from and including 31 March 2022 to and including 16 December 2022, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may 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 10 March 2023 (the “Acquisition Option Date”); provided that the Company shall not be bound to exercise such option to acquire. Upon giving such Acquisition 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:

- (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 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.

Except as provided in Condition 7.2.3, any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the Acquisition Shares 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.

If the Company gives the Acquisition Notice, 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.

In these Conditions:

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

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

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof;
- (ii) 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 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); and

- (iii) the maximum number of Acquisition Shares per Bond shall be the Maximum Acquisition Shares per Bond.

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

$$\text{Acquisition Share Value} = \frac{\text{The principal amount of the Bond}}{\text{Last Day Conversion Price}} \times \text{Average VWAP per Share}$$

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

- (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 Acquisition Shares (as set out in the definition of “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;
- (ii) if an Ex-Dividend Date falls within the period from and including the second Tokyo Business Day after the Trigger Date to and including the last day of the Relevant VWAP Period, the Average VWAP per Share for the purpose of calculating the Acquisition Share Value (as contained in the definition of “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;
- (iii) if on any Trading Day within the Relevant VWAP Period, 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 (i) or (ii) above (as the case may be), if required); and
- (iv) 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 (i) and (ii) above, the Average VWAP per Share for the purposes of calculating the Acquisition Shares may differ from the Average VWAP per Share used for the purposes of calculating the Acquisition Share Value.

“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.

For the purposes of this Condition 7.2.1, “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, such 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 30th Trading Day prior to the Acquisition Option Date.

“Maximum Acquisition Shares” means such number of Shares per Bond, calculated in accordance with the formula below:

$$\text{Maximum Acquisition Shares} = \frac{\text{The principal amount of the Bond}}{\text{Last Day Conversion Price} \times 200 \text{ per cent}}$$

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof; and
- (ii) 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 Maximum 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).

All calculations with respect to the 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 (including, for the avoidance of doubt, the number of Maximum 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.

In these Conditions, “Determination Date” means 24 February 2023, being the date falling 14 calendar days prior to the Acquisition Option Date.

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 number of Acquisition Shares (including, for the avoidance of doubt, the number of Maximum Acquisition Shares) shall be calculated separately for each Bond without Share Settlement Notice, and the Company shall deliver or cause to be delivered all such Acquisition Shares deliverable 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.

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 or accountancy firm of international 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 7.6 in which case the provisions of Condition 7.6 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.

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, the Stock Acquisition Rights may not be exercised for the period from but excluding the Trigger Date to and including the Acquisition Option Date, if the Acquisition Notice is duly given.

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

The Company may, but shall not be bound to, having given not less than 45 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.

7.4 *Redemption for Taxation Reasons*

The Company may, but shall not be bound to, at any time, having given not less than 45 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 7 March 2016, 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 and the Trustee shall not be liable for any loss occasioned by acting on such certificate. 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.

7.5 *Corporate Event Redemption*

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.11) give not less than 14 Tokyo Business Days' prior notice (the "Corporate Event Redemption 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 7.5 (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 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 7.5 and the Trustee shall not be liable for any loss occasioned by acting on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(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 the Exercise Period End Date 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	
1 April 2016.....	98.96	102.00	105.89	110.60	116.08	122.25	129.04	136.40	144.28	152.62	161.39	170.55	
1 April 2017.....	98.96	101.77	105.49	110.08	115.48	121.62	128.43	135.84	143.79	152.23	161.10	170.37	
1 April 2018.....	98.78	101.34	104.85	109.29	114.62	120.75	127.60	135.10	143.16	151.74	160.76	170.18	
1 April 2019.....	98.58	100.81	104.05	108.31	113.55	119.68	126.60	134.21	142.44	151.19	160.41	170.02	
1 April 2020.....	98.49	100.28	103.14	107.13	112.23	118.36	125.38	133.18	141.63	150.64	160.10	170.00	
1 April 2021.....	98.57	99.77	102.05	105.61	110.51	116.65	123.86	131.95	140.77	150.14	160.00	170.00	
1 April 2022.....	99.00	99.41	100.68	103.38	107.88	114.13	121.80	130.55	140.03	150.00	160.00	170.00	
17 March 2023.....	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	

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 7.5, 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 7.5, is more than 170.00 per cent, the Corporate Event Redemption Price shall be 170.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) the calendar day immediately following the Exercise Period End Date to (and including) the calendar day immediately before Maturity Date, the Corporate Event Redemption Price shall be 100.00 per cent.

Notwithstanding the above, in respect of any Bonds, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10) and the Exercise Acquisition Date in respect of which falls on or after the Corporate Event Redemption Date, the provisions regarding redemption set out in Condition 7.5 above will not apply.

7.6 *Redemption on Delisting of the Shares*

7.6.1 *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 7.11) give notice (the “Delisting 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, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the “Delisting Redemption Date”) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Company shall as soon as practicable give notice of an offer as described in this Condition 7.5.1 to the Trustee in writing and to the Bondholders in accordance with Condition 19. The Trustee may assume until it has received actual written notice from the Company to the contrary that the Offeror has not so acquired any Shares.

Notwithstanding the above, in respect of any Bonds, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10), and the Exercise Acquisition Date in respect of which falls on or after the Delisting Redemption Date, the provisions regarding redemption set out in Condition 7.6.1 above will not apply.

- ### 7.6.2 *Redemption Price:*
- The redemption price applicable to the redemption under this Condition 7.6 shall be calculated in the same manner as provided in Condition 7.5, 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 second to last paragraph of Condition 7.5 shall apply to the above redemption price without any adjustment.

7.6.3 *Offer Followed by Corporate Event or Squeezeout Event:* Notwithstanding the above provisions of this Condition 7.6, 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 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Condition 6 and Condition 7.5 or 7.7, 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 7.6.2 (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 7.6.1 without being subject to the provisions of this Condition 7.6.3), 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).

7.6.4 *Irrevocable Notice:* 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.

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

- (a) any of the events set out in (i) through (iv) of Condition 7.6.1; or
- (b) any of the events set out in Condition 7.6.3 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.

7.6.6 *Condition:* If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.6 and either Condition 7.5 or 7.7, as the case may be, the procedure pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

7.7 *Squeezeout Redemption*

7.7.1 *Redemption:* Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.11) give notice (the "Squeezeout Event 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, 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 consolidation, as the case may be, of the Shares with respect to the Squeezeout Event; provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

“Squeezeout Event” means (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 (*kabushiki 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.

Notwithstanding the above, in respect of any Bonds, the Stock Acquisition Rights in respect of which have been exercised in a manner where the Deposit Date in respect thereof falls on or before the Trigger Date (and the acquisition of such Bonds are to take place pursuant to Condition 5.10), and the Exercise Acquisition Date in respect of which falls on or after the Squeezeout Redemption Date, the provisions regarding redemption set out in Condition 7.7.1 above will not apply.

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 7.5, 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 second to last paragraph of Condition 7.5 shall apply to the above redemption price without any adjustment.

7.8 **Purchase**

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds

in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights relating to such Bonds and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.9 Cancellation

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

7.10 Notice of Redemption

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of 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 of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.11 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 or 7.7, no other notice may be, or as the case may be, required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.6.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4 and subject to Condition 7.2.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) to (iv) of Condition 7.6.1 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

7.12 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*

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, 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 7.4, 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 of 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 7.4.

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 7.4 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 7.5, 7.6 or 7.7 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 7.5, 7.6 or 7.7 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 or upon the acquisition of the Bonds by the Company 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 or upon the acquisition of the Bonds by the Company 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 or upon the acquisition of the Bonds by the Company 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 of the Stock Acquisition Rights or upon the acquisition of the Bonds by the Company, 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 7.5 or Condition 7.6 (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 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 (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 seikyū*), 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 after the acquisition or consolidation of Shares, as the case may be, 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 7.5 or 7.6); 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 (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 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 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 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 which case, the Trustee shall be entitled to rely upon such certificate without

incurring any liability to any person for doing so. 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 7.4 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);
- (iv) a Representative Director of the New Obligor certifies that it will be solvent immediately after such substitution, and the Trustee shall not have regard to the New Obligor’s financial condition, profits or prospects or compare them with those of the Company;
- (v) the Company shall have certified (by a certificate of a Representative Director) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;
- (vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and
- (vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

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

12.4 ***Deemed Amendment***

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

- (i) the terms “Stock Acquisition Rights” and “Shares” shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and
- (ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13. **Prescription**

Claims in respect of the Bonds will become void unless made 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 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, 7.5 and/or 7.7 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 7.6, 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 any 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 in the absence of manifest error, any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. Independent Financial Adviser

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

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

19. Notices

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

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

20. Contracts (Rights of Third Parties) Act 1999

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

21. Governing Law and Submission to Jurisdiction

21.1 *Governing Law*

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

21.2 *Jurisdiction*

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

21.3 *Agent for Service of Process*

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global 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 of 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 (as defined in the Conditions) of the Bonds 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 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 (including where the Bonds are to be acquired by the Company pursuant to Condition 5.10) 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 (including where the Bonds are to be acquired by the Company pursuant to Condition 5.10) 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 this 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 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 “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 of each Series. Such notices shall be deemed to have been given in accordance with the Conditions of 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 of each Series).

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements to the 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 the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the Register and the endorsement (for information only) of the Global Certificate by the Principal Agent, and provisions relating to the forwarding and cancellation of Certificates relating to such cancelled Bonds shall not apply.

Early Redemption or Acquisition by the Company

The options and obligations of the Company to redeem or acquire the Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7 of the relevant Series shall be exercised or performed by the Company giving notice to the Bondholders within the time limits set out in and containing the information required of the Company in accordance with the paragraph entitled "Notices" above.

Acquisition of Bonds at the Option of the Company

If the Company exercises its option to acquire Bonds of the relevant 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 relevant Bonds. Deposit of the relevant Global Certificate with the Principal Agent shall not be required.

Election of Bondholders

The election option of the Bondholders provided for in Condition 7.4 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 evidenced by a Global Certificate is registered in the name of any nominee for, or a nominee for any common depository 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 then outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes (including in relation to Reserved Matters (as defined in the Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders 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) has been validly passed, subject to certain requirements set out in the Trust Deed, 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 evidenced by the 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 ¥200 billion, and are expected to be used as strategic investment for accelerating the Group's mid-term management plan and for strengthening its competitive position, primarily as follows:

- (i) approximately ¥60 billion by the end of April 2016, for repayment of a short-term loan borrowed for increasing the capital of SMG, an automobile manufacturing subsidiary of the Company in Gujarat, India (with SMG to use such funds as capital expenditure for operation of the first stage construction of Gujarat manufacturing plant), for the purpose of strengthening the Group's production and sales capacity in India;
- (ii) approximately ¥100 billion by the end of March 2018, for funding for increasing capital of SMG, for it to use for the purpose of second stage construction of Gujarat manufacturing plant and for the construction of a new plant for engine mission manufacturing in Gujarat;
- (iii) approximately ¥25 billion by the end of March 2018, for research and development in respect of developments relating to environmental and safety technologies in the automobile, motorcycle and marine and power products; and
- (iv) approximately ¥15 billion by the end of March 2018, for application towards capital expenditure for expanding facilities of dealerships, for the purpose of strengthening sales capacity in Japan.

SUZUKI MOTOR CORPORATION

The Group is a global manufacturer of passenger vehicles (specialising in minivehicles and compact vehicles), commercial vehicles, motorcycles and ATVs, outboard motors and other related products such as motorised wheelchairs, electric senior vehicles and industrial equipment. With a particular focus in Japan as well as India and other growth markets, the Group's products are sold in more than 200 countries and regions worldwide. Under the Group's motto to "develop products of superior value by focusing on the customer" and with the slogan, "Small Cars for a Big Future", the Group commits itself in promoting "production of small and subcompact vehicles" and "development of environmentally benign products" needed by customers, under the catch-phrase "Way of Life!".

The Group's operations are principally divided into the following three reportable segments:

- *Motorcycle*, engaged in the development, manufacture and sale of motorcycles and ATVs.
- *Automobile*, engaged in the development, manufacture and sale of minivehicles, compact vehicles and regular-sized vehicles.
- *Marine and Power Products and Others*, engaged in the development, manufacture and sale of outboard motors, engines for snowmobiles and others, electric senior vehicles and houses.

As at 31 December 2015, the Company had 135 consolidated subsidiaries (of which 69 were domestic consolidated subsidiaries and 66 were overseas consolidated subsidiaries), one non-consolidated subsidiary and 34 affiliates (all of which were affiliates accounted for by the equity method).

Selected Consolidated Financial and Other 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 statements of income data and cash flows data for the fiscal years ended 31 March 2015, 2014 and 2013 and the consolidated balance sheet data as at 31 March 2015, 2014 and 2013 have been extracted without material adjustment from the audited annual consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated statement of operations data and cash flow data for the nine-month periods ended 31 December 2015 and 2014 and the consolidated balance sheet data as at 31 December 2015 have been extracted without material adjustment from the unaudited quarterly consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated balance sheet data as at 31 December 2014 have been extracted from the unaudited quarterly consolidated financial statements of the Group as at 31 December 2014 prepared in Japanese.

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differ in certain respects from IFRS or generally accepted accounting principles in other jurisdictions. Further, 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			(Unaudited) As at and for the Nine-Month Period Ended 31 December	
	2013	2014	2015	2014	2015
(Millions of yen, except per Share data, ratios and number of full-time employees)					
Statements of Income Data					
Net sales	¥2,578,317	¥2,938,314	¥3,015,461	¥2,142,994	¥2,355,591
Motorcycle	230,290	266,602	250,485	179,942	172,883
Automobile.....	2,297,814	2,615,664	2,701,942	1,916,981	2,130,687
Marine and Power Products and Others.....	50,212	56,046	63,033	46,071	52,019
Operating income	144,564	187,747	179,424	135,216	146,242
Net income attributable to owners of the parent ⁽¹⁾	80,389	107,484	96,862	79,896	102,260
Balance Sheet Data					
Total current assets.....	1,560,218	1,790,832	2,008,729	1,824,117	1,671,196
Total assets	2,487,635	2,874,074	3,252,800	3,044,040	2,795,915
Shareholders' equity ⁽²⁾	1,146,955	1,326,723	1,482,091	1,460,411	1,014,761
Net assets.....	1,298,553	1,494,357	1,701,390	1,664,393	1,246,084
Interest-bearing debt ⁽³⁾	427,482	445,327	554,667	482,466	590,012
Statements of Cash Flows Data					
Cash flows from operating activities.....	190,057	322,915	255,037	112,682	149,837
Depreciation and amortisation	93,680	117,188	134,377	96,565	119,344
Cash flows from investing activities	(210,559)	(286,559)	(120,909)	(72,237)	(167,889)
Cash flows from financing activities.....	(33,632)	2,809	84,472	13,889	(440,399)
Per Share Data (yen)					
Net income attributable to owners of the parent (primary).....	¥ 143.31	¥ 191.60	¥ 172.67	¥ 142.42	¥ 199.32
Net income attributed to owners of the parent (fully diluted)	131.67	191.57	172.63	142.39	199.27
Cash dividends	18.00	24.00	27.00	10.00	15.00
Ratios (per cent)					
Operating margin ⁽⁴⁾	5.6%	6.4%	6.0%	6.3%	6.2%
Equity ratio ⁽⁵⁾	46.1	46.2	45.6	48.0	36.3
Return on equity (ROE) ⁽⁶⁾	7.5	8.7	6.9	—	—
Return on assets (ROA) ⁽⁷⁾	3.4	4.0	3.2	—	—
Other Data					
Capital expenditure	¥ 169,288	¥ 213,619	¥ 194,457	¥ 132,424	¥ 116,040
R&D expenses.....	119,269	127,090	125,896	86,312	96,242
Number of full-time employees (number)	55,948	57,749	57,409	57,569	58,390

Notes:

- (1) See "Presentation of Financial and Other Information—Presentation of Minority Interests and Net Income" for the change in the presentation caption from "net income" to "net income attributable to owners of the parent".
- (2) Shareholders' equity as at the end of each period has been calculated as being total net assets at the end of the period less subscription rights to shares and non-controlling interests at the end of the period.
- (3) Interest-bearing debt consists of short-term loans payable and long-term loans payable.
- (4) Operating margin is calculated as operating income for the period as a percentage of net sales for the period.
- (5) Equity ratio has been calculated by dividing shareholders' equity (as defined in Note (2) above) at the end of the period by total assets at the end of the period.
- (6) ROE has been calculated as net income attributable to owners of the parent for the period divided by the average of shareholders' equity (as defined in Note (2) above) at the beginning and at the end of the period. ROE has been significantly affected by the repurchase by the Company of Shares held by VW in September 2015 (see "—Recent Developments—Significant Changes in the Amount of Shareholders' Equity").
- (7) ROA has been calculated as net income attributable to owners of the parent for the period divided by the average of total assets at the beginning and 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 "SUZUKI MOTOR CORPORATION—Selected Consolidated Financial and Other Information" and the audited consolidated financial statements as at and for the fiscal years ended 31 March 2015 and 2014 included in pages F-4 to F-38, the audited consolidated financial statements as at and for the fiscal years ended 31 March 2014 and 2013 included in pages F-40 to F-71 and the unaudited quarterly consolidated financial statements as at 31 December 2015 and for the nine-month periods ended 31 December 2015 and 2014 included in pages Q-4 to Q-12, as well as the notes to such consolidated financial statements appearing elsewhere in this Offering Circular. The audited consolidated financial statements and the unaudited quarterly consolidated financial statements have been prepared and presented in accordance with Japanese GAAP.

Recent Developments

Significant Changes in the Amount of Shareholders' Equity

The Company carried out the repurchase of 119,787,000 Shares to be held as treasury stock through the Tokyo Stock Exchange Trading Network System for Off-Auction Treasury Share Repurchase Trading ("ToSTNeT-3") on 17 September 2015 for the purpose of repurchasing 111,610,000 Shares owned by VW, pursuant to the arbitral award that the Company received from ICC International Court of Arbitration on 29 August 2015. The amount paid for the repurchase was ¥460,281 million.

The Company also announced on 7 March 2016 that it intends to cancel 70,047,304 Shares of treasury stock held by it with effect from 31 March 2016. See "Information Concerning the Shares—Cancellation of Treasury Stock".

Changes in the Amount of Shares of VW held by the Company

The Company disposed of all of 4,397,000 ordinary shares of VW owned by the Company, in line with VW's intentions, on 25 September 2015. Such VW shares were sold to Porsche Automobil Holding SE, and the Company made a gain on sales of investment securities amounting to ¥36,691 million. The Company has subsequently reached a settlement with VW on 10 February 2016 with respect to all arbitration proceedings regarding the business alliance between the Company and VW.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP. The preparation of the Company's financial statements requires the Company's management to make choices regarding accounting policies and their application as well as estimates and assumptions that affect the amounts of assets and liabilities and sales and expenses reported as well as disclosures. The Company's management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates due to the inherent uncertainty involved in making estimates. The Company's management believes that the following factors, among others, affect its more significant judgments and estimates used in the preparation of the Company's consolidated financial statements:

Allowance for Doubtful Accounts

In order to allow for loss from bad debts, an estimated uncollectible amount based on actual ratio of bad debt is appropriated as to general receivables. As for specific receivables with higher default possibility, the recoverable amount is estimated individually and the uncollectible amount is appropriated. If customers' financial condition were to worsen, making the ability of such customer to pay lower, the Group may be required to allow further amounts in respect of doubtful accounts, or record a loss in respect of bad debts.

Provision for product warranties

The provision is appropriated into this account based on the warranty agreement and past experience in order to allow for expenses related to the maintenance service of products sold. Such maintenance service costs are affected by the incidence rate of product faults and the repair costs involved, but the amount is estimated, in accordance with product warranty terms, with past experience. As such, if the incidence rate of product faults and actual repair costs were to diverge from such estimates, it may be necessary to make changes to the amount of provision for product warranties.

Provision for product liabilities

With regard to products exported to the North American market, in order to prepare for payments of compensation which is not covered by product liability insurance, the anticipated amount to be borne by the Group is computed and provided for on the basis of actual past results. As such, depending on the actual occurrence or otherwise of future litigation, it may become necessary to change the amount of provision for product liabilities.

Valuation of investment securities

The Company and its subsidiaries hold securities of listed companies, which is exposed to the risk of price fluctuations, as well as unlisted companies whose stock prices are difficult to be evaluated. If the Group judges the decline in investment value is not temporary, it recognises revaluation losses based on reasonable standards. If the stock markets were to deteriorate, or if the investee entities were to experience poor operational results, it may become necessary for the Group to record material valuation losses on such investment securities.

Impairment of fixed assets

The Group adopts the Accounting Standards for Impairment of Fixed Assets, and in the process of measuring impairment, estimates future cash flows and discount rates in a reasonable manner. If, in the future, there were to be a significant change in the management environment in relation to businesses relating to asset groups and it becomes necessary to amend the estimated future cash flows and discount rates, it may become necessary for the Group to record material impairment losses.

Realisability of deferred tax assets

In reviewing the amount of the Group's deferred tax assets that are more likely than not to be realised, the Company makes reasonable estimates regarding the Group's future taxable income. As whether or not deferred tax assets may be realised depends on the estimate of future taxable income, should actual taxable income turn out to be below the estimated amount, an adjustment to the deferred tax assets would be charged to income in the period such determination is made.

Retirement benefits

Retirement benefit cost and retirement benefit obligation are calculated based on the actuarial assumptions, which include the discount rate, assumed return of investment ratio, revaluation ratio, salary rise ratio, retirement ratio and mortality ratio. The discount rate is decided on the basis of yield on low-risk, long-term bonds, and assumed return of investment ratio is decided based on the investment policies of pension assets of each pension system (among other factors). Decreased yield on long-term bond leads to a decrease in discount rate and has an adverse effect on the calculation of retirement benefit cost. However, the pension system adopted by the Company has a cash balance type plan, and thus the revaluation ratio, which is one of the base ratios, can reduce adverse effects caused by a decrease in the discount rate. If the investment yield of pension assets is less than the assumed return of investment ratio, it will have an adverse effect on the calculation of retirement benefit cost. However, as the Group focuses on low-risk investments, the Company believes that such effects should not be material in the case of the pension fund systems of the Company and its subsidiaries.

Changes in account settlement dates of subsidiaries

Consolidated subsidiaries of the Company that settled their accounts in 31 December without provisional account settlement as at the Group's consolidated account settlement date were consolidated with the Company's financial statements based on their financial statements as at 31 December and necessary adjustments were made for consolidation regarding important transactions that occurred between 31 December and consolidated account settlement date. From the fiscal year ended 31 March 2015, Suzuki Motor Iberica, S.A.U. and other five subsidiaries have changed the settlement date from 31 December to 31 March and Suzuki Motor (Thailand) Co., Ltd. and 16 other subsidiaries have been consolidated based on the financial statements of provisional account as at consolidated account settlement date. As a result, in the fiscal year ended 31 March 2015, there was only one subsidiary which has been consolidated based on the financial statements as at 31 December. With regard to the changes mentioned above, the net income (loss) of the three months from 1 January to 31 March 2014 has been recognised in retained earnings. As a result, retained earnings decreased by ¥1,384 million from the beginning of the fiscal year ended 31 March 2015. The account settlement date of Magyar Suzuki Corporation Ltd. and four other subsidiaries is 31 December, but they are continuously consolidated based on the financial statements of provisional account settlement as at 31 March. The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements

In the preparation of the unaudited consolidated financial statements as at 31 December 2015 and for the nine-month periods ended 31 December 2015 and 2014, in relation to income taxes, the effective tax rates were reasonably estimated after applying the tax effect accounting to income before income taxes of the consolidated fiscal year, and income tax was calculated by multiplying the income before income taxes by this estimated effective tax rate.

New Accounting Pronouncements and Accounting Changes

Accounting Standard for Retirement Benefits

Body text stipulated in article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (“ASBJ”) Statement No.26 of 17 May 2012) and article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of 26 March 2015) have been applied to the Group from the fiscal year ended 31 March 2015. The revision of the calculation method for retirement benefit obligations and service costs, with the changing of the method of attributing benefits to accounting periods from the straight-line basis method to the benefit formula basis, and the changing of the method of determination of the discount rate from the method of determination the bonds period by using the approximate number of years of the average remaining service period of employees which is based on determination of the discount rate to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, have been applied from the fiscal year ended 31 March 2015. In accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in accounting policies arising from initial application is recognised in retained earnings from the beginning of the fiscal year ended 31 March 2015. As a result, assets for retirement benefits decreased by ¥10,357 million, liabilities for retirement benefits increased by ¥1,885 million and retained earnings decreased by ¥8,118 million from the beginning of the fiscal year ended 31 March 2015. Influences by the above-mentioned on operating income and income before income taxes for the fiscal year ended 31 March 2015 were insignificant.

Accounting Standards for Business Combinations

The “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, 13 September 2013, hereinafter the “Business Combinations Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, 13 September 2013, hereinafter the “Consolidated Financial Statements Standard”), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, 13 September 2013, hereinafter the “Business Divestitures Standard”) and others have been applied since the first three months of the fiscal year ending 31 March 2016. Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in ownership interest in a subsidiary when the Company continues to have control is recorded as capital surplus, and acquisition-related costs are recognised as expenses in the consolidated fiscal year when they are incurred. Further, regarding business combinations to be performed at and after the beginning of the first three months of the fiscal year ending 31 March 2016, a method was changed with regard to the retrospective adjustment of the purchase price allocation based on provisional accounting applicable to the quarterly consolidated financial statements of the fiscal period in which the business combination occurred. In addition, the presentation captions for “income before minority interests”, “minority interests in income” and “net income” have been changed to “net income”, “net income attributable to non-controlling interests” and “net income attributable to owner of the parent”, respectively. To reflect these changes in presentation, the unaudited quarterly consolidated financial statements for the nine-month periods ended 31 December 2015 and 2014 and the consolidated financial statements in the fiscal years ended 31 March 2015 and 2014 have been reclassified except in pages F-4 to F-38.

In accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard, and Paragraph 57-4 (4) of the Business Divestitures Standard, the Business Combinations Standard and others have been applied from the beginning of the fiscal year ending 31 March 2016.

The effect in the unaudited quarterly consolidated financial statements for the nine-month period ended 31 December 2015 as a result of the adoption of these accounting standards was insignificant.

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

Overview

In terms of the management environment in the fiscal year ended 31 March 2015, although affected by the trend of normalisation of monetary policy in the United States, unpredictable economic outlook for emerging countries, falling crude oil prices and geopolitical risk increasing in some regions, economies outside Japan generally showed a moderate recovery trend. India in particular showed a steady recovery trend because of reforms instituted by the newly-elected government and the low price of crude oil. On the other hand, outlook for Japanese economy remained unpredictable, partly owing to the impact of the increase in the rate of Japanese consumption tax in April 2014.

Results

Net Sales

Consolidated net sales increased by ¥77.2 billion, or 2.6 per cent, compared to the previous fiscal year, to ¥3,015.5 billion for the fiscal year ended 31 March 2015. The Group was able to recover the net sales level of over ¥3.0 trillion, which had declined after the financial crisis of 2008. The Group's Japanese domestic net sales decreased by ¥38.1 billion, or 3.4 per cent, compared to the previous fiscal year, to ¥1,094.6 billion for the fiscal year ended 31 March 2015, owing to the decrease in automobile sales. However, the Group's overseas net sales increased by ¥115.3 billion, or 6.4 per cent, compared to the previous fiscal year, to ¥1,920.9 billion for the fiscal year ended 31 March 2015, mainly owing to the increase in automobile sales in India.

Cost of Sales

Cost of sales increased by ¥47.5 billion, or 2.2 per cent, compared to the previous fiscal year, to ¥2,190.3 billion for the fiscal year ended 31 March 2015. This principally reflected the increase in net sales.

Selling, General and Administrative Expenses

In the fiscal year ended 31 March 2015, the amount of selling, general and administrative expenses increased by ¥37.9 billion, or 6.2 per cent, compared to the previous fiscal year, to ¥645.7 billion, principally reflecting an increase in sales expenses such as sales promotion expenses.

Operating Income

The Group's operating income decreased by ¥8.3 billion, or 4.4 per cent, compared to the previous fiscal year, to ¥179.4 billion for the fiscal year ended 31 March 2015. Although decreases in the income in Indonesia and Thailand were covered by an increase in income in India, operating income decreased mainly owing to increases in operating expenses in Japan and overseas.

Other Income (Expenses)

In the fiscal year ended 31 March 2015, other income (net of other expenses) amounted to ¥13.8 billion, an increase of ¥4.5 billion, or 47.9 per cent, compared to the previous fiscal year. This mainly reflected an increase in interest income and dividends income received compared to the previous fiscal year.

Income Before Income Taxes

As a result of the above, income before income taxes amounted to ¥193.2 billion in the fiscal year ended 31 March 2015, a decrease of ¥3.8 billion, or 2.0 per cent, compared to the previous fiscal year.

Income Taxes

Income taxes for the fiscal year ended 31 March 2015 decreased by ¥4.0 billion, or 5.7 per cent, to ¥65.6 billion, compared to the previous fiscal year.

Net Income Attributable to Owners of the Parent

Net income attributable to owners of the parent for the fiscal year ended 31 March 2015 decreased by ¥10.6 billion, or 9.9 per cent, to ¥96.9 billion, compared to the previous fiscal year, mainly owing to the increase in the adjustment of net income attributable to non-controlling interests.

Results by Business Segment

Motorcycle

Net sales in the Motorcycle segment decreased by ¥16.1 billion, or 6.0 per cent, compared to the previous fiscal year, to ¥250.5 billion for the fiscal year ended 31 March 2015, principally reflecting a decrease in sales in Asia. The operating income of ¥0.1 billion recorded in the fiscal year ended 31 March 2014 became an operating loss of ¥0.7 billion for the fiscal year ended 31 March 2015.

Japanese Market

Overview of the Japanese motorcycle market: Total domestic motorcycle sales (factory shipments) of the four Japanese motorcycle manufacturers in the fiscal year ended 31 March 2015 fell by 11 per cent compared to the previous fiscal year to 391 thousand units principally reflecting an increase in the rate of consumption tax. Sales of models with engine displacements of 126cm³ and higher were down 7 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year at 84 thousand units. Sales of models with engine displacements up to 125cm³ were down 12 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year at 307 thousand units. Domestic motorcycle demand dropped sharply after the financial crisis of 2008, although that decrease has since abated. Notably, demand for models with engine displacements of 126cm³ and higher has been trending upward during the past few years.

The Group's sales: The Group's domestic sales (factory shipments) in the fiscal year ended 31 March 2015 of models with engine displacements up to 125cm³ fell by 6 per cent compared to the previous fiscal year to 55 thousand units in spite of new products including the new *Let's* and the *Address 110*. The Company's sales of models with engine displacements of 126cm³ and higher fell by 19 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 10 thousand units.

Overseas Markets

Overview of the Group's main overseas motorcycle markets: Sales of motorcycles in Europe in the fiscal year ended 31 March 2015 grew by 4 per cent compared to the previous fiscal year to 855 thousand units. Sales of motorcycles (including ATVs) in North America grew by 4 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 831 thousand units. Sales in the six key ASEAN countries (Indonesia, Thailand, Vietnam, the Philippines, Malaysia and Cambodia) declined by 3 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 13,423 thousand units. Sales in China fell by 9 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 10,347 thousand units. Sales in India grew by 8 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 16,004 thousand units.

The Group's sales: The Group's overseas motorcycle sales in the fiscal year ended 31 March 2015 declined by 13 per cent compared to the previous fiscal year to 1,696 thousand units. Sales in Europe in the fiscal year ended 31 March 2015 fell by 5 per cent compared to the previous fiscal year to 45 thousand units. Sales in North America rose for the first time in eight years in the fiscal year ended 31 March 2015; they were up 4 per cent compared to the previous fiscal year at 43 thousand units. Sales in the six key ASEAN countries fell by 29 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 436 thousand units owing mainly to a drop in sales in Indonesia. Sales in China fell by 9 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 564 thousand units. Sales in India fell by 4 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 341 thousand units.

Automobile

The Company made efforts to expand its sales and strengthen its products such as by winning various awards including the 2015 RJC Car of the Year award for the much-favoured *Hustler* minivehicle, launching the all-new *Alto* minivehicle, which has achieved the top level of fuel efficiency among non-hybrid gasoline vehicles in Japan, and launching the *Every* and *Every Wagon* one-box minivehicles which have pursued roominess, fuel efficiency, and user-friendliness. However, partly owing to the impact of the reactionary reduction in spending due to the increase in the rate of the consumption tax in Japan in April 2014, Japanese domestic net sales in the Automobile segment decreased in the fiscal year ended 31 March 2015 compared to the previous fiscal year. Overseas net sales increased in the fiscal year ended 31 March 2015 mainly owing to the increase recorded in India. Consequently, net sales for the Automobile segment increased by ¥86.3 billion, or 3.3 per cent, compared to the previous fiscal year, to ¥2,702.0 billion for the fiscal year 31 March 2015. Operating income for the

segment decreased by ¥7.5 billion, or 4.2 per cent, compared to the previous fiscal year, to ¥171.8 billion for the fiscal year ended 31 March 2015, principally reflecting decreases in income in Japan, Indonesia, and Thailand, set off to a certain extent by an increase in income in India.

Japanese Market

Overview of the Japanese automobile market: Total domestic automobile sales volume in the fiscal year ended 31 March 2015 declined by 7 per cent compared to the previous fiscal year to 5,297 thousand units. It fell year-on-year for the first time in four fiscal years as the increase in Japanese consumption tax rate in April 2014 dampened demand. Sales of registered vehicles in the fiscal year ended 31 March 2015 fell by 9 per cent compared to the previous fiscal year to 3,124 thousand units. Sales of minivehicles in the fiscal year ended 31 March 2015 fell by 4 per cent compared to the previous fiscal year to 2,173 thousand units. Nevertheless, sales of minivehicles in the fiscal year ended 31 March 2015 exceeded 2,000 thousand units for the second fiscal year in a row. Minivehicles accounted for 41 per cent of overall automobile sales. The proportion exceeded 40 per cent for the first time.

The Group's sales: The Group's domestic automobile sales in the fiscal year ended 31 March 2015 grew compared to the previous fiscal year in volume terms for the fourth fiscal year in a row. They rose by 4 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to a record-high 756 thousand units. The Group's sales of minivehicles in the fiscal year ended 31 March 2015 grew by 5 per cent compared to the previous fiscal year to a record-high 679 thousand units. The key driver of that growth was steady demand for the *Hustler*. The Group's sales of registered vehicles in the fiscal year ended 31 March 2015 fell as compared to the previous fiscal year for the second fiscal year in a row. They declined by 6 per cent compared to the previous fiscal year to 76 thousand units.

Overseas Markets

Overview of the Group's main overseas automobile markets: Sales of automobiles (passenger vehicles and multi-utility vehicles) in India grew in the fiscal year ended 31 March 2015 by 4 per cent compared to the previous fiscal year to 2,601 thousand units. One reason for this growth was evidence of a moderate economic pickup following the change of government in May 2014. Sales in the five key ASEAN countries (Indonesia, Thailand, Vietnam, the Philippines and Malaysia) in the fiscal year ended 31 March 2015 fell by 8 per cent compared to the previous fiscal year to 3,088 thousand units. The drop was particularly marked in Indonesia and Thailand. Sales fell in Indonesia reflecting an economic slump and a weak rupiah. Sales fell in Thailand as the previous government's policies had left households with greater debt and because less financing was available for purchases. Sales in Europe (the European Union ("EU") and the European Free Trade Association ("EFTA")) grew by 8 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year, principally reflecting an economic recovery that began in the previous fiscal year. Sales in China grew by 5 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 23,702 thousand units.

The Group's sales: The Group's overseas automobile sales volume in the fiscal year ended 31 March 2015 grew by 7 per cent compared to the previous fiscal year to 2,111 thousand units as economic conditions in the Company's overseas markets showed moderate recovery. The Group's sales in India rose by 11 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 1,171 thousand units, reflecting strong demand for models including the new *Celerio*, *Alto K10* and *Ciaz*. The Group's sales in the five key ASEAN countries fell by 18 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 184 thousand units, principally reflecting an economic slump. The Group's sales in China grew by 11 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 257 thousand units, principally reflecting the launch of the *SX4 S-CROSS*. The Group's sales in Europe (the EU and the EFTA) grew by 1 per cent in the fiscal year ended 31 March 2015 compared to the previous fiscal year to 161 thousand units, owing partly to the launch of the *Celerio* and *Vitara* and partly to sales of the *SX4 S-CROSS* throughout the fiscal year.

Marine and Power Products and Others

Net sales in the Marine and Power Products and Others segment increased by ¥7.0 billion, or 12.5 per cent, compared to the previous fiscal year, to ¥63.0 billion for the fiscal year ended 31 March 2015. This principally reflected an increase in the sales of the outboard motors in Europe and North America. Operating income for the segment was at much the same level as the previous fiscal year at ¥8.3 billion for the fiscal year ended 31 March 2015.

The Group's domestic outboard motor sales in the fiscal year ended 31 March 2015 fell by 5 per cent compared to the previous fiscal year in volume terms and by 7 per cent compared to the previous fiscal year in net terms. One reason was an increase in the rate of Japanese consumption tax in April 2014. Another was a shift in demand toward smaller models.

The Group's export sales in the fiscal year ended 31 March 2015 surged by 9 per cent compared to the previous fiscal year in volume terms and by 23 per cent compared to the previous fiscal year in net terms. Sales in North America and Europe made a significant contribution. They were strong (especially in the United States) owing partly to foreign-exchange effects and partly to a shift in demand towards larger models.

Results by Geographical Areas

The following results by geographical areas relate to net sales and operating income or loss based on location of the Company and its consolidated subsidiaries.

Japan

Net sales increased by ¥63.3 billion, or 3.7 per cent, compared to the previous fiscal year, to ¥1,765.0 billion for the fiscal year ended 31 March 2015, principally reflecting an expansion of trades via Japan (where products are sold from the country or region of manufacture to the Company in Japan first before being on-sold to ultimate customers in other countries or regions for accounting purposes, although actual trades are made directly through the manufacturing location to the customer's location) among other causes. Operating income decreased by ¥43.8 billion, or 32.6 per cent, compared to the previous fiscal year, to ¥90.7 billion for the fiscal year ended 31 March 2015, mainly owing to the strengthening of sales promotion in Japan and overseas and the increase in the recall-related expenses.

Europe

Net sales increased by ¥59.6 billion, or 15.9 per cent, compared to the previous fiscal year, to ¥436.1 billion for the fiscal year ended 31 March 2015, principally reflecting the launch of all-new compact SUV *Vitara*, expansion of trade via Japan, and other causes. Operating income increased by ¥0.9 billion, or 23.2 per cent, compared to the previous fiscal year, to ¥5.1 billion for the fiscal year ended 31 March 2015.

Asia

Net sales increased by ¥130.8 billion, or 11.1 per cent, compared to the previous fiscal year, to ¥1,306.2 billion for the fiscal year ended 31 March 2015, reflecting increases in sales in India, Pakistan and others set off to a certain extent by decreases in sales in Indonesia and Thailand. Operating income increased by ¥22.2 billion, or 37.3 per cent, compared to the previous fiscal year, to ¥81.6 billion for the fiscal year ended 31 March 2015, with decreases in income in Indonesia and Thailand being set off by an increase in the Indian automobile business.

Other Areas

Net sales increased by ¥8.2 billion, or 5.4 per cent, compared to the previous fiscal year, to ¥159.2 billion for the fiscal year ended 31 March 2015, reflecting factors such as increase in sales of outboard motors in the United States and increases in sales of motorcycles and automobiles in Latin America. Operating income increased by ¥2.4 billion compared to the previous fiscal year, to ¥2.6 billion for the fiscal year ended 31 March 2015.

Consolidated Results for the Nine-Month Period Ended 31 December 2015 Compared to the Nine-Month Period Ended 31 December 2014

Overview

In terms of the management environment for the nine-month period ended 31 December 2015, the economy overseas had gradually recovered such as in the United States and India, but on the other hand there were concerns for factors such as the trend of normalisation of monetary policy in the United States, unpredictable economic outlook for China and emerging countries in Asia and falling crude oil prices. The Japanese economy, despite various measures of the government, has not been showing a sustained recovery trend, and the economic outlook is unclear, with the effect of the further planned increase in the consumption tax rate being uncertain.

Results

Net Sales

Consolidated net sales increased by ¥212.6 billion, or 9.9 per cent, compared to the corresponding period of the previous fiscal year, to ¥2,355.6 billion for the nine-month period ended 31 December 2015. The Group's Japanese domestic net sales decreased by ¥20.3 billion, or 2.6 per cent, compared to the corresponding period of the previous fiscal year, to ¥753.5 billion for the nine-month period ended 31 December 2015, principally reflecting the impact of the increase in the rate of the Japanese tax for minivehicles in April 2015 and a decrease in sales on an OEM basis. The Group's overseas net sales increased by ¥232.9 billion, or 17.0 per cent, compared to the corresponding period of the previous fiscal year, to ¥1,602.1 billion for the nine-month period ended 31 December 2015, principally reflecting the increase in automobile sales in India.

Cost of Sales

Cost of sales increased by ¥150.7 billion, or 9.6 per cent, compared to the corresponding period of the previous fiscal year, to ¥1,715.9 billion for the nine-month period ended 31 December 2015. This principally reflected the increase in net sales.

Selling, General and Administrative Expenses

In the nine-month period ended 31 December 2015, the amount of selling, general and administrative expenses increased by ¥50.9 billion, or 11.5 per cent, compared to the corresponding period of the previous fiscal year, to ¥493.5 billion, principally reflecting increases in sales promotion and R&D expenses.

Operating Income

The Group's operating income increased by ¥11.0 billion, or 8.2 per cent, compared to the corresponding period of the previous fiscal year, to ¥146.2 billion for the nine-month period ended 31 December 2015 principally reflecting the increase in income in India.

Other Income (Expenses)

In the nine-month period ended 31 December 2015, other income (net of other expenses) amounted to ¥52.8 billion, an increase of ¥43.9 billion, or 490.7 per cent, compared to the corresponding period of the previous fiscal year. This mainly reflected the gain on sales of investment securities (principally VW shares) of ¥36.8 billion in the nine-month period ended 31 December 2015 (see “—Recent Developments—Significant Changes in the Amount of Shareholders' Equity”).

Income Before Income Taxes

As a result of the above, income before income taxes amounted to ¥199.1 billion for the nine-month period ended 31 December 2015, an increase of ¥54.9 billion, or 38.1 per cent, compared to the corresponding period of the previous fiscal year.

Income Taxes

Income taxes for the nine-month period ended 31 December 2015 increased by ¥21.3 billion, or 46.8 per cent, to ¥66.7 billion, compared to the corresponding period of the previous fiscal year.

Net Income Attributable to Owners of the Parent

Net income attributable to non-controlling interests for the nine-month period ended 31 December 2015 amounted to ¥30.1 billion, an increase of ¥11.3 billion, or 60.0 per cent, compared to the corresponding period of the previous fiscal year. As a result of the above, net income attributable to owners of the parent increased by ¥22.4 billion, or 28.0 per cent, compared to the corresponding period of the previous fiscal year, to ¥102.3 billion for the nine-month period ended 31 December 2015.

Results by Business Segment

Motorcycle

Net sales in the Motorcycle segment decreased by ¥7.0 billion, or 3.9 per cent, compared to the corresponding period of the previous fiscal year, to ¥172.9 billion for the nine-month period ended

31 December 2015, principally reflecting the decrease in the sales in Indonesia, despite increases in sales in Europe and India. The Group recorded an operating loss of ¥10.1 billion in the nine-month period ended 31 December 2015, compared to an operating loss of ¥5.0 billion in the corresponding period of the previous fiscal year, reflecting factors such as the recording of recall-related expenses.

Automobile

Alto and *Alto Lapin* minivehicles received high acclaim in Japan including the RJC Car of the Year award (the second consecutive win for the Company following the *Hustler* minivehicle in the previous year) and the 2015-2016 Car of the Year Japan Small Mobility Award. However, owing to the increase in the rate of the Japanese tax for minivehicles and decrease in sales on an OEM basis, the Group's Japanese domestic net sales in the Automobile segment decreased in the nine-month period ended 31 December 2015 compared to the corresponding period of the previous fiscal year. Overseas net sales increased in the nine-month period ended 31 December 2015 compared to the corresponding period of the previous fiscal year, principally reflecting increases in sales in India and Pakistan. Consequently, net sales of the Automobile segment increased by ¥213.7 billion, or 11.1 per cent, compared to the corresponding period of the previous fiscal year, to ¥2,130.7 billion for the nine-month period ended 31 December 2015. Operating income for the segment increased by ¥12.7 billion, or 9.5 per cent, compared to the corresponding period of the previous fiscal year, to ¥146.4 billion for the nine-month period ended 31 December 2015, principally reflecting an increase in income in India.

Marine and Power Products and Others

Net sales in the Marine and Power Products and Others segment increased by ¥5.9 billion, or 12.9 per cent, compared to the corresponding period of the previous fiscal year, to ¥52.0 billion for the nine-month period ended 31 December 2015, principally reflecting the increase in the sales of the outboard motors in the United States. Operating income for the segment increased by ¥3.4 billion, or 53.0 per cent, compared to the corresponding period of the previous fiscal year, to ¥9.9 billion for the nine-month period ended 31 December 2015.

Results by Geographical Areas

The following results by geographical areas relate to net sales and operating income or loss based on location of the Company and its consolidated subsidiaries.

Japan

Net sales increased by ¥67.8 billion, or 5.4 per cent, compared to the corresponding period of the previous fiscal year, to ¥1,326.4 billion for the nine-month period ended 31 December 2015, principally reflecting an expansion of trades via Japan. Operating income decreased by ¥34.7 billion, or 36.8 per cent, compared to the corresponding period of the previous fiscal year, to ¥59.8 billion for the nine-month period ended 31 December 2015, principally reflecting increases in research and development expenses and depreciation.

Europe

Net sales increased by ¥102.9 billion, or 33.9 per cent, compared to the corresponding period of the previous fiscal year, to ¥406.3 billion for the nine-month period ended 31 December 2015, principally reflecting the sales contribution of all-new compact SUV *Vitara* and expansion of trades via Japan. Operating income for the nine-month period ended 31 December 2015 amounted to ¥6.3 billion, returning to profits, compared to an operating loss of ¥2.4 billion recorded for the nine-month period ended 31 December 2014.

Asia

Net sales increased by ¥198.7 billion, or 21.3 per cent, compared to the corresponding period of the previous fiscal year, to ¥1,131.0 billion for the nine-month period ended 31 December 2015, principally reflecting increases in sales of automobiles in India and Pakistan, set off to a certain extent by a decrease in sales in Indonesia. Operating income increased by ¥39.9 billion, or 94.3 per cent, compared to the corresponding period of the previous fiscal year, to ¥82.3 billion for the nine-month period ended 31 December 2015, principally reflecting increases in income in India and Pakistan.

Other Areas

Net sales decreased by ¥1.0 billion, or 0.8 per cent, compared to the corresponding period of the previous fiscal year, to ¥112.3 billion for the nine-month period ended 31 December 2015, reflecting factors such as the adjustment of motorcycle stock, set off to a certain extent by an increase in the sales of the outboard motors in the United States. Operating income decreased by ¥0.9 billion, or 47.9 per cent, compared to the corresponding period of the previous fiscal year, to ¥1.1 billion for the nine-month period ended 31 December 2015, principally reflecting decreases in income in Latin America and other countries.

Financial Condition

Consolidated Balance Sheet as at 31 March 2015 Compared to Consolidated Balance Sheet as at 31 March 2014

Total assets as at 31 March 2015 amounted to ¥3,252.8 billion, an increase of ¥378.7 billion from 31 March 2014. This principally reflected increases in machinery, equipment and vehicles (principally due to the investments towards development of new models and R&D at Maruti Suzuki and acquisition of new manufacturing facilities in Indonesia) and investment securities (principally due to general increase in stock prices).

Total liabilities as at 31 March 2015 amounted to ¥1,551.4 billion, an increase of ¥171.7 billion from 31 March 2014. Current liabilities increased, principally due to an increase in current portion of long-term loans payable, as did non-current liabilities, principally due to an increase in long-term loans payable.

Total net assets increased by ¥207.0 billion in the fiscal year ended 31 March 2015, to ¥1,701.4 billion as at 31 March 2015. This increase was attributable to, among other things, increases in retained earnings and valuation difference on available-for-sale securities, and a decline in the deduction for foreign currency translation adjustments.

Consequently, equity ratio (total net assets at the end of the period less subscription rights to shares at the end of the period less non-controlling interests at the end of the period, as a percentage of total assets at the end of the period) as at 31 March 2015 amounted to 45.6 per cent, compared to 46.2 per cent as at 31 March 2014.

Consolidated Balance Sheet as at 31 December 2015 Compared to Consolidated Balance Sheet as at 31 March 2015

Total assets as at 31 December 2015 amounted to ¥2,795.9 billion, a decrease of ¥456.9 billion from 31 March 2015. This principally reflected a repurchase by the Company of Shares amounting to ¥460.3 billion carried out on 17 September 2015 (see “—Recent Developments—Significant Changes in the Amount of Shareholders’ Equity”).

Total liabilities as at 31 December 2015 amounted to ¥1,549.8 billion, a decrease of ¥1.6 billion from 31 March 2015. Current liabilities increased, principally due to an increase in short-term loans payable, while noncurrent liabilities decreased principally due to a decrease in deferred tax liability.

Total net assets as at 31 December 2015 amounted to ¥1,246.1 billion, a decrease of ¥455.3 billion from 31 March 2015. This decrease was principally attributable to an increase in treasury stock from ¥0.0 billion as at 31 March 2015 to ¥460.4 billion as at 31 December 2015 (see “—Recent Developments—Significant Changes in the Amount of Shareholders’ Equity”).

Consequently, equity ratio (total net assets at the end of the period less subscription rights to shares at the end of the period less non-controlling interests at the end of the period, as a percentage of total assets at the end of the period) as at 31 December 2015 amounted to 36.3 per cent, compared to 45.6 per cent as at 31 March 2015.

Liquidity and Capital Resources

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

Net cash provided by operating activities for the fiscal year ended 31 March 2015 amounted to ¥255.0 billion, a decrease in net cash provided of ¥67.9 billion compared to ¥322.9 billion in the previous fiscal year. This principally reflected factors such as an increase in the amount of income taxes paid and an increase in inventories.

Net cash used in investing activities for the fiscal year ended 31 March 2015 amounted to ¥120.9 billion, a decrease in net cash used of ¥165.7 billion from ¥286.6 billion in the previous fiscal year. This principally reflected increases in proceeds from withdrawal of time deposits and proceeds from sales of short-term investment securities. As a result, free cash flow amounted to ¥134.1 billion of positive for the fiscal year ended 31 March 2015 (¥36.3 billion of positive for the previous fiscal year).

Net cash provided by financing activities for the fiscal year ended 31 March 2015 amounted to ¥84.5 billion, compared to ¥2.8 billion in the previous fiscal year. This principally reflected an increase in proceeds from long-term loans payable.

As a result, the balance of cash and cash equivalents as at 31 March 2015 amounted to ¥932.3 billion, an increase of ¥221.7 billion from the end of previous fiscal year.

Cash Flows for the Nine-Month Period Ended 31 December 2015 Compared to the Nine-Month Period Ended 31 December 2014

Net cash provided by operating activities for the nine-month period ended 31 December 2015 amounted to ¥149.8 billion, an increase in net cash provided of ¥37.2 billion compared to ¥112.7 billion in the corresponding period of the previous fiscal year. This principally reflected an increase in income before income taxes.

Net cash used in investing activities for the nine-month period ended 31 December 2015 amounted to ¥167.9 billion, an increase in net cash used of ¥95.7 billion from ¥72.2 billion in the corresponding period of the previous fiscal year. This principally reflected a decrease in proceeds from sale of securities and stock redemption as a result of a shift towards investing in longer-term instruments. As a result, free cash flow amounted to ¥18.1 billion of negative for the nine-month period ended 31 December 2015, compared to ¥40.5 billion of positive for the corresponding period of the previous fiscal year.

Net cash used in financing activities amounted to ¥440.4 billion for the nine-month period ended 31 December 2015, compared to net cash provided of ¥13.9 billion in the corresponding period of the previous fiscal year. This principally reflected the purchase of treasury stock amounting to ¥460.5 billion in the nine-month period ended 31 December 2015 (see “—Recent Developments—Significant Changes in the Amount of Shareholders’ Equity”).

As a result, the balance of cash and cash equivalents as at 31 December 2015 was ¥467.1 billion, a decrease of ¥465.2 billion from the level at 31 March 2015.

Funding

As at 31 March 2015, the Group’s interest-bearing debt amounted to ¥554.6 billion, compared to ¥445.3 billion as at 31 March 2014. As at 31 March 2015, the Group had outstanding ¥272.7 billion in long-term loans payable (maturing through 2022) and ¥281.9 billion in short-term bank loans (including current portion of long-term bank loans). As at 31 December 2015, the Group’s interest-bearing debt amounted to ¥590.0 billion. As at 31 December 2015, the Group had outstanding ¥274.6 billion in long-term loans payable and ¥315.4 billion in short-term bank loans (including current portion of long-term bank loans). As at each of 31 March 2015 and 31 December 2015, the Group had in place a commitment line with financial institutions for ¥200.0 billion, of which none was drawn; such commitment line is maintained by the Company for the purposes of use upon extraordinary events such as the occurrence of the Tokai and Tonankai Megaquake (see “Business—Insurance”), and the Company does not expect to draw on such commitment line under normal circumstances.

The Group generally derives the funds it requires for its operations from cash flow from operations and borrowings from financial institutions. As is customary in Japan, both short-term and long-term bank loans are subject to general agreements which provide that the banks may, under certain circumstances, request additional security for those loans, and may treat any security furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The Group also has certain borrowings overseas.

Capital Expenditure

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

	Year ended 31 March		
	2013	2014	2015
	(Millions of yen)		
Motorcycle	¥ 15,683	¥ 22,847	¥ 8,356
Automobile	152,701	189,604	184,785
Marine and Power Products and Others	903	1,167	1,314
Total consolidated capital expenditure.....	<u>¥169,288</u>	<u>¥213,619</u>	<u>¥194,457</u>

Notes:

- (1) The above amounts do not include amounts in respect of consumption tax.
- (2) The amounts of capital expenditure comprise the total of capital expenditures of the Company and its subsidiaries.

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

The Group's capital expenditure for the fiscal year ended 31 March 2015 principally related to investments towards development of new models and R&D.

Capital expenditure projects for the fiscal year ending 31 March 2016 is expected to be around ¥180.0 billion. The required funds are expected to be covered mainly by internally generated funds and through external financing if necessary.

CAPITALISATION AND INDEBTEDNESS

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

	As at 31 December 2015	
	Actual	As adjusted
	(Millions of yen)	
Short-term debt⁽²⁾:		
Total short-term debt ⁽³⁾	¥ 315,398	¥ 315,398
Long-term debt⁽⁴⁾:		
Long-term loans payable	274,614	274,614
The Bonds now being issued	–	200,000
Total long-term debt	274,614	474,614
Net assets:		
Shareholders' equity:		
Common stock, no par value:		
Authorized: 1,500,000,000 Shares		
Issued: 561,047,304 Shares ⁽⁵⁾	138,014	138,014
Capital surplus	144,166	144,166
Retained earnings ⁽⁶⁾	1,168,449	1,168,449
Treasury stock (119,859,829 Shares), at cost ⁽⁶⁾	(460,360)	(460,360)
Total shareholders' equity	990,269	990,269
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	96,844	96,844
Deferred gains (losses) on hedges	1,597	1,597
Foreign currency translation adjustments	(74,923)	(74,923)
Accumulated adjustment for retirement benefits	973	973
Total accumulated other comprehensive income	24,491	24,491
Subscription rights to shares	188	188
Non-controlling interests	231,133	231,133
Total net assets	1,246,084	1,246,084
Total capitalisation and indebtedness ⁽⁸⁾⁽⁹⁾	¥1,836,097	¥2,036,097

Notes:

- (1) The above table should be read in conjunction with the unaudited consolidated financial statements of the Group contained herein.
- (2) As at 31 December 2015, ¥0 of the Group's short-term debt was secured and ¥0 of the Group's short-term debt was guaranteed.
- (3) Total short-term debt includes current portion of long-term loans payable.
- (4) As at 31 December 2015, ¥0 of the Group's long-term debt was secured and ¥0 of the Group's long-term debt was guaranteed.
- (5) All of the issued Shares are fully-paid and non-assessable.
- (6) The Company announced on 7 March 2016 that it intends to cancel 70,047,304 Shares of treasury stock held by it with effect from 31 March 2016. See "Information Concerning the Shares—Cancellation of Treasury Stock". If such cancellation is reflected in the "As Adjusted" column in the above table, the figures in such column will be adjusted approximately as follows:
 - Treasury stock, at cost (number of Shares): 49,812,525 Shares
 - Treasury stock, at cost (amount): ¥(191,320) million
 - Retained earnings: ¥899,409 million
 The Company does not undertake to review or revise this "Capitalisation and Indebtedness" section or any other sections of this Offering Circular to reflect such cancellation.
- (7) As at 31 December 2015, the Group had ¥9,794 million of contingent liabilities in respect of guarantee of indebtedness of affiliates and others.
- (8) Total capitalisation and indebtedness is a total of total short-term debt, total long-term debt and total net assets.
- (9) There has been no material change in the Group's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 December 2015.

INFORMATION CONCERNING THE SHARES

Changes in Issued Share Capital

The Company has an authorised share capital of 1,500,000,000 Shares. As at the date of this Offering Circular, 561,047,304 Shares are in issue. There has been no change in the issued share capital of the Company since 23 June 2010; however, see “—Cancellation of Treasury Stock” below for the Company’s plan to cancel certain Shares of its treasury stock with effect from 31 March 2016.

Dividends

Year-end dividends may be recommended by the Company’s Board of Directors and approved by shareholders at the ordinary general meeting of shareholders customarily held in June of each year. If a year-end dividend is approved at the meeting, year-end dividend payments are made promptly thereafter to shareholders and pledgees of record as at 31 March of the relevant year. In addition to year-end dividends, the Company may by resolution of its Board of Directors make interim dividend payments in the form of distributions of Surplus (as defined in “Description of the Shares and Certain Regulations”) to shareholders and pledgees of record as at 30 September of each year. The Company may also make dividends other than those described above with the approval of its shareholders at a general meeting of shareholders 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 of record as at the dates indicated:

Date	Dividends per Share
	(Yen)
30 September 2010.....	¥ 6.00
31 March 2011	7.00
30 September 2011.....	7.00
31 March 2012	8.00
30 September 2012.....	8.00
31 March 2013	10.00
30 September 2013.....	10.00
31 March 2014	14.00
30 September 2014.....	10.00
31 March 2015	17.00
30 September 2015.....	15.00

The Company determines its profit distribution by way of dividend based on business performance, dividend payout ratio, the level of reserves needed for further increasing corporate strength and for future business developments, taking a medium- to long-term view, with an emphasis on continuous and stable distributions.

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 sales 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)	
2010.....	¥ 2,340	¥ 1,576	¥11,339.30	¥ 8,824.06	998.90	803.12
2011.....	2,142	1,468	10,857.53	8,160.01	974.63	706.08
2012.....	2,250	1,331	10,395.18	8,295.63	872.42	695.51
2013.....	2,919	2,049	16,291.31	10,486.99	1,302.29	871.88
2014.....	4,041.0	2,497	17,935.64	13,910.16	1,447.58	1,132.76
2015:						
First quarter.....	3,853.5	3,411.5	19,754.36	16,795.96	1,592.25	1,357.98
Second quarter.....	4,435.0	3,528.0	20,868.03	19,034.84	1,679.89	1,528.99
Third quarter.....	4,780.5	3,542	20,841.97	16,930.84	1,691.29	1,375.52
Fourth quarter.....	4,103	3,576	20,012.40	17,722.42	1,605.94	1,442.74
2016:						
First quarter (up to 7 March 2016).....	3,739	2,662.5	18,450.98	14,952.61	1,509.67	1,196.28

On 7 March 2016, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥2,942.0 per Share. The closing Nikkei Stock Average and TOPIX on the same date were ¥16,911.32 and 1,361.90, respectively.

Principal Shareholders and Distribution of Shares

As at 30 September 2015, 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. ⁽¹⁾	23,899	4.26%
Tokio Marine & Nichido Fire Insurance Co., Ltd.....	17,961	3.20
JPMorgan Chase Bank 380055 (Standing Proxy: Mizuho Bank, Ltd.)	17,691	3.15
Japan Trustee Services Bank, Ltd. ⁽¹⁾	17,116	3.05
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,000	2.85
The Shizuoka Bank, Ltd.	14,500	2.58
Resona Bank, Limited	13,000	2.32
Sompo Japan Nipponkoa Insurance Inc.	7,761	1.38
Nippon Steel & Sumitomo Metal Corporation.....	7,759	1.38
The Bank of New York—JASDEC Non Treaty Account (Standing Proxy: Mizuho Bank, Ltd.).....	7,209	1.29
Total of the ten largest shareholders of record	142,901	25.47%

Notes:

- (1) Held by such holders in their trust accounts.
- (2) 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 a competent Local Finance Bureau, and also requires such person to file a similar report concerning 1 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”). In connection with shareholdings during the fiscal year ended 31 March 2014, the Company has received copies of the following reports which may not be reflected in the above table:
 - (i) A report relating to a change in shareholding filed on 29 July 2013 by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and other joint holders, informing of their ownership of Shares amounting to 28,594 thousand Shares as at 22 July 2013, as set out below. The Company was however unable to confirm the beneficial ownership of such Shares held by such holders (other than The Bank of Tokyo-Mitsubishi UFJ, Ltd.) and therefore such holdings are not set out in the above table:

The Bank of Tokyo Mitsubishi UFJ, Ltd.	16,000 thousand Shares
Mitsubishi UFJ Trust and Banking Corporation	9,302 thousand Shares
Mitsubishi UFJ Asset Management Co., Ltd.	
(currently Mitsubishi UFJ Kokusai Asset Management Co., Ltd.)	2,384 thousand Shares
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	906 thousand Shares

- (ii) A report relating to a change in shareholding filed on 7 April 2014 by BlackRock Japan Co., Ltd. and other joint holders, informing of their ownership of Shares amounting to 28,560 thousand Shares as at 31 March 2014, as set out below. The Company was however unable to confirm the beneficial ownership of such Shares held by such holders and therefore such holdings are not set out in the above table:

BlackRock Japan Co., Ltd.	4,846 thousand Shares
BlackRock Advisors, LLC	7,980 thousand Shares
BlackRock Institutional Trust Company, N.A.	4,809 thousand Shares
BlackRock Fund Advisors	4,073 thousand Shares
BlackRock (Luxembourg) S.A.	2,411 thousand Shares
BlackRock Asset Management Ireland Limited	1,658 thousand Shares
BlackRock Life Limited	1,219 thousand Shares
BlackRock Investment Management, LLC	889 thousand Shares
BlackRock Advisors (UK) Limited	670 thousand Shares

As at 7 March 2016, the Company had not received any reports in connection with shareholdings on or after 30 September 2015.

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

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

Category	Number of Shareholders	Number of Shares held (Units ⁽¹⁾)	Percentage of total Shares in issue (Per cent)
Government and municipal bodies.....	0	0	0.00%
Japanese financial institutions.....	95	1,707,940	30.45
Japanese financial instruments and exchange operators.....	45	77,780	1.39
Other Japanese corporations ⁽²⁾	493	750,869	13.38
Foreign corporations and others (including foreign individuals) ⁽³⁾	638	2,857,941	50.95
Japanese individuals and others ⁽³⁾⁽⁴⁾	30,726	215,062	3.83
Total.....	31,997	5,609,592	100.00%

Notes:

- (1) One unit comprises 100 Shares.
(2) Includes 11 units of Shares registered in the name of JASDEC.
(3) This does not reflect the repurchase by the Company of Shares owned by VW in September 2015 (see “Recent Business—Recent Developments—Significant Changes in the Amount of Shareholders’ Equity”).
(4) 7,200 Shares held as treasury stock by the Company are included (as 72 units of Shares) in Japanese individuals and others. Such number of Shares of treasury stock held by the Company comprises the number on the register of shareholders; as at 31 March, the actual amount of Shares of treasury stock held by the Company amounted to 7,248 Shares.

As at 31 March 2015, the Directors and Corporate Auditors of the Company together held 675 thousand Shares, or 0.12 per cent of the total issued and outstanding Shares.

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.

Repurchase of Shares by the Company and the Sale of VW Shares

Pursuant to the arbitral award received by the Company on 29 August 2015 from the ICC International Court of Arbitration, the Company repurchased 119,787 thousand Shares to be held as treasury stock through the ToSTNeT-3 system on 17 September 2015 for the purpose of repurchasing 111,610 thousand Shares held by VW.

Repurchase of Shares:

Stock repurchased:	Common Stock of the Company
Aggregate number of stock repurchased:	119,787,000 Shares
Amount repurchased:	¥460,281 million
Date of repurchase:	17 September 2015 (trade date)

In addition, on 25 September 2015 the Company sold its entire holding of 4,397 thousand shares of the common stock of VW held by the Company according to the request made by VW.

Sales of VW common stock:

Stock sold:	Common Stock of Volkswagen Aktiengesellschaft
Aggregate number of stock sold:	4,397,000 shares (entire number of shares held by the Company)
Sold to:	Porsche Automobil Holding SE
Gains on sales of investment securities:	¥36,691 million
Execution date of the agreement:	25 September 2015

Cancellation of Treasury Stock

The Company announced on 7 March 2016 that it intends to cancel 70,047,304 Shares (comprising approximately 12.49 per cent of the issued Shares as at 29 February 2016) of treasury stock held by it with effect from 31 March 2016. Of the 119,795,591 Shares of treasury stock held by the Company as at 29 February 2016, 111,610,000 Shares had been purchased by the Company from VW (see “Recent Business—Recent Developments—Significant Changes in the Amount of Shareholders’ Equity”). To the extent the Company continues to hold Shares of treasury stock after such cancellation, the Company intends to apply a part thereof in the issue of Shares upon exercise of the Stock Acquisition Rights or the acquisition thereof by the Company pursuant to the Conditions.

Stock Acquisition Rights

See “Management and Employees—Stock Options Plans”.

BUSINESS

Overview

The Group is a global manufacturer of passenger vehicles (specialising in minivehicles and compact vehicles), commercial vehicles, motorcycles and ATVs, outboard motors and other related products such as motorised wheelchairs, electric senior vehicles and industrial equipment. With a particular focus in Japan as well as India and other growth markets, the Group's products are sold in more than 200 countries and regions worldwide. Under the Group's motto to "develop products of superior value by focusing on the customer" and with the slogan, "Small Cars for a Big Future", the Group commits itself in promoting "production of small and subcompact vehicles" and "development of environmentally benign products" needed by customers, under the catch-phrase "Way of Life!".

The Group's operations are principally divided into the following three reportable segments: (i) Motorcycle; (ii) Automobile; and (iii) Marine and Power Products and Others.

In June 2015, the Group announced its new mid-term management plan "SUZUKI NEXT 100", with the aim of establishing a foundation toward the next 100 years. The plan articulates the Group's growth targets and strategies (see "—Strategy" below).

As at 31 December 2015, the Company had 135 consolidated subsidiaries (of which 69 were domestic consolidated subsidiaries and 66 were overseas consolidated subsidiaries), one non-consolidated subsidiary and 34 affiliates (all of which were affiliates accounted for by the equity method).

For the fiscal year ended 31 March 2015, the Group's net sales, operating income and net income attributable to owners of the parent amounted to ¥3,015,461 million, ¥179,424 million and ¥96,862 million, respectively and net sales to the external customers in Japan, India and other areas as a percentage of consolidated net sales amounted to 36.3 per cent, 26.1 per cent and 37.6 per cent, respectively. For the nine-month period ended 31 December 2015, the Group's net sales, operating income and net income attributable to owners of the parent amounted to ¥2,355,591 million, ¥146,242 million and ¥102,260 million, respectively.

The Company's registered office is located at 300 Takatsuka-cho, Minami-ku, Hamamatsu-shi, Shizuoka 432-8611, 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 7 March 2016 was approximately ¥1,650,601 million.

History

The Company first began business in 1909 as Suzuki Loom Works in Hamamatsu, Shizuoka Prefecture, Japan, building weaving looms for Japan's silk industry. The Company was then incorporated as Suzuki Loom Manufacturing Co. in March 1920. In 1949, the Company listed its Shares on the Tokyo Stock Exchange, the Osaka Securities Exchange and Nagoya Stock Exchange in Japan (although the Shares were delisted from the Osaka Securities Exchange and the Nagoya Stock Exchange in 2003). The Company entered the motorcycle business with the introduction of *Power Free* motorised bicycle in 1952, and entered the automobile business in 1955 with the introduction of *Suzulight* minivehicle, which was the first mass-production of minivehicles in Japan. Since then, the Group has remained one of the largest players in Japan's expanding minivehicle market.

Over the next 50 years, the Company continued to expand its business into different product lines and across multiple jurisdictions. Regular-sized Suzuki vehicles first went on the market in Japan in 1965, and overseas automobile sales began in 1959. By 1963, the Company expanded globally by opening a direct sales subsidiary, US Suzuki Motor, in Los Angeles, California (although the Group withdrew from the US automobile market in 2012). The Company entered the outboard motor business in 1965 with the launch of its two-cycle outboard motor. In 1981, the Company entered into a capital and business alliance relationship with General Motors Corporation which was subsequently terminated in 2009.

In 1982, the Company and the Indian government signed a basic agreement on joint production of the Company's passenger vehicles and production commenced in India the following year; the joint venture, Maruti Udyog Ltd. (the current Maruti Suzuki) became a subsidiary of the Company in 2002, and in 2003, Maruti Suzuki went public, listing its shares on the Bombay Stock Exchange and the National Stock Exchange of India.

The corporate name of the Company was changed to SUZUKI MOTOR CORPORATION in 1990.

The Company established Magyar Suzuki Corporation Ltd. in Hungary as a joint venture in 1991 for the manufacture of compact and subcompact vehicles, and mass production began in 1992. Also in 1991, the Company established P.T. Indomobil Suzuki International as a joint venture for the assembly of motorcycles and automobiles as well as the manufacture of engines, and in 2002 made such company a subsidiary of the Company (with its name changed to its current name PT Suzuki Indomobil Motor in 2008).

The Company entered into a capital and business alliance with VW in 2009, with the holding of Shares by VW increasing to approximately 20 per cent of the Company's issued share capital in 2010, but the capital alliance has since been dissolved (see “—Volkswagen” below).

The Group has been continuing to focus on its overseas business in recent years, establishing an automobile manufacturing company in Gujarat, India in 2014 as a direct manufacturing subsidiary of the Company.

With the 100th anniversary of its establishment approaching in 2020, the Company announced in June 2015 the Group's new mid-term management plan “SUZUKI NEXT 100”, a five-year plan starting from the fiscal year ending 31 March 2016, aimed at achieving growth for the Group over the next 100 years (see “—Strategy”).

Volkswagen

The Company entered into a capital and business alliance with VW in 2009, with a view to receiving technology from them to accelerate the development of environmental technology and other engineering areas. However, it was difficult for the Group to receive technical information from VW as initially anticipated. As a result, the Company decided in September 2011 to dissolve the capital and business alliance (and the validity of such dissolution was upheld by the ICC International Court of Arbitration in August 2015, following an arbitral process).

In September 2015, the Company repurchased all of the Shares held by VW through the TOSTNet-3 system. Later that same month, the Company sold all of the ordinary shares of VW it owned to Porsche Automobile Holding SE. On 10 February 2016, the Company reached a settlement with VW on all of the remaining arbitration proceedings regarding the business alliance (with the Company making the payment of a certain amount of money as the settlement amount to VW). See “Recent Business—Recent Developments—Significant Changes in the Amount of Shareholders' Equity” and “Recent Business—Recent Developments—Changes in the Amount of Shares of VW held by the Company”

Strategy

Mid-Term Management Plan “SUZUKI NEXT 100”

The Group will be celebrating its 100th anniversary since its establishment in 2020. In order for the Group to continuously grow for the next 100 years, the Group intends to put its efforts into strengthening its management base by positioning the five fiscal years ending 31 March 2020 as the period to stabilise the foundation of its management. The Group announced in June 2015 the new mid-term management plan “SUZUKI NEXT 100”, a five-year plan starting from the fiscal year ending 31 March 2016.

Basic Policy of the Mid-Term Management Plan

Since its establishment, the Group has maintained a basic policy of making “value-packed products” under its motto to “develop products of superior value by focusing on the customer” and with the slogan, “Small Cars for a Big Future”. By returning to the origin of this mission statement, the Group aims to strengthen its business base with the aim of establishing a foundation towards the next 100 years.

The Group also intends to work towards establishing a refreshing and innovative company through teamwork, and to strive for individual excellence through continuous improvement.

The six areas of basic policies that have been established as being the foundation for strengthening the Group's business are: (i) reformation of business culture and development of human resources through customer-first, proposal-based challenging management, development of human resources to enable action through

knowledge and creation of an environment for motivating employees, (ii) globalisation through the establishment of new management structure and strengthening of global management, (iii) maintaining a stable management base through diversification of source of profit, enhancement of corporate value and strengthening of risk management, (iv) placing top priority on quality through safety and reliance of customers as a priority, swiftly reacting to the voice of customers and establishing a reliable brand, (v) focusing on creative products based on creation of value that exceed customer expectation and offering pleasure in driving, fun to use and pride of ownership, and (vi) promoting engineering, production and procurement focusing on driving performance and fuel efficiency, safety and reliability, evolution of production technology, construction of global optimum production structure and promotion of optimum procurement and internal production.

Strategies by Business Segment

Motorcycle

The Group intends to implement the following strategies in respect of the Motorcycle business:

- By a process of selection and concentration with regard to both products and regions, overcome chronic deficits. Strengthen sales promotion efforts (particularly prior to launch of new models) as well as sales of parts and accessories in developed countries, and consolidate the production base in the ASEAN region with a view to strengthening the business base, and develop sales network of large displacement models with a view to improving profitability, with regard to emerging countries.
- Focus on product development that clearly defines the characteristics of the Suzuki brand, by concentrating on 150cm³ and over engine displacement, backbone and sport categories, and return to the origin of basic performances of “running, cornering and braking”, pursue fun-to-ride and easy-to-ride motorcycles, and input feedback from MotoGP technologies.

Automobile

The Group intends to implement the following strategies in respect of the Automobile business:

- To focus on products in the minivehicle, subcompact vehicle and SUV segments, with a view to keeping pace with the expanding global small vehicle market.
- Consolidate new development into three new lightweight platforms while promoting inter-model segment use of common functional parts through modularisation, and concentrate on the development of gasoline engine, by focusing on basic and new technologies for 660cm³ to 1,400cm³ engines.
- Focus on the Asian region, in particular Japan and India. In Japan, constantly introduce minivehicles and compact models each year and strengthen direct sales and expand the distributor base; in India, while still centring on the expansion of new buyers, fulfil products, sales network and productivity to meet increasing substitute demands; and in ASEAN, develop Indonesia and Thailand as business pillars to follow Japan and India.
- Work towards making Japan, India, Indonesia, Thailand and Hungary as the global automobile manufacturing sites.

Marine and Power Products and Others

The Group intends to implement the following strategies in respect of the Marine and Power Products and Others business:

- Expand the line-up of large 4-stroke outboard motors, and aim for the world’s best 4-stroke outboard motor brand.
- Focus on strengthening sales in the US market and developing the Asian market.

Operations

The Group classifies its operations into three business segments for annual financial reporting purposes, namely: Motorcycle, Automobile and Marine and Power Products and Others. The Group’s products are distributed around the world, and the Group has over 200 countries and regions in which it has business relationships.

The following table sets out the Group's net sales to external customers by business segment for the periods indicated, together with the percentages of such net sales as a percentage of consolidated net sales:

	Fiscal Year Ended 31 March					
	2013		2014		2015	
	Net Sales (Millions of yen)	Proportion (Per cent)	Net Sales (Millions of yen)	Proportion (Per cent)	Net Sales (Millions of yen)	Proportion (Per cent)
Reportable Segments:						
Motorcycle	¥ 230,290	8.9%	¥ 266,602	9.1%	¥ 250,485	8.3%
Automobile	2,297,814	89.1	2,615,664	89.0	2,701,942	89.6
Marine and Power Products and Others	50,212	2.0	56,046	1.9	63,033	2.1
Total consolidated net sales	<u>¥2,578,317</u>	<u>100.0%</u>	<u>¥2,938,314</u>	<u>100.0%</u>	<u>¥3,015,461</u>	<u>100.0%</u>

	Nine-Month Period Ended 31 December			
	2014		2015	
	Net Sales (Millions of yen)	Proportion (Per cent)	Net Sales (Millions of yen)	Proportion (Per cent)
Reportable Segments:				
Motorcycle	¥ 179,942	8.4%	¥ 172,883	7.3%
Automobile.....	1,916,981	89.5	2,130,687	90.5
Marine and Power Products and Others.....	46,071	2.1	52,019	2.2
Total consolidated net sales	<u>¥2,142,994</u>	<u>100.0%</u>	<u>¥2,355,591</u>	<u>100.0%</u>

The following table sets out the Group's net sales to external customers by business segment and by location of customers for the periods indicated:

	Fiscal Year Ended 31 March		
	2013	2014	2015
	(Millions of yen)		
Motorcycle			
<i>Japan</i>			
Sub-total	¥ 22,201	¥ 24,159	¥ 20,838
<i>Overseas</i>			
Europe	30,561	45,282	42,924
North America.....	37,753	42,299	43,331
Asia.....	102,369	111,555	99,177
Other areas.....	37,403	43,306	44,213
Sub-total	208,089	242,443	229,646
Total motorcycle	<u>230,290</u>	<u>266,602</u>	<u>250,485</u>
Automobile			
<i>Japan</i>			
Sub-total	999,979	1,089,048	1,054,321
<i>Overseas</i>			
Europe	245,740	341,356	314,197
North America.....	45,186	8,509	5,390
Asia.....	880,394	997,041	1,111,626
Other areas.....	126,513	179,708	216,406
Sub-total	1,297,834	1,526,615	1,647,620
Total automobile	<u>2,297,814</u>	<u>2,615,664</u>	<u>2,701,942</u>

	Fiscal Year Ended 31 March		
	2013	2014	2015
	(Millions of yen)		
Marine & Power Products and Others			
<i>Japan</i>			
Sub-total	18,767	19,524	19,451
<i>Overseas</i>			
Europe	10,222	12,264	14,905
North America	12,612	14,275	17,255
Asia.....	2,634	3,304	3,715
Other areas.....	5,974	6,678	7,705
Sub-total	31,444	36,522	43,582
Total marine & power products and others.....	50,212	56,046	63,033
Total			
<i>Japan</i>			
Sub-total	1,040,948	1,132,732	1,094,611
<i>Overseas</i>			
Europe	286,524	398,902	372,028
North America.....	95,552	65,084	65,976
Asia.....	985,399	1,111,900	1,214,519
Other areas.....	169,891	229,693	268,325
Sub-total	1,537,368	1,805,581	1,920,849
Total consolidated net sales	<u>¥2,578,317</u>	<u>¥2,938,314</u>	<u>¥3,015,461</u>

Motorcycle

The Group currently develops, manufactures and sells a full range of motorcycles, from super/ultimate sport-type, street, tourer, cruise and motocross motorcycles and ATVs to scooters, electric bicycles and electrically-assisted bicycles. Going forward, the Group intends to overcome chronic deficits through selection and concentration with regard to both products and regions, and by focusing on products which clearly define the characteristics of the Suzuki brand, concentrating on 150cm³ and over engine displacement, backbone and sport categories (see “—Strategy—Strategies by Business Segment—Motorcycle”).

The following table sets out information relating to the number of motorcycles (including ATVs) produced by the Group over the periods indicated:

Production Location	Fiscal Year Ended 31 March		
	2013	2014	2015
	(Units)		
Japan ⁽¹⁾	168,518	180,358	153,898
Overseas ⁽²⁾	2,100,409	1,852,226	1,644,786
Total	<u>2,268,927</u>	<u>2,032,584</u>	<u>1,798,684</u>

Notes:

- (1) Complete build up plus complete knock down units.
- (2) Line-off units at overseas plants, excluding complete knock down units from Japan.

The following table sets out information relating to the number of motorcycles (including ATVs) sold (by location of destination) by the Group over the periods indicated:

Region	Fiscal Year Ended 31 March		
	2013	2014	2015
		(Units)	
Japan.....	76,113	73,894	66,879
Europe	47,125	47,534	45,018
North America.....	44,379	41,183	42,808
East Asia.....	1,474,424	1,253,655	1,020,252
West Asia	436,772	384,296	376,748
Central and South America	184,482	176,731	164,984
Oceania.....	16,749	14,866	14,918
Middle East	17,196	14,380	17,176
Africa.....	14,440	15,564	13,882
Total	<u>2,311,680</u>	<u>2,022,103</u>	<u>1,762,665</u>

Note:

(1) The figures in the above table are based on actual sales (wholesale and retail).

The following table sets out information relating to the number of motorcycles sold in Japan by the Group by type of engine displacement over the periods indicated:

Engine Displacement	Fiscal Year Ended 31 March		
	2013	2014	2015
		(Units)	
Up to 50cm ³	46,491	45,833	44,070
51cm ³ -125cm ³	16,545	13,251	11,300
126cm ³ -250cm ³	7,414	7,704	6,340
251cm ³ and over.....	5,663	7,106	5,169
Total	<u>76,113</u>	<u>73,894</u>	<u>66,879</u>

Note:

(1) The figures in the above table are based on shipment for 125cm³ and under, and on registration for 126cm³ and above, including import units.

In Japan, motorcycles are manufactured by the Company. Overseas, they are also manufactured by a subsidiary, Thai Suzuki Motor Co., Ltd. and an affiliate, Jinan Qingqi Suzuki Motorcycle Co., Ltd. as well as other manufacturers. Some of the parts used in the Group's motorcycles are manufactured by a subsidiary, Suzuki Auto Parts Mfg. Co., Ltd. as well as others, and those parts are purchased by the Company.

Automobile

The Group develops, manufactures and sells passenger vehicles and commercial vehicles, with a particular focus on minivehicles, subcompact and compact vehicles. Minivehicles are currently mainly sold within Japan, and are cars, vans or trucks with engine displacements of 660cm³ or less according to Japanese automobile-related regulations. Registered vehicles are automobiles other than minivehicles.

The Group's product line-up for automobiles includes minivehicles (passenger vehicles and commercial vehicles), compact and regular sized passenger vehicles, and welfare vehicles (principally vehicles adapted for wheelchairs). The Group's passenger minivehicle line-up includes hatchbacks, SUVs and wagons, while commercial minivehicle line-up includes vans, wagons and mini-trucks. The Group's line-up of passenger vehicles other than minivehicles includes hatchbacks, SUVs, MUVs/MPVs and wagons.

The following table sets out information relating to the principal models currently produced by the Group by product categories and principal countries/regions:

Japan		India		Indonesia		Europe	
Model	Category	Model	Category	Model	Category	Model	Category
<i>Alto</i>	Minivehicle	<i>Alto 800</i>	Compact	<i>Celerio</i>	Compact	<i>Celerio</i>	Compact
<i>Lapin</i>	Minivehicle	<i>Alto K10</i>	Compact	<i>Karimun</i>	Compact	<i>Swift</i>	Compact
<i>Wagon R</i>	Minivehicle	<i>Wagon R</i>	Compact	<i>Wagon R</i>		<i>Jimny</i>	SUV
<i>Spacia</i>	Minivehicle	<i>Celerio</i>	Compact	<i>Splash</i>	Compact	<i>SX4 S-Cross</i>	SUV
<i>Hustler</i>	Minivehicle	<i>Stingray</i>	Compact	<i>Swift</i>	Compact	<i>Vitara</i>	SUV
<i>Jimny</i>	Minivehicle	<i>Ritz</i>	Compact	<i>Ertiga</i>	SUV	<i>Grand Vitara</i>	SUV
<i>Every</i>	Minivehicle	<i>Swift</i>	Compact	<i>Ciaz</i>	C Segment Sedan		
<i>Carry</i>	Minivehicle	<i>Dzire</i>	Compact	<i>APV</i>	MPV		
<i>Ignis</i>	Compact	<i>Baleno</i>	Compact	<i>Grand Vitara</i>	SUV		
<i>Solio</i>	Compact	<i>Ciaz</i>	C Segment Sedan	<i>Carry</i>	Truck		
<i>Swift</i>	Compact	<i>Vitara Brezza</i>	SUV	<i>Carry Van</i>	Van		
<i>Landy</i>	Minivan	<i>Gypsy</i>	SUV	<i>Mega Carry</i>	Truck		
<i>Jimny Sierra</i>	SUV	<i>S-Cross</i>	SUV				
<i>SX4 S-Cross</i>	SUV	<i>Grand Vitara</i>	SUV				
<i>Escudo</i>	SUV	<i>Eco</i>	MUV				
<i>Escudo 2.4</i>	SUV	<i>Omni</i>	MUV				
		<i>Ertiga</i>	MUV				

Note:

- (1) The categories above are named according to the names used in the relevant location (for example, a model may be categorised as “minivehicle” in Japan while categorised as “compact” elsewhere).

The Group is a leading provider of minivehicles in the thriving Japanese minivehicle market, and has been a driving force behind the development of that market.

The Group has a significant presence in India, having started production of automobiles in 1983. Maruti Suzuki is the largest consolidated subsidiary of the Company and manufactures compact vehicles, SUVs and MUVs. Producing around 1.5 million automobiles per year, Maruti Suzuki has over 1,800 sales outlets and more than 3,000 service stations in India. Maruti Suzuki currently offers 17 models ranging from the *Alto* compact vehicle to the *Ertiga* MUV. For the fiscal year ended 31 March 2015, Maruti Suzuki produced over 1.3 million vehicles and sold nearly 1.3 million vehicles. Maruti Suzuki makes royalty payments to the Company pursuant to licensing agreements between the two companies.

The following table sets out information relating to the number of automobiles produced by the Group over the periods indicated:

Production Location	Fiscal Year Ended 31 March		
	2013	2014	2015
		(Units)	
Japan ⁽¹⁾	1,044,117	997,916	1,055,078
Overseas ⁽²⁾	1,834,279	1,858,933	1,987,606
Total	<u>2,878,396</u>	<u>2,856,849</u>	<u>3,042,684</u>

Notes:

- (1) Complete build up plus complete knock down units.
(2) Line-off units at overseas plants, excluding complete knock down units from Japan.

The following table sets out information relating to the number of automobiles sold (by location of destination) by the Group over the periods indicated:

Region	Fiscal Year Ended 31 March		
	2013	2014	2015
		(Units)	
Japan.....	671,824	728,112	755,839
Europe	196,896	204,788	194,655
North America.....	29,761	2,482 ⁽²⁾	0 ⁽²⁾
East Asia.....	448,606	460,174	446,956
West Asia	1,142,804	1,135,709	1,274,169
Central and South America	77,199	88,056	92,984
Oceania	30,085	25,809	23,733
Middle East	11,996	12,178	14,219
Africa.....	55,144	52,012	64,636
Total	<u>2,664,315</u>	<u>2,709,320</u>	<u>2,867,191</u>

Notes:

- (1) The figures in the above table are based on actual sales (wholesale and retail).
(2) The Group withdrew from the North American automobile market in November 2012.

The following table sets out information relating to the number of automobiles sold in Japan by the Group by product type over the periods indicated:

Product Type	Fiscal Year Ended 31 March		
	2013	2014	2015
		(Units)	
<i>Minivehicles</i>			
Passenger vehicles.....	444,487	499,079	536,952
Commercial vehicles.....	141,975	147,900	142,401
Sub-total	<u>586,462</u>	<u>646,979</u>	<u>679,353</u>
<i>Registered vehicles</i>			
Passenger vehicles.....	<u>85,362</u>	<u>81,133</u>	<u>76,486</u>
Sub-total	<u>85,362</u>	<u>81,133</u>	<u>76,486</u>
Total	<u>671,824</u>	<u>728,112</u>	<u>755,839</u>

The Group's automobiles sold in the Japanese market are generally manufactured by the Company, although some models only produced overseas are imported into Japan. Overseas, automobiles are manufactured by certain subsidiaries, including Magyar Suzuki Corporation Ltd. in Hungary and Maruti Suzuki in India, an affiliate, Chongqing Changan Suzuki Automobile Co., Ltd. as well as other manufacturers. Some of the parts used in the Group's automobiles are manufactured by certain of the Company's subsidiaries and affiliates such as Suzuki Auto Parts Mfg. Co., Ltd., along with other third party manufacturers, and they are purchased by the Company.

Alliances

The Group has also been cooperating with other automobile manufacturers both in Japan and overseas. The Group and Nissan Motor Co., Ltd. have been supplying each other with vehicles in Japan on an OEM basis since 2002. The Group has been supplying vehicles to Mazda Motor Corporation in Japan since 1989 and in Indonesia since 2013. In Japan, the Group has been supplying vehicles on an OEM basis to Mitsubishi Motors Corporation since 2011. From Fiat Chrysler Automobiles N.V. ("Fiat"), the Group has been sourcing its diesel engines for vehicles mainly sold in Europe since 2003. In India, the Group has been producing diesel engines at its own factories since 2006 using technologies acquired from Fiat. In addition, since 2013 the Group has been supplying a British manufacturer, Caterham with engines and some drive-train components designed for minivehicles for installation on sports cars. In June 2015, the Group entered into an alliance with a Malaysian national car manufacturer Proton Holdings Berhad ("Proton"). The Group will supply knock-down components to Proton who will then manufacture the cars in its own plant and distribute them under its name. The Group continues to pursue opportunities and areas of cooperation with other manufacturers where effective use of business resources and mutual benefits can be expected.

Marine and Power Products and Others

The Marine and Power Products and Others segment is involved in the development, manufacture and sale of outboard motors for motorboats, engines for snowmobiles and others, and electric senior vehicles, as well as in certain other businesses.

The Group produces both 4-stroke and 2-stroke outboards (with a particular focus on 4-stroke outboards), and for each of these, produces a variety of models in both an electronic fuel injection series and a carburettor series. The Company produces small models in Thailand and larger models at the Toyokawa Plant in Japan. Outboard motors are manufactured primarily by the Company and marketed by a subsidiary, Suzuki Marine Co., Ltd., as well as by other third party companies.

In the domestic market, the marketing of motorised wheelchairs and electric senior vehicles is conducted by subsidiaries such as Suzuki Motor Sales Kinki Inc. and other third parties.

Other businesses such as the real estate business (housing sales), life and-non-life insurance agency business and sales of plastics and other parts are principally through the Company's consolidated subsidiary, Suzuki Business Co., Ltd.

Safety and Quality Control

Safety of its products is very important to the Group and measures have been put in place to ensure quality and safety of its products. The Group is set up to ensure that information on quality is fed through to the Company's headquarters and to the customer quality assurance committee members. Safety assurance technologies have been incorporated into its vehicles, such as dual camera brake support which is a collision damage reduction system equipped with two cameras. It uses two cameras installed on the right and left side of a vehicle which detect shapes of objects around the vehicle and the distances from them to recognise pedestrians and other vehicles from their sizes and profiles. Radar brake support reduces damage due to rear-end collision through automatic brakes. False start prevention function contributes towards avoiding collision due to faulty pedal or shifting operations. Electronic stability programming ("ESP") is a system designed to comprehensively control the risk of skidding when cornering, and to prevent loss of traction on wheels during start and acceleration and anti-locking braking systems ("ABS") for preventing wheel lock-up during sudden braking. With various kinds of sensors installed for monitoring the vehicle running performance, this system enables timely control of the engine and brake with the use of computers, enabling stable driving of vehicles.

In April 2015, the Company notified to the MLIT that it will recall approximately 1.87 million automobiles, including the *Alto*, *Wagon R* and *Swift* models and certain models of other automobile manufacturers which the Group provided vehicles to on an OEM basis. The recall was made to replace the ignition switch after reports of fumes being emitted from a faulty component. The same problem had been reported previously and the Group decided to expand the applicable models to ensure that a high level of quality is maintained in its products. In response to this large-scale recall, the Group has set up a new customer quality control office as part of its review of the quality control framework.

On 3 March 2016, the Company notified to the MLIT that it will recall approximately 1.62 million automobiles, including the *Palette*, *Wagon R* and *Alto Lapin* models and certain models of other automobile manufacturers which the Group provided vehicles to on an OEM basis. The level of compressor oil in the air conditioner compressor was found to be inappropriate, potentially leading to inadequate lubrication within the compressor when the air conditioner was used and in worst cases potentially leading to engine stalling. The recall was made to confirm the compressor used and in respect of relevant compressors, to revise the related engine controller programme and replenish the compressor oil (or, where the compressor had burnt, to replace the compressor).

Research and Development

The following table shows the Company and its consolidated subsidiaries' expenditure on R&D activities (including remuneration for R&D personnel) and their percentages of net sales for the periods indicated:

	Fiscal Year Ended 31 March		
	2013	2014	2015
	(Billions of yen/per cent)		
Motorcycle	¥ 16.1	¥ 16.2	¥ 17.0
Automobile	101.0	108.6	106.0
Marine and Power Products and Others	2.2	2.3	2.9
Total R&D costs	¥ 119.3	¥ 127.1	¥ 125.9
Percentage of net sales	4.6%	4.3%	4.2%

The Group recognises that investment in R&D is important to its future growth, and is committed to developing value-packed products which meet the needs of its customers' ever-changing lifestyles. At the same time, the Group pursues cost effectiveness in its developmental efforts, through measures such as involving its suppliers at the early stages of product design and development in order to ensure development of cost-effective products. The Group's R&D team covers a wide range of areas, working on the latest advances in fields such as energy, the environment, electronics, communications, information and control applications.

The R&D team is divided into the Development IT department which handles advanced development and fundamental research, and other departments which sit in accordance with product type, being motorcycle, automobile and marine and power products. The Group also has certain overseas development bases, including the ASEAN Development Centre in Thailand, as well as carrying out development activities at Maruti Suzuki in India, including utilising a test course.

The Group has been making strenuous efforts to provide customers with fuel-efficient vehicles through developing unique technologies. The new *Alto* launched in December 2014 achieved 37.0km/l of fuel consumption, which is among the highest fuel efficiencies among gasoline vehicles through production of light-weight platforms. The development of such light-weight platforms are being made not only for minivehicles but also for other compact cars.

Sources of Supply

The Group purchases a variety of raw materials, as well as components, equipments and parts, for use in the manufacture of automobiles, motorcycles and marine and power products, mostly from third-party suppliers. While taking into account the need to diversify its sources of supply to ensure stability of supply especially in times of contingencies, the Group also concentrates its purchasing to the extent appropriate, in order to order sufficient volumes from suppliers to gain cost effectiveness in its purchasing.

The Group also starts involving its suppliers at early stages of its product development with the aim of obtaining appropriate and cost effective supply by taking into account the advice of its suppliers within the developmental process.

In November 2014, the Company entered into a licensing agreement with Magneti Marelli S.p.A. for the manufacture of automated manual transmission ("AMT"), pursuant to which the Group may now internally manufacture the AMT (which the Company calls "AGS" (auto gear-shift)) which it uses in its vehicles, which the Group had previously had some issues with regard to supply from third parties.

Sales, Marketing and Distribution

The following table shows the Group's net sales to external customers by region based upon the location of customers for the periods indicated, together with such net sales as a percentage of consolidated net sales:

	For the year ended 31 March					
	2013		2014		2015	
	(Millions of yen/per cent)					
Japan.....	¥1,040,948	40.4%	¥1,132,732	38.6%	¥1,094,611	36.3%
India.....	647,390	25.1	638,720	21.7	787,560	26.1
Other areas.....	889,977	34.5	1,166,861	39.7	1,133,289	37.6
Total consolidated net sales	<u>¥2,578,317</u>	<u>100.0%</u>	<u>¥2,938,314</u>	<u>100.0%</u>	<u>¥3,015,461</u>	<u>100.0%</u>

In Japan, the Group predominantly sells vehicles through franchises stemming from the history that the Group started as a motorcycle business. As the franchise shops are likely to decline in the future due to lack of succession, the Group is strengthening its direct marketing structure.

In India, the Maruti Suzuki brand has become a national brand, currently having approximately 47 per cent market share in the passenger vehicles and MUV market. Maruti Suzuki has over 1,800 sales outlets in India, including those in rural areas. The line-up of products for the Indian market has so far mainly been compact vehicles, which has not been meeting the increase in demand for larger, luxurious vehicles. To address this, the Group has now started setting up a new sales channel focusing on such vehicles, named "NEXA", in India from July 2015.

In Indonesia, the focus of market demand is on 3-row seaters catering for large families. The Group is strong in vans and trucks but has entered into the market for passenger vehicles through *Ertiga*. However, recognition of the Group is still strong in commercial vehicles so the Group is strengthening sales of passenger vehicles through expanding to a luxurious version of *Ertiga* as well as expanding sales stores and personnel.

In Europe, the Group has a brand image for four-wheel SUVs as marketing in the area historically started with *Jimny*. Motorcycle sports are also popular in such area and the Group has been viewed as being strong in sport-types through its larger motorcycles.

The following table sets out the number of domestic distributors of the Group as at 1 April 2015:

Products	Number of Domestic Distributors
Minivehicles ⁽¹⁾	113 companies
Subcompact vehicles.....	107 companies
Total automobiles.....	220 companies
Motorcycles.....	7 companies
Outboard motors.....	7 sales agents 8 directly operated distributors
Industrial equipment.....	10 sales agents
Motorised wheelchairs and electric senior vehicles.....	82 companies

Note:

(1) Figures for minivehicles include parallel distributors of subcompact vehicles.

The following table sets out the number of overseas distributors of the Group as at 31 March 2015:

Products	Number of Countries/Regions in which the Overseas Distributors are Located	Number of Overseas Distributors
Automobiles.....	126	134
Motorcycles.....	111	120
Outboard motors.....	109	115
All products.....	148	—

Competition

The Group faces intense competition in Japan and overseas in relation to the products, from domestic and overseas competitors that supply products similar to the Group's.

In Japan, Toyota Motor Corporation (“Toyota”) has the largest market share of the automobile market, with its particular strength in hybrid cars. In the minivehicles market, the main competitor of the Company is Daihatsu Motor Co., Ltd. (“Daihatsu”), which Toyota has recently announced will make its wholly-owned subsidiary, although in recent years competition has also been fierce with Honda Motor Company, Limited (“Honda”) and Nissan Motor Co., Ltd. (“Nissan”) which manufactures minivehicles in alliance with Mitsubishi Motor Corporation.

In India, Maruti Suzuki has the largest market share with the most number of outlets in India for sales of automobiles. However, automobile manufacturers around the world generally regard the market in India to grow further in the coming years and are entering the market, with competition growing amongst the domestic manufacturers such as Tata Motors Limited and Mahindra & Mahindra India Limited, as well as Hyundai Motor India Limited, Toyota, Honda and Nissan as well as the American and European manufacturers.

In Indonesia, the market is dominated by the Japanese automobile manufacturers. The market for 3-row seater vehicles had initially been dominated by Toyota and Daihatsu but competition has grown now that the other Japanese manufacturers including the Group have entered into the market for such vehicles.

In Europe, the market is relatively mature and competition is fierce in the market for compact cars, and the Group faces competition from automobile manufacturers around the world.

Certain of the Group’s competitors, which vary in size, area of distribution, range of products and financial resources, are large-sized corporations, and certain of such large-sized corporations have significantly larger capital resources than the Group.

Manufacturing and Properties

The Group’s products are manufactured at facilities spanning over 20 countries and regions, and include those in Japan, India, Indonesia, Thailand and Hungary. The Group has in recent years been increasing the proportion of its overseas production as a percentage of total production. In Japan, the Group is working to consolidate the manufacturing facilities for motorcycles, with a view to increasing the efficiency of manufacturing facilities, as well as renewing certain facilities.

The following table sets forth certain information with respect to the Group’s significant properties and the operations undertaken at such properties as at 31 March 2015.

Principal facilities	Location	Operations	Land Area Owned ⁽¹⁾ (Thousands of square metres)	Total Book Value ⁽²⁾ (Millions of yen)
Facilities of the Company:				
Head Office and Takatsuka Plant.....	Hamamatsu-shi, Shizuoka	Head office affairs	183	¥ 12,453
Motorcycle Technical Centre	Iwata-shi, Shizuoka	Motorcycle engines assembling and machining Development and testing of motorcycles and automobiles	702	2,185
Outboard Motor Technical Centre	Kosai-shi, Shizuoka	Development and testing of outboard motors	13	1,409
Kosai Plant and Parts Factory	Kosai-shi, Shizuoka	Passenger vehicles and automobile engines assembling	1,188 (2)	33,194
Sagara Plant and Sagara Proving Grounds	Makinohara-shi, Shizuoka	Passenger vehicle and automobile engines assembling, foundry of engine components, machining and testing and development of automobiles	1,970	37,127
Iwata Plant.....	Iwata-shi, Shizuoka	MPV and commercial vehicle assembling	296 (2)	5,045
Toyokawa Plant.....	Toyokawa-shi, Aichi	Motorcycles and outboard motors assembling	139	983
Osuka Plant	Kakegawa-shi, Shizuoka	Foundry	151	3,815
Dealerships	Across Japan	Sales	639 (29)	71,986

Principal facilities	Location	Operations	Land Area Owned ⁽¹⁾ (Thousands of square metres)	Total Book Value ⁽²⁾ (Millions of yen)
Facilities of the Company's subsidiaries in Japan:				
Suzuki Motor Sales Kinki Inc. and 55 other sales subsidiaries	Across Japan	Sales	603 ⁽³⁾ (763)	88,558
Suzuki Auto Parts Mfg. Co., Ltd.....	Iwata-shi, Shizuoka	Motorcycle and automobile parts manufacturing	215 (5)	11,784
Facilities of the Company's subsidiaries overseas:				
Suzuki International Europe GmbH ⁽⁴⁾	Bensheim, Germany	Sales	43	3,478
Magyar Suzuki Corporation Ltd. ⁽⁵⁾	Esztergom, Hungary	Automobile assembling	591	44,617
Maruti Suzuki India Ltd. ⁽⁵⁾	New Delhi, India	Automobile assembling	11,908 (141)	232,016
PT. Suzuki Indomobil Motor ⁽⁵⁾	Jakarta, Indonesia	Automobile and motorcycle assembling	2,180	88,539
Pak Suzuki Motor Co., Ltd.....	Karachi, Pakistan	Automobile and motorcycle assembling	799	5,378
Suzuki Motor (Thailand) Co., Ltd.....	Rayong, Thailand	Automobile assembling	667	41,841

Notes:

- (1) Figures in parentheses under Land Area Owned comprise land leased by the relevant entity.
- (2) Total book values to not include consumption tax amounts.
- (3) Includes 21 thousand square metres of land leased out to others.
- (4) Name changed to Suzuki Deutschland GmbH in August 2015.
- (5) Figures for these companies are those contained within their respective consolidated financial results.

Intellectual Property

The Group pursues patents for inventions created through its R&D efforts, and actively seeks to register design rights not only in respect of general automobile design but also in respect of certain characteristic parts such as lamps and front grills, with a view to improving the Group's competitiveness. The Group holds a variety of patents and other intellectual property, including design rights, trademarks (including for the Suzuki brand name as well as popular model names such as *Alto*, *Swift*, *Wagon R*, *Jimny*, *Vitara*, *GSX-R* and *Hayabusa*), utility models and copyright. The Group recognises the importance of such intellectual properties to its operations, and takes appropriate measures to protect them from the infringement by third parties.

To the extent considered necessary by the Group, the Group also obtains licenses in respect of relevant technologies from third parties.

Material Contracts

The Company considers the following contracts to be important to its business:

- Basic agreement regarding the supply of minivehicles to Mazda Motor Corporation on an OEM basis, dated 12 May 1988.
- Basic agreement regarding the supply of minivehicles to Nissan Motor Co., Ltd. on an OEM basis, dated 2 April 2001.
- Basic agreement regarding the supply of subcompact vehicles to Mitsubishi Motors Corporation on an OEM basis, dated 8 November 2010.

Regulation

The automobile and motorcycle industries are subject to extensive government regulation. Chief among these are vehicle and engine requirements governing safety, emissions and fuel economy, and regulations on the environmental impacts of the Group's manufacturing operations. As described below, regulations in Japan and other countries impose substantial testing, certification and verification requirements with respect to vehicle emissions, fuel economy, noise and safety, and with respect to the environmental aspect of the operations of the Group's manufacturing plants and other facilities. The costs of complying with these requirements can be significant, and violations with respect to these requirements can result in fines, penalties, vehicle recalls, cleanup costs, reconfiguration of the Group's facilities and claims for personal injury or property damage.

The Group is also subject to other laws, regulations and other requirements relating to consumer protection, fair trade, antitrust, and corporate, commercial and other laws and regulations including those relating to corporate governance, corrupt business practices, labour, health and safety.

Vehicle Emissions

Japanese Standards

The Air Pollution Control Act of Japan (Act No. 97 of 1968, as amended), the Road Transport Vehicles Act of Japan (Act No. 185 of 1951, as amended) and the Act Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides and Particulate Matter from Automobiles in Specified Areas of Japan (Act No. 70 of 1992, as amended) regulate vehicle emissions in Japan. In addition, both the Noise Regulation Act of Japan (Act No. 98 of 1968, as amended) and the Road Transport Vehicles Act of Japan provide for noise reduction standards on automobiles and motorcycles in Japan. The Group's vehicles manufactured for sale in Japan comply with all Japanese exhaust emission and noise level standards.

European Standards

In the EU, the Motor Vehicle Approval Directive 2007/46/EC establishes a framework for the type approval of motor vehicles and the systems, components and separate technical units intended for such vehicles ("Framework Directive"). Type approval describes the process applied by national authorities to certify that a vehicle type meets all EU safety, environmental and production requirements before the vehicle is authorised to be sold on the EU market. There is currently a proposal to repeal the Framework Directive and replace it with a new regulation (the "New Regulation") which, once adopted, would apply directly in all Member States. The New Regulation, published on 27 January 2016, proposes to make vehicle testing more independent, increase surveillance of cars already in circulation and increase European oversight of the approval system.

Regulation No 715/2007 ("2007 Regulation") sets the current limits on emissions from light passenger and commercial vehicles. The 2007 Regulation also provides for the random testing of newly assembled vehicles and a manufacturer in-use surveillance programme. The New Regulation also proposes to amend the 2007 Regulation, in particular to require national approval authorities to verify that vehicles that have entered into service conform to the CO₂ emission and fuel consumption values recorded in the type approval certificates and that CO₂ emissions and fuel consumption values determined through the applicable test procedure are representative of emissions measured under real driving conditions.

The European Commission ("EC") is to introduce Real Driving Emissions ("RDE") test procedures to replace current laboratory-based emissions testing. The new RDE test will apply from September 2017 for all newly approved types of vehicles and from September 2019 for all new vehicles. Vehicle manufacturers will be required to reduce the divergence between the regulatory limit that is tested in laboratory conditions and the values of the RDE procedure when the car is driven by a real driver on a real road.

Other applicable regulations include a directive relating to emissions from air-conditioning systems in motor vehicles. Some European countries have also implemented or are considering implementing other initiatives for reducing CO₂ vehicle emissions, including fiscal measures (such as taxation based on CO₂ emissions) and CO₂ labelling.

Indian Standards

India is implementing the Bharat Stage IV emission norms (equivalent to Euro 4 norms) for four-wheelers, in a phased manner across various regions and the nationwide implementation is expected to be completed by April 2017. In the regions where Bharat Stage IV norms are currently not implemented, Bharat Stage III norms (equivalent to Euro 3 norms) will be in force until the transition to Bharat Stage IV norms is complete. In 2016, the Ministry of Road Transport and Highways announced the nationwide implementation of Bharat Stage VI norms (equivalent to Euro 6 norms) by April 2020.

Other Standards

Countries other than Japan and Europe are also proactively introducing emissions regulations. Countries and regions in Eastern Europe and Asia, as well as in other regions, have considered or implemented emissions regulations.

Compliance with new emission control standards is likely to present significant technological challenges to automobile manufacturers including the Group, and will likely require significant expenditures. Examples of these challenges include the development of advanced technologies, such as high performance batteries and catalytic converters, as well as the development of alternative fuel technologies. Manufacturers that are unable to develop commercially viable technologies within the time frames set by the new standards may lose their market share and may be forced to decrease the number of types of vehicles and engines in their principal markets.

Vehicle Fuel Economy

Japanese Standards

The Act on the Rational Use of Energy of Japan (Act No. 49 of 1979, as amended) requires automobile manufacturers to improve certain types of their vehicles to meet specified fuel economy standards. Fuel economy standards are established according to the types of vehicles and are required to be met by either the fiscal year ended 31 March 2006, the fiscal year ended 31 March 2011, the fiscal year ending 31 March 2016 or the fiscal year ending 31 March 2021.

Japan is a signatory to the United Nations Framework Convention on Climate Change and has agreed to take measures to reduce its greenhouse gas emissions. Improved vehicle fuel economy is contributing to the reduction in carbon dioxide emissions.

European Standards

Various EU regulations set emissions performance standards for new passenger cars registered in the EU and emissions targets for new light commercial vehicles, requiring the average CO₂ emissions for a manufacturer's new fleet not to exceed certain grams of CO₂ per kilometre, with a penalty system for not meeting targets, pooling agreements between different manufacturers for meeting them, and a system of emissions credits.

The United Nations has published the Worldwide Harmonized Light Vehicles Test Procedures ("WLTP"), a global technical regulation that is focused on harmonising emissions-related test procedures for light duty vehicles and ensuring emissions tests reflect actual figures. In 2014, the EU called for the WLTP to replace the New European Driving Cycle ("NEDC"), the current EU system for assessing the emissions levels of car engines. A technical working group has been set up to facilitate the transition from NEDC to the WLTP during the three year transition period from 1 September 2017 and to ensure consistent and comparable stringency under the new test procedures.

Indian Standards

In April 2015, the Government of India in consultation with the Bureau of Energy Efficiency of India notified average fuel consumption standards for passenger vehicles that are sold in India, which will come into effect from 1 April 2017. Two sets of standards were announced: one set for fiscal years 2017-2018 to 2021-2022 and another for fiscal year 2022-2023 onwards.

Other Standards

As momentum gathers to increase energy security and prevent global warming, other countries in addition to Japan and Europe are moving to introduce fuel consumption regulations. The Group expects that this trend will continue to spread, and in the future many nations will consider new regulations related to fuel consumption and CO₂.

Vehicle Safety

Japanese Standards

The Japanese government acceded in 1998 to the "Agreement Concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions" executed in 1958 (the "1958 Agreement"). Technological regulations (the "UNECE Regulations") have been established by the United Nations Economic Commission for Europe ("UNECE") to implement the 1958 Agreement. The Japanese government has introduced the UNECE Regulations in phases, and preparations for further introductions are currently in progress.

United Nations Regulations

The 1958 Agreement was originally based on the European regulations, but UN Regulations are developing as an established international law, and Japan and certain other countries outside the EU have become members after the amendment in 1995, and many other countries are expected to join in the future. The Agreement Concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles (the “1998 Agreement”) is a US-led agreement that aims to harmonise technical regulations, and defines each regulation as a Global Technical Regulation. The countries bound by the 1998 agreement are required to incorporate the Global Technical Regulations into their domestic laws. The parties to the 1998 agreement include the United States, Canada, China and India, which are not parties to the 1958 agreement, so Global Technical Regulations will also influence those countries.

European Standards

Vehicles sold in Europe are subject to vehicle safety regulations established by the EU and by individual Member States. In 2009, the EU established a simplified framework for vehicle safety, repealing approximately 50 directives and replacing them with Regulation 661/2009/EC, which is aimed at incorporating relevant United Nations regulations and standards. New model cars must have steering, braking and electronic stability control systems, a tyre pressure monitoring system and low resistance tyres. In addition, all new cars sold must include safety belt reminders and child seat anchorages. Electric cars are subject to specific safety requirements.

Indian Standards

The Indian automobile industry is progressively harmonising its safety regulations with international standards in order to facilitate sustained growth of the Indian automobile industry as well as to encourage export of automobiles from India. India is a signatory to the 1998 Agreement.

India has a regulatory framework administered by the Indian Ministry of Road Transport and Highways. In January 2002, the Indian Ministry of Road Transport and Highways finalised plans on implementing automobile safety standards in India based on traffic conditions, traffic density, driving habits and road user behaviour in India. In 2014, India adopted the Bharat New Vehicle Safety Assessment Programme in a phased manner to undertake crash tests. Crash tests will become mandatory with effect from October 2017 for new vehicles and October 2018 for upgrades of existing models.

Other Standards

The list of signatories to the 1958 Agreement of the United Nations has been growing, and in addition, ASEAN, pursuant to its economic community mission, has decided to adopt the UN regulations as its regional agreement. Various countries that are not signatories to the 1958 Agreement of the United Nations are also moving forward to conform their respective regulations to the UN regulations or to adopt new regulations consistent with the UN regulations.

Recycling, End-of-Life Vehicles and REACH

Japanese Standards

Act on Recycling, etc. of End-of-Life Vehicles of Japan (Act No. 87 of July 12, 2002) requires manufacturers to collect and recycle air bags, fluorocarbon and shredder residue derived from end-of-life vehicles (“ELV”). ELV processing costs are collected from purchasers of new cars.

European Standards

The EU has adopted a regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (“REACH”), which entered into force on 1 June 2007. Under REACH, any manufacturer or importer (into the EU) of a substance (on its own, in a mixture, or where it is intended to be released from articles i.e. finished manufactured goods), at or above 1 tonne per annum, may have to register it with the European Chemicals Agency (“ECHA”). One of the aims of REACH is to control the use of any substance that can have serious effects on human health or the environment, known as a Substance of Very High Concern (“SVHC”).

In October 2000, the EU brought into effect Directive 2000/53/EC on ELVs, which requires Member States to introduce measures to prevent and limit waste from ELVs. Such measures include:

- vehicle manufacturers must bear all or a significant part of the costs for taking back ELVs;

- certain hazardous materials such as lead, mercury, cadmium and hexavalent may not be used in vehicles sold after 1 July 2003 unless a specific exemption applies; and
- vehicle manufacturers, distributors and other auto-related economic operators must achieve certain targets relating to reuse, recovery and recycling of all ELV components based on an average weight per vehicle and year, and establish adequate used vehicle collection and treatment facilities and ensure that treatment is done in a way that facilitates recycling and reuse of components.

Indian Standards

Manufacturing units or plants in India must ensure compliance with environmental legislation, such as the Water (Prevention and Control of Pollution) Act 1974, as amended, the Air (Prevention and Control of Pollution) Act, 1981, as amended, the Environment Protection Act, 1986, as amended and the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, as amended, in order to control, abate and prevent pollution. Pollution Control Boards (“PCBs”) have been set up in each state to set the standards for maintaining clean air and water, directing the installation of pollution control devices in industries and undertaking inspection to ensure that industries are functioning in compliance with the standards prescribed. PCBs also have the power of search, seizure and investigation.

The Manufacture, Storage and Import of Hazardous Chemical Rules, 1989 provide for various safeguards and handling of hazardous chemical in specific industries carrying on certain activities. These rules provide for safety standards to be observed in industries while handling such chemicals.

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 legal or arbitration proceedings (including any proceedings which are pending or threatened) which the Company believes would individually or in the aggregate have a material adverse effect on the Group’s business, financial condition or results of operations.

For recent legal proceedings between the Company and VW, see “—History—Volkswagen”.

Compliance and Internal Control

The Company is committed to carrying out its corporate activities in a fair and efficient manner, and aims to achieve sustainable growth by retaining the trust and faith of all of its stakeholders, including shareholders, customers, business partners, regional communities and employees, and by making a positive contribution towards society. The Company recognises that the enhancement of corporate governance is one of the most important management issues, and is making a concerted effort towards implementation of various corporate governance procedures. In order to enhance corporate governance within the Group, the Group is committed to keeping all of its employees and Directors informed about internal compliance procedures and to strengthening internal control systems. In order to ensure that employees execute their duties in compliance with the law and the Articles of Incorporation of the Company, the Company is committed to keeping all employees informed of the Suzuki Employees’ Action Charter which lays out the standards required of employees, including approval procedures and job descriptions which set out employees’ duties in details, along with other rules of the Company.

Corporate Social Responsibility

The Company is fully committed to practising corporate social responsibility and acknowledges its importance. The Company sees corporate social responsibility as providing its customers with products of value and above all, obeying all laws and rules and acting in a fair manner and in good faith. The Company is committed to maintaining the trust of its customers, business partners, investors, employees and other stakeholders, and building these relationships through good corporate social responsibility.

Environment

Since the establishment of “Suzuki Global Environment Charter” in March 2002, the Group has been promoting efforts for environmental conservation, aiming to realise a society with sustainable development, as well as to ensure the Group’s existence.

In an effort to conserve the global environment, the Company promotes the development of products that are designed for low environmental impact through reduced exhaust emissions and improved fuel efficiency, and aims to conserve natural resources and recycle in its operations. Environmental considerations are taken into account at all stages of the Company's operations, from development to disposal.

The Group newly established the "Suzuki Environmental Plan 2015" consisting of four themes: control of global warming, promotion of environmental conservation and others, promotion of "three Rs" (reuse, reduce, recycle) and cooperation with society. In terms of product development, the Company makes every effort to research and develop new products that reduce the negative impact on the environment, such as improving fuel economy, reducing exhaust emissions, promoting the "three Rs" (reuse, reduce, recycle), reducing noise, managing and reducing materials with a potentially negative environmental impact. In manufacturing, the Company addresses environmental considerations at all corporate sites, promoting energy reduction and the use of alternative energy, managing and reducing materials with a potentially negative environmental impact. On the distribution side and at the Company's offices, the Company is focusing on improving transportation efficiency and energy reduction, promoting the "three Rs", the use of low emission transport, energy reduction and green purchasing. In its marketing activities, in addition to promoting environmental management at the Group's distributors and proper disposal of end-of-life products, the Company is encouraging the environmentally proper treatment of our products after being used by the customer.

Insurance

The Group maintains a range of insurance policies, including product liability insurance, earthquake insurance and fire insurance. The Company has also entered into an earthquake derivative transaction to provide for coverage in preparation for the "Tokai and Tonankai Megaquake", and its ¥200.0 billion commitment line (none of which is currently drawn) is also reserved for such events.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors carries the ultimate responsibility for the administration of the Company's affairs. The Company's Articles of Incorporation provide for no more than 30 Directors. All Directors are elected at general meetings of shareholders. The normal term of office of a 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 must elect from among its members several Representative Directors each of whom has the power to represent the Company in all matters, as well as a Chief Operating Officer and a Chief Executive Officer, each of whom must be a Representative Director. Under the Company's Articles of Incorporation, the Board of Directors may also elect a Chairman of the Board, a Vice Chairman, a President and several Executive Vice Presidents, Senior Managing Directors and Managing Directors from among its members.

The Company's Articles of Incorporation provide for the appointment of no more than five Corporate Auditors. All Corporate Auditors are elected at a general meeting of shareholders. The normal term of office of a 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 of such Corporate Auditor's election, although such Corporate Auditor may serve any number of consecutive terms under the Companies Act.

Under Japanese laws, the 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. In addition, at least half of the Corporate Auditors are required to be Outside Corporate Auditors who have not been directors or employees of the Company or of any of its subsidiaries for ten years. The Corporate Auditors form the Board of Corporate Auditors.

Corporate Auditors have the duties of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by the 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 prepare and submit its auditing report to the specified Director. The Board of Corporate Auditors will also determine matters relating to the duties of the Corporate Auditors, such as audit policy and methods of investigation of the affairs and assets of the Company.

In addition to Corporate Auditors, the Company must appoint an independent certified public accountant, who has the statutory duties of examining financial statements and other relevant documents to be submitted by the Representative Director to general meetings of shareholders and reporting its opinion thereon to the Board of Corporate Auditors and the Representative Director, as required under the Companies Act. The Company's independent certified public accountants for such purposes are Seimei Audit Corporation.

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

Name	Title
Directors	
Osamu Suzuki	Representative Director and Chairman (CEO)
Yasuhito Harayama	Representative Director and Vice Chairman
Toshihiro Suzuki ⁽¹⁾	Representative Director and President (COO)
Osamu Honda	Representative Director and Executive Vice President
Eiji Mochizuki	Director and Senior Managing Officer
Takashi Iwatsuki	Director and Managing Officer
Masahiko Nagao	Director and Managing Officer
Masakazu Iguchi ⁽²⁾	Director
Sakutaro Tanino ⁽²⁾	Director
Corporate Auditors	
Kunio Nakamura	Full-time Corporate Auditor
Shunji Matsumoto	Full-time Corporate Auditor
Shin Ishizuka ⁽³⁾	Corporate Auditor
Masataka Osuka ⁽³⁾	Corporate Auditor
Norio Tanaka ⁽³⁾	Corporate Auditor

Notes:

- (1) Toshihiro Suzuki (COO) is the first son of Osamu Suzuki (CEO).
- (2) Outside Directors under the Companies Act.
- (3) Outside Corporate Auditors 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 and Corporate Auditors is 300 Takatsuka-cho, Minami-ku, Hamamatsu-shi, Shizuoka 432-8611, Japan.

Remuneration of Management and Other Relationships

Remuneration

The following table sets out the remuneration paid to Directors and Corporate Auditors in the year ended 31 March 2015:

	Aggregate remuneration	Aggregate amount by type of remuneration			Number of relevant officers
		Basic Salary	Stock Option	Bonus	
(Millions of yen)					
Directors (excluding Outside Directors)	527	273	79	174	7
Corporate Auditors (excluding Outside Corporate Auditors)	47	47	–	–	3
Outside Directors and Corporate Auditors	27	27	–	–	5

Notes:

- (1) The upper limit of the remuneration of Directors (¥80 million per month) was resolved at the 135th Ordinary General Meeting of Shareholders held on 28 June 2001.
- (2) The upper limit of the remuneration of Corporate Auditors (¥8 million per month) was resolved at the 123rd Ordinary General Meeting of Shareholders held on 29 June 1989.
- (3) The upper limit of the remuneration for Directors with stock options as compensation (¥170 million per year) was resolved at the 147th and 148th Ordinary General Meetings of Shareholders held on 27 June 2013 and 27 June 2014 respectively. "Stock Option" column above represents the amount recorded as expenses in the relevant fiscal year among the amount of remuneration for stock acquisition rights granted as stock options. With regard to stock options granted as compensation, as the Company determined a new policy relating to the remuneration of Directors and officers, the Company has decided not to grant any further options after granting them in July 2014.
- (4) "Bonus" column above represents reserves made for bonuses of Directors and officers at the end of the relevant fiscal year and treated as expenses in the relevant fiscal year. With regard to remuneration for Outside Directors and Corporate Auditors, bonus payments were abolished from the fiscal year ended 31 March 2014, and only basic salary is paid.

- (5) Remuneration of Corporate Auditors includes that of one Corporate Auditor who retired after the close of 148th Ordinary General Meeting of Shareholders held on 27 June 2014.
- (6) In addition to the above, pursuant to the resolutions at the 140th Ordinary General Meeting of Shareholders held on 29 June 2006, retirement benefit payments were made to one retired Director (¥7 million) and one retired Corporate Auditor (¥5 million).

The Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of Outside Corporate Auditors to limit the maximum amount of such damages to the total amount stipulated in Article 427, Paragraph 1 of the Companies Act.

Other Relationships

As at 30 September 2015, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As at 30 September 2015, there were no outstanding loans granted by any company of the Group to the Company's Directors nor any guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

Mr. Osamu Suzuki, Representative Director and Chairman (CEO) of the Company, also acts as the Chairman of Suzuki Foundation and Suzuki Education and Culture Foundation. During the fiscal year ended 31 March 2015, the Company made donations to Suzuki Foundation and Suzuki Education and Culture Foundation amounting to ¥100 million and ¥103 million, respectively.

Employees

The Group had 55,948, 57,749 and 57,409 full-time employees as at 31 March 2013, 2014 and 2015, respectively. The following table sets out the number of full-time employees of the Group as at, and (in parentheses) the average of part-time employees for the fiscal years ended, 31 March 2013, 2014 and 2015, according to reportable segments:

	<u>As at/for the fiscal year ended 31 March</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Motorcycle	8,829	8,682	7,827
	(3,392)	(3,439)	(2,898)
Automobile	45,469	47,454	47,849
	(13,522)	(13,872)	(14,013)
Marine & Power Products and Others.....	1,098	1,029	1,130
	(361)	(381)	(420)
Common ⁽²⁾	552	584	603
	(40)	(34)	(35)
Total	55,948	57,749	57,409
	(17,315)	(17,726)	(17,366)

Notes:

- (1) The numbers of employees set out above are full-time employees of the Group in actual service (excluding employees on leave of absence and on secondment to entities outside the Group) at the end of the period, and an average of part-time employees for the period in parentheses.
- (2) "Common" includes employees in administrative divisions which do not belong to a particular reportable segment.

Labour relations differ in each of the countries and regions in which the Group operates. In Japan, the Company operates a "union shop" scheme under which all employees (excluding certain employees in managerial positions) of the Company must become a member of its labour union. Certain of the Company's subsidiaries overseas (including India and Indonesia) have labour unions as well. With respect to the Group's global operations, the Company believes that its employee relations are generally good.

Stock Option Plans

The Company has in place certain stock option plans (comprising the issue of stock acquisition rights) that provides Directors and certain other executive officers with options to acquire Shares from the Company. The following table sets out a summary of the Company's stock option plans as at 31 March 2015:

Date of the Shareholders' and Board Meeting	Exercise Period	Exercise Price per Share	Number of Shares to be issued upon exercise of options outstanding as at 31 March 2015
28 June 2012.....	From 21 July 2012 to 20 July 2042	¥ 1	67,000
27 June 2013.....	From 20 July 2013 to 19 July 2043	¥ 1	42,000
27 June 2014.....	From 23 July 2014 to 22 July 2044	¥ 1	32,400

SUBSIDIARIES AND AFFILIATES

As at 31 December 2015, the Company had 135 consolidated subsidiaries (of which 69 were domestic consolidated subsidiaries and 66 were overseas consolidated subsidiaries), one non-consolidated subsidiary and 34 affiliates (all of which were affiliates accounted for by the equity method).

The following table sets out certain information as at 31 December 2015 with respect to the Company's principal subsidiaries:

Subsidiary	Location	Principal business	Percentage of voting rights directly or indirectly held by the Company ⁽¹⁾ (Per cent)	Paid-in Capital (Millions of yen, unless otherwise indicated)
<i>Domestic Consolidated Subsidiaries</i>				
Suzuki Motorcycle Sales Inc.	Hamamatsu	Sale of motorcycles	100.0	¥50
Suzuki Sales Tokyo Inc.	Tokyo	Sale of automobiles	100.0	¥50
Suzuki Sales Hamamatsu Inc.	Hamamatsu	Sale of automobiles	100.0	¥50
Suzuki Motor Sales Kinki Inc.	Osaka	Sale of automobiles	100.0	¥50
Suzuki Marine Co., Ltd.	Hamamatsu	Sale of outboard motors	100.0	¥50
Suzuki Auto Parts Mfg. Co., Ltd.	Shizuoka	Manufacture of parts	100.0	¥110
Snic Co., Ltd.	Shizuoka	Manufacture of parts	100.0	¥110
Suzuki Toyama Auto Parts Mfg Co., Ltd.	Toyama	Manufacture of parts	100.0	¥50
Suzuki Finance Co., Ltd.	Hamamatsu	Financing related to sales of Group products	95.9	¥99
Suzuki Transportation & Packaging Co., Ltd.	Hamamatsu	Transportation and packing	100.0	¥110
Suzuki Business Co., Ltd.	Hamamatsu	Real estate, insurance agency, sales of plastics and other parts	100.0	¥110
<i>International Consolidated Subsidiaries</i>				
Suzuki Deutschland GmbH.	Germany	Sale of automobiles and motorcycles	100.0	€50,000 thousand
Magyar Suzuki Corporation Ltd. ..	Hungary	Manufacture and sale of automobiles	97.5	€212,828 thousand
Suzuki GB PLC.	United Kingdom	Sale of automobiles, motorcycles and outboard motors	100.0	12,000 thousand pounds sterling
Suzuki France S.A.S.	France	Sale of automobiles, motorcycles and outboard motors	100.0	€20,000 thousand
Suzuki Italia S.p.A.	Italy	Sale of automobiles, motorcycles and outboard motors	100.0	€10,811 thousand
Suzuki Iberica, S.A.U.	Spain	Sale of automobiles and motorcycles	100.0	€21,500 thousand
Suzuki Austria Automobil Handels GmbH.	Austria	Sale of automobiles and motorcycles	100.0	€7,267 thousand
Suzuki Finance Europe B.V.	Holland	Arrangement of financing for Group affiliates	100.0	€200,000 thousand
Maruti Suzuki India Ltd.	India	Manufacture and sale of automobiles	56.2	1,510,400 thousand Indian rupee

Subsidiary	Location	Principal business	Percentage of voting rights directly or indirectly held by the Company ⁽¹⁾ (Per cent)	Paid-in Capital (Millions of yen, unless otherwise indicated)
Suzuki Motorcycle India Private Ltd.....	India	Manufacture and sale of motorcycles	100.0 (0.0)	17,815,532 thousand Indian rupee
Suzuki Motor Gujarat Private Ltd. ..	India	Manufacture of automobiles	100.0	32,000,000 thousand Indian rupee
PT Suzuki Indomobil Motor	Indonesia	Manufacture and sale of automobiles and motorcycles	94.9	US\$89,000 thousand
Pak Suzuki Motor Co., Ltd.	Pakistan	Manufacture and sale of automobiles and motorcycles	73.1	822,998 thousand Pakistani rupee
Suzuki Motor (Thailand) Co., Ltd. ..	Thailand	Manufacture and sale of automobiles	100.0	12,681,870 thousand Thai bahts
Thai Suzuki Motor Co., Ltd.....	Thailand	Manufacture and sale of motorcycles and outboard motors	97.5	607,350 thousand Thai bahts
Suzuki Philippines Inc.	Philippines	Manufacture and sale of automobiles and motorcycles	100.0	923,800 thousand Philippine peso
Suzuki Motor of America, Inc.	United States	Sale of automobile parts, motorcycles and outboard motors	100.0	US\$66,000 thousand
Suzuki Manufacturing of America Corp.	United States	Manufacture and sale of motorcycles	100.0 (80.0)	US\$30,000 thousand
Suzuki Australia Pty. Ltd.....	Australia	Sale of automobiles and motorcycles	100.0	22,400 thousand Australian dollars
Suzuki Motor de Mexico, S.A. de C.V.....	Mexico	Sale of automobiles, motorcycles and outboard motors	100.0 (0.0)	200,970 thousand Mexican peso
Suzuki Motor de Colombia S.A.....	Colombia	Manufacture and sale of motorcycles and outboard motors	100.0	259,671 thousand Colombian peso
<i>Affiliates Accounted for by the Equity Method</i>				
Hamana Parts Industry Co., Ltd.....	Shizuoka	Manufacture of parts	35.7	¥198
Chongqing Changan Suzuki Automobile Co., Ltd.	China	Manufacture and sale of automobiles	50.0 (10.0)	US\$190,000 thousand
Jiangxi Changhe Suzuki Automobile Co., Ltd.	China	Manufacture and sale of automobiles	46.0 (20.9)	US\$311,800 thousand
Jinan Qingqi Suzuki Motorcycle Co., Ltd.	China	Manufacture and sale of motorcycles	50.0	US\$24,000 thousand

Note:

(1) Figures in parentheses denote indirect holding.

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

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

General

Under the Company's Articles of Incorporation, the Company is authorised to issue 1,500,000,000 Shares, of which 561,047,304 Shares have been issued as at 30 September 2015.

All issued Shares are fully-paid and non-assessable and generally transferable through the book-entry system as described below. The transfer agent for the Shares is Sumitomo Mitsui Trust Bank, Limited, located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan. The transfer agent maintains the Company's register of shareholders.

Effective on 5 January 2009, a new central book-entry transfer system for listed shares of Japanese companies was established pursuant to the Book-Entry Act, and this system is applied to the Shares. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialised, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholders have an account at JASDEC, the only institution that is designated by the relevant authorities as a clearing house under the Book-Entry Act. "Account management institutions" are financial instruments business operators (i.e. securities companies), banks, trust companies and certain other financial institutions that meet the requirements prescribed by the Book-Entry Act. Transfer of the Shares is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the Shares passes to the transferee at the time when the transfer 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 holder of the Shares recorded in such account.

Under the Companies Act and the Book-Entry Act, in order to assert against the Company shareholders' rights to which shareholders as of a given record date are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends), a shareholder must have its name and address registered in the Company's register of shareholders. Under the central book-entry transfer system, such registration on the register of shareholders is made upon the Company's receipt of necessary information from JASDEC through all shareholders notice (*soukabunushi tsuchi*). See "—Record Date" below. On the other hand, in order to assert shareholders' rights to which shareholders are entitled regardless of record dates, such as minority shareholders' rights, including the right to propose a matter to be considered at a general meeting of shareholders but excluding shareholders' rights to request the Company to purchase or sell Shares constituting less than a full unit (as described in "—Unit Share System"), upon a shareholder's request, JASDEC shall issue to the Company a notice of certain information, which information includes the name and address of such shareholder. Under the Book-Entry Act, a shareholder must exercise its shareholder's right within four weeks after the notice above.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to the Company through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

Distribution of Surplus

General

Under the Companies Act, distribution of cash or other assets by a joint stock corporation to its shareholders, including dividends, takes the form of distribution of Surplus (as defined in "—Restriction on Distribution of Surplus"). The Company is permitted to make distributions of Surplus to the Company's shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distribution of Surplus". Under the Companies Act, distributions of Surplus are, in principle, required to be authorised by resolution of a general meeting of shareholders.

Distribution of Surplus may, however, be made pursuant to a resolution of the Board of Directors 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. Nevertheless the Company may make distributions of Surplus in cash as an interim dividend (the "interim dividend") to its shareholders by resolutions of the Board of Directors once per fiscal year under the Company's Articles of Incorporation and the Companies Act.

Distributions of Surplus may be made in cash or (except for interim dividends) in kind in proportion to the number of the 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 to the Company's shareholders a right 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 special resolution adopted at a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

Under the Company's Articles of Incorporation, the record dates for year-end dividends and interim dividends are 31 March and 30 September, respectively, in each year. In Japan, the "ex-dividend date" (the date from which purchasers of Shares through Japanese stock exchanges will not be entitled to the dividends to be paid to registered shareholders as of any record date) and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The ex-dividend date of the shares of common stock is generally the second business day prior to the record date. Under the Company's Articles of Incorporation, the Company is not obligated to pay any year-end dividend nor interim dividend which was made in cash that has not been received by a shareholder after the lapse of three years from the commencement date of such distribution.

Restriction on Distribution of Surplus

In making a distribution of Surplus, the Company must set aside in the Company's additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed until the sum of such additional paid-in capital and legal reserve reaches one-quarter of the Company's stated capital.

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, each such amount being that appearing on the Company's non-consolidated balance sheet as of the end of the last fiscal year;
- "B" = (if the Company has disposed of the Company's 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 the Company's 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 the Company’s 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 the Company’s 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 the Company’s shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed;
- “G” = certain other amounts set forth in ordinances of the Ministry of Justice, including the following:
- if the Company has reduced Surplus and increased the Company’s stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year, the amount of such reduction; and
 - if Company has distributed Surplus to shareholders after the end of the last fiscal year, the amount set aside in the Company’s 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 the amount of Surplus less the aggregate of (a) the book value of the Company’s treasury stock, (b) the amount of consideration for any of the Company’s treasury stock disposed of by the Company after the end of the last fiscal year and (c) certain other amounts set forth in ordinances of the Ministry of Justice, including all or a certain part of the amount by which one-half of the Company’s goodwill and deferred assets exceeds, if at all, the total of the stated capital, additional paid-in capital and legal reserve, each such amount being the amount in the Company’s non-consolidated balance sheet as of the end of the last fiscal year, as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has become, at the Company’s option, a company with respect to which its consolidated balance sheet should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), the Company shall further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of the shareholders’ equity appearing on the Company’s non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth in ordinances of the Ministry of Justice over (y) the total amount of the shareholders’ equity and certain other amounts set forth in ordinances of the Ministry of Justice appearing on the Company’s consolidated balance sheet as of the end of the last fiscal year.

If the Company has prepared quarterly financial statements as described below, and if such quarterly 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 any of the Company’s treasury stock disposed of by the Company, during the period in respect of which such quarterly financial statements have been prepared. The Company may prepare non-consolidated quarterly financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and a statement of operations for the period from the first day of the subject fiscal year to the date of such balance sheet. Quarterly financial statements so prepared by the Company under the Companies Act must be audited by Corporate Auditors and/or the Company’s independent auditors, the detail of which is prescribed by ordinances of the Ministry of Justice.

Capital and Reserves

The Company may generally reduce its additional paid-in capital or legal reserve 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 generally reduce its stated capital 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 Shares into a greater number of the Shares by resolution of the Board of Directors. When a stock split is to be made, so long as the Company's only class of outstanding stock is the common stock, the Company may increase the number of authorised shares by the same ratio as that of such stock split by amending the Company's Articles of Incorporation, which amendment may be effected by resolution of the Board of Directors without the approval of 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.

Unit Share System

The Company's Articles of Incorporation provide that 100 Shares each constitute one unit of Shares. Under the unit share system, shareholders have, at general meetings of shareholders, one voting right for each unit of Shares held by them, and Shares constituting less than a full unit carry no voting rights. The Company's Articles of Incorporation provide that the holders of Shares constituting less than a full unit do not have shareholder rights, except for those specified in the Companies Act or ordinances of the Ministry of Justice which include rights (i) to receive dividends, (ii) to receive cash or other assets in the case of a consolidation or split of shares, share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*), or merger or (iii) to be allotted rights to subscribe for new shares and stock acquisition rights for free when such rights are granted to shareholders. Holders of Shares constituting less than a full unit may at any time request that the Company purchase such Shares constituting less than a full unit at their market price in accordance with the Company's Share Handling Regulations. In addition, holders of Shares constituting less than a full unit may require that the Company sell them such number of Shares, that, when combined with the number of Shares already held by such holder, constitute a whole unit of Shares; provided that the Company be obliged to comply with such request only when there is a sufficient number of treasury shares to accommodate such request. Such requests must be made through an account management institution and JASDEC pursuant to the rules set by JASDEC without going through the notification procedure required for the exercise of shareholders' rights to which shareholders are entitled regardless of record dates as described in "—General". The Board of Directors may reduce the number of shares constituting one unit or cease to use the unit share system by amendments to the Articles of Incorporation without shareholders' approval even though amendments to the Articles of Incorporation generally require a special resolution adopted at the general meeting of shareholders.

Under the new book-entry transfer system described in "—General", shares constituting less than a full unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

General Meetings of Shareholders

The ordinary general meeting of shareholders is held in June of each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating the place, the time and the 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. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or 1 per cent of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a representative director at least eight weeks prior to the date of such meeting. 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 if the Company's Articles of Incorporation so provide. The Company's Articles of Incorporation currently do not include any such provisions.

Voting Rights

Shareholders of the Company's common stock have one voting right for each unit of Shares held by them.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a majority of the voting rights held by the shareholders present at a general meeting of shareholders is necessary to adopt a resolution at the meeting. The Company's Articles of Incorporation provide that the quorum for election of 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 directors. A shareholder may exercise its voting rights in writing or through a proxy, provided that the proxy also be a holder of the Shares having voting rights at such meeting. Generally, a shareholder may also exercise its voting rights by electronic means pursuant to the method designated by the Company.

The Companies Act provides that certain important matters shall be approved by "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 not less than two-thirds of the voting rights held by the shareholders present at the meeting is required for adopting a special resolution. Such important matters include:

1. any amendment to the Company's Articles of Incorporation (except for such amendments that may be made without the approval of shareholders under the Companies Act, such as (i) an increase of the number of authorised shares by the same ratio as that of a stock split, (ii) a reduction of the number of shares per unit of shares and (iii) termination of the unit share system);
2. dismissal of a Corporate Auditor;
3. the Company's dissolution, merger or consolidation requiring shareholders' approval;
4. establishment of a parent and wholly owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*) requiring shareholders' approval;
5. transfer of the whole or a substantial part of the Company's business;
6. transfer of the whole or part of the equity interests in any of the Company's subsidiaries requiring shareholders' approval;
7. taking over of the whole of the business of another company requiring shareholders' approval;
8. the Company's corporate split requiring shareholders' approval;
9. consolidation of the Shares;
10. the Company's acquisition of the Shares from a specific shareholder other than the Company's subsidiary;
11. distribution of Surplus in kind (except when shareholders are granted the right to require that such distribution be made in cash instead of in kind);
12. issuance of new Shares or sale of existing Shares held by the Company as treasury stock to persons other than the shareholders at a "specially favourable" price; and
13. issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favourable" conditions.

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 the Shares in proportion to the respective numbers of the Shares held by them.

Issue of Additional Shares and Pre-emptive Rights

Holders of the 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 of common stock at a "specially favourable" price mentioned in "—Voting Rights". The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new Shares, in which case such rights must be given on uniform terms to all shareholders as of a record date not less than two weeks prior to which 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. 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. 30 September is the record date for the payment of interim dividends. In addition, by 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 the Shares.

Under the Book-Entry Act, JASDEC is required to give the Company notice of the names and addresses of the Company’s shareholders, the numbers of shares held by them and other relevant information as of such record date.

The Company’s Acquisition of Common Stock

The Company may acquire Shares:

1. 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 a resolution adopted by the Board of Directors);
2. from a specific shareholder other than any of the Company’s subsidiaries (pursuant to a special resolution adopted at a general meeting of shareholders); or
3. from any of the Company’s subsidiaries (pursuant to a resolution adopted by the Board of Directors).

In the case of 2 above, any other shareholder may make a request to the Company that such shareholder be included as a seller in the proposed purchase unless the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (a) 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 2 above is adopted (or, if there is no trading in the Shares on the stock exchange or the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter) and (b) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in 2 above is 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 the Shares may not exceed the Distributable Amount as described in “—Distribution of Surplus—Restriction on Distribution of Surplus”.

The Company may hold the Shares acquired and may generally dispose of or cancel such Shares by resolution of the Board of Directors.

Request by a Controlling Shareholder to Sell All Shares

A shareholder holding, directly or indirectly, 90 per cent (or such other percentage 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 (*kabushikitou 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.

The Company's Disposal of Shares Held by Shareholders Whose Location is Unknown

The Company is not required to continue to send notices to a shareholder if notices sent by the Company to such shareholder fail to arrive for five consecutive years or more at such shareholder's address registered in the Company's register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder also fails to receive dividends on the Shares continuously for five years or more at such shareholder's 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 Shareholding

The FIEA and its related regulations require any person who has become, regardless of residence, beneficially and solely or jointly, a holder of more than 5 per cent of the total issued voting shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning the shareholdings with the Director-General of the competent Local Finance Bureau of the Ministry of Finance, in general, within five business days. A similar report must also be filed if the percentage of such holdings subsequently increases or decreases 1 per cent or more, or if any change occurs in material matters set out in reports previously filed. For this purpose, shares issuable or transferable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the size of his or her holding 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 the exercise of the Stock Acquisition Rights incorporated in the Bonds, who are non-resident individuals or non-Japanese corporations, in either case having no permanent establishment in Japan (“non-resident Holders”). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds by a non-resident Holder thereof, are, in general, not subject to Japanese income tax. Acquisition of the Bonds pursuant to Condition 5.10 or Condition 7.2 would more likely be treated as a sale of Bonds rather than as redemption with premium of the Bonds for Japanese tax purposes of a non-resident Holder. Exercise of the Stock Acquisition Rights (except for cases where Condition 5.10 applies) 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 from another individual 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.

The rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to a non-resident Holder is generally 20 per cent under Japanese tax law. However, with respect to dividends paid on shares listed on stock exchanges (such as Shares) to any non-resident Holders, except for any individual shareholder who holds 3 per cent or more of the total issued Shares, the said 20 per cent withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent of the original applicable tax rate) is added to the original withholding tax rate from and including 1 January 2013 to and including 31 December 2037, so that the original withholding tax rate of 20 per cent and 15 per cent, as applicable, is effectively increased, respectively, to 20.42 per cent and 15.315 per cent during that period. The withholding tax under Japanese tax law mentioned above may be exempted or reduced under an applicable tax treaty between Japan and the country of tax residence of a non-resident Holder.

Gains derived from the sale of Shares by a non-resident Holder thereof, who is a portfolio investor, 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 from another individual as legatee, heir or donee even if the individual is not a Japanese resident.

Others

Proposed Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common financial transactions tax (“FTT”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Bonds (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Subscription Agreements

Pursuant to a subscription agreement dated 7 March 2016 in respect of the 2021 Bonds (the “2021 Bonds Subscription Agreement”) between the Company on the one hand and Nomura International plc (“Nomura”), Mizuho International plc and SMBC Nikko Capital Markets Limited (together with Nomura, the “2021 Bonds Managers”) on the other, the 2021 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 2021 Bonds as indicated in the table below at the issue price (the “2021 Bonds Issue Price”) of 100.5 per cent of the principal amount of the 2021 Bonds and to offer the 2021 Bonds at the offer price in respect of the 2021 Bonds as stated on the cover page of this Offering Circular (the “2021 Bonds Offer Price”).

2021 Bonds Managers	Aggregate Principal Amount of the 2021 Bonds
Nomura International plc	¥ 80,000,000,000
Mizuho International plc	10,000,000,000
SMBC Nikko Capital Markets Limited	10,000,000,000
Total	<u>¥100,000,000,000</u>

Pursuant to a subscription agreement dated 7 March 2016 in respect of the 2023 Bonds (the “2023 Bonds Subscription Agreement” and together with the 2021 Bonds Subscription Agreement, the “Subscription Agreements” and each a “Subscription Agreement”) between the Company on the one hand and Nomura, Mizuho International plc and SMBC Nikko Capital Markets Limited (together with Nomura, the “2023 Bonds Managers” and the 2023 Bonds Managers together with the 2021 Bonds Managers being referred to herein as the “Managers”) on the other, the 2023 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 2023 Bonds as indicated in the table below at the issue price (the “2023 Bonds Issue Price”, and together with the 2021 Bonds Issue Price, the “Issue Prices” and each an “Issue Price”) of 100.0 per cent of the principal amount of the 2023 Bonds and to offer the 2023 Bonds at the offer price in respect of the 2023 Bonds as stated on the cover page of this Offering Circular (the “2023 Bonds Offer Price”).

2023 Bonds Managers	Aggregate Principal Amount of the 2023 Bonds
Nomura International plc	¥ 80,000,000,000
Mizuho International plc	10,000,000,000
SMBC Nikko Capital Markets Limited	10,000,000,000
Total	<u>¥100,000,000,000</u>

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 2021 Bonds Offer Price and the 2021 Bonds Issue Price will be retained by the 2021 Bonds Managers and the difference between the 2023 Bonds Offer Price and the 2023 Bonds Issue Price will be retained by the 2023 Bonds Managers.

The closings of the 2021 Bonds and the 2023 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 Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the 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 none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreements 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 Nomura on behalf of the 2021 Bonds Managers (in the case of the 2021 Bonds) and Nomura on behalf of the 2023 Bonds Managers (in the case of the 2023 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;
- (b) the issue or transfer of Shares by the Company upon exercise of stock acquisition rights outstanding as of the date hereof and referred to herein;
- (c) the grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or employees and directors of any of its subsidiaries and affiliates pursuant to its stock option plans;
- (d) 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;
- (e) 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
- (f) any other issue or sale of Shares required by the Japanese laws and regulations.

Selling Restrictions

United States

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Company have been or will be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Company have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, US persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Company (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering of the Bonds and the Closing Date, within the United States or to, or for the account or benefit of, US persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Company during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Company within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights within the United States by any dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described therein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

United Kingdom

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 upon acquisition of the Bonds by 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 upon acquisition of the Bonds by 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 under the Securities and Futures Act, Cap. 289 of Singapore (the “SFA”) and accordingly, the Bonds may not be offered or sold, nor may the Bonds be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Bonds are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferrable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (ii) where no consideration is given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) 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) the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Company may not be offered or sold by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “SFO”) and any rules made under the SFO, or (b) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the “Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

- (b) no advertisement, invitation or document relating to the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Company may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Bonds and Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by 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
2021 Bonds	XS1374498977	137449897
2023 Bonds	XS1374502919	137450291

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 7269.
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 a Global Certificate is exchanged for definitive Certificates. In addition, in the event that a Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.
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 7 March 2016 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 2015.
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 Company including the audited consolidated annual financial statements in English, and the Company's latest unaudited consolidated annual and quarterly financial statements in English (being English summaries of the Company's published *Kessan tanshin* (preliminary results announcement) 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 each of the three fiscal years ended 31 March 2015, 2014 and 2013, included in this Offering Circular, have been audited by Seimei Audit Corporation, the Company's independent auditors, as stated in their audit reports appearing herein.
9. The unaudited quarterly consolidated financial statements of the Group as at 31 December 2015 and for each of the nine-month periods ended 31 December 2015 and 2014, included in this Offering Circular, have been reviewed by Seimei Audit Corporation, the Company's independent auditors, as stated in their review report appearing herein.
10. 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.
11. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by the independent auditors to the Company whether or not the same are subject to any limitation on the liability of the independent auditors to the Company and whether by reference to a monetary cap or otherwise.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SUZUKI MOTOR CORPORATION

We have audited the accompanying consolidated financial statements of SUZUKI MOTOR CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at 31 March 2015 and 2014, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the years then ended, all expressed in Japanese Yen, 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of SUZUKI MOTOR CORPORATION and its consolidated subsidiaries as at 31 March 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

The amounts expressed in US dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Seimei Audit Corporation
Tokyo, Japan
26 June 2015

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

As of 31 March 2015 and 2014

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2015	2014	2015
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4 and 10)	¥932,261	¥710,611	\$7,757,854
Receivables:			
Notes and accounts receivables-trade (Note 4)	316,826	310,694	2,636,483
Allowance for doubtful accounts	(4,156)	(4,804)	(34,590)
Inventories	314,391	276,285	2,616,222
Deferred tax assets	115,015	105,064	957,109
Other	334,391	392,982	2,782,651
Total current assets	<u>2,008,729</u>	<u>1,790,832</u>	<u>16,715,730</u>
Property, plant and equipment:			
Land (Note 5)	259,540	238,532	2,159,774
Buildings and structures (Note 5)	403,922	385,797	3,361,255
Machinery, equipment, vehicles	1,280,563	1,120,381	10,656,269
Tools, furniture and fixtures	391,797	378,011	3,260,357
Construction in progress	70,456	96,560	586,310
	<u>2,406,280</u>	<u>2,219,283</u>	<u>20,023,967</u>
Accumulated depreciation	(1,610,388)	(1,524,862)	(13,400,915)
Total property, plant and equipment	<u>795,892</u>	<u>694,420</u>	<u>6,623,051</u>
Investments and other assets:			
Investment securities (Note 4)	341,325	270,329	2,840,355
Investments in affiliates (Note 4)	59,544	55,699	495,501
Assets for retirement benefits (Note 7)	1,860	15,862	15,484
Deferred tax assets	19,985	20,924	166,311
Other	25,462	26,005	211,889
Total investments and other assets	<u>448,179</u>	<u>388,821</u>	<u>3,729,543</u>
Total assets	<u>¥3,252,800</u>	<u>¥2,874,074</u>	<u>\$27,068,326</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

	Millions of yen		Thousands of US dollars
	2015	2014	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Note 4 and 5)	¥177,805	¥197,413	\$1,479,615
Current portion of long-term loans payable (Note 4 and 5)	104,145	38,748	866,650
Accounts payable-trade (Note 4)	479,950	433,819	3,993,925
Income taxes payable	21,797	46,628	181,392
Accrued expenses (Note 4)	181,217	171,274	1,508,005
Provision for product warranties	60,305	61,447	501,835
Deferred tax liabilities	6,190	967	51,517
Other (Note 5)	121,188	106,634	1,008,479
Total current liabilities	<u>1,152,601</u>	<u>1,056,933</u>	<u>9,591,423</u>
Noncurrent liabilities:			
Long-term loans payable (Note 4 and 5)	272,717	209,166	2,269,426
Liabilities for retirement benefits (Note 7)	40,791	36,918	339,450
Provision for disaster	8,923	16,596	74,260
Deferred tax liabilities	43,766	29,179	364,208
Other (Note 5)	32,609	30,923	271,357
Total noncurrent liabilities	<u>398,808</u>	<u>322,783</u>	<u>3,318,703</u>
Total liabilities	<u>1,551,409</u>	<u>1,379,717</u>	<u>12,910,126</u>
Net assets:			
Shareholders' equity (Note 11):			
Capital stock:			
Common stock:			
Authorized-1,500,000,000 shares Issued, as of 31 March 2015—561,047,304	138,014	—	1,148,495
as of 31 March 2014—561,047,304	—	138,014	—
Capital surplus	144,364	144,364	1,201,337
Retained earnings	1,082,440	1,008,555	9,007,576
Treasury stock	(62)	(57)	(517)
Total shareholders' equity	<u>1,364,757</u>	<u>1,290,877</u>	<u>11,356,893</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	158,788	104,745	1,321,361
Deferred gains or losses on hedges	679	131	5,654
Foreign currency translation adjustment	(42,997)	(72,898)	(357,806)
Accumulated adjustment for retirement benefits	864	3,867	7,190
Total accumulated other comprehensive income	<u>117,333</u>	<u>35,846</u>	<u>976,399</u>
Subscription rights to shares (Note 14)	250	168	2,088
Minority interests	219,048	167,464	1,822,818
Total net assets	<u>¥1,701,390</u>	<u>¥1,494,357</u>	<u>\$14,158,199</u>
Commitments and contingent liabilities (Note 15)			
Total liabilities and net assets	<u>¥3,252,800</u>	<u>¥2,874,074</u>	<u>\$27,068,326</u>

**CONSOLIDATED STATEMENTS OF INCOME and
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(CONSOLIDATED STATEMENTS OF INCOME)

Years ended 31 March 2015 and 2014

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2015	2014	2015
Net sales	¥3,015,461	¥2,938,314	\$25,093,298
Cost of sales	2,190,309	2,142,754	18,226,758
Gross profit	825,152	795,559	6,866,540
Selling, general and administrative expenses	645,727	607,812	5,373,449
Operating income	179,424	187,747	1,493,091
Other income (expenses):			
Interest and dividend income	25,259	18,441	210,200
Interest expense	(9,433)	(6,158)	(78,505)
Equity in earnings (losses) of affiliates	(1,454)	(115)	(12,105)
Other, net	(549)	(2,823)	(4,569)
Income before income taxes	193,246	197,090	1,608,111
Income taxes (Note 8):			
Current	70,589	67,212	587,415
Deferred	(4,970)	2,387	(41,362)
	65,619	69,600	546,052
Income before minority interests	127,627	127,489	1,062,058
Minority interests in income	30,765	20,005	256,014
Net income	¥96,862	¥107,484	\$806,044
		Yen	US dollars
Net income per share:			
Primary	¥172.67	¥191.60	\$1.44
Fully diluted	172.63	191.57	1.44
Cash dividends per share	27.00	24.00	0.22

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

Years ended 31 March 2015 and 2014

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2015	2014	2015
Income before minority interests	¥127,627	¥127,489	\$1,062,058
Other comprehensive income (Note 12)			
Valuation difference on available-for-sale securities	57,734	47,596	480,437
Deferred gains or losses on hedges	587	(1,196)	4,884
Foreign currency translation adjustment	46,774	27,555	389,233
Adjustment for retirement benefits	(3,005)	—	(25,012)
Share of other comprehensive income of associates accounted for using equity method	3,489	7,504	29,038
Total other comprehensive income	105,579	81,459	878,581
Comprehensive income	233,206	208,949	1,940,639
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	178,312	187,105	1,483,833
Comprehensive income attributable to minority interests	54,894	21,844	456,806

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31 March 2015 and 2014

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes	¥193,246	¥197,090	\$1,608,111
Depreciation and amortization	134,377	117,188	1,118,228
Impairment loss	969	1,029	8,067
Increase (decrease) in allowance for doubtful accounts	(867)	(699)	(7,216)
Interest and dividends income	(25,259)	(18,441)	(210,200)
Interest expenses	9,433	6,158	78,505
Foreign exchange losses (gains)	4,804	6,718	39,981
Equity in (earnings) losses of affiliates	1,454	115	12,105
Loss (gain) on sales of property, plant and equipment	102	(290)	850
Decrease (increase) in notes and accounts receivable-trade	(9,242)	(49,559)	(76,914)
Decrease (increase) in inventories	(37,179)	(10)	(309,392)
Increase (decrease) in notes and accounts payable-trade	44,390	72,664	369,398
Increase (decrease) in accrued expenses	2,542	12,680	21,155
Other, net	15,838	7,126	131,804
Sub-total	334,611	351,772	2,784,485
Interest and dividends income received	25,347	18,999	210,933
Interest expenses paid	(8,108)	(5,646)	(67,475)
Income taxes paid	(96,813)	(42,209)	(805,640)
Net cash provided by (used in) operating activities	255,037	322,915	2,122,302
Cash flows from investing activities			
Payments into time deposits	(79,661)	(77,477)	(662,905)
Proceeds from withdrawal of time deposits	136,236	38,842	1,133,695
Purchases of short-term investment securities	(193,152)	(209,912)	(1,607,325)
Proceeds from sales of short-term investment securities	206,239	165,156	1,716,227
Purchases of property, plant and equipment	(192,694)	(204,739)	(1,603,516)
Other, net	2,123	1,570	17,674
Net cash provided by (used in) investing activities	(120,909)	(286,559)	(1,006,149)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(26,353)	24,691	(219,297)
Proceeds from long-term loans payable	173,000	30,000	1,439,627
Repayment of long-term loans payable	(45,191)	(38,488)	(376,066)
Purchase of treasury stock	(30)	(5)	(252)
Cash dividends paid	(13,466)	(11,219)	(112,062)
Cash dividends paid to minority shareholders	(3,456)	(2,133)	(28,765)
Other, net	(28)	(35)	(236)
Net cash provided by (used in) financing activities	84,472	2,809	702,945
Effect of exchange rate changes on cash and cash equivalents	5,042	10,342	41,962
Net increase (decrease) in cash and cash equivalents	223,643	49,508	1,861,060
Cash and cash equivalents at beginning of period	710,611	661,102	5,913,381
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year of subsidiaries	(2,039)	—	(16,969)
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	45	—	382
Cash and cash equivalents at end of period (Note 10)	¥932,261	¥710,611	\$7,757,854

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SUZUKI MOTOR CORPORATION (the "Company"), consolidated Subsidiaries, and Affiliates (the "Group") have been prepared on the basis of generally accepted accounting principles and practices in Japan, and the consolidated financial statements were filed with the Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan.

The preparation of the consolidated financial statements requires the management to select and adopt accounting standards and make estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses, and the corresponding methods of disclosure.

As such, the management's estimates are made reasonably based on historical results. But due to the inherent uncertainty involved in making estimates, actual results could differ from these estimates.

For the convenience of readers outside Japan, certain reclassifications and modifications have been made to the original consolidated financial statements.

As permitted, an amount of less than one million yen has been omitted. For the convenience of readers, the consolidated financial statements, including the opening balance of shareholders' equity, have been presented in US dollars by translating all Japanese yen amounts on the basis of 120.17 to US\$1, the rate of exchange prevailing as of 31 March 2015. Consequently, the totals shown in the consolidated financial statements (both in yen and in US dollars) do not necessarily agree with the sum of the individual amounts.

NOTE 2: Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements for the years ended 31 March 2015 and 2014, include the accounts of the Group. And the numbers of consolidated subsidiaries are both 133. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the equity method.

The difference at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries (goodwill) and in affiliated companies accounted for under the equity method is, as a rule, amortized on a straight-line basis over a period of five years after appropriate adjustments.

Consolidated subsidiaries that settled the account in 31 December without provisional account settlement as of consolidated account settlement date were consolidated with the financial statements based on their financial statements as of 31 December and made necessary adjustments for consolidation regarding important transactions that occurred between 31 December and consolidated account settlement date.

From this consolidated fiscal year, Suzuki Motor Iberica, S.A.U. and other 5 subsidiaries have changed the settlement date from 31 December to 31 March and Suzuki Motor (Thailand) Co., Ltd. and other 16 subsidiaries have been consolidated based on the financial statements of provisional account as of consolidated account settlement date. As a result, subsidiary which has been consolidated based on the financial statements as of 31 December is 1 subsidiary.

With regard to these changing mentioned above, the net income (loss) of three months from 1 January to 31 March 2014 has been recognized in retained earnings.

As a result, retained earnings decreased by ¥1,384 million from the beginning of this consolidated fiscal year.

The account settlement date of Magyar Suzuki Corporation Ltd. and other 4 subsidiaries is 31 December, but they are continuously consolidated based on the financial statements of provisional account settlement as of 31 March.

The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

(b) Allowance for doubtful accounts

In order to allow for loss from bad debts, estimated uncollectible amount based on actual ratio of bad debt is appropriated as to general receivable. As for specific receivable with higher default possibility, recoverable amount is estimated respectively and uncollectible amount is appropriated.

(c) Allowance for investment loss

The differences between the book value and the fair value of securities and investment not quoted at an exchange are determined and appropriated as reserve in order to allow for losses from these investments.

(d) Provision for product warranties

The provision is appropriated into this account based on the warranty agreement and past experience in order to allow for expenses related to the maintenance service of products sold.

(e) Provision for directors' bonuses

In order to defray bonuses for directors and company auditors, estimated amount of such bonuses is appropriated.

(f) Provision for directors' retirement benefits

The amount to be paid at the end of fiscal year had been posted pursuant to the Company's regulations on the retirement allowance of Directors and Company Auditors. However, the Company's retirement benefit system for them was abolished at the closure of the Ordinary General Meeting of Shareholders held on 29 June 2006. And it was approved at Ordinary General Meeting of Shareholders that reappointed Directors and Company Auditors were paid their retirement benefit at the time of their retirement, based on their years of service. Estimated amount of such retirement benefits is appropriated at the end of the current consolidated fiscal year. Furthermore, for the Directors and Company Auditors of some consolidated subsidiaries, the amount to be paid at the end of the year was posted pursuant to their regulation on the retirement allowance of Directors and Company Auditors.

(g) Provision for disaster

Reasonably estimated amount is appropriated for anticipated loss mainly caused by relocation of plants and facilities located in the Ryuyo Region in Iwata City, Shizuoka Prefecture where massive tsunami damages caused by Tokai and Tonankai Earthquake are anticipated.

(h) Provision for product liabilities

With regards to the products exported to North American market, to prepare for the payment of compensation, not covered by "Product Liability Insurance" the anticipated amount to be borne by the Group is computed and provided on the basis of actual results in the past.

(i) Provision for recycling expenses

The provision is appropriated for an estimated expense related to the recycle of products of the Company based on actual sales.

(j) Short-term investment securities and Investment securities

The Company and its subsidiaries hold securities of listed companies, which have a risk of price fluctuations, and non-listed companies whose stock prices are difficult to be evaluated.

If we judge the decline in investment value is not temporary, we recognize revaluation loss based on the reasonable standard. If the stock market falls, we may incur significant loss on valuation of securities.

Securities have to be classified into four categories: trading securities; held-to-maturity debt securities; investments of the Company in equity securities issued by consolidated subsidiaries and affiliates; and available-for-sale securities.

According to this classification, securities held by the Company and its subsidiaries are available-for-sale securities. Available-for-sale securities for which market quotations are available are stated at market value method based on the market values as of the consolidated account settlement date (The evaluation differences shall be reported as other comprehensive income, and sales costs shall be calculated mainly by the moving average method).

Available-for-sale securities for which market quotations are unavailable are stated at cost by a moving average method.

(k) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred until the gains and losses on the hedged items or transactions are recognized.

If foreign currency forward contracts meet certain criteria, exceptional hedge accounting is applied and these contracts are handled together with hedged items. If interest rate swap contracts meet certain criteria, special exceptional hedge accounting is applied and these contracts are handled together with hedged items. If cross currency interest rate swap contracts meet certain criteria, integration method (special exceptional method and exceptional method) is applied and these contracts are handled together with hedged items.

The derivatives designated as hedging instruments by the Company and its subsidiaries are principally forward exchange contracts, interest swaps and cross currency interest rate swaps. The related hedged items are foreign currency denominated transaction and borrowings.

The Company and its subsidiaries have a policy to utilize the above hedging instruments in order to reduce our exposure to the risk of interest rate and foreign exchange fluctuation. Thus, our purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items. The Company and its subsidiaries evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(l) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

The components of net assets are translated into Japanese yen at their historical rates. Profit and loss accounts for the fiscal year are translated into Japanese yen using the average exchange rate during the fiscal year. Differences in yen amounts arising from the use of different rates are presented as “foreign currency translation adjustments” and “minority interests” in the net assets.

(m) Inventories

Stated at cost mainly determined by the gross average method (Figures on the consolidated balance sheet are measured by the method of book devaluation based on the reduction of profitability).

(n) Method of depreciation and amortization of significant depreciable assets

a. Property, plant and equipment (excluding lease assets)

Mainly declining balance method for the Company and domestic subsidiaries and mainly straight-line method for foreign subsidiaries.

Main durable years are as follows:

Buildings and structures 3 to 75 years

Machinery, equipment and vehicles 3 to 15 years

b. Intangible assets (excluding lease assets)

Straight-line method

c. Lease assets

Finance lease which transfer ownership

The same method as depreciation and amortization of self-owned noncurrent assets.

Finance lease which do not transfer ownership

Straight-line method with the lease period as the durable years. As to lease assets with guaranteed residual value under lease agreement, remaining value is the guaranteed residual value. And as to other lease assets, remaining value would be zero.

(o) Income taxes

The provision for income taxes is computed based on the income before income taxes included in the consolidated statements of income. The assets and liability approach is adopted to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

In making a valuation for the possibility of collection of deferred tax assets, the Company and its subsidiaries estimate their future taxable income reasonably. If the estimated amount of future taxable income decrease, deferred tax assets may decrease and income taxes expenses may be posted.

Consolidated tax payment has been applied to the Company and its domestic wholly owned subsidiaries since the fiscal year ended 31 March 2012.

(p) Retirement benefits

With regard to calculation of retirement benefit obligations, benefit formula basis method was used to attribute expected benefit to period up to the end of this fiscal year. With regard to past service costs, they are treated as expense on a straight line basis over the certain years within the period of average length of employees' remaining service years at the time when it occurs. As for the actuarial gain or loss, the amounts, prorated on a straight line basis over the certain years within the period of average length of employees' remaining service years in each year in which the differences occur, are respectively treated as expenses from the next term of the year in which they arise.

Retirement benefit cost and retirement benefit obligation are calculated based on the actuarial assumptions, which include discount rate, assumed return of investment ratio, revaluation ratio, salary rise ratio, retirement ratio and mortality ratio. Discount rate is decided on the basis of yield on low-risk, long-term bonds, and assumed return of investment ratio is decided based on the investment policies of pension assets of each pension system etc.

Decreased yield on long-term bond leads to a decrease in discount rate and has an adverse influence on the calculation of retirement benefit cost. However, the pension system adopted by the Company has a cash balance type plan, and thus the revaluation ratio, which is one of the base ratios, can reduce adverse effects caused by a decrease in the discount rate.

If the investment yield of pension assets is less than the assumed return of investment ratio, it will have an adverse effect on the calculation of retirement benefit cost. But by focusing on low-risk investments, this influence should be minimal in the case of the pension fund systems of the Company and its subsidiaries.

(q) Net income per share

Primary net income per share is computed based on the weighted average number of shares issued during the respective years. Fully diluted net income per share is computed assuming that all stock options are exercised. Cash dividends per share are the amounts applicable to the respective periods including dividends to be paid after the end of the period.

(r) Cash and cash equivalents

All highly liquid investments with original maturities of three months or less when purchased are considered cash equivalents.

(s) Reclassification

Certain reclassifications of previously reported amounts are made to conform to current classifications.

NOTE 3: Changes in accounting policies

(a) Application of accounting standard for retirement benefits

Body text stipulated in article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No.26 of 17 May 2012) and article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of 26 March 2015) have been applied from this consolidated fiscal year.

The revision of the calculation method for retirement benefit obligations and service costs, with the changing method of attributing benefits to accounting periods from the straight-line basis method to the benefit formula basis, and the changing method of determination of the discount rate from the method of determination the bonds period by using the approximate number of years of the average remaining service period of employees which is based on determination of the discount rate to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, have been applied from this consolidated fiscal year.

In accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in accounting policies arising from initial application is recognized in retained earnings from the beginning of this consolidated fiscal year.

As a result, assets for retirement benefits decreased by ¥10,357 million, liabilities for retirement benefits increased by ¥1,885 million and retained earnings decreased by ¥8,118 million from the beginning of this consolidated fiscal year. Influences by the above-mentioned on operating income and income before income taxes for this consolidated fiscal year are insignificant.

(b) New accounting standards not yet applied

- Accounting Standard for Business Combinations (ASBJ Statement No.21 of 13 September 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of 13 September 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No.7 of 13 September 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No.2 of 13 September 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of 13 September 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4 of 13 September 2013)

a. Overview

The accounting methods for difference arising from a change in ownership interest in a subsidiary when the Company continues to have control because of additional acquisition of shares of the subsidiary, treatment of acquisition-related costs, expression of net income, etc. and expression of minority interests to non-controlling interests, provisional accounting treatments and others have been revised.

b. Application date

These accounting standards will be applied from the beginning of the consolidated fiscal year on and after 1 April 2015. Provisional accounting treatments will be applied to business combinations to be performed on and after 1 April 2015.

c. Effect of applying accounting standard

The effect in the consolidated financial statements as a result of the adoption of these accounting standards is currently unconfirmed.

NOTE 4: Financial Instruments

(a) Matters for conditions of financial instruments

a. Policy for financial instruments

As for the fund management, the Group uses short-term deposits and short-term investment securities, and as for the fund-raising, the Group uses borrowings from financial institutions such as banks and issuance of bonds. The Group uses derivatives to hedge and manage the risks of interest rates and exchange rates fluctuations, and does not use derivatives for speculation purposes.

b. Type of financial instruments, risks and risk management

With respect to customers' credit risks from operating receivables such as notes and accounts receivables-trade, in order to mitigate the risks, the Group identifies credit standing of major counterparties and manages due date and receivable balance of each counterparty in line with our rules and regulations for credit control. The Group hedges risks of exchange rate fluctuations from operating receivables denominated in foreign currency by forward exchange contract in principle.

Investment securities are mainly stocks of companies with which the Group has business relationship, and as for listed stocks, the Group quarterly identifies those fair values and reports them to the Board of Directors.

Basically, accounts payable-trade is due within one year.

Applications of borrowings are fund for operating capital (mainly short-term) and capital expenditures (long-term), and the Group uses interest-rate swaps or cross currency interest rate swaps for the risks of fluctuation in interest rate and exchange rate of some long-term borrowings.

Objectives of derivative transactions are foreign currency forward contracts to hedge the risks of exchange rate fluctuations related to receivables denominated in foreign currencies, interest rate swaps to hedge the risks of fluctuations in interest rate related to borrowings, and cross currency interest rate swaps to hedge the risk of fluctuation in exchange rate and interest rate related to borrowings. The Group executes and manages derivatives within the actual demand in line with our rules and regulations which set out the authority to trade. In addition, in using derivatives, the Group deals with financial institutions which have high credit grade in order to reduce credit risks. With respect to hedge accounting, also please see Note 2 (k).

In addition, each company of the Group manages liquidity risk related to accounts payable and borrowings by making a financial plan.

c. Supplement to fair values of financial instruments

Fair values of financial instruments include values based on quoted prices in active markets and values assessed by rational valuation techniques in case quoted prices are not available. Because the rational valuation techniques include variable factors, the results of valuation may differ when different assumption is applied.

(b) Matters for fair values of the financial instruments

Carrying amounts in the consolidated balance sheet, fair values and difference as of 31 March 2015 and 2014 were as follows. Financial instruments whose fair value cannot be reliably determined are not included in the below table.

	Millions of yen					
	2015			2014		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits	¥457,513	¥457,513	¥—	¥358,851	¥358,851	¥—
Notes and accounts receivables-trade	316,826	318,567	1,741	310,694	311,221	527
Short-term investment securities and Investment securities						
Available-for-sale securities	1,007,347	1,007,347	—	863,514	863,514	—
Investments in affiliates	616	669	52	513	252	(261)
Total of assets	1,782,304	1,784,098	1,794	1,533,573	1,533,838	265
Accounts payable-trade	479,950	479,950	—	433,819	433,819	—
Short-term loans payable	177,805	177,805	—	197,413	197,413	—
Current portion of long-term loans payable	104,145	103,768	377	38,748	38,779	(31)
Accrued expenses	181,217	181,217	—	171,274	171,274	—
Long-term loans payable	272,717	268,346	4,370	209,166	207,874	1,291
Total of liabilities	1,215,834	1,211,087	4,747	1,050,421	1,049,160	1,260
Derivatives						
Hedge accounting is applied	1,072	1,072	—	51	51	—
Hedge accounting is not applied	1,603	1,603	—	1,160	1,160	—

	Thousands of US dollars		
	2015		
	Carrying amount	Fair value	Difference
Cash and deposits	\$3,807,223	\$3,807,223	\$—
Notes and accounts receivables-trade	2,636,483	2,650,976	14,492
Short-term investment securities and Investment securities			
Available-for-sale securities	8,382,687	8,382,687	—
Investments in affiliates	5,131	5,572	440
Total of assets	14,831,524	14,846,458	14,933
Accounts payable-trade	3,993,925	3,993,925	—
Short-term loans payable	1,479,615	1,479,615	—
Current portion of long-term loans payable	866,650	863,511	3,139
Accrued expenses	1,508,005	1,508,005	—
Long-term loans payable	2,269,426	2,233,061	36,365
Total of liabilities	10,117,623	10,078,119	39,504
Derivatives			
Hedge accounting is applied	8,922	8,922	—
Hedge accounting is not applied	13,339	13,339	—

*Assets or liabilities derived from derivatives are shown on a net basis and net liabilities are shown as ().

***1. Matters for methods used to measure fair values of financial instruments**

Assets:

a. Cash and deposits

Because fair values of deposits are approximately equal to the book values, book values are used as fair values.

b. Notes and accounts receivables-trade

Fair values of sales finance receivables are calculated on the discount method by the expected rate applied to new loan contract, on each receivable classified into a certain term.

Notes and accounts receivables-trade except sales finance are settled in short term and those fair values are approximately equal to the book values. So book values are used as fair values.

c. Short-term investment securities and Investment securities

As to these fair values, fair values of stock are prices of exchanges. As to negotiable certificate of deposit and other types of securities, book values are used as fair values because they are settled in short term and those fair values are approximately equal to the book values.

Liabilities:

a. Accounts payable-trade, Short-term loans payable and Accrued expenses

Because these are settled in short term and those fair values are approximately equal to the book values, such book values are used.

b. Current portion of long-term loans payable and Long-term loans payable

These fair values are measured by discounting based on the estimated interest rates at which similar new loans with same amount of principal and interest could have been borrowed.

Derivatives:

Please refer to Note 4 (d) Derivative transactions.

***2. Financial instruments whose fair value cannot be reliably determined as of 31 March 2015 and 2014**

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Available-for-sale securities			
Unlisted stock other than stocks of affiliates	¥18,748	¥18,747	\$156,013
Unlisted stock of affiliates	23,084	17,077	192,098
Others	119	557	997

Those fair values cannot be reliably measured because market values are unavailable and future cash flows cannot be estimated. So they are not included in “short-term investment securities and investment securities”.

***3. The amounts to be redeemed after the account settlement date of monetary receivables and available-for-sale securities**

	Millions of yen					
	2015			2014		
	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years
Cash and deposits	¥457,513	¥—	¥—	¥358,851	¥—	¥—
Notes and accounts receivables-trade	241,373	75,017	435	249,336	60,831	526
Securities and investment securities with maturities	685,647	—	—	612,489	—	—
Total	¥1,384,534	¥75,017	¥435	¥1,220,677	¥60,831	¥526

	Thousands of US dollars		
	2015		
	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years
Cash and deposits	\$3,807,223	\$—	\$—
Notes and accounts receivables-trade ...	2,008,598	624,264	3,619
Securities and investment securities with maturities	5,705,647	—	—
Total	\$11,521,469	\$624,264	\$3,619

(c) Securities

a. Available-for-sale securities with market value as of 31 March 2015 and 2014

	Millions of yen					
	2015			2014		
	Acquisition cost	Carrying Amount	Difference	Acquisition cost	Carrying Amount	Difference
Securities for which the carrying amount exceeds the acquisition costs						
Stocks	¥93,769	¥320,628	¥226,859	¥91,865	¥250,014	¥158,148
Bonds	—	—	—	—	—	—
Others	249,238	263,329	14,090	175,441	181,767	6,325
Sub-Total	¥343,008	¥583,957	¥240,949	¥267,307	¥431,782	¥164,474
Securities for which the carrying amount does not exceed the acquisition costs						
Stocks	¥1,549	¥1,191	¥(358)	¥1,928	¥1,567	¥(361)
Bonds	—	—	—	5,000	5,000	—
Others	422,198	422,198	—	425,164	425,164	—
Sub-Total	¥423,748	¥423,389	¥(358)	¥432,093	¥431,732	¥(361)
Total	¥766,756	¥1,007,347	¥240,591	¥699,401	¥863,514	¥164,113

	Thousands of US dollars		
	2015		
	Acquisition cost	Carrying Amount	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Stocks	\$780,304	\$2,668,124	\$1,887,819
Bonds	—	—	—
Others	2,074,052	2,191,308	117,255
Sub-Total	\$2,854,357	\$4,859,432	\$2,005,075
Securities for which the carrying amount does not exceed the acquisition costs			
Stocks	\$12,898	\$9,913	\$(2,984)
Bonds	—	—	—
Others	3,513,341	3,513,341	—
Sub-Total	\$3,526,239	\$3,523,254	\$(2,984)
Total	\$6,380,596	\$8,382,687	\$2,002,090

b. Available-for-sale securities sold during 2015 and 2014

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Amounts sold	¥206,255	¥165,779	\$1,716,364
Gains on sales of available-for-sale securities	—	17	—
Loss on sales of available-for-sale securities	—	0	—

(d) Derivative transactions

The contract/notional amounts of derivatives which are shown in the below table do not represent the Group's exposure to market risk. As to fair values of derivatives which are shown in the below tables, commodity transactions are valued based on market price. Other transactions are valued based on the price offered by financial institutions.

a. Derivative transactions to which hedge accounting is not applied as of 31 March 2015 and 2014

Currency-related transactions (non-market transactions)

Type	Millions of yen							
	2015				2014			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Foreign currency forward contracts								
Buying								
USD	¥3,746	—	¥394	¥394	¥17,687	—	¥(142)	¥(142)
EUR	1,694	—	(16)	(16)	—	—	—	—
JPY	14,550	—	(43)	(43)	11,405	—	(262)	(262)
Total	¥19,990	—	¥333	¥333	¥29,093	—	¥(404)	¥(404)

Type	Thousands of US dollars			
	2015			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Foreign currency forward contracts				
Buying				
USD	\$31,175	—	\$3,279	\$3,279
EUR	14,098	—	(138)	(138)
JPY	121,079	—	(362)	(362)
Total	\$166,352	—	\$2,778	\$2,778

Interest and currency related transactions (non-market transactions)

Type	Millions of yen							
	2015				2014			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Interest rate swap								
Pay fixed receive floating								
Pay PHP receive USD	¥—	¥—	¥—	¥—	¥1,200	¥—	¥84	¥84
Cross currency interest rate swap								
Pay floating receive floating	5,568	2,784	1,323	1,323	7,153	4,769	1,536	1,536
Pay INR receive USD								
Pay fixed receive floating	12,017	12,017	0	0	—	—	—	—
Pay IDR receive USD								
Pay fixed receive floating	10,000	10,000	(0)	(0)	—	—	—	—
Pay IDR receive JPY								
Total	<u>¥27,585</u>	<u>¥24,801</u>	<u>¥1,323</u>	<u>¥1,323</u>	<u>¥8,353</u>	<u>¥4,769</u>	<u>¥1,620</u>	<u>¥1,620</u>

Type	Thousands of US dollars			
	2015			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Cross currency interest rate swap				
Pay floating receive floating	\$46,340	\$23,170	\$11,012	\$11,012
Pay INR receive USD				
Pay fixed receive floating	100,000	100,000	0	0
Pay IDR receive USD				
Pay fixed receive floating	83,215	83,215	(0)	(0)
Pay IDR receive JPY				
Total	<u>\$229,555</u>	<u>\$206,385</u>	<u>\$11,012</u>	<u>\$11,012</u>

Commodity-related transactions (market transactions)

		Millions of yen							
		2015				2014			
Type		Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Commodity									
Futures contract									
Buying		<u>¥1,304</u>	<u>—</u>	<u>¥(54)</u>	<u>¥(54)</u>	<u>¥4,545</u>	<u>—</u>	<u>¥(55)</u>	<u>¥(55)</u>
Total		<u>¥1,304</u>	<u>—</u>	<u>¥(54)</u>	<u>¥(54)</u>	<u>¥4,545</u>	<u>—</u>	<u>¥(55)</u>	<u>¥(55)</u>

		Thousands of US dollars			
		2015			
Type		Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Commodity					
Futures contract					
Buying		<u>\$10,854</u>	<u>—</u>	<u>\$(450)</u>	<u>\$(450)</u>
Total		<u>\$10,854</u>	<u>—</u>	<u>\$(450)</u>	<u>\$(450)</u>

Earthquake-related transactions

Fair values for derivative contract relating to earthquakes were not measured due to characteristic of instruments. So they are not accounted for at fair values.

b. Derivative transactions to which hedge accounting is applied as of 31 March 2015 and 2014

Currency-related transactions

Type	Millions of yen					
	2015			2014		
	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Foreign currency forward contracts (Principle hedge accounting)						
Selling (Principal hedged item: Account receivable-trade)						
USD	¥8,034	—	¥42	¥ 3,847	—	¥(35)
EUR	21,695	—	1,012	1,367	—	(7)
CAD	414	—	11	80	—	0
AUD	4,528	—	141	3,265	—	(95)
NZD	1,236	—	3	1,256	—	(40)
GBP	40	—	1	221	—	(1)
MXN	1,518	—	14	827	—	(6)
Buying (Principal hedged item: Account payable-trade)						
USD	—	—	—	70	—	2
EUR	11,083	—	(88)	7,225	—	(3)
Foreign currency forward contracts (Exceptional hedge accounting)						
Selling (Principal hedged item: Account receivable-trade)						
USD	—	—	*	616	—	*
EUR	19,354	—	*	8,947	—	*
CAD	51	—	*	15	—	*
AUD	2,883	—	*	2,039	—	*
NZD	375	—	*	350	—	*
GBP	40	—	*	301	—	*
MXN	492	—	*	691	—	*
CNY	720	—	*	56	—	*
Buying (Principal hedged item: Account payable-trade)						
USD	3,649	—	*	—	—	*
EUR	2,726	—	*	679	—	*
JPY	895	—	*	—	—	*
Total	¥79,742	—	¥1,139	¥31,862	—	¥(188)

Thousands of US dollars

Type	2015		
	Contract/ notional amount	Amount due after one year	Fair value
Foreign currency forward contracts			
(Principle hedge accounting)			
Selling (Principal hedged item: Account receivable-trade)			
USD	\$ 66,856	—	\$ 354
EUR	180,537	—	8,424
CAD	3,447	—	95
AUD	37,687	—	1,180
NZD	10,292	—	25
GBP	334	—	10
MXN	12,635	—	124
Buying (Principal hedged item: Account payable-trade)			
EUR	92,235	—	(734)
Foreign currency forward contracts			
(Exceptional hedge accounting)			
Selling (Principal hedged item: Account receivable-trade)			
EUR	161,061	—	*
CAD	426	—	*
AUD	23,995	—	*
NZD	3,126	—	*
GBP	336	—	*
MXN	4,101	—	*
CNY	5,993	—	*
Buying (Principal hedged item: Account payable-trade)			
USD	30,370	—	*
EUR	22,688	—	*
JPY	7,454	—	*
Total	<u>\$663,581</u>	<u>—</u>	<u>\$9,481</u>

* Because these foreign currency forward contracts are handled together with hedged items, their fair values are included in that of hedged items.

Interest and currency related transactions

Type	Principal hedged item	Millions of yen					
		2015			2014		
		Contract/notional amount	Amount due after one year	Fair value	Contract/notional amount	Amount due after one year	Fair value
Interest rate swap (Principle hedge accounting)							
Pay fixed receive floating	Long-term debt	¥63,500	¥63,500	¥(32)	¥—	¥—	¥—
Cross currency interest rate swap (Principle hedge accounting)							
Pay fixed receive floating	Long-term debt	—	—	—	121,243	121,243	(73)
Pay JPY receive USD							
Pay fixed receive floating		8,919	4,026	(18)	3,782	2,319	2
Pay IDR receive USD							
Pay fixed receive floating		14,962	14,962	(16)	12,940	12,940	311
Pay THB receive USD							
Cross currency interest rate swap (Integration hedge accounting)							
Pay fixed receive floating	Long-term debt	98,000	98,000	*	—	—	—
Pay JPY receive USD							
Pay fixed receive floating	Long-term debt	243	243	*	—	—	—
Pay CNY receive JPY	receivable						
Pay fixed receive floating		2,913	2,913	*	—	—	—
Pay INR receive USD							
Total		¥188,538	¥183,645	¥(67)	¥137,965	¥136,502	¥240

Type	Principal hedged item	Thousands of US dollars		
		2015		
		Contract/ notional amount	Amount due after one year	Fair value
Interest rate swap (Principle hedge accounting)				
Pay fixed receive floating	Long-term debt	\$528,418	\$528,418	\$(274)
Cross currency interest rate swap (Principle hedge accounting)				
Pay fixed receive floating Pay IDR receive USD	Long-term debt	74,225	33,506	(149)
Pay fixed receive floating Pay THB receive USD		124,507	124,507	(135)
Cross currency interest rate swap (Integration hedge accounting)				
Pay fixed receive floating Pay JPY receive USD	Long-term debt	815,511	815,511	*
Pay fixed receive floating Pay CNY receive JPY	Long-term debt receivable	2,022	2,022	*
Pay fixed receive floating Pay INR receive USD		24,248	24,248	*
Total		<u>\$1,568,932</u>	<u>\$1,528,214</u>	<u>\$(559)</u>

* Because these cross currency interest rate swap transactions are handled together with hedged items, their fair values are included in that of hedged items.

NOTE 5: Short-term debt and long-term debt

Short-term debt as of 31 March 2015 and 2014 were as follows. The annual interest rates of short-term debt as of 31 March 2015 were from 0.15 percent to 10.5 percent.

	Millions of yen		Thousands of US dollars
	2015	2014	2015
	Short-term loans payable and current portion of Long-term loans payable		
Unsecured	¥281,950	¥236,161	\$2,346,265
Lease obligations due within one year	43	46	365
	<u>¥281,994</u>	<u>¥236,207</u>	<u>\$2,346,631</u>

Long-term debt as of 31 March 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Long-term loans payable maturing through 2020			
Secured	¥—	¥236	\$—
Unsecured	272,717	208,930	2,269,426
Lease obligations due more than one year	49	72	408
Other interest-bearing debts (Long-term guarantee deposited)	13,731	13,655	114,270
	<u>¥286,497</u>	<u>¥222,894</u>	<u>\$2,384,104</u>

As is customary in Japan, both short-term and long-term bank loans are subject to general agreements which provide that the banks may, under certain circumstances, request additional security for those loans, and may treat any security furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness.

The aggregate annual maturities of long-term debt, excluding other interest-bearing debt, outstanding as of 31 March 2015 were as follows:

Year ending 31 March	Millions of yen	Thousands of US dollars
2017	¥46,879	\$390,108
2018	90,725	754,975
2019	50,160	417,413
2020	8,000	66,577
Thereafter	77,000	640,758
	<u>¥272,766</u>	<u>\$2,269,834</u>

Assets pledged as collateral as of 31 March 2015:

	Millions of yen	Thousands of US dollars
Buildings and structures	¥643	\$5,352
Land	97	807
	<u>¥740</u>	<u>\$6,160</u>

Secured liabilities as of 31 March 2015:

	Millions of yen	Thousands of US dollars
Others (noncurrent liabilities)	¥448	\$3,734

NOTE 6: Loan commitment

The Company has the commitment line contract with five banks for effective financing. The outstanding balance of this contract as of 31 March 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Commitment line contract total	¥200,000	¥200,000	\$1,664,308
Actual loan balance	—	—	—
Variance	<u>¥200,000</u>	<u>¥200,000</u>	<u>\$1,664,308</u>

NOTE 7: Retirement and severance benefit**(Year ended 31 March 2014)****1. Outline of adopted retirement benefit systems**

As for the Company, cash balance corporate pension plan and lump-sum retirement benefit plan are established. And as for some of consolidated subsidiaries, defined benefit corporate pension plan and lump-sum retirement benefit plan are established. As for some foreign consolidated subsidiaries, defined contribution plan are established.

Some consolidated subsidiaries adopt simplified methods for the calculation of retirement benefits.

2. Defined benefit plan**(a) Reconciliation of retirement benefit obligation from the opening balance to the closing balance**

	<u>Millions of yen</u>
Opening balance of retirement benefit obligation	¥108,739
Service cost	6,024
Interest cost	2,199
Actuarial differences arised in current fiscal year	(611)
Retirement allowance paid	(4,940)
Past service cost arised in current fiscal year	159
Others	(475)
Closing balance of retirement benefit obligation	<u>¥111,096</u>

(b) Reconciliation of pension assets from the opening balance to the closing balance

	<u>Millions of yen</u>
Opening balance of pension assets	¥83,842
Expected return on pension assets	825
Actuarial differences arised in current fiscal year	808
Contribution from employers	8,028
Retirement allowance paid	(3,512)
Others	48
Closing balance of pension assets	<u>¥90,040</u>

(c) Reconciliation between closing balance of retirement benefit obligation and pension assets and net amount of liability/asset for retirement benefits recognized in consolidated balance sheet

	<u>Millions of yen</u>
Defined benefit obligation of funded severance plan	¥82,668
Plan asset	(90,040)
	(7,371)
Defined benefit obligation of unfunded severance plan	<u>28,427</u>
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet	¥21,056
Liability for retirement benefits	¥36,918
Asset for retirement benefits	(15,862)
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet	<u>¥21,056</u>

(d) Breakdown of retirement benefit expenses

	<u>Millions of yen</u>
Service cost	¥6,024
Interest cost	2,199
Expected return on plan assets	(825)
Recognition of actuarial gains and losses	527
Amortization of past service cost	(636)
Others	(656)
Total amount of retirement benefit expenses for defined benefit plans	<u><u>¥6,633</u></u>

(e) Accumulated adjustment for retirement benefit

Breakdown of accumulated adjustment for retirement benefit recognized were as follows:

	<u>Millions of yen</u>
Unrecognized past service cost	¥3,276
Unrecognized actuarial gains and losses	2,742
Total	<u><u>¥6,018</u></u>

(f) Plan assets

a. Major breakdown of pension assets

Portion of major components to total pension assets were as follows:

Debt securities	51.1%
General account of life insurance companies	38.0%
Others	10.9%
Total	<u><u>100.0%</u></u>

b. Method to determine long-term expected return on plan assets

Expected return on pension assets were determined by considering the current and anticipated future portfolio of pension assets and current and anticipated future long-term performance of various asset classes that comprise pension assets.

(g) Actuarial assumptions

Discount rate	2.00%
Expected long-term return on pension assets	0.82%

3. Defined contribution plan

Contribution to defined contribution plan by the Company and consolidated subsidiaries was 216 million yen.

(Year ended 31 March 2015)

1. Outline of adopted retirement benefit systems

As for the Company, cash balance corporate pension plan and lump-sum retirement benefit plan are established. And as for some of consolidated subsidiaries, defined benefit corporate pension plan and lump-sum retirement benefit plan are established. As for some foreign consolidated subsidiaries, defined contribution plan are established.

Some consolidated subsidiaries adopt simplified methods for the calculation of retirement benefits.

2. Defined benefit plan

(a) Reconciliation of retirement benefit obligation from the opening balance to the closing balance

	Millions of yen	Thousands of US dollars
Opening balance of retirement benefit obligation	¥111,096	\$924,494
Cumulative effects of changes in accounting policies	12,243	101,882
Opening balance reflected changes in accounting policies	¥123,339	\$1,026,377
Service cost	6,638	55,245
Interest cost	1,681	13,994
Actuarial differences arised in current fiscal year	886	7,378
Retirement allowance paid	(4,751)	(39,542)
Past service cost arised in current fiscal year	5,322	44,294
Others	301	2,505
Closing balance of retirement benefit obligation	¥133,418	\$1,110,251

(b) Reconciliation of pension assets from the opening balance to the closing balance

	Millions of yen	Thousands of US dollars
Opening balance of pension assets	¥90,040	\$749,273
Expected return on pension assets	1,000	8,322
Actuarial differences arised in current fiscal year	454	3,785
Contribution from employers	5,905	49,142
Retirement allowance paid	(3,364)	(27,993)
Others	451	3,755
Closing balance of pension assets	¥94,487	\$786,285

(c) Reconciliation between closing balance of retirement benefit obligation and pension assets and net amount of liability/asset for retirement benefits recognized in consolidated balance sheet

	Millions of yen	Thousands of US dollars
Defined benefit obligation of funded severance plan	¥95,065	\$791,090
Plan asset	(94,487)	(786,285)
	577	4,804
Defined benefit obligation of unfunded severance plan	38,353	319,161
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet	¥38,930	\$323,965
Liability for retirement benefits	¥40,791	\$339,450
Asset for retirement benefits	(1,860)	(15,484)
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet	¥38,930	\$323,965

(d) Breakdown of retirement benefit expenses

	Millions of yen	Thousands of US dollars
Service cost	¥6,638	\$55,245
Interest cost	1,681	13,994
Expected return on plan assets	(1,000)	(8,322)
Recognition of actuarial gains and losses	992	8,262
Amortization of past service cost	117	981
Others	46	384
Total amount of retirement benefit expenses for defined benefit plans	<u>¥8,477</u>	<u>\$70,546</u>

(e) Adjustment for retirement benefit

Breakdown of adjustment for retirement benefit recognized were as follows:

	Millions of yen	Thousands of US dollars
Past service cost	¥(5,140)	\$(42,780)
Actuarial gains and losses	616	5,129
Total	<u>¥(4,524)</u>	<u>\$(37,650)</u>

(f) Accumulated adjustment for retirement benefit

Breakdown of accumulated adjustment for retirement benefit recognized were as follows:

	Millions of yen	Thousands of US dollars
Unrecognized past service cost	¥(1,864)	\$(15,513)
Unrecognized actuarial gains and losses	3,344	27,828
Total	<u>¥1,479</u>	<u>\$12,314</u>

(g) Plan assets

a. Major breakdown of pension assets

Portion of major components to total pension assets were as follows:

Debt securities	49.0%
General account of life insurance companies	37.9%
Others	13.1%
Total	<u>100.0%</u>

b. Method to determine long-term expected return on plan assets

Expected return on pension assets were determined by considering the current and anticipated future portfolio of pension assets and current and anticipated future long-term performance of various asset classes that comprise pension assets.

(h) Actuarial assumptions

Discount rate	1.12%
Expected long-term return on pension assets	0.88%

3. Defined contribution plan

Contribution to defined contribution plan by the Company and consolidated subsidiaries was 231 million yen (1,926 thousand US dollars).

NOTE 8: Income taxes

Breakdown of deferred tax assets and deferred tax liabilities by their main occurrence causes were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Deferred tax assets			
Impairment loss and Excess-depreciation	¥57,418	¥59,105	\$477,811
Various reserves	37,254	39,548	310,017
Unrealized profits elimination	24,197	20,876	201,359
Loss on valuation of securities	14,265	12,254	118,713
Deferred assets	3,579	3,367	29,787
Others	75,362	82,757	627,134
Deferred tax assets sub-total	212,078	217,910	1,764,824
Valuation allowance	(39,996)	(54,930)	(332,832)
Deferred tax assets total	¥172,082	¥162,980	\$1,431,991
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥(76,700)	¥(56,219)	\$(638,265)
Variance from the complete market value method of consolidated subsidiaries	(5,811)	(5,243)	(48,357)
Reserve for advanced depreciation of noncurrent assets	(3,450)	(3,603)	(28,713)
Others	(1,076)	(2,071)	(8,959)
Deferred tax liabilities total	(87,038)	(67,138)	(724,296)
Net amounts of deferred tax assets	¥85,043	¥95,841	\$707,695

The differences between the statutory tax rate and the effective tax rate were summarized as follows:

	2015	2014
Statutory tax rate	—	37.2%
Effect of change of tax rate	—	3.1%
Tax credit	—	(3.3%)
Tax rate difference (consolidated overseas subsidiaries)	—	(2.0%)
Others	—	0.3%
Effective tax rate	—	35.3%

*For the year ended 31 March 2015, notes have been omitted as the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting was less than 5% of the statutory tax rate.

NOTE 9: Research and development costs

Research and development costs included in selling, general and administrative expenses, for the years ended 31 March 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Research and development costs	¥125,896	¥127,090	\$1,047,655

NOTE 10: Cash and cash equivalents

Cash and cash equivalents as of 31 March 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Cash and deposits	¥457,513	¥358,851	\$3,807,223
Short-term investment securities	685,647	612,489	5,705,647
Time deposits with maturities of over three months	(18,012)	(73,370)	(149,888)
Bonds etc. with redemption period of over three months	(192,888)	(187,359)	(1,605,126)
	<u>¥932,261</u>	<u>¥710,611</u>	<u>\$7,757,854</u>

NOTE 11: Net assets

The Companies Act of Japan requires that at least 50% of the contribution of new shares be included in capital stock. The portion to be recorded as capital stock is determined by resolution of the meeting of the Board of Directors. Proceeds in excess of the capital stock should be credited to “legal capital surplus”.

The Companies Act provides that an amount equivalent to 10% of cash dividends should be appropriated as a legal capital surplus or legal retained earnings until total amount of them reaches a certain limit, defined as 25% of the capital stock.

The Companies Act allows both legal capital surplus and legal retained earnings to be transferred to the capital stock following the approval at an Ordinary General Meeting of Shareholders.

The legal retained earnings of the Company and its subsidiaries are included in “retained earnings” on the consolidated balance sheet and are not shown separately.

According to the Companies Act, the articles of incorporation allow to repurchase treasury stock and dispose of such treasury stock by resolution of meeting of the Board of Directors.

NOTE 12: Other comprehensive income

Other comprehensive income as of 31 March 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Valuation difference on available-for-sale securities			
Unrealized loss (gain) arising during the period	¥77,327	¥73,280	\$643,480
Reclassification adjustment of unrealized gain (loss) through profit or loss	—	40	—
Before tax effect	77,327	73,320	643,480
Tax effect	(19,592)	(25,724)	(163,043)
Balance at the end of the period	¥57,734	¥47,596	\$480,437
Deferred gains or losses on hedges			
Unrealized loss (gain) arising during the period	¥965	¥(4,119)	\$8,034
Reclassification adjustment of unrealized gain (loss) through profit or loss	75	1,785	628
Before tax effect	1,041	(2,333)	8,662
Tax effect	(453)	1,136	(3,777)
Balance at the end of the period	¥587	¥(1,196)	\$4,884
Foreign currency translation adjustment			
Unrealized loss (gain) arising during the period	¥46,774	¥27,748	\$389,233
Reclassification adjustment of unrealized gain (loss) through profit or loss	—	(192)	—
Balance at the end of the period	¥46,774	¥27,555	\$389,233
Adjustment for retirement benefit			
Unrealized loss (gain) arising during the period	¥(5,176)	¥—	\$(43,072)
Reclassification adjustment of unrealized gain (loss) through profit or loss	651	—	5,422
Before tax effect	(4,524)	—	(37,650)
Tax effect	1,518	—	12,637
Balance at the end of the period	¥(3,005)	¥—	\$(25,012)
Share of other comprehensive income of associates accounted for using equity method			
Unrealized loss (gain) arising during the period	¥3,489	¥7,504	\$29,038
Total other comprehensive income	¥105,579	¥81,459	\$878,581

NOTE 13: Cash dividends

	Resolution			
	Ordinary General Meeting of Shareholders held on 27 June 2014		Meeting of the Board of Directors held on 6 November 2014	
Total amount of cash dividends	¥7,854 million	\$65,362 thousand	¥5,610 million	\$46,687 thousand
Cash dividends per share	¥14.00	\$0.12	¥10.00	\$0.08
Record date	31 March 2014		30 September 2014	
Effective date	30 June 2014		28 November 2014	

Dividends which record date was in the current consolidated fiscal year and effective date was in the next fiscal year:

	Resolution	
	Ordinary General Meeting of Shareholders held on 26 June 2015	
Total amount of cash dividends	¥9,537 million	\$79,368 thousand
Cash dividends per share	¥17.00	\$0.14
Record date	31 March 2015	
Effective date	29 June 2015	

NOTE 14: Stock option plan

The Company adopts stock option plan by using subscription rights to shares.

The plan was adopted at the Ordinary General Meeting of Shareholders and meeting of the Board of Directors held on 28 June 2012, 27 June 2013 and 27 June 2014 based on the Companies Act of Japan.

The details of the plan were as follows:

1. Resolution date
28 June 2012
 2. Category and number of people to whom stock options are granted
10 Directors of the Company (excluding Outside Directors)
6 Managing Officers who do not concurrently serve as Directors
 3. Class of shares that are the subject of subscription rights to shares
Common stock of the Company
 4. Number of shares
67,000 shares
 5. Amount to be paid for subscription rights to shares
1 yen per 1 share
 6. Period during which subscription rights to shares can be exercised
From 21 July 2012 to 20 July 2042
 7. Terms of exercise of subscription rights to shares
 - (1) A person who is allocated subscription rights to shares shall be able to exercise share subscription rights only up until 10th day (the next business day if the 10th day falls on a non-business day) from the day immediately following the date of resignation as the Company's Director as well as the Senior Managing Officer or Managing Officer without the role of Director being served concurrently.
 - (2) If a person who is allocated subscription rights to shares was dead, heir may exercise the rights.
 8. Matters relating to assignment of subscription rights to shares
The acquisition of subscription rights to shares by assignment shall require the approval of the Board of Directors of the Company.
 9. Matters relating to subrogation payment
None
-
1. Resolution date
27 June 2013
 2. Category and number of people to whom stock options are granted
7 Directors of the Company (excluding Outside Director)
10 Senior Managing Officers and Managing Officers who do not concurrently serve as Directors
 3. Class of shares that are the subject of subscription rights to shares
Same to the plan adopted at 28 June 2012
 4. Number of shares
42,000 shares
 5. Amount to be paid for subscription rights to shares
Same to the plan adopted at 28 June 2012

6. Period during which subscription rights to shares can be exercised
From 20 July 2013 to 19 July 2043
 7. Terms of exercise of subscription rights to shares
Same to the plan adopted at 28 June 2012
 8. Matters relating to assignment of subscription rights to shares
Same to the plan adopted at 28 June 2012
 9. Matters relating to subrogation payment
Same to the plan adopted at 28 June 2012
1. Resolution date
27 June 2014
 2. Category and number of people to whom stock options are granted
6 Directors of the Company (excluding Outside Director)
6 Managing Officers who do not concurrently serve as Directors
 3. Class of shares that are the subject of subscription rights to shares
Same to the plan adopted at 28 June 2012
 4. Number of shares
32,400 shares
 5. Amount to be paid for subscription rights to shares
Same to the plan adopted at 28 June 2012
 6. Period during which subscription rights to shares can be exercised
From 23 July 2014 to 22 July 2044
 7. Terms of exercise of subscription rights to shares
Same to the plan adopted at 28 June 2012
 8. Matters relating to assignment of subscription rights to shares
Same to the plan adopted at 28 June 2012
 9. Matters relating to subrogation payment
Same to the plan adopted at 28 June 2012

NOTE 15: Contingent liabilities

As of 31 March 2015 and 2014, the Company and some of consolidated subsidiaries had the contingent liabilities as follows:

	Millions of yen		Thousands of US dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Guarantee of indebtedness of affiliates and others	¥10,425	¥8,277	\$86,756

NOTE 16: Segment Information

1. Outline of reportable segments

The reportable segments of the Company are the components of the Company business for which discrete financial information is available, and whose operating results are regularly reviewed by our decision-making body such as Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has three reportable segments of “Motorcycle”, “Automobile” and “Marine and Power products, etc.” based on the form of management organization and nature of products and services.

Main products and services of each segment are as follows:

Segment	Main products and services
Motorcycle	Motorcycles, All-terrain vehicles
Automobile	Minivehicles, Sub-compact vehicles, Standard-sized vehicles
Marine and Power products, etc.	Outboard motors, Engines for snowmobiles, etc., Electro senior vehicles, Houses

2. Methods of measurement for the amounts of net sales, profit or loss, assets and other items for each reportable segment

The accounting policies of the reportable segments are consistent to the description of the “Summary of significant accounting policies” (Note 2).

3. Information about the amounts of net sales, profit or loss, assets and other items by reportable segment (Years ended 31 March)

	Millions of yen				
	2015				
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	¥250,485	¥2,701,942	¥63,033	¥—	¥3,015,461
Segment profit(loss)	(675)	171,827	8,272	—	179,424
Segment assets	203,256	1,893,036	45,159	1,111,348	3,252,800
Other content:					
Depreciation	8,504	124,686	1,186	—	134,377
Amortization of goodwill	639	1,757	122	—	2,519
Impairment loss	—	969	—	—	969
Investment in associates accounted for by equity method	15,089	45,346	82	—	60,519
Increase in property, plant and equipment and intangible assets	8,356	184,785	1,314	—	194,457
	Millions of yen				
	2014				
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	¥266,602	¥2,615,664	¥56,046	¥—	¥2,938,314
Segment profit	105	179,296	8,346	—	187,747
Segment assets	222,413	1,649,071	42,668	959,921	2,874,074
Other content:					
Depreciation	7,268	109,024	896	—	117,188
Amortization of goodwill	453	1,609	101	—	2,164
Impairment loss	128	900	0	—	1,029
Investment in associates accounted for by equity method	15,335	40,276	87	—	55,699
Increase in property, plant and equipment and intangible assets	22,847	189,604	1,167	—	213,619

Thousands of US dollars					
2015					
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	\$2,084,427	\$22,484,333	\$524,537	\$—	\$25,093,298
Segment profit(loss)	(5,621)	1,429,874	68,839	—	1,493,091
Segment assets	1,691,409	15,752,987	375,796	9,248,132	27,068,326
Other content:					
Depreciation	70,771	1,037,582	9,874	—	1,118,228
Amortization of goodwill	5,324	14,625	1,017	—	20,968
Impairment loss	—	8,067	—	—	8,067
Investment in associates accounted for by equity method	125,569	377,356	686	—	503,612
Increase in property, plant and equipment and intangible assets	69,540	1,537,702	10,942	—	1,618,185

(Reference information)

As reference information, operating results by geographical areas were as follows:

(a) The amount of net sales, operating income or loss based on location of the Company and its consolidated subsidiaries (Years ended 31 March)

Millions of yen						
2015						
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	¥1,317,659	¥306,156	¥1,233,494	¥158,151	¥—	¥3,015,461
Internal net sales or transfer among geographical areas	447,311	129,982	72,736	1,029	(651,059)	—
Total	1,764,970	436,139	1,306,230	159,181	(651,059)	3,015,461
Operating income	90,718	5,116	81,607	2,620	(637)	179,424

Millions of yen						
2014						
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	¥1,309,383	¥360,465	¥1,118,169	¥150,296	¥—	¥2,938,314
Internal net sales or transfer among geographical areas	392,284	16,000	57,185	679	(466,149)	—
Total	1,701,667	376,466	1,175,355	150,975	(466,149)	2,938,314
Operating income	134,513	4,154	59,419	241	(10,582)	187,747

Thousands of US dollars						
2015						
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	\$10,964,960	\$2,547,693	\$10,264,578	\$1,316,066	\$—	\$25,093,298
Internal net sales or transfer among geographical areas	3,722,322	1,081,657	605,276	8,566	(5,417,822)	—
Total	14,687,283	3,629,350	10,869,854	1,324,632	(5,417,822)	25,093,298
Operating income	754,915	42,573	679,102	21,802	(5,302)	1,493,091

* "Other areas" consists principally of North America, Oceania and South America.

(b) The amount of net sales based on external customers (Years ended 31 March)

	Millions of yen			
	2015			
	Japan	India	Others	Consolidated
Net Sales	<u>¥1,094,611</u>	<u>¥787,560</u>	<u>¥1,133,289</u>	<u>¥3,015,461</u>

	Millions of yen			
	2014			
	Japan	India	Others	Consolidated
Net Sales	<u>¥1,132,732</u>	<u>¥638,720</u>	<u>¥1,166,861</u>	<u>¥2,938,314</u>

	Thousands of US dollars			
	2015			
	Japan	India	Others	Consolidated
Net Sales	<u>\$9,108,860</u>	<u>\$6,553,717</u>	<u>\$9,430,720</u>	<u>\$25,093,298</u>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SUZUKI MOTOR CORPORATION

We have audited the accompanying consolidated financial statements of SUZUKI MOTOR CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014 and 2013, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the years then ended, all expressed in Japanese Yen, 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of SUZUKI MOTOR CORPORATION and its consolidated subsidiaries as at March 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Seimei Audit Corporation
Tokyo, Japan
June 27, 2014

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

As of March 31, 2014 and 2013

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2014	2013	2014
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4 and 10)	¥ 710,611	¥ 661,102	\$ 6,904,498
Receivables:			
Notes and accounts receivables-trade (Note 4)	310,694	253,237	3,018,792
Allowance for doubtful accounts	(4,804)	(5,076)	(46,681)
Inventories	276,285	261,380	2,684,468
Deferred tax assets	105,064	93,307	1,020,835
Other	392,982	296,266	3,818,325
Total current assets	<u>1,790,832</u>	<u>1,560,218</u>	<u>17,400,238</u>
Property, plant and equipment (Note 5):			
Land	238,532	211,512	2,317,650
Buildings and structures	385,797	368,706	3,748,513
Machinery, equipment, vehicles	1,120,381	1,067,477	10,885,946
Tools, furniture and fixtures	378,011	338,607	3,672,866
Construction in progress	96,560	79,075	938,212
	<u>2,219,283</u>	<u>2,065,378</u>	<u>21,563,189</u>
Accumulated depreciation	<u>(1,524,862)</u>	<u>(1,456,918)</u>	<u>(14,816,000)</u>
Total property, plant and equipment	<u>694,420</u>	<u>608,460</u>	<u>6,747,188</u>
Investments and other assets:			
Investment securities (Note 4)	270,329	199,249	2,626,595
Investments in affiliates (Note 4)	55,699	48,248	541,191
Assets for retirement benefits (Note 7)	15,862	—	154,123
Deferred tax assets	20,924	36,179	203,309
Other	26,005	35,277	252,680
Total investments and other assets	<u>388,821</u>	<u>318,956</u>	<u>3,777,900</u>
Total assets	<u>¥2,874,074</u>	<u>¥2,487,635</u>	<u>\$27,925,327</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

	Millions of yen		Thousands of US dollars
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Note 4)	¥ 197,413	¥ 171,790	\$ 1,918,122
Current portion of long-term loans payable (Note 4 and 5)	38,748	35,299	376,487
Accounts payable-trade (Note 4)	433,819	350,472	4,215,115
Income taxes payable	46,628	21,420	453,055
Accrued expenses (Note 4)	171,274	155,519	1,664,151
Provision for product warranties	61,447	57,656	597,040
Provision for loss on liquidation of subsidiaries and affiliates	—	5,521	—
Deferred tax liabilities	967	—	9,401
Other	106,634	86,935	1,036,093
Total current liabilities	<u>1,056,933</u>	<u>884,616</u>	<u>10,269,468</u>
Noncurrent liabilities:			
Long-term loans payable (Note 4 and 5)	209,166	220,392	2,032,319
Provision for retirement benefits (Note 7)	—	37,903	—
Liabilities for retirement benefits (Note 7)	36,918	—	358,712
Provision for disaster	16,596	17,214	161,251
Deferred tax liabilities	29,179	111	283,515
Other	30,923	28,843	300,458
Total noncurrent liabilities	<u>322,783</u>	<u>304,464</u>	<u>3,136,257</u>
Total liabilities	<u>1,379,717</u>	<u>1,189,081</u>	<u>13,405,725</u>
Net assets:			
Shareholders' equity (Note 11):			
Capital stock:			
Common stock:			
Authorized-1,500,000,000 shares			
Issued,			
as of March 31, 2014—561,047,304	138,014	—	1,340,990
as of March 31, 2013—561,047,304	—	138,014	—
Capital surplus	144,364	144,364	1,402,689
Retained earnings	1,008,555	912,304	9,799,411
Treasury stock	(57)	(86)	(557)
Total shareholders' equity	<u>1,290,877</u>	<u>1,194,597</u>	<u>12,542,533</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	104,745	58,888	1,017,739
Deferred gains or losses on hedges	131	1,687	1,276
Foreign currency translation adjustment	(72,898)	(108,218)	(708,306)
Accumulated adjustment for retirement benefits	3,867	—	37,582
Total accumulated other comprehensive income	<u>35,846</u>	<u>(47,642)</u>	<u>348,292</u>
Subscription rights to shares (Note 14)	168	84	1,641
Minority interests	167,464	151,513	1,627,134
Total net assets	<u>¥1,494,357</u>	<u>¥1,298,553</u>	<u>\$ 14,519,602</u>
Commitments and contingent liabilities (Note 15)			
Total liabilities and net assets	<u>¥2,874,074</u>	<u>¥2,487,635</u>	<u>\$ 27,925,327</u>

**CONSOLIDATED STATEMENTS OF INCOME and
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(CONSOLIDATED STATEMENTS OF INCOME)

Years ended March 31, 2014 and 2013

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2014	2013	2014
Net sales	¥ 2,938,314	¥2,578,317	\$28,549,496
Cost of sales	2,142,754	1,919,218	20,819,610
Gross profit	795,559	659,098	7,729,886
Selling, general and administrative expenses	607,812	514,534	5,905,681
Operating income	187,747	144,564	1,824,205
Other income (expenses):			
Interest and dividend income	18,441	19,550	179,178
Interest expense	(6,158)	(5,510)	(59,839)
Equity in earnings (losses) of affiliates	(115)	664	(1,119)
Other, net	(2,823)	(19,864)	(27,437)
Income before income taxes	197,090	139,403	1,914,987
Income taxes (Note 8):			
Current	67,212	40,405	653,058
Deferred	2,387	7,971	23,200
	69,600	48,377	676,258
Income before minority interests	127,489	91,026	1,238,728
Minority interests in income	20,005	10,636	194,381
Net income	¥ 107,484	¥ 80,389	\$ 1,044,346
		Yen	US dollars
Net income per share:			
Primary	¥ 191.60	¥ 143.31	\$ 1.86
Fully diluted	191.57	131.67	1.86
Cash dividends per share	24.00	18.00	0.23

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

Years ended March 31, 2014 and 2013

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2014	2013	2014
Income before minority interests	¥127,489	¥91,026	\$1,238,728
Other comprehensive income			
Valuation difference on available-for-sale securities	47,596	29,494	462,459
Deferred gains or losses on hedges	(1,196)	1,884	(11,626)
Foreign currency translation adjustment	27,555	51,812	267,739
Share of other comprehensive income of associates accounted for using equity method	7,504	3,672	72,915
Change in equity	—	6,595	—
Total other comprehensive income (Note 12)	81,459	93,459	791,488
Comprehensive income	208,949	184,485	2,030,216
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	187,105	168,188	1,817,966
Comprehensive income attributable to minority interests	21,844	16,297	212,250

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2014 and 2013

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen							
	Thousands of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total other comprehensive income	Subscription rights to shares	Minority interests
Balance as of March 31, 2012	561,047	¥138,014	¥144,364	¥834,296	¥(81)	¥(128,845)	¥—	¥124,009
Dividends from surplus	—	—	—	(8,976)	—	—	—	—
Change in equity	—	—	—	6,595	—	—	—	—
Net income	—	—	—	80,389	—	—	—	—
Purchase of treasury stock	—	—	—	—	(5)	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	81,203	84	27,504
Balance as of March 31, 2013	561,047	¥138,014	¥144,364	¥912,304	¥(86)	¥(47,642)	¥84	¥151,513
Dividends from surplus	—	—	—	(11,220)	—	—	—	—
Net income	—	—	—	107,484	—	—	—	—
Purchase of treasury stock	—	—	—	—	(5)	—	—	—
Disposal of treasury stock	—	—	(13)	—	35	—	—	—
Transfer of loss on disposal of treasury stock	—	—	13	(13)	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	83,488	83	15,950
Balance as of March 31, 2014	561,047	¥138,014	¥144,364	¥1,008,555	¥(57)	¥35,846	¥168	¥167,464

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Thousands of US dollars							
	Thousands of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total other comprehensive income	Subscription rights to shares	Minority interests
Balance as of March 31, 2013	561,047	\$1,340,990	\$1,402,689	\$8,864,214	\$(843)	\$(462,908)	\$825	\$1,472,150
Dividends from surplus	—	—	—	(109,022)	—	—	—	—
Net income	—	—	—	1,044,346	—	—	—	—
Purchase of treasury stock	—	—	—	—	(54)	—	—	—
Disposal of treasury stock	—	—	(128)	—	341	—	—	—
Transfer of loss on disposal of treasury stock	—	—	128	(128)	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	811,201	815	154,984
Balance as of March 31, 2014	561,047	\$1,340,990	\$1,402,689	\$9,799,411	\$(557)	\$348,292	\$1,641	\$1,627,134

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2014 and 2013

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	2014	2013	2014
Cash flows from operating activities			
Income before income taxes	¥ 197,090	¥ 139,403	\$ 1,914,987
Depreciation and amortization	117,188	93,680	1,138,639
Impairment loss	1,029	458	10,000
Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates	(5,521)	5,521	(53,648)
Increase (decrease) in allowance for doubtful accounts	(699)	44	(6,798)
Interest and dividends income	(18,441)	(19,550)	(179,178)
Interest expenses	6,158	5,510	59,839
Foreign exchange losses (gains)	6,718	670	65,278
Equity in (earnings) losses of affiliates	115	(664)	1,119
Loss (gain) on valuation of securities	44	3,849	428
Loss (gain) on sales of investment securities	(17)	—	(167)
Loss (gain) on sales of property, plant and equipment	(290)	200	(2,823)
Decrease (increase) in notes and accounts receivable-trade	(49,559)	10,247	(481,530)
Decrease (increase) in inventories	(10)	(3,029)	(101)
Increase (decrease) in notes and accounts payable-trade	72,664	(8,142)	706,030
Increase (decrease) in accrued expenses	12,680	11,608	123,207
Other, net	12,621	(30,049)	122,633
Subtotal	351,772	209,759	3,417,917
Interest and dividends income received	18,999	19,466	184,601
Interest expenses paid	(5,646)	(5,211)	(54,861)
Income taxes paid	(42,209)	(33,957)	(410,119)
Net cash provided by (used in) operating activities	322,915	190,057	3,137,537
Cash flows from investing activities			
Payments into time deposits	(77,477)	(32,908)	(752,797)
Proceeds from withdrawal of time deposits	38,842	41,603	377,409
Purchases of short-term investment securities	(209,912)	(113,726)	(2,039,567)
Proceeds from sales of short-term investment securities	165,156	64,127	1,604,705
Purchases of property, plant and equipment	(204,739)	(163,929)	(1,989,302)
Proceeds from sales of property, plant and equipment	4,421	3,505	42,956
Purchases of investment securities	(2,712)	(4,002)	(26,356)
Proceeds from sales of investment securities	623	—	6,059
Payments of loans receivable	(1,086)	(436)	(10,556)
Collection of loans receivable	555	673	5,392
Other, net	(230)	(5,465)	(2,235)
Net cash provided by (used in) investing activities	(286,559)	(210,559)	(2,784,292)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	24,691	(8,603)	239,907
Proceeds from long-term loans payable	30,000	190,482	291,488
Repayment of long-term loans payable	(38,488)	(54,708)	(373,966)
Redemption of bonds	—	(149,975)	—
Purchase of treasury stock	(5)	(5)	(54)
Cash dividends paid	(11,219)	(8,975)	(109,012)
Cash dividends paid to minority shareholders	(2,133)	(1,814)	(20,727)
Other, net	(35)	(32)	(340)
Net cash provided by (used in) financing activities	2,809	(33,632)	27,295
Effect of exchange rate changes on cash and cash equivalents	10,342	4,706	100,495
Net increase (decrease) in cash and cash equivalents	49,508	(49,427)	481,035
Cash and cash equivalents at beginning of period	661,102	710,530	6,423,463
Cash and cash equivalents at end of period (Note 10)	¥ 710,611	¥ 661,102	\$ 6,904,498

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SUZUKI MOTOR CORPORATION (the “Company”), consolidated Subsidiaries, and Affilites (the “Group”) have been prepared on the basis of generally accepted accounting principles and practices in Japan, and the consolidated financial statements were filed with the Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan.

The preparation of the consolidated financial statements requires the management to select and adopt accounting standards and make estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses, and the corresponding methods of disclosure.

As such, the management’s estimates are made reasonably based on historical results. But due to the inherent uncertainty involved in making estimates, actual results could differ from these estimates.

For the convenience of readers outside Japan, certain reclassifications and modifications have been made to the original consolidated financial statements.

As permitted, an amount of less than one million yen has been omitted. For the convenience of readers, the consolidated financial statements, including the opening balance of shareholders’ equity, have been presented in US dollars by translating all Japanese yen amounts on the basis of 102.92 to US\$1, the rate of exchange prevailing as of March 31, 2014. Consequently, the totals shown in the consolidated financial statements (both in yen and in US dollars) do not necessarily agree with the sum of the individual amounts.

NOTE 2: Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2014 and 2013, include the accounts of the Group. And the numbers of consolidated subsidiaries are 133 and 135 respectively. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the equity method.

The difference at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries (goodwill) and in affiliated companies accounted for under the equity method is, as a rule, amortized on a straight-line basis over a period of five years after appropriate adjustments.

The account settlement date of 28 consolidated subsidiaries is December 31, but Magyar Suzuki Corporation Ltd. and 4 others are consolidated based on the financial statements of provisional account settlement as of March 31. Other 23 subsidiaries are consolidated with the financial statements based on their respective account settlement date.

The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

(b) Allowance for doubtful accounts

In order to allow for loss from bad debts, estimated uncollectible amount based on actual ratio of bad debt is appropriated as to general receivable. As for specific receivable with higher default possibility, possibility of collection is estimated respectively and uncollectible amount is appropriated.

(c) Allowance for investment loss

The differences between the book value and the fair value of securities and investment not quoted at an exchange are determined and appropriated as reserve in order to allow for losses from these investments.

(d) Provision for product warranties

The provision is appropriated into this account based on the warranty agreement and past experience in order to allow for expenses related to the maintenance service of products sold.

(e) Provision for directors’ bonuses

In order to defray bonuses for directors and company auditors, estimated amount of such bonuses is appropriated.

(f) Provision for loss on liquidation of subsidiaries and affiliates

Reasonably estimated amount is appropriated for anticipated loss caused by liquidation and restructuring of businesses operated by subsidiaries and affiliates.

(g) Provision for directors' retirement benefits

The amount to be paid at the end of fiscal year had been posted pursuant to the Company's regulations on the retirement allowance of Directors and Company Auditors. However, the Company's retirement benefit system for them was abolished at the closure of the Ordinary General Meeting of Shareholders held on June 2006. And it was approved at Ordinary General Meeting of Shareholders that reappointed Directors and Company Auditors were paid their retirement benefit at the time of their retirement, based on their years of service. Estimated amount of such retirement benefits is appropriated at the end of the current consolidated fiscal year. Furthermore, for the Directors and Company Auditors of some consolidated subsidiaries, the amount to be paid at the end of the year was posted pursuant to their regulation on the retirement allowance of Directors and Company Auditors.

(h) Provision for disaster

Reasonably estimated amount is appropriated for anticipated loss mainly caused by relocation of plants and facilities located in the Ryuyo Region in Iwata City, Shizuoka Prefecture where massive tsunami damages caused by Tokai and Tonankai Earthquake are anticipated.

(i) Provision for product liabilities

With regards to the products exported to North American market, to prepare for the payment of compensation, not covered by "Product Liability Insurance" the anticipated amount to be borne by the Group is computed and provided on the basis of actual results in the past.

(j) Provision for recycling expenses

The provision is appropriated for an estimated expense related to the recycle of products of the Company based on actual sales.

(k) Short-term investment securities and Investment securities

The Company and its subsidiaries hold securities of listed companies, which have a risk of price fluctuations, and non-listed companies whose stock prices are difficult to be evaluated.

If we judge the decline in investment value is not temporary, we recognize revaluation loss based on the reasonable standard. If the stock market falls, we may incur significant loss on valuation of securities.

Securities have to be classified into four categories: trading securities; held-to-maturity debt securities; investments of the Company in equity securities issued by consolidated subsidiaries and affiliates; and available-for-sale securities.

According to this classification, securities held by the Company and its subsidiaries are available-for-sale securities. Available-for-sale securities for which market quotations are available are stated at market value method based on the market values as of the consolidated account settlement date (The evaluation differences shall be reported as other comprehensive income, and sales costs shall be calculated mainly by the moving average method).

Available-for-sale securities for which market quotations are unavailable are stated at cost by a moving average method.

(l) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred until the gains and losses on the hedged items or transactions are recognized.

If foreign currency forward contracts meet certain criteria, exceptional hedge accounting is applied and these contracts are handled together with hedged items.

The derivatives designated as hedging instruments by the Company and its subsidiaries are principally forward exchange contracts, interest swaps and cross currency interest rate swaps. The related hedged items are foreign currency denominated transaction and borrowings.

The Company and its subsidiaries have a policy to utilize the above hedging instruments in order to reduce our exposure to the risk of interest rate and foreign exchange fluctuation. Thus, our purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items. The Company and its subsidiaries evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(m) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

The components of net assets are translated into Japanese yen at their historical rates. Profit and loss accounts for the fiscal year are translated into Japanese yen using the average exchange rate during the fiscal year. Differences in yen amounts arising from the use of different rates are presented as “foreign currency translation adjustments” and “minority interests” in the net assets.

(n) Inventories

Stated at cost mainly determined by the gross average method (Figures on the consolidated balance sheet are measured by the method of book devaluation based on the reduction of profitability).

(o) Method of depreciation and amortization of significant depreciable assets

a. Property, plant and equipment (excluding lease assets)

Mainly declining balance method for the Company and domestic subsidiaries and mainly straight-line method for foreign subsidiaries.

Main durable years are as follows:

Buildings and structures	3 to 75 years
Machinery, equipment and vehicles	3 to 15 years

b. Intangible assets (excluding lease assets)

Straight-line method

c. Lease assets

Finance lease which transfer ownership

The same method as depreciation and amortization of self-owned noncurrent assets.

Finance lease which do not transfer ownership

Straight-line method with the lease period as the durable years. As to lease assets with guaranteed residual value under lease agreement, remaining value is the guaranteed residual value. And as to other lease assets, remaining value would be zero.

(p) Income taxes

The provision for income taxes is computed based on the income before income taxes included in the consolidated statements of income. The assets and liability approach is adopted to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

In making a valuation for the possibility of collection of deferred tax assets, the Company and its subsidiaries estimate their future taxable income reasonably. If the estimated amount of future taxable income decrease, deferred tax assets may decrease and income taxes expenses may be posted.

Consolidated tax payment has been applied to the Company and its domestic wholly owned subsidiaries since the year ended March 31, 2012.

(q) Retirement benefits

With regard to calculation of retirement benefit obligations, straight-line basis method was used to attribute expected benefit to period up to the end of this fiscal year. With regard to past service costs, they are treated as expense on a straight line basis over the certain years within the period of average length of employees' remaining service years at the time when it occurs. As for the actuarial gain or loss, the amounts, prorated on a straight line basis over the certain years within the period of average length of employees' remaining service years in each year in which the differences occur, are respectively treated as expenses from the next term of the year in which they arise.

Retirement benefit cost and retirement benefit obligation are calculated based on the actuarial assumptions, which include discount rate, assumed return of investment ratio, revaluation ratio, salary rise ratio, retirement ratio and mortality ratio. Discount rate is decided on the basis of yield on low-risk, long-term bonds, and assumed return of investment ratio is decided based on the investment policies of pension assets of each pension system etc.

Decreased yield on long-term bond leads to a decrease in discount rate and has an adverse influence on the calculation of retirement benefit cost. However, the pension system adopted by the Company has a cash balance type plan, and thus the revaluation ratio, which is one of the base ratios, can reduce adverse effects caused by a decrease in the discount rate.

If the investment yield of pension assets is less than the assumed return of investment ratio, it will have an adverse effect on the calculation of retirement benefit cost. But by focusing on low-risk investments, this influence should be minimal in the case of the pension fund systems of the Company and its subsidiaries.

(r) Net income per share

Primary net income per share is computed based on the weighted average number of shares issued during the respective years. Fully diluted net income per share is computed assuming that all stock options are exercised. Cash dividends per share are the amounts applicable to the respective periods including dividends to be paid after the end of the period.

(s) Cash and cash equivalents

All highly liquid investments with original maturities of three months or less when purchased are considered cash equivalents.

(t) Reclassification

Certain reclassifications of previously reported amounts are made to conform current classifications.

NOTE 3: Changes in accounting principles and accounting estimates

(a) Application of accounting standard for retirement benefits

Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No.26 of 17 May 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of 17 May 2012) has been applied since the end of this fiscal year. (Except body text stipulated in article 35 of the Accounting Standard for Retirement Benefits and article 67 of Guidance on Accounting Standard for Retirement Benefits) Pension assets are deducted from retirement benefit obligation and the net amount is recognized as liability for retirement benefits, and previously unrecognized actuarial gains or losses and past service costs are recognized as liabilities for retirement benefits.

In accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, the effect of the change in accounting policies arising from initial application is recognized in accumulated adjustments for retirement benefit within the accumulated other comprehensive income.

As a result, ¥15,862 million of assets for retirement benefits and ¥36,918 million of liabilities for retirement benefits were recognized, and accumulated other comprehensive income increased by ¥3,867 million, and minority interests decreased by ¥6 million.

(b) New accounting standards not yet applied

Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No.26 of 17 May 2012) and

Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of 17 May 2012)

a. Overview

The accounting methods for unrecognized actuarial gains or losses and past service costs as well as the calculation method for retirement benefit obligations and service costs and the enhancement of disclosure have been revised.

b. Application date

The revision of the calculation method for retirement benefit obligations and service costs will be applied from the beginning of the consolidated fiscal year on or after April 1, 2014. Since transitional handling has been specified in mentioned above accounting standard, the standard will not be applied retrospectively to the consolidated financial statements of prior periods.

c. Effect of applying accounting standard

The effect on the consolidated financial statements is being reviewed as of March 31, 2014.

NOTE 4: Financial Instruments

(a) Matters for conditions of financial instruments

a. Policy for financial instruments

As for the fund management, the Group uses short-term deposits and short-term investment securities, and as for the fund-raising, the Group uses borrowings from financial institutions such as banks and issuance of bonds. The Group uses derivatives to hedge and manage the risks of interest-rates and exchange-rates fluctuations, and does not use derivatives for speculation purposes.

b. Type of financial instruments, risks and risk management

With respect to customers' credit risks from operating receivables such as notes and accounts receivables-trade, in order to mitigate the risks, the Group identifies credit standing of major counterparties and manages due date and receivable balance of each counterparty in line with our rules and regulations for credit control. The Group hedges risks of exchange-rate fluctuations from operating receivables denominated in foreign currency by forward exchange contract in principle.

Investment securities are mainly stocks of companies with which the Group has business relationship, and as for listed stocks, the Group quarterly identifies those fair values and reports them to the Board of Directors.

Most of accounts payable-trade are due within one year.

Applications of borrowings are fund for operating capital (mainly short-term) and capital expenditures (long-term), and the Group uses interest-rate swaps for the interest rate risks of some long-term borrowings to fix interest expenses. Also, the Group uses cross currency interest rate swaps for fluctuation of exchange rate in repayment of principle and interest rate risk to fix cash flow.

Objectives of derivative transactions are foreign currency forward contracts to hedge the risks of exchange-rate fluctuations related to receivables denominated in foreign currencies, interest rate swaps to hedge the risks of fluctuations in interest rate related to borrowings, and cross currency

interest rate swaps to hedge the risk of fluctuation in exchange rate and interest rate related to borrowings. The Group executes and manages derivatives within the actual demand in line with our rules and regulations which set out the authority to trade. In addition, in using derivatives, the Group deals with financial institutions which have high credit grade in order to reduce credit risks. With respect to hedge accounting, also please see Note 2 (I).

In addition, each of the Group company manages liquidity risk related to accounts payable and borrowings by making a financial plan.

c. Supplement to fair values of financial instruments

Fair values of financial instruments include values based on quoted prices in active markets and values assessed by rational valuation techniques in case quoted prices are not available. Because the rational valuation techniques include variable factors, the results of valuation may differ when different assumption is applied.

(b) Matters for fair values of the financial instruments

Carrying amounts in the consolidated balance sheet, fair values and difference as of March 31, 2014 and 2013 were as follows. Financial instruments whose fair value cannot be reliably determined are not included in the below table.

	Millions of yen					
	2014			2013		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits	¥358,851	¥358,851	¥—	¥279,009	¥279,009	¥—
Notes and accounts receivables-trade	310,694	311,221	527	253,237	253,225	(12)
Short-term investment securities and Investment securities						
Available-for-sale securities	863,514	863,514	—	738,687	738,687	—
Investments in affiliates	513	252	(261)	513	357	(155)
Total of assets	<u>1,533,573</u>	<u>1,533,838</u>	<u>265</u>	<u>1,271,448</u>	<u>1,271,279</u>	<u>(168)</u>
Accounts payable-trade	433,819	433,819	—	350,472	350,472	—
Short-term loans payable	197,413	197,413	—	171,790	171,790	—
Current portion of long-term loans payable	38,748	38,779	(31)	35,299	35,313	(14)
Accrued expenses	171,274	171,274	—	155,519	155,519	—
Long-term loans payable	209,166	207,874	1,291	220,392	218,067	2,324
Total of liabilities	<u>1,050,421</u>	<u>1,049,160</u>	<u>1,260</u>	<u>933,474</u>	<u>931,164</u>	<u>2,310</u>
Derivatives						
Hedge accounting is applied	51	51	—	2,596	2,596	—
Hedge accounting is not applied	1,160	1,160	—	(1,845)	(1,845)	—

	Thousands of US dollars		
	2014		
	Carrying amount	Fair value	Difference
Cash and deposits	\$3,486,699	\$3,486,699	\$—
Notes and accounts receivables-trade	3,018,792	3,023,913	5,121
Short-term investment securities and Investment securities			
Available-for-sale securities	8,390,152	8,390,152	—
Investments in affiliates	4,989	2,448	(2,541)
Total of assets	14,900,634	14,903,215	2,580
Accounts payable-trade	4,215,115	4,215,115	—
Short-term loans payable	1,918,122	1,918,122	—
Current portion of long-term loans payable	376,487	376,791	(304)
Accrued expenses	1,664,151	1,664,151	—
Long-term loans payable	2,032,319	2,019,765	12,553
Total of liabilities	10,206,195	10,193,946	12,249
Derivatives			
Hedge accounting is applied	504	504	—
Hedge accounting is not applied	11,280	11,280	—

*Assets or liabilities derived from derivatives are shown on a net basis and net liabilities are shown as ().

***1. Matters for methods used to measure fair values of financial instruments**

Assets:

a. Cash and deposits

Because fair values of deposits are approximately equal to the book values, book values are used as fair values.

b. Notes and accounts receivables-trade

Fair values of sales finance receivables are calculated on the discount method by the expected rate applied to new loan contract, on each receivable classified into a certain term.

Notes and accounts receivables-trade except sales finance are settled in short term and those fair values are approximately equal to the book values. So book values are used as fair values.

c. Short-term investment securities and Investment securities

As to these fair values, fair values of stock are prices of exchanges. As to negotiable certificate of deposit and other types of securities, book values are used as fair values because they are settled in short term and those fair values are approximately equal to the book values.

Liabilities:

a. Accounts payable-trade, Short-term loans payable and Accrued expenses

Because these are settled in short term and those fair values are approximately equal to the book values, such book values are used.

b. Current portion of long-term loans payable and Long-term loans payable

These fair values are measured by discounting based on the estimated interest rates at which similar new loans with same amount of principal and interest could have been borrowed.

Derivatives:

Please refer to Note 4 (d) Derivative transactions.

***2. Financial instruments whose fair value cannot be reliably determined
as of March 31, 2014 and 2013**

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Available-for-sale securities			
Unlisted stock other than stocks of affiliates	¥18,747	¥18,876	\$182,151
Unlisted stock of affiliates	17,077	16,569	165,928
Others	557	1,295	5,416

Those fair values cannot be reliably measured because market values are unavailable and future cash flows cannot be estimated. So they are not included in “short-term investment securities and investment securities”.

***3. The amounts to be redeemed after the account settlement date of monetary
receivables and available-for-sale securities**

	Millions of yen					
	2014			2013		
	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years
Cash and deposits	¥358,851	¥—	¥—	¥279,009	¥—	¥—
Notes and accounts receivables-trade	249,336	60,831	526	203,859	48,822	555
Securities and investment securities with maturities	612,489	—	—	559,609	—	—
Total	¥1,220,677	¥60,831	¥526	¥1,042,478	¥48,822	¥555

	Thousands of US dollars		
	2014		
	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years
Cash and deposits	\$3,486,699	\$—	\$—
Notes and accounts receivables-trade	2,422,623	519,052	5,116
Securities and investment securities with maturities	5,951,125	—	—
Total	\$11,860,449	\$519,052	\$5,116

(c) Securities

a. Available-for-sale securities with market value as of March 31, 2014 and 2013

	Millions of yen					
	2014			2013		
	Acquisition cost	Carrying Amount	Difference	Acquisition cost	Carrying Amount	Difference
Securities for which the carrying amount exceeds the acquisition costs						
Stocks	¥ 91,865	¥250,014	¥ 158,148	¥ 86,883	¥176,008	¥ 89,124
Bonds	—	—	—	—	—	—
Others	175,441	181,767	6,325	144,648	147,424	2,776
Sub-Total	¥267,307	¥431,782	¥ 164,474	¥ 231,531	¥323,432	¥ 91,901
Securities for which the carrying amount does not exceed the acquisition costs						
Stocks	¥1,928	¥1,567	¥ (361)	¥ 5,158	¥4,356	¥ (801)
Bonds	5,000	5,000	—	—	—	—
Others	425,164	425,164	—	410,898	410,898	—
Sub-Total	¥432,093	¥431,732	¥(361)	¥ 416,056	¥415,255	¥(801)
Total	¥699,401	¥863,514	¥ 164,113	¥ 647,588	¥738,687	¥ 91,099

	Thousands of US dollars		
	2014		
	Acquisition cost	Carrying Amount	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Stocks	\$ 892,593	\$2,429,211	\$1,536,618
Bonds	—	—	—
Others	1,704,643	1,766,106	61,462
Sub-Total	\$2,597,237	\$4,195,318	\$1,598,080
Securities for which the carrying amount does not exceed the acquisition costs			
Stocks	\$ 18,739	\$15,231	\$(3,507)
Bonds	48,581	48,581	—
Others	4,131,021	4,131,021	—
Sub-Total	\$4,198,342	\$4,194,834	\$(3,507)
Total	\$6,795,579	\$8,390,152	\$1,594,573

b. Available-for-sale securities sold during 2014 and 2013

	Millions of yen		Thousands of US dollars
	2014	2013	2014
	Amounts sold	¥165,779	¥64,127
Gains on sales of available-for-sale securities	17	—	167
Loss on sales of available-for-sale securities	0	—	0

(d) Derivative transactions

The contract/notional amounts of derivatives which are shown in the below table do not represent the Group's exposure to market risk. As to fair values of derivatives which are shown in the below tables, commodity transactions are valued based on market price. Other transactions are valued based on the price offered by financial institutions.

a. Derivative transactions to which hedge accounting is not applied as of March 31, 2014 and 2013

Currency related transactions (non-market transactions)

Type	Millions of yen							
	2014				2013			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Foreign currency forward contracts								
Selling								
USD	¥—	—	¥—	¥—	¥2,323	—	¥73	¥73
Buying								
USD	17,687	—	(142)	(142)	17,356	—	(6)	(6)
JPY	11,405	—	(262)	(262)	38,808	—	(2,772)	(2,772)
Total	¥29,093	—	¥(404)	¥(404)	¥58,488	—	¥(2,705)	¥(2,705)

Thousands of US dollars

Type	2014			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Foreign currency forward contracts				
Buying				
USD	\$171,861	—	\$ (1,384)	\$ (1,384)
JPY	110,819	—	(2,547)	(2,547)
Total	\$282,681	—	\$(3,932)	\$(3,932)

Cross currency interest rate swap transactions (non-market transactions)

Type	Millions of yen							
	2014				2013			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Pay fixed receive floating Pay PHP receive USD	¥1,200	¥—	¥84	¥84	¥—	¥—	¥—	¥—
Pay floating receive floating Pay INR receive USD	7,153	4,769	1,536	1,536	6,537	6,537	762	762
Total	¥8,353	¥4,769	¥1,620	¥1,620	¥6,537	¥6,537	¥762	¥762

Thousands of US dollars				
2014				
Type	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Pay fixed receive floating Pay PHP receive USD	\$11,659	\$—	\$822	\$822
Pay floating receive floating Pay INR receive USD	69,510	46,340	14,927	14,927
Total	<u>\$81,169</u>	<u>\$46,340</u>	<u>\$15,750</u>	<u>\$15,750</u>

Commodity-related transactions (market transactions)

Millions of yen								
2014					2013			
Type	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Commodity Futures contract								
Buying	¥ 4,545	—	¥ (55)	¥ (55)	¥7,592	—	¥97	¥97
Total	<u>¥ 4,545</u>	<u>—</u>	<u>¥ (55)</u>	<u>¥ (55)</u>	<u>¥7,592</u>	<u>—</u>	<u>¥97</u>	<u>¥97</u>

Thousands of US dollars				
2014				
Type	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Commodity Futures contract				
Buying	\$44,164	—	\$(537)	\$(537)
Total	<u>\$44,164</u>	<u>—</u>	<u>\$(537)</u>	<u>\$(537)</u>

Earthquake-related transactions

Fair values for derivative contract relating to earthquakes were not measured due to characteristic of instruments. So they are not accounted for at fair values.

b. Derivative transactions to which hedge accounting is applied as of March 31, 2014 and 2013

Currency related transactions

Principle hedged item: Account receivable-trade, account payable-trade and long-term debt

Type	Millions of yen					
	2014			2013		
	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Foreign currency forward contracts (Principle hedge accounting)						
Selling						
USD	¥3,847	—	¥(35)	¥22,369	—	¥745
EUR	1,367	—	(7)	18,902	—	(130)
CAD	80	—	0	1,583	—	(30)
AUD	3,265	—	(95)	2,941	—	(151)
NZD	1,256	—	(40)	515	—	(14)
GBP	221	—	(1)	522	—	(49)
MXN	827	—	(6)	832	—	(25)
Buying						
USD	70	—	2	1,498	—	(46)
EUR	7,225	—	(3)	2,304	—	(19)
JPY	—	—	—	7,200	—	(1,158)
Currency option transactions (Principle hedge accounting)						
Buying						
JPY	—	—	—	2,578	—	(356)
Foreign currency forward contracts (Exceptional hedge accounting)						
Selling						
USD	616	—	*	5,654	—	*
EUR	8,947	—	*	6,831	—	*
CAD	15	—	*	1,279	—	*
AUD	2,039	—	*	3,455	—	*
NZD	350	—	*	563	—	*
GBP	301	—	*	1,173	—	*
MXN	691	—	*	1,149	—	*
CNY	56	—	*	295	—	*
Buying						
USD	—	—	*	383	—	*
EUR	679	—	*	477	—	*
JPY	—	—	*	412	—	*
Total	¥31,862	—	¥(188)	¥82,925	—	¥(1,237)

		Thousands of US dollars		
		2014		
Type	Contract/ notional amount	Amount due after one year	Fair value	
Foreign currency forward contracts (Principle hedge accounting)				
Selling				
USD	\$37,378	—	\$ (348)	
EUR	13,285	—	(75)	
CAD	786	—	4	
AUD	31,732	—	(927)	
NZD	12,207	—	(396)	
GBP	2,152	—	(10)	
MXN	8,043	—	(63)	
Buying				
USD	689	—	27	
EUR	70,203	—	(37)	
Foreign currency forward contracts (Exceptional hedge accounting)				
Selling				
USD	5,985	—	*	
EUR	86,940	—	*	
CAD	154	—	*	
AUD	19,817	—	*	
NZD	3,406	—	*	
GBP	2,932	—	*	
MXN	6,722	—	*	
CNY	545	—	*	
Buying				
EUR	6,604	—	*	
Total	<u>\$309,588</u>	<u>—</u>	<u>\$(1,827)</u>	

* Because these foreign currency forward contracts are handled together with hedged items, their fair values are included in that of hedged items.

Cross currency interest rate swap transactions

Principal hedged item: long-term debt

		Millions of yen					
		2014			2013		
Type	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value	
Principle hedge accounting							
Pay fixed receive floating Pay JPY receive USD	¥121,243	¥121,243	¥(73)	¥121,000	¥121,000	¥3,910	
Pay fixed receive floating Pay IDR receive USD	3,782	2,319	2	1,896	675	(35)	
Pay fixed receive floating Pay THB receive USD	12,940	12,940	311	—	—	—	
Total	<u>¥137,965</u>	<u>¥136,502</u>	<u>¥240</u>	<u>¥122,896</u>	<u>¥121,675</u>	<u>¥3,875</u>	

Type	Thousands of US dollars		
	2014		
	Contract/ notional amount	Amount due after one year	Fair value
Principle hedge accounting			
Pay fixed receive floating	\$1,178,031	\$1,178,031	\$(718)
Pay JPY receive USD			
Pay fixed receive floating	36,753	22,535	26
Pay IDR receive USD			
Pay fixed receive floating	125,730	125,730	3,024
Pay THB receive USD			
Total	<u>\$1,340,515</u>	<u>\$1,326,298</u>	<u>\$2,332</u>

Commodity transactions

Principal hedged item: raw materials and supplies

Type	Millions of yen					
	2014			2013		
	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Commodity futures contract (Principle hedge accounting)						
Buying	¥—	—	¥—	¥536	—	¥(41)
Total	<u>¥—</u>	<u>—</u>	<u>¥—</u>	<u>¥536</u>	<u>—</u>	<u>¥(41)</u>

NOTE 5: Short-term borrowings and long-term debt

Short-term borrowings as of March 31, 2014 and 2013 were as follows. The annual interest rates of short-term borrowings as of March 31, 2014 were from **0.24** percent to **12.25** percent.

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Short-term loans payable and current portion of			
Long-term loans payable			
Secured	¥—	¥—	\$—
Unsecured	236,161	207,090	2,294,609
Lease obligations due within one year	46	27	452
	<u>¥236,207</u>	<u>¥207,118</u>	<u>\$2,295,061</u>

Long-term debt as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Long-term loans payable maturing through 2019			
Secured	¥236	¥307	\$2,293
Unsecured	208,930	220,084	2,030,025
Lease obligations due more than one year	72	21	702
Other interest-bearing debts (Long-term guarantee deposited)	13,655	12,716	132,683
	<u>¥222,894</u>	<u>¥233,130</u>	<u>\$2,165,705</u>

As is customary in Japan, both short-term and long-term bank loans are subject to general agreements which provide that the banks may, under certain circumstances, request additional security for those loans, and may treat any security furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness.

The aggregate annual maturities of long-term debt, excluding other interest-bearing debt, outstanding as of March 31, 2014 were as follows:

<u>Year ending March 31</u>	<u>Millions of yen</u>	<u>Thousands of US dollars</u>
2016	¥95,383	\$926,775
2017	36,375	353,431
2018	77,475	752,777
2019	3	33
Thereafter	0	2
	<u>¥209,238</u>	<u>\$2,033,021</u>

Assets pledged as collateral as of March 31, 2014:

	<u>Millions of yen</u>	<u>Thousands of US dollars</u>
Property, plant and equipment	¥793	\$7,712
Other intangible assets	319	3,107
	<u>¥1,113</u>	<u>\$10,820</u>

Secured liabilities as of March 31, 2014:

	<u>Millions of yen</u>	<u>Thousands of US dollars</u>
Long-term loans payable	¥236	\$2,293
Others (noncurrent liabilities)	529	5,144
	<u>¥765</u>	<u>\$7,438</u>

NOTE 6: Loan commitment

The Company has the commitment line contract with five banks for effective financing. The outstanding balance of this contract as of March 31, 2014 and 2013 were as follows:

	<u>Millions of yen</u>		<u>Thousands of US dollars</u>
	<u>2014</u>	2013	<u>2014</u>
Commitment line contract total	<u>¥200,000</u>	¥200,000	<u>\$1,943,256</u>
Actual loan balance	—	—	—
Variance	<u>¥200,000</u>	<u>¥200,000</u>	<u>\$1,943,256</u>

NOTE 7: Retirement and severance benefit

(Year ended March 31, 2013)

(a) Outline of adopted retirement benefit systems

As for the Company, cash balance corporate pension plan and lump-sum retirement benefit plan are established. And as for some of consolidated subsidiaries, defined benefit corporate pension plan and lump-sum retirement benefit plan are established.

(b) Component of retirement benefit obligation as of March 31, 2013

	<u>Millions of yen</u>
a. Retirement benefit obligation	¥(108,739)
b. Pension assets	83,842
c. Unfunded retirement benefit obligation (a+b)	<u>(24,897)</u>
d. Unrecognized difference by an actuarial calculation	(810)
e. Unrecognized past service cost (decrease of liabilities)	<u>(4,063)</u>
f. Net amount in consolidated balance sheet (c+d+e)	<u>(29,771)</u>
g. Prepaid pension cost	8,131
h. Provision for retirement benefits (f-g)	<u>¥(37,903)</u>

Remarks: 1) The premium retirement allowance paid on a temporary basis is not included.
2) Some of subsidiaries adopt simplified methods for the calculation of retirement benefits.

(c) Component of retirement benefit cost for year ended March 31, 2013

	<u>Millions of yen</u>
a. Service cost	¥5,214
b. Interest cost	2,101
c. Assumed return on investment	(699)
d. Amortized amount of actuarial difference	1,497
e. Amortized amount of past service cost	<u>(734)</u>
f. Retirement benefit cost (a+b+c+d+e)	<u>¥7,379</u>

Remarks: The retirement benefit cost of subsidiaries where simplified methods are adopted is accounted for "a. Service cost".

(d) Items related to the calculation standard for the retirement benefit obligation

- | | |
|---|--|
| a. Allocation method of the estimated amount of retirement benefits | : Straight-line basis |
| b. Discount rate | : Mainly 2.00% |
| c. Reassessment rate | : 1.50% |
| d. Assumed return of investment ratio | : Mainly 0.77% |
| e. Number of years for amortization of past service cost | : Mainly 15 years
To be amortized by straight line method with certain term within the employees' average remaining service years at the time when the difference was caused. |
| f. Number of years for amortization of actuarial difference | : Mainly 15 years
To be amortized from the next fiscal year by straight-line method with certain term within the employees' average remaining service years at the time when the difference was caused. |

(Year ended March 31, 2014)

1. Outline of adopted retirement benefit systems

As for the Company, cash balance corporate pension plan and lump-sum retirement benefit plan are established. And as for some of consolidated subsidiaries, defined benefit corporate pension plan and lump-sum retirement benefit plan are established. As for some foreign consolidated subsidiaries, defined contribution plan are established.

Some consolidated subsidiaries adopt simplified methods for the calculation of retirement benefits.

2. Defined benefit plan

(a) Reconciliation of retirement benefit obligation from the opening balance to the closing balance

	<u>Millions of yen</u>	<u>Thousands of US dollars</u>
Opening balance of retirement benefit obligation	¥108,739	\$1,056,548
Service cost	6,024	58,538
Interest cost	2,199	21,373
Actuarial differences arised in current fiscal year	(611)	(5,940)
Retirement allowance paid	(4,940)	(48,003)
Past service cost arised in current fiscal year	159	1,551
Others	(475)	(4,623)
Closing balance of retirement benefit obligation	¥111,096	\$1,079,445

(b) Reconciliation of pension assets from the opening balance to the closing balance

	<u>Millions of yen</u>	<u>Thousands of US dollars</u>
Opening balance of pension assets	¥83,842	\$814,639
Expected return on pension assets	825	8,022
Actuarial differences arised in current fiscal year	808	7,851
Contribution from employers	8,028	78,002
Retirement allowance paid	(3,512)	(34,127)
Others	48	468
Closing balance of pension assets	¥90,040	\$874,856

(c) Reconciliation between closing balance of retirement benefit obligation and pension assets and net amount of liability/asset for retirement benefits recognized in consolidated balance sheet

	<u>Millions of yen</u>	<u>Thousands of US dollars</u>
Defined benefit obligation of funded severance plan	¥82,668	\$803,232
Plan asset	(90,040)	(874,856)
	(7,371)	(71,623)
Defined benefit obligation of unfunded severance plan	28,427	276,212
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet	¥21,056	¥204,589
Liability for retirement benefits	¥36,918	358,712
Asset for retirement benefits	(15,862)	(154,123)
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet	¥21,056	\$204,589

(d) Breakdown of retirement benefit expenses

	Millions of yen	Thousands of US dollars
Service cost	¥6,024	\$58,538
Interest cost	2,199	21,373
Expected return on plan assets	(825)	(8,022)
Recognition of actuarial gain and losses	527	5,122
Amortization of past service cost	(636)	(6,182)
Others	(656)	(6,382)
Total amount of retirement benefit expenses for defined benefit plans	<u>6,633</u>	<u>\$64,448</u>

(e) Accumulated adjustment for retirement benefit

Breakdown of accumulated adjustment for retirement benefit recognized were as follows:

	Millions of yen	Thousands of US dollars
Unrecognized past service cost	¥3,276	\$31,837
Unrecognized actuarial gain and losses	2,742	26,642
Total	<u>¥6,018</u>	<u>\$58,480</u>

(f) Plan assets

a. Major breakdown of pension assets

Portion of major components to total pension assets were as follows:

Debt securities	51.1%
General account of life insurance companies	38.0%
Others	10.9%
Total	<u>100.0%</u>

b. Method to determine long-term expected return on plan assets

Expected return on pension assets were determined by considering the current and anticipated future portfolio of pension assets and current and anticipated future long-term performance of various asset classes that comprise pension assets.

(g) Actuarial assumptions

Discount rate	2.00%
Expected long-term return on pension assets	0.82%

3. Defined contribution plan

Contribution to defined contribution plan by the Company and consolidated subsidiaries is 216 million yen (2,104 thousand US dollars).

NOTE 8: Income taxes

Breakdown of deferred tax assets and deferred tax liabilities by their main occurrence causes were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Deferred tax assets			
Excess-depreciation and Impairment loss	¥59,105	¥68,083	\$574,283
Various reserves	39,548	41,433	384,268
Unrealized profits elimination	20,876	18,725	202,839
Loss on valuation of securities	12,254	12,648	119,071
Deferred assets and others	3,367	3,154	32,723
Others	82,757	76,845	804,095
Gross deferred tax assets total	217,910	220,892	2,117,283
Valuation allowance	(54,930)	(48,183)	(533,715)
Deferred tax assets total	¥162,980	¥172,708	\$1,583,567
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥(56,219)	¥(30,468)	\$(546,247)
Variance from the complete market value method of consolidated subsidiaries	(5,243)	(5,167)	(50,948)
Reserve for advanced depreciation of noncurrent assets	(3,603)	(3,555)	(35,012)
Others	(2,071)	(4,140)	(20,131)
Deferred tax liabilities total	(67,138)	(43,332)	(652,340)
Net amounts of deferred tax assets	¥95,841	¥129,376	\$931,226

The differences between the statutory tax rate and the effective tax rate were summarized as follows:

	2014	2013
Statutory tax rate	37.2%	37.2%
Effect of change of tax rate	3.1%	2.7%
Tax credit	(3.3%)	(5.9%)
Tax rate difference (consolidated overseas subsidiaries)	(2.0%)	—%
Others	0.3%	0.7%
Effective tax rate	35.3%	34.7%

NOTE 9: Research and development costs

Research and development costs included in selling, general and administrative expenses, for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Research and development costs	¥127,090	¥119,269	\$1,234,843

NOTE 10: Cash and cash equivalents

Cash and cash equivalents as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Cash and deposits	¥358,851	¥279,009	\$3,486,699
Short-term investment securities	612,489	559,609	5,951,125
Time deposits with maturities of over three months	(73,370)	(34,845)	(712,886)
Bonds etc. with redemption period of over three months	(187,359)	(142,670)	(1,820,440)
	<u>¥710,611</u>	<u>¥661,102</u>	<u>\$6,904,498</u>

NOTE 11: Net assets

The Companies Act of Japan requires that at least 50% of the contribution of new shares be included in capital stock. The portion to be recorded as capital stock is determined by resolution of the meeting of the Board of Directors. Proceeds in excess of the capital stock should be credited to “legal capital surplus”.

The Companies Act provides that an amount equivalent to 10% of cash dividends should be appropriated as a legal capital surplus or legal retained earnings until total amount of them reaches a certain limit, defined as 25% of the capital stock.

The Companies Act allows both legal capital surplus and legal retained earnings to be transferred to the capital stock following the approval at an Ordinary General Meeting of Shareholders.

The legal retained earnings of the Company and its subsidiaries are included in “retained earnings” on the consolidated balance sheet and are not shown separately.

According to the Companies Act, the articles of incorporation allow to repurchase treasury stock and dispose of such treasury stock by resolution of meeting of the Board of Directors.

NOTE 12: Other comprehensive income

Other comprehensive income in the current consolidated fiscal year were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Valuation difference on available-for-sale securities			
Unrealized loss (gain) arising during the period	¥73,280	¥48,141	\$712,011
Reclassification adjustment of unrealized gain (loss) through profit or loss	40	(3,305)	392
Before tax effect	73,320	44,835	712,404
Tax effect	(25,724)	(15,340)	(249,944)
Balance at the end of the period	¥47,596	¥29,494	\$462,459
Deferred gains or losses on hedges			
Unrealized loss (gain) arising during the period	¥(4,119)	¥3,126	\$(40,024)
Reclassification adjustment of unrealized gain (loss) through profit or loss	1,785	447	17,353
Before tax effect	(2,333)	3,573	(22,671)
Tax effect	1,136	(1,689)	11,044
Balance at the end of the period	¥(1,196)	¥1,884	\$(11,626)
Foreign currency translation adjustment			
Unrealized loss (gain) arising during the period	¥27,748	¥45,254	\$269,610
Reclassification adjustment of unrealized gain (loss) through profit or loss	(192)	6,557	(1,871)
Balance at the end of the period	¥27,555	¥51,812	\$267,739
Share of other comprehensive income of associates accounted for using equity method			
Unrealized loss (gain) arising during the period	¥7,504	¥3,672	\$72,915
Change in equity			
The amount arising during the period	¥—	¥6,595	\$ —
Total other comprehensive income	¥81,459	¥93,459	\$791,488

NOTE 13: Cash dividends

	Resolution			
	Ordinary General Meeting of Shareholders held on June 27, 2013		Meeting of the Board of Directors held on November 1, 2013	
Total amount of cash dividends	¥5,610 million	\$54,510 thousand	¥5,610 million	\$54,511 thousand
Cash dividends per share	¥10.00	\$0.097	¥10.00	\$0.097
Record date	March 31, 2013		September 30, 2013	
Effective date	June 28, 2013		November 29, 2013	

Dividends which record date was in the current consolidated fiscal year and effective date was in the next fiscal year.

	Resolution	
	Ordinary General Meeting of Shareholders held on June 27, 2014	
Total amount of cash dividends	¥7,854 million	\$76,317 thousand
Cash dividends per share	¥14.00	\$0.136
Record date	March 31, 2014	
Effective date	June 30, 2014	

NOTE 14: Stock option plan

The Company adopts stock option plan by using subscription rights to shares.

The plan was adopted at the Ordinary General Meeting of Shareholders and meeting of the Board of Directors held on June 28, 2012, June 27, 2013 and June 27, 2014 based on the Companies Act of Japan.

The details of the plan were as follows:

1. Resolution date
June 28, 2012
 2. Category and number of people to whom stock options are granted
10 Directors of the Company (excluding Outside Directors)
6 Managing Officers who do not concurrently serve as Directors
 3. Class of shares that are the subject of subscription rights to shares
Common stock of the Company
 4. Number of shares
74,000 shares
 5. Amount to be paid for subscription rights to shares
1 yen per 1 share
 6. Period during which subscription rights to shares can be exercised
From July 21, 2012 to July 20, 2042
 7. Terms of exercise of subscription rights to shares
 - (1) A person who is allocated subscription rights to shares shall be able to exercise share subscription rights only up until 10th day (the next business day if the 10th day falls on a non-business day) from the day immediately following the date of resignation as the Company's Director as well as the Senior Managing Officer or Managing Officer without the role of Director being served concurrently.
 - (2) If a person who is allocated subscription rights to shares was dead, heir may exercise the rights.
 8. Matters relating to assignment of subscription rights to shares
The acquisition of subscription rights to shares by assignment shall require the approval of the Board of Directors of the Company.
 9. Matters relating to subrogation payment
None
-
1. Resolution date
June 27, 2013
 2. Category and number of people to whom stock options are granted
7 Directors of the Company (excluding Outside Director)
10 Senior Managing Officers and Managing Officers who do not concurrently serve as Directors
 3. Class of shares that are the subject of subscription rights to shares
Same to the plan adopted at June 28, 2012
 4. Number of shares
46,200 shares

5. Amount to be paid for subscription rights to shares
Same to the plan adopted at June 28, 2012.
6. Period during which subscription rights to shares can be exercised
From July 20, 2013 to July 19, 2043
7. Terms of exercise of subscription rights to shares
Same to the plan adopted at June 28, 2012
8. Matters relating to assignment of subscription rights to shares
Same to the plan adopted at June 28, 2012
9. Matters relating to subrogation payment
Same to the plan adopted at June 28, 2012

1. Resolution date
June 27, 2014
2. Category and number of people to whom stock options are granted
7 Directors of the Company (excluding Outside Director)
6 Managing Officers who do not concurrently serve as Directors
3. Class of shares that are the subject of subscription rights to shares
Same to the plan adopted at June 28, 2012
4. Number of shares
37,700 shares
5. Amount to be paid for subscription rights to shares
Same to the plan adopted at June 28, 2012.
6. Period during which subscription rights to shares can be exercised
From July 23, 2014 to July 22, 2044
7. Terms of exercise of subscription rights to shares
Same to the plan adopted at June 28, 2012
8. Matters relating to assignment of subscription rights to shares
Same to the plan adopted at June 28, 2012
9. Matters relating to subrogation payment
Same to the plan adopted at June 28, 2012

NOTE 15: Contingent liabilities

As of March 31, 2014 and 2013, the Company and some of consolidated subsidiaries had the contingent liabilities as follows:

	<u>Millions of yen</u>		<u>Thousands of US dollars</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Guarantee of indebtedness of affiliates and others	¥8,277	¥8,159	\$80,427
Trade notes discounted	—	51	—
	<u>¥8,277</u>	<u>¥8,210</u>	<u>\$80,427</u>

NOTE 16: Segment Information

1. Outline of reportable segments

The reportable segments of the Company are the components of the Company business for which discrete financial information is available, and whose operating results are regularly reviewed by our decision-making body such as Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has three reportable segments of “Motorcycle”, “Automobile” and “Marine and Power products, etc.” based on the form of management organization and nature of products and services.

Main products and services of each segment are as follows:

Segment	Main products and services
Motorcycle	Motorcycles, All-terrain vehicles
Automobile	Minivehicles, Sub-compact vehicles, Standard-sized vehicles
Marine and Power products, etc.	Outboard motors, Engines for snowmobiles, etc., Electro senior vehicles, Houses

2. Methods of measurement for the amounts of net sales, profit or loss, assets and other items for each reportable segment

The accounting policies of the reportable segments are consistent to the description of the “Summary of significant accounting policies” (Note2).

3. Information about the amounts of net sales, profit or loss, assets and other items by reportable segment (Years ended March 31)

Millions of yen					
2014					
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	¥266,602	¥2,615,664	¥ 56,046	¥ —	¥2,938,314
Segment profit	105	179,296	8,346	—	187,747
Segment assets	222,413	1,649,071	42,668	959,921	2,874,074
Other content:					
Depreciation	7,268	109,024	896	—	117,188
Amortization of goodwill	453	1,609	101	—	2,164
Impairment loss	128	900	0	—	1,029
Investment in associates accounted for by equity method	15,335	40,276	87	—	55,699
Increase in property, plant and equipment and intangible assets	22,847	189,604	1,167	—	213,619
Millions of yen					
2013					
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	¥ 230,290	¥2,297,814	¥ 50,212	¥ —	¥2,578,317
Segment profit (loss)	(11,946)	150,613	5,896	—	144,564
Segment assets	196,638	1,462,165	43,847	784,983	2,487,635

Millions of yen					
2013					
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Other content:					
Depreciation	5,910	86,866	903	—	93,680
Amortization of goodwill	392	1,466	89	—	1,948
Impairment loss	27	431	—	—	458
Investment in associates accounted for by equity method	12,835	35,215	197	—	48,248
Increase in property, plant and equipment and intangible assets	15,683	152,701	903	—	169,288

Thousands of US dollars					
2014					
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	\$2,590,388	\$25,414,540	\$ 544,567	\$ —	\$28,549,496
Segment profit	1,020	1,742,091	81,092	—	1,824,205
Segment assets	2,161,031	16,022,851	414,575	9,326,868	27,925,327
Other content:					
Depreciation	70,620	1,059,312	8,705	—	1,138,639
Amortization of goodwill	4,407	15,638	983	—	21,029
Impairment loss	1,251	8,747	2	—	10,000
Investment in associates accounted for by equity method	149,004	391,335	851	—	541,191
Increase in property, plant and equipment and intangible assets	221,993	1,842,251	11,346	—	2,075,592

(Reference information)

As reference information, operating results by geographical areas were as follows:

(a) The amount of net sales, operating income or loss based on location of the Company and its consolidated subsidiaries (Years ended March 31)

Millions of yen						
2014						
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	¥1,309,383	¥ 360,465	¥ 1,118,169	¥ 150,296	¥ —	¥2,938,314
Internal net sales or transfer among geographical areas	392,284	16,000	57,185	679	(466,149)	—
Total	1,701,667	376,466	1,175,355	150,975	(466,149)	2,938,314
Operating income	134,513	4,154	59,419	241	(10,582)	187,747

Millions of yen						
2013						
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	¥ 1,203,474	¥ 254,692	¥ 951,713	¥ 168,437	¥ —	¥ 2,578,317
Internal net sales or transfer among geographical areas	348,576	3,594	29,298	660	(382,129)	—
Total	<u>1,552,050</u>	<u>258,287</u>	<u>981,012</u>	<u>169,097</u>	<u>(382,129)</u>	<u>2,578,317</u>
Operating income (loss)	<u>102,516</u>	<u>(1,062)</u>	<u>38,071</u>	<u>3,052</u>	<u>1,986</u>	<u>144,564</u>

Thousands of US dollars						
2014						
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	\$12,722,338	\$3,502,383	\$10,864,455	\$1,460,318	\$ —	\$28,549,496
Internal net sales or transfer among geographical areas	3,811,545	155,467	555,629	6,597	(4,529,239)	—
Total	<u>16,533,884</u>	<u>3,657,850</u>	<u>11,420,085</u>	<u>1,466,916</u>	<u>(4,529,239)</u>	<u>28,549,496</u>
Operating income	<u>1,306,974</u>	<u>40,361</u>	<u>577,338</u>	<u>2,350</u>	<u>(102,819)</u>	<u>1,824,205</u>

* "Other areas" consists principally of North America, Oceania and South America.

(b) The amount of net sales based on external customers (Years ended March 31)

Millions of yen				
2014				
	Japan	India	Others	Consolidated
Net Sales	<u>¥1,132,732</u>	<u>¥708,316</u>	<u>¥1,097,265</u>	<u>¥2,938,314</u>

Millions of yen				
2013				
	Japan	India	Others	Consolidated
Net Sales	<u>¥1,040,948</u>	<u>¥647,390</u>	<u>¥889,977</u>	<u>¥2,578,317</u>

Thousands of US dollars				
2014				
	Japan	India	Others	Consolidated
Net Sales	<u>\$11,005,950</u>	<u>\$6,882,207</u>	<u>\$10,661,338</u>	<u>\$28,549,496</u>

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QUARTERLY REVIEW REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
SUZUKI MOTOR CORPORATION

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the accompanying quarterly consolidated financial statements of SUZUKI MOTOR CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as of December 31, 2015 and the quarterly consolidated statement of income, comprehensive income, and cash flows, as well as their notes, for the nine-month periods ended December 31, 2015 and 2014, all expressed in Japanese Yen.

Management's Responsibility for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these quarterly consolidated financial statements in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan; this includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our quarterly review as independent auditor. We conducted our review in conformity with quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.

We believe that we have obtained evidence that is sufficient and appropriate to provide a basis for our conclusion.

Auditor's Conclusion

In our quarterly review, we have concluded that the quarterly consolidated financial statements referred to above are in conformity with accounting principles for consolidated quarterly financial statements generally accepted in Japan, and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of SUZUKI MOTOR CORPORATION and its consolidated subsidiaries as of December 31, 2015 and the consolidated statement of income, comprehensive income, and cash flows, as well as their notes, for the nine-month periods ended December 31, 2015 and 2014.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Seimei Audit Corporation
Tokyo, Japan
February 10, 2016

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS

As of 31 December 2015 and 31 March 2015

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	31 Dec 2015	31 Mar 2015	31 Dec 2015
ASSETS			
Current assets:			
Cash and cash equivalents	¥467,076	¥932,261	\$3,872,621
Receivables:			
Notes and accounts receivable-trade	289,232	316,826	2,398,083
Allowance for doubtful accounts	(3,171)	(4,156)	(26,292)
Inventories	333,555	314,391	2,765,568
Deferred tax assets	115,362	115,015	956,489
Other	469,140	334,391	3,889,733
Total current assets	<u>1,671,196</u>	<u>2,008,729</u>	<u>13,856,204</u>
Property, plant and equipment:			
Land	260,855	259,540	2,162,799
Buildings and structures	414,356	403,922	3,435,511
Machinery, equipment and vehicles	1,293,464	1,280,563	10,724,358
Tools, furniture and fixtures	414,803	391,797	3,439,214
Construction in progress	54,650	70,456	453,117
	<u>2,438,131</u>	<u>2,406,280</u>	<u>20,215,001</u>
Accumulated depreciation	(1,666,673)	(1,610,388)	(13,818,701)
Total property, plant and equipment	<u>771,457</u>	<u>795,892</u>	<u>6,396,300</u>
Investments and other assets:			
Investment securities	259,745	341,325	2,153,596
Investments in affiliates	55,927	59,544	463,703
Assets for retirement benefits	1,148	1,860	9,522
Deferred tax assets	16,841	19,985	139,634
Other	19,598	25,462	162,495
Total investments and other assets	<u>353,260</u>	<u>488,179</u>	<u>2,928,952</u>
Total assets	<u>¥2,795,915</u>	<u>¥3,252,800</u>	<u>\$23,181,457</u>

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

	Millions of yen		Thousands of US dollars
	<u>31 Dec 2015</u>	<u>31 Mar 2015</u>	<u>31 Dec 2015</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable	¥217,832	¥177,805	\$1,806,092
Current portion of long-term loans payable	97,565	104,145	808,931
Accounts payable-trade	457,974	479,950	3,797,153
Income taxes payable	23,864	21,797	197,865
Accrued expenses	164,925	181,217	1,367,428
Provision for product warranties	64,631	60,305	535,871
Deferred tax liabilities	7,039	6,190	58,368
Other	139,369	121,188	1,155,535
Total current liabilities	<u>1,173,203</u>	<u>1,152,601</u>	<u>9,727,247</u>
Noncurrent liabilities:			
Long-term loans payable	274,614	272,717	2,276,883
Liabilities for retirement benefits	41,842	40,791	346,922
Provision for disaster	8,592	8,923	71,238
Deferred tax liabilities	13,822	43,766	114,602
Other	37,756	32,609	313,046
Total noncurrent liabilities	<u>376,628</u>	<u>398,808</u>	<u>3,122,693</u>
Total liabilities	<u>1,549,831</u>	<u>1,551,409</u>	<u>12,849,940</u>
Net assets:			
Shareholders' equity :			
Capital stock:			
Common stock: Authorized-1,500,000,000 shares Issued, as of 31 December 2015—561,047,304	138,014	—	1,144,306
as of 31 March 2015—561,047,304	—	138,014	—
Capital surplus	144,166	144,364	1,195,307
Retained earnings	1,168,449	1,082,440	9,687,829
Treasury stock (Note 7)	(460,360)	(62)	(3,816,931)
Total shareholders' equity	<u>990,269</u>	<u>1,364,757</u>	<u>8,210,511</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	96,844	158,788	802,954
Deferred gains or losses on hedges	1,597	679	13,243
Foreign currency translation adjustment	(74,923)	(42,997)	(621,206)
Accumulated adjustment for retirement benefits	973	864	8,075
Total accumulated other comprehensive income	<u>24,491</u>	<u>117,333</u>	<u>203,066</u>
Subscription rights to shares	188	250	1,565
Non-controlling interests	231,133	219,048	1,916,372
Total net assets	<u>¥1,246,084</u>	<u>¥1,701,390</u>	<u>\$10,331,516</u>
Commitments and contingent liabilities (Note 3)			
Total liabilities and net assets	<u>¥2,795,915</u>	<u>¥3,252,800</u>	<u>\$23,181,457</u>

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME and
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(UNAUDITED CONSOLIDATED STATEMENTS OF INCOME)

Nine-month periods ended 31 December 2015 and 2014

	Millions of yen		Thousands of US dollars
	Nine-month period ended 31 Dec 2015	31 Dec 2014	Nine-month period ended 31 Dec 2015
SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES			
Net sales	¥2,355,591	¥2,142,994	\$19,530,645
Cost of sales	1,715,871	1,565,159	14,226,608
Gross profit	639,719	577,835	5,304,036
Selling, general and administrative expenses	493,476	442,618	4,091,509
Operating income	146,242	135,216	1,212,527
Other income (expenses):			
Interest and dividend income	16,509	17,712	136,885
Interest expense	(4,876)	(5,720)	(40,428)
Equity in earnings (losses) of affiliates	87	(3,958)	724
Gain on sales of investment securities (Note 7)	36,760	—	304,789
Other, net	4,363	912	36,175
Income before income taxes	199,087	144,161	1,650,673
Income taxes	66,736	45,462	553,321
Net income	132,351	98,699	1,097,352
Net income attributable to non-controlling interests	30,091	18,803	249,490
Net income attributable to owners of the parent	¥102,260	¥79,896	\$847,861
	Yen		US dollars
Net income per share:			
Primary	¥199.32	¥142.42	\$1.65
Fully diluted	199.27	142.39	1.65

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

(UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

Nine-month periods ended 31 December 2015 and 2014

	Millions of yen		Thousands of US dollars
SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Nine-month period ended		Nine-month period ended
	31 Dec 2015	31 Dec 2014	31 Dec 2015
Net income	¥132,351	¥98,699	\$1,097,352
Other comprehensive income			
Valuation difference on available-for-sale securities	(58,861)	33,389	(488,034)
Deferred gains or losses on hedges	855	(938)	7,094
Foreign currency translation adjustment	(44,770)	64,229	(371,200)
Adjustment for retirement benefits	79	(105)	657
Share of other comprehensive income of associates accounted for using equity method	(1,175)	1,000	(9,747)
Total other comprehensive income	(103,873)	97,575	(861,230)
Comprehensive income	28,478	196,275	236,122
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	9,275	156,630	76,908
Comprehensive income attributable to non-controlling interests . .	19,202	39,644	159,213

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine-month periods ended 31 December 2015 and 2014

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of US dollars
	Nine-month period ended		Nine-month period ended
	31 Dec 2015	31 Dec 2014	31 Dec 2015
Cash flows from operating activities			
Income before income taxes	¥ 199,087	¥ 144,161	\$ 1,650,673
Depreciation and amortization	119,344	96,565	989,511
Impairment loss	61	678	505
Increase (decrease) in allowance for doubtful accounts	(1,163)	(1,955)	(9,647)
Interest and dividends income	(16,509)	(17,712)	(136,885)
Interest expenses	4,876	5,720	40,428
Foreign exchange losses (gains)	3,080	1,819	25,540
Equity in (earnings) losses of affiliates	(87)	3,958	(724)
Loss (gain) on sales of property, plant and equipment	374	(460)	3,103
Loss (gain) on sales of investment securities	(36,760)	—	(304,789)
Decrease (increase) in notes and accounts receivable-trade	23,990	62,267	198,907
Decrease (increase) in inventories	(27,586)	(42,838)	(228,727)
Increase (decrease) in notes and accounts payable-trade	(16,285)	(26,039)	(135,024)
Increase (decrease) in accrued expenses	(10,695)	(36,063)	(88,676)
Other, net	(45,086)	(13,493)	(373,824)
Sub-total	196,639	176,607	1,630,370
Interest and dividend income received	16,340	18,097	135,483
Interest expenses paid	(5,818)	(5,199)	(48,240)
Income taxes paid	(57,323)	(76,822)	(475,282)
Net cash provided by (used in) operating activities	149,837	112,682	1,242,332
Cash flows from investing activities			
Purchases of short-term investment securities	(232,095)	(216,009)	(1,924,350)
Proceeds from sales of securities and stock redemption	147,737	215,912	1,224,918
Purchases of property, plant and equipment	(112,230)	(130,927)	(930,527)
Other, net	28,700	58,785	237,960
Net cash provided by (used in) investing activities	(167,889)	(72,237)	(1,391,999)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	48,921	1,015	405,620
Proceeds from long-term loans payable	33,400	61,500	276,925
Repayment of long-term loans payable	(38,052)	(31,701)	(315,499)
Purchase of treasury stock	(460,478)	(28)	(3,817,912)
Cash dividends paid	(16,156)	(13,465)	(133,957)
Cash dividends paid to non-controlling interests	(7,695)	(3,379)	(63,808)
Other, net	(337)	(50)	(2,798)
Net cash provided by (used in) financing activities	(440,399)	13,889	(3,651,430)
Effect of exchange rate changes on cash and cash equivalents	(6,734)	7,981	(55,833)
Net increase (decrease) in cash and cash equivalents	(465,184)	62,315	(3,856,931)
Cash and cash equivalents at beginning of period	932,261	710,611	7,729,553
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year of subsidiaries	—	(2,039)	—
Cash and cash equivalents at end of period (Note 5)	¥ 467,076	¥ 770,887	\$ 3,872,621

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SUZUKI MOTOR CORPORATION (the “Company”), consolidated Subsidiaries, and Affiliates (the “Group”) have been prepared on the basis of generally accepted accounting principles and practices in Japan, and the consolidated financial statements were filed with the Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan.

The preparation of the consolidated financial statements requires the management to select and adopt accounting standards and make estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses, and the corresponding methods of disclosure.

As such, the management’s estimates are made reasonably based on historical results. But due to the inherent uncertainty involved in making estimates, actual results could differ from these estimates.

For the convenience of readers outside Japan, certain reclassifications and modifications have been made to the original consolidated financial statements.

As permitted, an amount of less than one million yen has been omitted. For the convenience of readers, the consolidated financial statements, including the opening balance of shareholders’ equity, have been presented in US dollars by translating all Japanese yen amounts on the basis of 120.61 to US\$1, the rate of exchange prevailing as of 31 December 2015. Consequently, the totals shown in the consolidated financial statements (both in yen and in US dollars) do not necessarily agree with the sum of the individual amounts.

NOTE 2: Changes in accounting policies

Application of accounting standard for business combinations

The “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, 13 September 2013, hereinafter the “Business Combinations Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, 13 September 2013, hereinafter the “Consolidated Financial Statements Standard”), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, 13 September 2013, hereinafter the “Business Divestitures Standard”) and others have been applied since the first three months of this consolidated fiscal year. Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in ownership interest in a subsidiary when the Company continues to have control is recorded as capital surplus, acquisition-related costs are recognized as expenses in the consolidated fiscal year when they are incurred. Also, regarding business combinations to be performed at and after the beginning of the first three months of this consolidated fiscal year, a method was changed with regard to the retrospective adjustment of the purchase price allocation based on provisional accounting applicable to the quarterly consolidated financial statements of the fiscal period in which the business combination occurred. In addition, the Company has changed expression of net income, etc. and changed minority interests to non-controlling interests. To reflect these changes in presentation, the quarterly consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

In accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard, and Paragraph 57-4 (4) of the Business Divestitures Standard, the Business Combinations Standard and others have been applied from the beginning of this consolidated fiscal year.

The effect in the quarterly consolidated financial statements as a result of the adoption of these accounting standards is insignificant in this first nine months of consolidated fiscal year.

NOTE 3: Contingent liabilities

As of 31 December 2015 and 31 March 2015, the Company and some of consolidated subsidiaries had the contingent liabilities as follows:

	Millions of yen		Thousands of US dollars
	31 Dec 2015	31 Mar 2015	31 Dec 2015
Guarantee of indebtedness of affiliates and others	¥9,794	¥10,425	\$81,209

NOTE 4: Loan commitment

The Company has the commitment line contract with five banks for effective financing. The outstanding balance of this contract as of 31 December 2015 and 31 March 2015 were as follows:

	Millions of yen		Thousands of US dollars
	31 Dec 2015	31 Mar 2015	31 Dec 2015
Commitment line contract total	¥200,000	¥200,000	\$1,658,237
Actual loan balance	—	—	—
Variance	¥200,000	¥200,000	\$1,658,237

NOTE 5: Cash and cash equivalents

Cash and cash equivalents as of 31 December 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	31 Dec 2015	31 Dec 2014	31 Dec 2015
Cash and deposits	¥230,249	¥189,394	\$1,909,044
Short-term investment securities	567,360	802,130	4,704,088
Time deposits with maturities of over three months ...	(49,172)	(17,017)	(407,701)
Bonds etc. with redemption period of over three months	(281,360)	(203,619)	(2,332,809)
	¥467,076	¥770,887	\$3,872,621

NOTE 6: Cash dividends

	Resolution			
	Ordinary General Meeting of Shareholders held on 26 June 2015		Meeting of the Board of Directors held on 4 November 2015	
Total amount of cash dividends	¥9,537 million	\$79,078 thousand	¥6,618 million	\$54,877 thousand
Cash dividends per share	¥17.00	\$0.14	¥15.00	\$0.12
Record date	31 March 2015		30 September 2015	
Effective date	29 June 2015		30 November 2015	

NOTE 7: Significant Changes in the Amount of Shareholders' Equity

The Company carried out the acquisition of 119,787,000 treasury stocks through the Tokyo Stock Exchange Trading Network System for Off-Auction Treasury Share Repurchase Trading (ToSTNeT-3) on 17 September 2015 for the purpose of repurchase of 111,610,000 ordinary Suzuki shares owned by Volkswagen AG, pursuant to the arbitration award from International Court of Arbitration of the International Chamber of Commerce on 29 August 2015.

And the Company also disposed of all of 4,397,000 ordinary Volkswagen AG shares owned by the Company, in line with the intention of Volkswagen AG on 25 September 2015.

(Details of Acquisition of Treasury Stock)

Type of shares acquired	Ordinary shares of Suzuki
Total number of shares acquired	119,787,000 shares
Total amount paid of the acquisition	¥460,281 million \$3,816,280 thousand
Acquisition date	17 September 2015 (trade basis)

(Details of Sales of Volkswagen AG Share)

Type of shares sold	Ordinary shares of Volkswagen AG
Total number of shares sold	4,397,000 shares (All the shares owned by the Company)
Buyer	Porsche Automobil Holding SE
Gain on sales of investment securities	¥36,691 million \$304,219 thousand
Execution of agreement	25 September 2015

NOTE 8: Segment Information

1. Outline of reportable segments

The reportable segments of the Company are the components of the Company business for which discrete financial information is available, and whose operating results are regularly reviewed by our decision-making body such as Board of Directors to make decisions about resources to be allocated to the segments and to assess their performances.

The Company has three reportable segments of “Motorcycle”, “Automobile” and “Marine and Power products, etc.” based on the form of management organization and nature of products and services.

Main products and services of each segment are as follows:

Segment	Main products and services
Motorcycle	Motorcycles, All-terrain vehicles
Automobile	Minivehicles, Sub-compact vehicles, Standard-sized vehicles
Marine and Power products, etc.	Outboard motors, Engines for snowmobiles, etc., Electro senior vehicles, Houses

2. Information about the amounts of net sales and profit or loss by reportable segment

(Nine-month periods ended 31 December 2015 and 2014)

	Millions of yen			
	Nine-month period ended 31 Dec 2015			
	Motorcycle	Automobile	Marine & Power products, etc.	Consolidated
Net Sales	¥172,883	¥2,130,687	¥52,019	¥2,355,591
Segment profit (loss)	(10,074)	146,379	9,938	146,242

	Millions of yen			
	Nine-month period ended 31 Dec 2014			
	Motorcycle	Automobile	Marine & Power products, etc.	Consolidated
Net Sales	¥179,942	¥1,916,981	¥46,071	¥2,142,994
Segment profit (loss)	(5,016)	133,735	6,497	135,216

	Thousands of US dollars			
	Nine-month period ended 31 Dec 2015			
	Motorcycle	Automobile	Marine & Power products, etc.	Consolidated
Net sales	\$1,433,411	\$17,665,929	\$431,305	\$19,530,645
Segment profit (loss)	(83,532)	1,213,659	82,400	1,212,527

(Reference information)

As reference information, operating results by geographical areas were as follows:

The amount of net sales, operating income or loss based on location of the Company and its consolidated subsidiaries

(Nine-month periods ended 31 December 2015 and 2014)

	Millions of yen					
	Nine-month period ended 31 Dec 2015					
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	¥941,658	¥235,813	¥1,066,164	¥111,954	¥—	¥2,355,591
Internal net sales or transfer among geographical areas	384,712	170,481	64,824	361	(620,379)	—
Total	1,326,371	406,295	1,130,988	112,315	(620,379)	2,355,591
Operating income	59,786	6,281	82,318	1,066	(3,209)	146,242

	Millions of yen					
	Nine-month period ended 31 Dec 2014					
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	¥926,051	¥218,732	¥885,629	¥112,581	¥—	¥2,142,994
Internal net sales or transfer among geographical areas	332,542	84,661	46,650	688	(464,543)	—
Total	1,258,594	303,393	932,280	113,269	(464,543)	2,142,994
Operating income (loss)	94,540	(2,362)	42,363	2,047	(1,372)	135,216

	Thousands of US dollars					
	Nine-month period ended 31 Dec 2015					
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	\$7,807,469	\$1,955,172	\$8,839,768	\$928,234	\$—	\$19,530,645
Internal net sales or transfer among geographical areas	3,189,721	1,413,496	537,468	2,993	(5,143,680)	—
Total	10,997,191	3,368,669	9,377,237	931,228	(5,143,680)	19,530,645
Operating income	495,697	52,084	682,518	8,840	(26,614)	1,212,527

*"Other areas" consists principally of North America, Oceania and South America.

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