

OFFERING CIRCULAR



TORAY INDUSTRIES, INC.

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

¥50,000,000,000 Zero Coupon Convertible Bonds due 2019

OFFER PRICE: 102.5 PER CENT

¥50,000,000,000 Zero Coupon Convertible Bonds due 2021

OFFER PRICE: 102.5 PER CENT

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2019 (the “2019 Bonds”) and the ¥50,000,000,000 Zero Coupon Convertible Bonds due 2021 (the “2021 Bonds”) (each being bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuen-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 Toray Industries, Inc. (the “Company”) will be issued in registered form in denominations of ¥10,000,000, each with a stock acquisition right (*shinkabu yoyakuen*) (a “Stock Acquisition Right”, and collectively, the “Stock Acquisition Rights”) exercisable on or after, in the case of all the Bonds, 23 June 2014 up to, and including, 16 August 2019 (in the case of the 2019 Bonds) and up to, and including, 17 August 2021 (in the case of the 2021 Bonds), unless the relevant Bonds have been previously redeemed, acquired or purchased and cancelled or become due and payable, entitling the Bondholder (as defined in the terms and conditions of the Bonds for the relevant Series (the “2019 Bonds Conditions” and the “2021 Bonds Conditions” respectively and, collectively, the “Conditions”), to acquire fully-paid and non-assessable shares of common stock of the Company (the “Shares”) at an initial Conversion Price (as defined in the Conditions for the relevant Series), subject to adjustment in certain events as set out in the Conditions, of ¥891 per Share in respect of the 2019 Bonds and ¥827 per Share in respect of the 2021 Bonds. However, (i) with respect to the 2019 Bonds, prior to (and including) 31 May 2019, the Stock Acquisition Rights may be exercised by the holder of a 2019 Bond during any particular calendar quarter (or, in respect of the calendar quarter commencing on 1 April 2019, until 31 May 2019) only if the Closing Price (as defined in the 2019 Bonds Conditions) of the Shares for 20 consecutive Trading Days (as defined in the 2019 Bonds Conditions) ending on the last Trading Day of the immediately preceding calendar quarter is more than 130 per cent of the Conversion Price (as defined in the 2019 Bonds Conditions) on the last Trading Day of such immediately preceding calendar quarter, and (ii) with respect to the 2021 Bonds, prior to (and including) 31 May 2021, the Stock Acquisition Rights may be exercised by the holder of a 2021 Bond during any particular calendar quarter (or, in respect of the calendar quarter commencing on 1 April 2021, until 31 May 2021) only if the Closing Price (as defined in the 2021 Bonds Conditions) of the Shares for 20 consecutive Trading Days (as defined in the 2021 Bonds Conditions) ending on the last Trading Day of the immediately preceding calendar quarter is more than 130 per cent of the Conversion Price (as defined in the 2021 Bonds Conditions) 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 (1) if the Bonds of the relevant Series are called for redemption, or (2) if specified Corporate Events (as defined in the Conditions) occur with respect to the Company, or (3) 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) or the Bonds (if rated) is below a specified level or certain other ratings events occur. The closing price of the Shares as reported on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) on 22 May 2014, was ¥636 per Share.

Unless previously redeemed, acquired or purchased and cancelled, the 2019 Bonds will be redeemed at 100 per cent of their principal amount on 30 August 2019 and the 2021 Bonds will be redeemed at 100 per cent of their principal amount on 31 August 2021. On or after 1 May 2019 (in the case of the 2019 Bonds), and on or after 1 May 2021 (in the case of the 2021 Bonds), the Company may give notice to the Bondholders of the relevant Series to acquire from them all the Bonds of the relevant Series outstanding on the Acquisition Option Date (as defined in the Conditions for the relevant Series). All such Bonds of the relevant Series shall be deemed to be so acquired by the Company in exchange for 100 per cent of the principal amount of the Bonds of the relevant Series plus the Acquisition Shares (as defined in the Conditions for the relevant Series) to be determined in accordance with the Conditions for the relevant Series. The Company may also redeem the Bonds of each Series, in whole but not in part, at 100 per cent of their principal amount if Japanese withholding taxes are imposed on payments in respect of the Bonds of such Series, as set out in the Conditions. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds of such Series as at the date of such notice is less than 10 per cent of the aggregate principal amount of the Bonds of such Series as at the date of issue thereof, the Bonds of such Series may be redeemed in whole but not in part at 100 per cent of their principal amount, at the option of the Company as set out in the Conditions. The Bonds of each Series may also be redeemed by the Company in whole but not in part in certain other limited events (including Corporate Events), 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”).

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 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, *société anonyme* (“Clearstream, Luxembourg”) on or about 9 June 2014 (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 2019 Bonds and the 2021 Bonds are conditional upon each other. The 2019 Bonds and the 2021 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 2019 Bonds
Joint Bookrunners and Joint Lead Managers
Nomura
Daiwa Capital Markets Europe
SMBC Nikko
Co-Lead Manager
Citigroup

For the 2021 Bonds
Joint Bookrunners and Joint Lead Managers
Nomura
Goldman Sachs International
SMBC Nikko
Co-Lead Manager
Citigroup

The date of this Offering Circular is 22 May 2014.

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. 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 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, Australia 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 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 dollars”, “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 to the nearest one million with half a million being rounded upwards, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded to the nearest one-tenth of a billion, with five-hundredths of a billion being rounded upwards. 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 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 2013 and 2012, as indicated in the audit report with respect thereto included herein at pages F-3.

This Offering Circular also contains at pages A-1 to A-15, the unaudited consolidated financial statements of the Group in respect of the fiscal year ended 31 March 2014 (with comparative information in respect of the fiscal year ended 31 March 2013), being an English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2014. Such financial statements are unaudited and there can be no assurance that such unaudited financial information will accord in all respects to the audited financial statements for the fiscal year ended 31 March 2014 which are currently being prepared by the Group and will be published towards the end of June 2014. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2014 are not available, and the Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and the presentation of its unaudited consolidated financial statements included in this Offering Circular, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements for the fiscal year ended 31 March 2014 included in this Offering Circular and the audited consolidated financial statements for the fiscal year ended 31 March 2014, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements for the fiscal year ended 31 March 2014 becoming available.

Per-Segment Data

In this Offering Circular, where figures for net sales are presented on a per-segment basis, such figures represent the net sales to outside customers, whereas where figures for operating income are presented on a per-segment basis, such figures represent the total operating income for such segment, without taking into account any inter-segment eliminations.

Construction of Certain References

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the “Companies Act”), the Company may issue new Shares to a Bondholder (as defined in the Conditions) and/or transfer Shares that it holds as treasury stock to a Bondholder, in each case upon exercise of a Stock Acquisition Right or upon

acquisition of the Bonds by the Company. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words “issue”, “issued”, “issuance” and “issuable” shall be construed accordingly. In addition, references to the word “acquired” used in conjunction with the Shares shall be read as including both the words “issued” and “transferred”, and the word “acquisition” shall be construed accordingly (other than where the references are to the acquisition of the Bonds pursuant to the Company’s option to acquire the Bonds under Condition 7.2 for the relevant Series).

In this Offering Circular, references to a “Representative Director” or a “Representative Member of the Board” are to a representative director of the Company, and references to a “Director” or a “Member of the Board” are to a director of the Company.

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”.

TORAY INDUSTRIES, INC.

The Group is one of the major diversified chemical manufacturers in the world, engaging in the research and development (“R&D”), manufacture, sale and provision of a wide range of chemical products and services. The Group’s operations are principally divided into six reportable segments:

- *Fibers & Textiles*, engaged in the development, manufacture and sale of nylon, polyester, acrylic and other synthetic fibers and textiles; non-woven fabrics; suede-texture artificial leather; and apparel products;
- *Plastics & Chemicals*, engaged in the development, manufacture and sale of nylon, ABS, PBT, PPS (each as defined in “Glossary”) and other resins and molded products; polyolefin foam; polyester, polypropylene, PPS and other films and other film products, raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; and veterinary medicine (excluding films and resins covered in IT-related Products);
- *IT-related Products*, engaged in the development, manufacture and sale of films and plastic products for information and telecommunications-related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; magnetic recording materials, graphic materials and related equipment;
- *Carbon Fiber Composite Materials*, engaged in the development, manufacture and sale of carbon fibers, carbon fiber composite materials and their molded products;
- *Environment & Engineering*, engaged in comprehensive engineering and the development, manufacture and sale of condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; and materials for housing, building and civil engineering; and
- *Life Science*, engaged in the development, manufacture and sale of pharmaceutical and medical devices.

As at 31 March 2014, the Company had 159 consolidated subsidiaries (of which 62 were domestic subsidiaries and 97 were overseas subsidiaries), 56 non-consolidated subsidiaries accounted for by the equity method (of which 27 were domestic subsidiaries and 29 were overseas subsidiaries) and 38 affiliates accounted for by the equity method (of which 13 were domestic affiliates and 25 were overseas affiliates). For the fiscal year ended 31 March 2014, the Group’s net sales, operating income and net income amounted to ¥1,837,778 million, ¥105,253 million and ¥59,608 million, respectively, and net sales to outside customers in Japan, China, Asia (other than China) and North America, Europe and other areas as a percentage of consolidated net sales amounted to 50.4 per cent, 16.6 per cent, 17.6 per cent and 15.4 per cent, respectively.

The Company’s registered head office is located at 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8666, 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 22 May 2014 was approximately ¥1,037,622 million.

THE OFFERING

Issuer	Toray Industries, Inc.
Securities Offered	<p>2019 Bonds: ¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2019 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>).</p> <p>2021 Bonds: ¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>).</p>
Issue Price	<p>2019 Bonds: 100.0 per cent</p> <p>2021 Bonds: 100.0 per cent</p>
Offer Price	<p>2019 Bonds: 102.5 per cent</p> <p>2021 Bonds: 102.5 per cent</p>
Closing Date	<p>On or about 9 June 2014 in respect of each Series</p> <p>The closings of the 2019 Bonds and the 2021 Bonds are conditional upon each other.</p>
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	<p>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 Agreement (as defined in “Subscription and Sale”) and ending on the date 180 calendar days after the Closing Date:</p> <ul style="list-style-type: none"> (i) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares; (ii) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale; (iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital

stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or

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

without the prior written consent of the 2019 Bonds Joint Lead Managers (on behalf of the 2019 Bonds Managers) (as defined in “Subscription and Sale”) (in the case of the 2019 Bonds) and the 2021 Bonds Joint Lead Managers (on behalf of the 2021 Bonds Managers) (as defined in “Subscription and Sale”) (in the case of the 2021 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 grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or other members of the Group, pursuant to its stock option plans, and the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants;
- (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder’s holding, when added to the Shares held by such holder, constitute one full unit of Shares;
- (d) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and
- (e) any other issue or sale of Shares required by the Japanese laws and regulations.

See “Subscription and Sale”.

Use of Proceeds The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥100 billion, and are expected to be used primarily as follows:

- (i) approximately ¥50 billion by the end of March 2015, for the Group’s capital expenditure including in respect of carbon fiber and prepreg facilities in Japan and the United States, facilities for films for IT-related products in Japan, and PPS resin facilities in South Korea;
- (ii) approximately ¥30 billion by the end of March 2015, for R&D expenses, principally in respect of Green Innovation Businesses and Life Innovation Businesses, which the Group considers to be its growth business fields; and
- (iii) approximately ¥20 billion by the end of July 2014, as funding for the repurchase of Shares by the Company with a view to enabling the Company to implement flexible capital policies that meet the changes in the business environment (see “Information Concerning the Shares—Proposed Share Repurchase by the Company”). To the extent such repurchase takes place prior to the Closing Date in respect of the Bonds, the Company intends to fund such repurchase through the

issuance of commercial paper, and to apply the amount referred to above in respect of the proceeds of the offering of the Bonds to repayment of such commercial paper. As the amount which the Company is able to repurchase its Shares is dependent on, among other things, market conditions, to the extent not all of the amount referred to above in respect of the proceeds of the offering of the Bonds is applied towards such repurchase, any balance will be applied towards repayment of interest-bearing liabilities.

Repurchase by the Company of

Shares

The Company announced on 22 May 2014 that it intends to repurchase up to 36 million Shares (approximately 2.21 per cent of the issued Shares (excluding treasury stock) as at 30 April 2014) at a maximum cost of ¥20 billion from the market in the period from and including 23 May 2014 to and including 31 July 2014. The Company has decided to repurchase such Shares in order to enable the implementation of flexible capital policies that meet the changes in the business environment.

The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to 31,446,000 Shares (approximately 1.93 per cent of the issued Shares (excluding treasury stock) as at 30 April 2014) at 8:45 a.m. (Tokyo time) on 23 May 2014 at the closing price of the Shares on the Tokyo Stock Exchange on 22 May 2014, through the off-market hour trading system of the Tokyo Stock Exchange for repurchase of its own shares by issuers at the Tokyo Stock Exchange's prior-day closing prices (the "ToSTNeT-3 system"). The result of such repurchase will be announced by the Company in Japan on 23 May 2014. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥20 billion and the maximum number of 36 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 31 July 2014. There can however be no assurance that any such repurchase will be proposed or effected.

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	2019 Bonds: ¥891 per Share 2021 Bonds: ¥827 per Share The above is subject to adjustment in certain events. See Condition 5 for the relevant Series.
Coupon	2019 Bonds: Zero 2021 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 23 June 2014 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 16 August 2019 (in the case of the 2019 Bonds) and 17 August 2021 (in the case of the 2021 Bonds) (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5 for the relevant Series. The Conditions for each Series provide, among other things, that Stock Acquisition Rights may not be exercised if the relevant Stock Acquisition Date (as defined in Condition 5.9.4 for the relevant Series) (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4 for the relevant Series).
Condition to the Exercise of Stock Acquisition Rights	Prior to (and including) 31 May 2019 (in the case of the 2019 Bonds) or prior to (and including) 31 May 2021 (in the case of the 2021 Bonds), and subject to the Conditions for the relevant Series, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price (as defined in Condition 3.1 for the relevant Series) of the Shares for 20 consecutive Trading Days (as defined in Condition 3.1 for the relevant Series) 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 for 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 for the relevant Series) and notified to the Bondholders in accordance with Condition 19 for the relevant Series, subject to adjustment in the manner provided in Condition 5.2 for the relevant Series. If this condition is satisfied, then the holder of the Bonds may (subject to the Conditions for 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 (or (in the case of the 2019 Bonds), in the case of the calendar quarter commencing on 1 April 2019, until 31 May 2019, or (in the case of the 2021 Bonds), in the case of the calendar quarter commencing on 1 April 2021, until 31 May 2021), provided the relevant Deposit Date (as defined in Condition 5.9.4 for the relevant Series) falls during the Exercise Period (as defined in Condition 5.1.4 for the relevant Series). The above conditions to the exercise of Stock Acquisition Rights shall not be applicable (i) if a notice of redemption is given pursuant to Condition 7.3, 7.4 (except in the case of any Bonds that relevant

Bondholders elect not to have redeemed), 7.5, 7.6 or 7.7 for the relevant Series; or (ii) if specified corporate events occur as set out in Condition 6 for the relevant Series; or (iii) during any period in which (a) any of the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) or, as the case may be, the rating assigned to the Bonds of the relevant Series (if rated) by Rating and Investment Information, Inc. or its successors (together, "R&I") is BBB- (or equivalent if the rating category is changed) or lower, (b) any of the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) or the rating assigned to the Bonds of the relevant Series (if ever so rated) is no longer assigned by R&I, or (c) any of the Company's long-term issue rating (or, where such rating is not available, the Company's issuer rating) or the rating assigned to the Bonds of the relevant Series (if ever so rated) by R&I has been suspended or withdrawn by R&I. See Conditions 5.1.6, 5.1.7, 5.1.8 and 5.1.9 for 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, 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 30 August 2019 in the case of the 2019 Bonds or on 31 August 2021 in the case of the 2021 Bonds.

Acquisition of the Bonds at the Option of the Company..... On or after 1 May 2019 (in the case of the 2019 Bonds), and on or after 1 May 2021 (in the case of the 2021 Bonds), the Company may (subject to certain conditions) give notice (which shall be irrevocable) to the Bondholders of the relevant Series to acquire from such Bondholders all, but not some only, of the Bonds of the relevant Series outstanding on the Acquisition Option Date (as defined in Condition 7.2.1 for the relevant Series). All such Bonds of the relevant Series shall be deemed to be so acquired by the Company (and each Bondholder will be bound to agree to such acquisition) in exchange for the following: (i) an amount equal to 100 per cent of the principal amount of the Bonds of the relevant Series payable on the Acquisition Option Date in cash, and (ii) the Acquisition Shares (as defined in Condition 7.2.1 for the relevant Series), if any, to be issued

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

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

The Company may, having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19 for the relevant Series, redeem all, but not some only, of the Bonds of the relevant Series then outstanding at 100 per cent of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the Bonds of such Series is less than 10 per cent of the aggregate principal amount of the Bonds of such Series as at the date of issue thereof. See Condition 7.3 for each Series.

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

If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders of each 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 22 May 2014, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19 for the relevant Series, redeem all, but not some only, of the Bonds of such Series then outstanding at 100 per cent of their principal amount. If, however, the outstanding principal amount of the Bonds of the relevant Series at the time of such notice of redemption is 10 per cent or more of the aggregate principal amount of the Bonds of such Series as at the date of issue thereof, the Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on the Bonds of such Series to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.4 for each 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 each 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.

See Condition 7.5 for each 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. See Condition 7.6 for each 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. See Condition 7.7 for each 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 each 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”)	2019 Bonds: XS1069938741 2021 Bonds: XS1069939392
Common Codes	2019 Bonds: 106993874 2021 Bonds: 106993939
Trustee	BNY Mellon Corporate Trustee Services Limited
Custodian	Sumitomo Mitsui Finance Dublin Limited
Principal Agent	Sumitomo Mitsui Banking Corporation Europe Limited
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Custodian’s Agent in Japan	Sumitomo Mitsui Banking Corporation

GLOSSARY

Set out below are definitions of some of the terms used in this Offering Circular.

ABS	Acrylonitrile butadiene styrene, a common thermoplastic resin with superior appearance and plasticity as well as balanced properties.
A-PET.....	Amorphous polyethylene terephthalate, a clear PET used extensively in beverage bottles and transparent packaging.
BCF nylon	Bulked continuous filament nylon, a durable and abrasion-resistant fabric material popularly used for carpet applications.
BDO	1,4-butanediol, an organic compound.
CNG	Compressed natural gas.
Fine chemicals.....	Complex chemical substances which are usually produced in small quantities for low-volume applications, and generally used for further processing within the chemical industry.
Large tow.....	Carbon fiber with 40,000 or more filaments, applied in applications such as wind turbine blades and reinforced plastics compounds, produced on a modified acrylic staple fiber production line for textiles.
LCD	Liquid crystal display.
LCM	Life cycle management.
LCP.....	Liquid crystal polymer, a high strength, high tensile-modulus engineering plastic with outstanding dimensional stability.
OLED	Organic light-emitting diode.
PBT.....	Polybutylene terephthalate, a thermoplastic engineering polymer with superior heat, weathering and chemical resistance.
PET	Polyethylene terephthalate.
PLA	Polylactic acid, a plant-based biodegradable plastic material.
PPS	Polyphenylene sulphide, a highly functional engineering plastic with superior heat, flame and chemical resistance.
Prepreg product	An intermediate material supplied in sheet form consisting of resin-impregnated carbon fiber.
Regular tow	Carbon fiber with 24,000 or fewer filaments, used for high-end applications such as aircraft which require high performance and quality, produced on specially designed equipment.
Zeolite.....	Microporous, aluminosilicate minerals commonly used as commercial adsorbents and catalysts.

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 Company and its Business

Effect of Economic and Market Conditions

As a supplier of basic materials to a broad range of industries, the Group is exposed to various factors that could cause a sharp drop in demand for its products. The Group relies on markets both in Japan and overseas, with net sales to outside customers in Japan accounting for 50.4 per cent of the Group's total net sales for the fiscal year ended 31 March 2014. As such, any economic decline in the Japanese economy as well as in China, other Asian markets, North America, Europe and other overseas areas involving a decline in consumer demand and/or corporate spending, will adversely impact the Group's business, financial condition and results of operations. Certain of the Group's major products are largely subject to rapid changes in market demand, which fluctuates in accordance with economic conditions, increased use of substitute materials, and changes to the purchasing policies of business partners in relation to their sales volumes and prices. In particular, the Group is a manufacturer of materials principally for the use in the manufacture by its customers of end-products such as automobiles, aircraft, IT-related products, electrical appliances and clothing, whose sales are significantly affected by economic and market conditions, as well as other factors affecting demand and costs such as foreign exchange rate fluctuations. Although there have been some signs of an economic recovery in Japan recently, the impact of the increase in consumption tax from 5 per cent to 8 per cent from April 2014 (and the further increase of such tax rate to 10 per cent planned over the next few years) on consumer spending and sentiment and the Japanese economy as a whole is uncertain. Other economic or political measures taken around the world, such as the tapering of the United States Federal Reserve System's bond buying program, may also affect regional and global economies. A downturn in the relevant markets of any principal end-product for which the Group's products are used may in turn result in a lower sales volume of the Group's products and a decline in its product prices. Such a downturn may also affect the financial condition of the Group's business counterparties, which may increase the actual or perceived credit risk to which the Group is exposed. Any decline in the sales of, or profits from, the Group's products, or any increase in credit losses suffered by the Group, due to any such factors may adversely affect the Group's results of operations and financial condition.

Risks Relating to Rising Prices of Fuel and Raw Materials

Prices and supply of petrochemical raw materials and fuel used by the Group can fluctuate significantly based on events outside the Group's control and is unpredictable. The price and supply of fuel may be affected by numerous factors including geopolitical developments, war and unrest in oil producing countries, sanctions imposed by governments such as the United States and the European Union, actions by OPEC and other oil and gas producers and environmental concerns. Supply and demand for oil and gas and regional production patterns are also factors that may influence the price and supply of fuel and energy. Although fuel prices have currently been remaining relatively high, there can be no assurance that a further significant or sustained increase in prices will not occur. Increases in energy prices, such as electricity, may also be instituted in certain circumstances, for example due to disasters experienced by electric utilities at their power generation plants. The Group may not always be able to pass the increased costs of production onto the selling price of its products in a timely manner or at all including lack of progress in shifting to high value-added products. Any such increase in the price of fuel and raw materials could increase the Group's cost of sales and may negatively affect the Group's profitability, and thereby adversely affect the Group's results of operations and financial condition.

Competition

For all of its wide range of products and the breadth of its international operations, the Group competes with various manufacturers around the world. The Group faces competition from many different types of competitors, from large international manufacturers of diversified chemical products to smaller, specialised manufacturers. Some of these competitors may have developed more advanced or alternative technology or have a greater ability to develop innovative new products or lower cost production processes, and thus may be able to compete for customers more effectively. Some competitors may also be more knowledgeable about local markets or have more powerful customer relationships or networks in those markets than the Group, enabling them to compete for customers more effectively. In addition, competitors in markets other than Japan may be able to take advantage of lower-cost structures to compete with the Group. Further, in addition to severe competition with

other existing competitors, the Group's various businesses also face the risk of new competitors entering the market. Any of these factors could lead to a decline in demand for, or falling prices of, the Group's products, and adversely affect the Group's ability to maintain or grow its revenue or profit margins, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

Technological Innovation

The Group operates in many business fields in which timely technological innovation and the introduction of new products and services are critically important to remain competitive. The Group faces many challenges in its attempt to develop and market viable and innovative new products and services, including predicting customer and market demands for new technologies and services, successfully developing new technologies and services in a timely and cost-effective manner, and intense competition. Such efforts may require substantial R&D costs and capital expenditure in advance of the sale and marketing of such products and services; in addition, recruitment and retention of suitable R&D personnel are essential. If the Group fails to keep pace with technological advances and develop innovative new products and services that meet customer and/or market demands in a timely manner (whether through lack of suitable resources or otherwise), it may lose its market share in existing markets and may not be able to successfully compete in new markets, which could adversely affect its business, results of operations and financial condition.

Risks Associated with Capital Expenditures, Joint Ventures, Alliances and Acquisitions

The Group's capital expenditures are directed at a wide range of business fields. The Group is also engaged in various joint ventures and alliances and may, when suitable opportunities arise, engage in further or new business acquisitions, capital participations, tie-ups, joint ventures and strategic alliances with other companies. The Group will consider the potential for profitability and return on investment when seeking such opportunities or when involved in capital expenditure projects. However, the results of such capital expenditures and the performance of any such acquisitions, joint ventures and alliances can be uncertain and the outcome may not be consistent with expectations, due to factors such as unforeseen market changes and sudden changes in the operating environment. Further, results of acquisitions, capital participations, tie-ups, joint ventures and 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 shareholders or participants. Moreover, the Group may encounter difficulties if its business goals and strategic objectives diverge from those of its joint venture or alliance partners, some of which may be its competitors, or if its joint venture or alliance partners no longer consider such ventures or alliances attractive. The financial condition of the Group's alliance partners may also deteriorate. There can be no assurance that capital expenditure projects, business acquisitions, capital participations, tie-ups, joint ventures and 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 tie-ups, alliances or other relationships. If the Group fails to successfully manage any acquired business, or otherwise fails to achieve the intended results of such activities, the Group could suffer impairment losses on fixed assets or equity in losses of subsidiaries and affiliates accounted for by the equity method, and the Group's business, results of operations and financial condition may be adversely affected.

Risks Inherent in Overseas Operations

The Group conducts its businesses and manufactures and markets its products and services around the world. Accordingly, the Group's businesses are subject to risks associated with conducting businesses internationally. In the fiscal year ended 31 March 2014, 49.6 per cent of the Group's net sales to outside customers were attributable to sales to overseas customers. The Group intends to expand its overseas presence, in order to grow its business strategically and strengthen its earning base. Consequently, the Group is exposed to a number of risks including the following, which may have a negative impact on the Group's results of operations and financial condition:

- economic slowdown or downturn in the relevant industries in foreign markets;
- exposure to different legal and regulatory standards and unexpected changes in or imposition of new legislative or regulatory requirements including taxation (including transfer pricing issues or impositions or increases of withholding and other taxes on remittances and other payments by the Company's overseas subsidiaries and affiliates);

- trade restrictions or changes in tariffs;
- political and economic instability or slowdown and social or other turmoil;
- terrorism, war, natural disasters, adverse weather conditions, epidemics or other uncontrollable factors;
- changes in the political and/or economic relationship between Japan and the countries and regions in which the Group operates or between such overseas countries and regions;
- impositions or increases of investment and other restrictions by foreign governments;
- significant increases in labour costs and wage inflation;
- labour disputes, industrial action, general strikes or other disruptions in working conditions;
- unexpected events and accidents caused in particular by less developed infrastructure (such as power failures);
- difficulties associated with managing local personnel and operations, including supervision, monitoring and management control, due to, among other factors, cultural differences; and
- relatively limited protection for intellectual property rights in some countries.

In addition, establishing overseas development and manufacturing operations may require significant and long-term financial investments before the Group can realise returns from such operations, if any. This may cause expenses to grow faster than revenues, while increasing the Group's exposure to overseas expansion risks. Any or all of these risks, individually or in the aggregate, may result in adverse effects on the Group's business, results of operations and financial condition.

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

Product Liability and Reputational Risk

The Group's approach to quality control of its products is underpinned by its fundamental policy to manufacture and offer products with the aim of ensuring the highest level of customer satisfaction in the industry. The Group has put in place a quality assurance system in line with this policy and formulated its own regulations on product safety with a view to further ensuring the safety and high quality of its products. However, in the event that the Group delivers, or is alleged to have delivered, a defective product, the Group may incur costs in remedying the defect or compensating for damage suffered by its customers or other persons or in order to defend itself in legal proceedings. In addition, there can be no assurance that the Group's pharmaceutical products will not become subject to previously unknown safety or efficacy concerns, which could lead to potential product liability claims from users. Although the Group takes precautions by way of insurance coverage to provide compensation for product liability claims, all losses caused to the Group by product defects may not be fully covered by such insurance and the cost of compensation may be high. In the event that any defects are found or alleged to be found in any of the Group's products, the Group's reputation could be negatively affected. Any and all of the above may have a material adverse impact on the Group's results of operations and financial condition.

Large-Scale Supply Contracts

The Group manufactures and supplies products to its customers that mostly use the Group's products as materials and components for their products. The Group has outstanding large-scale supply contracts under which it is required to supply and deliver to its customers by a prescribed date a large volume of its products that are manufactured strictly in accordance with complex specifications. If the Group fails to supply its products as required under such contracts, due to a shortage of its production capacity or raw materials or technical problems or for any other reason, it may be held liable to pay a significant amount of damages and costs incurred by its customers. The potential damages and costs of such default may become higher where the Group is supplying the customer on an exclusive basis, such as the supply agreements the Group has entered into with The Boeing Company ("Boeing") in relation to carbon fiber composite materials. In addition, the Group may be subject to further liability in cases where, due to its failure to supply, its customers defaulted under their contracts with other parties and became liable for compensation for such default to their customers. Furthermore, while such

large-scale supply contracts require the Group to utilise a large amount of its resources (including capital expenditure for its production facilities and personnel expenses), there can be no assurance that such contracts will not be cancelled by the other parties or that the other parties will not default in payments for the Group's supply. Any such event may materially adversely affect the Group's results of operations and financial condition.

Moreover, certain of the Group's customers purchase a significant proportion of certain of the Group's products, and the loss of such customers, whether through deterioration in relationships, their preference to purchase the Group's competitors' products, increased competition in such customers' industries or external factors, may adversely affect the Group's business, result of operations and financial condition.

Management Program and Strategies

The Group is currently pursuing its new Medium-term Management Program "Project AP-G 2016" (covering the period from 1 April 2014 to 31 March 2017), under which the Group aims to implement its growth strategy through innovation and proactive management, with a view to achieving its long-term corporate vision "AP-Growth TORAY 2020", of becoming a corporate group capable of continually increasing revenues and profits, while also proactively contributing to social development and environmental stewardship and providing high value to all stakeholders (see "Business—Strategy"). The successful implementation of the Group's management program and strategies and the attainment of its corporate vision is subject to various internal and external factors, including general economic and market conditions in which the Group operates, the level of competition, demand for the Group's products as well as those of its customers and the development of markets which the Group is targeting. There can be no assurance that the Group's management program and strategies will be implemented successfully, that the implementation of the management program or strategies will have its intended effect, that the assumptions underlying the plan will not differ from actual figures, that targets (whether quantitative or qualitative, and whether in the long term or short term) set by the Group (in the business plan or elsewhere) will be met in time or at all, or that such targets and aims will not be changed in future by the Company's management.

Risks Relating to Hiring and Retention of Personnel

The Group's success largely depends on its ability to attract and retain highly skilled employees, including research scientists and other technical personnel with advanced knowledge and skills in the Group's business fields. The Group also requires large numbers of talented management personnel with the ability to manage high technology businesses that compete 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. Further, the Group's ability to meet its labour needs, including its ability to find qualified personnel to fill positions that become vacant at the same time as 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.

Intellectual Property

The Group's businesses operate in high technology and other environments in which its success depends in part upon obtaining patents and other intellectual property rights, as well as licences to use them, in relevant jurisdictions covering products, product designs and manufacturing processes. If the Group fails to protect, maintain or obtain such rights or licences, its performance and ability to compete may be adversely affected. Even if the Group is successful in protecting its intellectual property rights, these rights may not provide it with significant competitive advantages as rapid changes in technologies in the businesses in which the Group operates may make such intellectual property rights obsolete. Although the Group has in place a program under which employees are compensated for any valuable intellectual property rights arising out of any inventions developed by them during the course of their employment by the Group, it is possible that the Group may become the subject of claims and legal actions by employees alleging inadequate compensation in respect of such inventions, which may lead to the Group incurring significant additional expenses.

Additionally, because of the complexity and variety of intellectual property laws and regulations, as well as of the products themselves and the rights of intellectual property holders, the Group may unintentionally infringe upon the intellectual property rights of others in the course of its business activities. This could result in financial and reputational damage to the Group.

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 the Group's business. Although the Group strives to ensure that the Group complies with all laws, regulations and societal norms, there is a risk that the Group's domestic or overseas businesses could be the target of lawsuits, administrative measures or other action. Due to the inherent uncertainty of disputes or litigation, it is possible that the Group may incur liabilities as a consequence of the proceedings and claims brought against it which may have a negative impact on its reputation and/or have a material adverse effect on the Group's business, results of operations and financial condition.

Laws and Regulations

The Group's business activities are subject to the legal and regulatory regimes of each country where the Group operates, relating to corporate governance and compliance, protection of personal information, trade, antitrust, intellectual property, product liability, environment and recycling as well as governmental permits for conducting business and making investments, taxation, laws and regulations relating to national security between nations and export/import restrictions due to national security. Although the Group has in place internal control and compliance systems for the purpose of complying with such laws and regulations, there can be no assurance that such systems, and other efforts by the Group to promote compliance, will always succeed in ensuring compliance or in preventing deliberate misconduct by employees. Any violation or alleged violation of the relevant regulations could result in a mandatory suspension from certain business activities or fines and could also harm the Group's reputation, as well as materially adversely affect the Group's results of operations and financial condition. For example, in 2009 the Company and one of its subsidiaries were subjected to a cease and desist order (and such subsidiary served with a penalty or fine) by the Japan Fair Trade Commission for suspected price fixing activities in relation to cross-linked polyethylene foam.

In addition, the regulatory environment in which the Group operates is subject to change and such change may lead to the Group's activities being restricted or the Group having to bear increased compliance costs. The Group's costs and its business generally may be adversely affected as a result of new or revised laws or regulations or by changes in the interpretation or enforcement of existing laws and regulations. Any of these factors could have a materially adverse effect on the Group's business, results of operations and financial condition.

Further, the Group's manufacture and sale of pharmaceutical products are subject to governmental regulations mandating price controls; for example, in Japan, a manufacturer of pharmaceutical products must have its products listed in the pharmaceutical price list established by the Japanese government, the National Health Insurance ("NHI") pharmaceutical price list, if it wishes its products to be used under the public medical insurance system. Prices on this NHI pharmaceutical price list are subject to revision, generally once every two years, on the basis of the actual prices at which the pharmaceutical products are purchased by medical institutions in Japan, and prices of products on such list have generally been reduced in recent years. Any reduction in the prices of the Group's pharmaceutical products may adversely affect the revenues and profits derived from such products, and the Group's financial condition and results of operations may be adversely affected as a consequence.

Hazardous Substances

The Group uses a variety of materials and chemicals in its manufacturing activities. Although the Group takes measures, such as regular inspection of equipment and investigation of emissions at manufacturing facilities and providing its employees with a variety of educational programs with regard to safety, accident prevention and environmental measures, to reduce the risk of emission of hazardous substances, in the event that any of these substances or waste emissions arising out of the Group's manufacturing activities prove to be toxic, the Group may be liable for increased costs for health-related claims or removal or retreatment of such substances. In relation to the production activities in all segments of the Group, there are risks such as operational hazards and unforeseen interruptions caused by events beyond the Group's control, including accidents, the breakdown or failure of equipment or processes, and the consequent emission of toxic substances and waste.

These events may result in injury or loss of life and extensive property or environmental damage. Liabilities incurred in relation to, and interruptions in operation caused by, these events or the handling of hazardous substances have the potential to materially adversely affect the Group's results of operations and financial condition.

Risks Relating to the Environment

The Group's operations, in particular manufacturing processes, are subject to a wide range of environmental laws and regulations in the countries in which the Group conducts such operations since they involve the use of materials such as chemicals, the use, storage, discharge and disposal of which are heavily regulated. The Group is also subject to a number of laws, regulations and industry standards in relation to energy and resource conservation, recycling, global warming, pollution prevention, and environmental health and safety. Environmental regulations may become more stringent over time. 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 to continue to comply with applicable environmental laws could be significant, which would increase the Group's cost of production and materially and adversely affect the Group's business, results of operations and financial condition.

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, floods, hurricanes 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) or accidents (whether due to human or equipment error) could damage, cause operational interruptions or otherwise adversely affect any of the Group's manufacturing or other facilities. The Group prioritises safety, disaster prevention and environmental conservation and takes measures, including regular inspections of its facilities, to reduce the possibility of accidents and to reduce the impact of natural disasters and other events outside the Group's control. In addition, in respect of certain of its products, the Group maintains multiple manufacturing locations in order to reduce the Group-wide impact of such events. However, there can be no assurance that such measures will be effective in preventing any major loss in such cases. In the event of a major natural disaster or other uncontrollable event or accident, the Group's facilities, particularly its production plants and R&D facilities, may experience catastrophic losses, operations at such production sites may be halted, shipments of products may be suspended or delayed, large losses and expenses to repair or replace such facilities may be incurred, significant reductions or losses of revenues may be experienced, or other problems (such as problems relating to the Group's information network) may be caused to the Group's operations. The Group has insurance policies to cover certain potential losses at its production facilities. However, these insurance policies do not cover all types and amounts of possible losses and expenses at all facilities, and even if the relevant risks were covered, such policies may not be adequate to compensate for all losses and expenses. In particular, the Group's earthquake insurance coverage is limited in scope; moreover, since the Great East Japan Earthquake in 2011, premiums for obtaining earthquake insurance have been on an increasing trend, increasing the Group's costs in relation thereto. Furthermore, the Group's business may also be adversely affected if the Group's suppliers or customers, or the distribution systems used by the Group or its suppliers, were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events. Any such factors may materially adversely affect the Group's business, financial condition and results of operations.

Risks Associated with Information Technology Systems

The Group relies on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including confidential data, and to carry out and support a variety of business activities, including manufacturing, research and development, supply chain management, sales and accounting. The Group has put in place technology security initiatives and disaster recovery plans in respect of its information technology networks and systems. However, these measures may not fully insulate it from systems breaches and technology disruptions, and attacks by hackers or computer viruses, wrongful or careless use of systems, power cuts, accidents, disasters or other factors could undermine the defences established by the Group and disrupt business continuity, which could not only risk leakage or tampering of information but could also result in a legal claim, litigation, liability for damages or an obligation to pay fines as well as in substantial remedial costs being incurred. If this were to occur, the Group's reputation, business, financial conditions and results of operation may be adversely affected.

Funding and Interest Rates

The industries in which the Group operates are characterised by high capital expenditures and R&D costs. The Group has a substantial amount of interest-bearing liabilities (consisting of short-term bank loans, commercial paper, long-term debt (consisting of bonds and long-term bank loans, including current portion) and lease obligations), denominated primarily in yen. As at 31 March 2014, the Group's interest-bearing liabilities amounted to ¥654,163 million, with a substantial portion thereof being floating rate interest obligations. Prevailing interest rates, whether for yen or other 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. Further, any negative movements in any credit ratings obtained by the Company (whether due to factors relating to the Group or due to changes in the relevant rating agency's policies) may increase the Group's funding or refinancing costs, in particular, where the Group is involved in obtaining debt funding through the capital markets such as by issuing commercial paper or corporate bonds. Any such factors may adversely affect the Group's results of operations and financial condition.

Foreign Exchange Risk

The Group operates in many parts of the world and, as a result, is affected by fluctuations in foreign exchange rates. The Group's results of operations may be negatively affected by appreciation of the yen against the US dollar and/or the euro. Further, as a result of translating the foreign currency financial statements of the Company's foreign subsidiaries into yen, the Group's results of operations and financial condition, including items such as assets, liabilities, net sales and expenses, may also fluctuate in accordance with foreign exchange rate fluctuations. The Group engages in foreign exchange hedging activities by entering into foreign exchange forward contracts and through currency options and through measures to reduce foreign exchange risks, such as through counterbalancing foreign currency obligations. However, exchange rate fluctuations may exceed the Group's expectations, and there can be no assurance that such hedging activities or measures will effectively limit the impact of movements in exchange rates on the Group's results of operations. 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.

Employees' Retirement Benefit Obligations and Deferred Tax Assets

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 or a decline in the expected rate of return on plan assets. In addition, the Group may be required to recognise expenses related to the recognition of previously unrecognised service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded retirement benefit obligations and the resulting annual amortisation expense. Further, changes in accounting standards and guidance relating to retirement benefits may also affect the Group's results of operations, financial condition and net 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 and other factors.

Impairment Losses or Unrealised Losses in Relation to Long-lived Assets (including Goodwill) and Investment Securities

The Group has a substantial amount of long-lived assets including property, plant and equipment and goodwill recognised upon mergers and acquisitions effected by the Group. The long-lived assets are reviewed for impairment and whenever events or changes in circumstances indicate that the carrying amount 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 stocks of its business counterparties. 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.

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 unaudited consolidated financial statements in respect of the fiscal year ended 31 March 2014 (with comparative information in respect of the fiscal year ended 31 March 2013), which have not been audited by the Company's independent auditors and which consists of a summary English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2014. This information is unaudited and there can be no assurance that such unaudited financial information will accord in all respects with the audited financial statements which are currently being prepared by the Group and will be published towards the end of June 2014.

As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2014 are not available. The Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and to the presentation of its unaudited consolidated financial statements as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements for the fiscal year ended 31 March 2014 included in this Offering Circular and the audited consolidated financial statements for the fiscal year ended 31 March 2014, including corrections of any inaccuracies.

Considerations Relating to the Bonds and the Shares

Limitations on the Timing of Exercise of Stock Acquisition Rights

Since the coming into effect of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act") in January 2009, under the current rules and practices of the Japan Securities Depository Center, Inc. ("JASDEC"), delivery of the Shares to the Bondholders after the Stock Acquisition Date will take at least three business days. In order to avoid any JASDEC system processing errors around the record dates, the Stock Acquisition Rights have been designed under Condition 5.1.4 for each Series so that they may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this Offering Circular, 31 March and 30 September in each year).

No Cash Amounts in respect of Non-unit Shares

Since the coming into effect of the Book-Entry Act, making it possible for listed shares of Japanese companies comprising less than one whole unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one whole unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one whole unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect, but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 1,000 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the Companies Act, the rules of the JASDEC book-

entry transfer system, the Company's Articles of Incorporation and the Company's Share Handling Regulations if they would like the Company to do so. The rights of holders of Shares not constituting one whole unit are limited under the Company's Articles of Incorporation, and may not be tradable on the stock exchanges on which they are listed. See "Description of the Shares and Certain Regulations—Unit Share System".

Limitations on Anti-dilution Protection for Bondholders

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

Trading Market for the Bonds

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

Market Price of the Bonds

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

Repurchase of Shares by the Company

The Company announced on 22 May 2014 that it intends to repurchase up to 36 million Shares (approximately 2.21 per cent of the issued Shares (excluding treasury stock) as at 30 April 2014) at a maximum cost of ¥20 billion from the market in the period from and including 23 May 2014 to and including 31 July 2014. The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to 31,446,000 Shares (approximately 1.93 per cent of the issued Shares (excluding treasury stock) as at 30 April 2014) at 8:45 a.m. (Tokyo time) on 23 May 2014 at the closing price of the Shares on the Tokyo Stock Exchange on 22 May 2014, through the ToSTNeT-3 system. The result of such repurchase will be announced by the Company in Japan on 23 May 2014. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥20 billion and the maximum number of 36 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 31 July 2014. There can however be no assurance that any such repurchase will be proposed or effected.

The Company does not undertake to review or revise this Offering Circular to reflect any repurchase of Shares (or lack thereof) as referred to above. See "Information Concerning the Shares—Proposed Share Repurchase by the Company". Even if the Company is able to successfully repurchase its Shares as originally planned, it will result in decreased shareholders' equity and increased cash outflow through financial activities. Although the Company believes such changes will not materially affect its creditworthiness, there can be no assurance that rating agencies, banks, other financial institutions or investors will view any share repurchase similarly, which may have a negative impact on its credit rating, financing, share prices or investor relations.

Potential Reporting Requirements in Connection with the Exercise of Stock Acquisition Rights

As the Group is engaged in the manufacture of carbon fiber used in certain specified products such as aerospace applications, which is designated in the Foreign Exchange and Foreign Trade Act of Japan (Act

No. 228 of 1949, as amended) and regulations promulgated thereunder, in the event a foreign investor acquires Shares (including Shares to be issued upon exercise of Stock Acquisition Rights or upon acquisition of the Bonds by the Company) and as a result of such acquisition the number of Shares directly or indirectly held by such foreign investor amounts to 10 per cent or more of the Company's total issued Shares, such foreign investor will be required to file a prior notification with the Minister of Finance of Japan and other competent ministers concerning the relevant designated businesses of the Company pursuant to such Act. See "Japanese Foreign Exchange Regulations".

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, the impact of economic and market conditions in the countries and regions in which the Group operates; downward pressure on prices of the Group's products due to increasing competition; demand for, and competition in, the Group's products; changes in fuel and raw material prices; the Group's ability to develop and offer innovative and advanced products; unexpected product or other liabilities arising in respect of the Group's products; unexpected adverse developments in the Group's large-scale supply contracts or in its overseas businesses; regulatory and environmental issues; fluctuations in interest rates, foreign exchange rates and values of the Group's assets; natural disasters and accidents; and disputes over intellectual property. 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 2019 BONDS

The following terms and conditions (the “Conditions”) of the 2019 Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2019 (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 Toray Industries, Inc. (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 9 June 2014 made between the Company and BNY Mellon Corporate Trustee Services Limited (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 9 June 2014 relating to the Bonds among, *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 One Canada Square, London E14 5AL, United Kingdom, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the “Agents” shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (but excluding the Registrar).

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

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

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) (the “Issue Price”) is 100.0 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” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

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

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in the Bonds represented by the 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, the Registrar 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 signed and any other evidence as the relevant Agent or the Registrar (as the case may be) 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 by the Principal Agent or the Registrar during its respective normal business hours to any Bondholder upon prior written request.

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

1.4.3 *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within five Transfer Business Days 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 Registrar 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 upon (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 given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn), or (iv) after a notice of redemption has been given pursuant to Condition 7.3 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 according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

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

- (a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and
- (b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

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

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

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

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

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

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

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

“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;

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

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

“Book-Entry Act” means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

“Business Day” has the meaning provided in Condition 8.3;

“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 9 June 2014;

“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;

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

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

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

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

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

“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 Sumitomo Mitsui Finance Dublin Limited at its specified office at La Touche House, I.F.S.C., Custom House Docks, Dublin 1, Ireland 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 Sumitomo Mitsui Banking Corporation at its specified office at 2-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, 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;

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

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

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

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

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

“Extraordinary Resolution” means a resolution passed at a meeting of the Bondholders duly convened 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;

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

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

“Holding Company” has the meaning provided in the definition of Holding Company Event;

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

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

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

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

“Listing” has the meaning provided in Condition 6.4.2;

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

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

“New Obligor” has the meaning provided in Condition 6.1;

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

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

“New Territory” has the meaning provided in Condition 12.2;

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

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

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

“Offeror” has the meaning provided in Condition 7.6.1;

“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" has the meaning provided in Condition 5.1.7;

"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, Inc. 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, Inc., 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 Event" 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” has the meaning provided in Condition 5.1.4;

“Trading Day” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price is furnished as provided in the definition of Closing Price;

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

“VWAP” has the meaning provided in Condition 7.2.1; and

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

3.2 ***Construction of Certain References***

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

Except where the context requires otherwise, references to the “issue” of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words “issue”, “issued” and “issuable” shall be construed accordingly), and references in these Conditions to the word “acquire” used in conjunction with the Shares shall be read as including both the words “issue” and “transfer”, and the words “acquired” and “acquisition” shall be construed accordingly (other than where the references are to the acquisition of the Bonds pursuant to Condition 7.2). References to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Inc.’s system. The words “substitution” and “grant” used in relation to the exchange of the Company’s obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

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

4. **Default Interest**

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

5. Exercise of Stock Acquisition Rights

5.1 Conversion Price, Exercise Period, Shares Issuable and Procedure

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

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

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

As at the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 1,000 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 ¥891 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period:* Each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, 23 June 2014 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 16 August 2019, or:

- (i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3 or 7.4 or if the Bonds shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed); or
- (ii) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled by the Company pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled; or
- (iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.8, then up to the time when such Bond is so cancelled; or
- (iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after 16 August 2019;
- (b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company

reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7);

- (c) in the case of acquisition pursuant to Condition 7.2, the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date; and
- (d) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law and regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(d) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

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

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

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

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

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

So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give notice to the Trustee 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 business days prior to the commencement of such Shareholder Determination Date Restriction Period (provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect); “business day” in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September. By way of example, in respect of the Record Date falling on 30 September 2014, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 26 September 2014 to (and including) 30 September 2014.

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

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

5.1.6 *Condition to Conversion:* Prior to (and including) 31 May 2019, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter, as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2. If this condition is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter (or, in the case of the calendar quarter commencing on 1 April 2019, until 31 May 2019), provided the relevant Deposit Date falls during the Exercise Period.

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

5.1.7 *Conditions to Conversion – Ratings Requirements:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6 shall not be applicable during any period in which (i) any of the Company’s long-term issue rating (or, where such rating is not available, the Company’s issuer rating) or, as the case may be, the rating assigned to the Bonds (if rated) by Rating and Investment Information, Inc. or its successors (together, “R&I”) is BBB– (or equivalent if the rating category is changed) or lower, (ii) any of the Company’s long-term issue rating (or, where such rating is not available, the Company’s issuer rating) or the rating assigned to the Bonds (if ever so rated) is no longer assigned by R&I, or (iii) any of the Company’s long-term issue rating (or, where such rating is not available, the Company’s issuer rating) or the rating assigned to the Bonds (if ever so rated) 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 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 the occurrence of any Corporate Event, subject to the suspension by the Company as referred to in Condition 5.1.4(b), the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6 shall not be applicable during the period from (and including) the date upon which the Company is first required to give notice to the Bondholders in accordance with Condition 6.2 to (and including) the relevant Corporate Event Effective Date.

5.2 *Adjustments of the Conversion Price*

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

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

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

- (i) the Record Date for the issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or
- (ii) the last date (in the place of issue) of the period during which payment may be made for 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:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, 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 ¥112,230.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥10.

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

- 5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities:* if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds and bonds with stock acquisition rights due 2021 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:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

- n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

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

5.2.6 *Issue of Shares:* if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.
- n = the number of Shares being issued or transferred as aforesaid.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

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

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities:* if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights and the stock acquisition rights incorporated in bonds with stock acquisition rights due 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:

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

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.11) 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:

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

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.11) 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 as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;
- 5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and
- 5.2.15 *Adjustment during the Relevant Period*: for the purposes of Condition 5.1.6, if the Conversion Price in effect on the last Trading Day of the period of 20 consecutive Trading Days referred to therein (the “Relevant Period”) reflects any adjustment which has become effective pursuant to this Condition 5.2 during the Relevant Period, then the Closing Price of the Shares for each Trading Day which occurs during the Relevant Period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment.

5.3 *Retroactive Adjustments*

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

5.4 *Limitation on Reduction of Conversion Price*

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

5.5 *Employee Share Schemes*

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

5.6 *Minimum Adjustments*

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

5.7 *Calculations*

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified herein, 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. None of the Trustee, the Registrar, the Principal Agent or the other Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made and will not be responsible or liable in any respect to Bondholders for any loss arising from any failure by it to do so.

5.8 *Notification of Adjustments*

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

5.9 *Procedure for Conversion*

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

5.9.2 *Custodian and Custodian's Agent:* The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Sumitomo Mitsui Banking Corporation 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 pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Agent will not be bound to make any payments until the Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the Agent have been made. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the

relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the Agent disclosing otherwise confidential information for the purposes of the Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

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

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

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

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

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

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

- (i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and
- (ii) as soon as practicable, the Company shall deliver to the Custodian's Agent, securities (other than Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:
 - (a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or
 - (b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

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

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

6. **Certain Corporate Events**

6.1 ***Corporate Events***

In the case of a proposal for:

- (i) any Merger Event; or
- (ii) any Asset Transfer Event; or
- (iii) any Corporate Split Event; or
- (iv) any Holding Company Event; or

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

the following provisions of this Condition 6 shall apply.

6.2 *Notice of Proposal*

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

6.3 *Notice of Passing of Resolution*

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

6.4 *Transfer of Obligations Following a Corporate Event*

6.4.1 *Transfer:* If a Corporate Event occurs and

- (i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;
- (ii) a practical structure for such substitution and grant has been or can be established; and
- (iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

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

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

- 6.4.3 *Condition:* The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(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 shall be subject to conditions substantially the same as those described in Conditions 5.1.6 to 5.1.9;
- 6.5.7 *Acquisition at the Option of the New Obligor:* The New Stock Acquisition Rights together with the Bonds may be acquired by the New Obligor substantially in the same manner as described in Condition 7.2;
- 6.5.8 *Amount of Stated Capital and Additional Paid-in Capital:* As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the “maximum capital and other increase amount” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and
- 6.5.9 *Others:* Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

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

6.7 ***Subsequent Corporate Events***

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

7. **Redemption, Acquisition, Purchase and Cancellation**

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, 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 30 August 2019. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 *Acquisition at the Option of the Company*

7.2.1 *Acquisition Notice*: On or after 1 May 2019, 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 the date (the “Acquisition Option Date”) fixed for such acquisition in the Acquisition Notice (being not less than 60 and not more than 75 days after the date of the Acquisition Notice) and all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date (which, in the context of the Companies Act, is based on Item (vii) of Paragraph 1 of Article 236 of the Companies Act). 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 the Bonds (including the Stock Acquisition Rights) acquired by the Company:

- (i) pay in the same manner as provided in Condition 8 in cash, an amount equal to 100 per cent of the principal amount of the Bonds on the Acquisition Option Date; 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.

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.

In these Conditions:

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

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

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

“Average VWAP per Share” means the average of the Volume Weighted Average Prices (“VWAP”) of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during the Relevant VWAP Period. If on any Trading Day, VWAP of the Shares is not reported by, nor otherwise available from, the Relevant Stock Exchange, or VWAP reported by the Relevant Stock Exchange is manifestly incorrect, the average trading prices of the Shares using a volume weighted method on the Relevant Stock Exchange on such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company in its sole discretion (acting in a commercially reasonable manner) shall be deemed to be VWAP on such Trading Day. 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;

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

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

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 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 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 Company shall deliver or cause to be delivered all the Acquisition Shares deliverable with respect to all such Bonds without Share Settlement Notice to the Custodian’s Agent on behalf of the Custodian on or as soon as practicable after the Acquisition Option Date whereupon all such Acquisition Shares shall be deemed to be delivered and paid to the relevant Bondholders;
- (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 appoint an independent investment bank, securities company, financial institution, broker, accountancy firm or consultancy firm of established repute to advise the Custodian as to the manner and/or timing of any such sale (or on such other matters as the Custodian shall deem appropriate in connection therewith) and shall be entitled to act, without liability, 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 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, the 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 date of the Acquisition Notice to and including the Acquisition Option Date.

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

7.4 *Redemption for Taxation Reasons*

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 May 2014, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent or more of the aggregate principal amount of the Bonds as at 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 give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.5 (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 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.

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 16 August 2019, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)														
	50.00	60.00	70.00	80.00	90.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00
9 June 2014	97.67	99.43	102.06	105.60	110.04	115.32	121.36	128.11	135.50	143.46	151.93	160.87	170.24	180.00	190.00
9 June 2015	97.90	99.33	101.65	104.93	109.19	114.37	120.40	127.19	134.68	142.77	151.41	160.53	170.07	180.00	190.00
9 June 2016	97.89	98.95	100.87	103.82	107.85	112.93	118.98	125.89	133.56	141.89	150.79	160.17	170.00	180.00	190.00
9 June 2017	98.18	98.78	100.16	102.58	106.24	111.15	117.22	124.31	132.27	140.95	150.23	160.00	170.00	180.00	190.00
9 June 2018	98.78	98.93	99.52	101.03	103.94	108.49	114.65	122.16	130.75	140.10	150.00	160.00	170.00	180.00	190.00
16 August 2019	100.00	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00

In the above table:

“Reference Parity” means:

- (i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and
- (ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:
- (a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act; or
- (b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

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

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

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

- (y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and
- (z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, 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 190.00 per cent, the Corporate Event Redemption Price shall be 190.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 17 August 2019 to (and including) 29 August 2019, the Corporate Event Redemption Price shall be 100.00 per cent.

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

7.6.2 ***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 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 give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date of the acquisition of the Shares with respect to the Squeezeout Event).
- "Squeezeout Event" means 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.

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 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 and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.9 *Cancellation*

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

7.10 *Notice of Redemption*

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.3 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, is 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***

Other than in such cases as specifically stated herein (if any), the Trustee, 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, and shall have no responsibility to verify or monitor such calculation.

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 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 Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days’ written notice to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents or Registrar (as the case may be), provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee and (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 Business Days***

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following 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. “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;
- (ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as at the expiry of such 30-day period;
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4.

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.

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 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 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 premium, if any, and default interest) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

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

- 11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;
- 11.1.2 *Transfers*: not close its register of shareholders or take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;
- 11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;
- 11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company with the prior written approval of the Trustee 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*), or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition of Shares pursuant to 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 Principal Agent, the other Agents, the Registrar, 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 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 directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

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

12.2 *Substitution under a Corporate Event*

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

- (i) under such supplemental trust deed, the New Obligor agrees, in form, 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 making this determination, the Company shall consult with 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***

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

14. ***Replacement of Certificates***

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar 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 or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. ***Meetings of Bondholders; Modification and Waiver***

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent in principal amount of the Bonds for the time being outstanding, or

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

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these 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. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

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 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 (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not

have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 Authority to the Trustee

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

16. Enforcement

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

17. Indemnification of the Trustee

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

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

18. Independent Financial Adviser

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

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

19. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not (in the opinion of the Trustee) practicable, notices will be given in such other 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 Law Debenture Corporate Services Limited, whose office is at present at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

TERMS AND CONDITIONS OF THE 2021 BONDS

The following terms and conditions (the “Conditions”) of the 2021 Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights, *tenkanshasaigata shrinkabu yoyakuen-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 Toray Industries, Inc. (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 9 June 2014 made between the Company and BNY Mellon Corporate Trustee Services Limited (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 yoyakuen*) (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 9 June 2014 relating to the Bonds among, *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 One Canada Square, London E14 5AL, United Kingdom, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the “Agents” shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (but excluding the Registrar).

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

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

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) (the “Issue Price”) is 100.0 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” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

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

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in the Bonds represented by the 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, the Registrar 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 signed and any other evidence as the relevant Agent or the Registrar (as the case may be) 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 by the Principal Agent or the Registrar during its respective normal business hours to any Bondholder upon prior written request.

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

1.4.3 *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within five Transfer Business Days 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 Registrar 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 upon (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 given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn), or (iv) after a notice of redemption has been given pursuant to Condition 7.3 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 according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

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

- (a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and
- (b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

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

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

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

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

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

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

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

“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;

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

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

“Book-Entry Act” means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

“Business Day” has the meaning provided in Condition 8.3;

“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 9 June 2014;

“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;

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

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

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

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

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

“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 Sumitomo Mitsui Finance Dublin Limited at its specified office at La Touche House, I.F.S.C., Custom House Docks, Dublin 1, Ireland 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 Sumitomo Mitsui Banking Corporation at its specified office at 2-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, 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;

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

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

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

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

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

“Extraordinary Resolution” means a resolution passed at a meeting of the Bondholders duly convened 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;

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

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

“Holding Company” has the meaning provided in the definition of Holding Company Event;

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

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

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

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

“Listing” has the meaning provided in Condition 6.4.2;

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

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

“New Obligor” has the meaning provided in Condition 6.1;

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

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

“New Territory” has the meaning provided in Condition 12.2;

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

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

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

“Offeror” has the meaning provided in Condition 7.6.1;

“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" has the meaning provided in Condition 5.1.7;

"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, Inc. 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, Inc., 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 Event" 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” has the meaning provided in Condition 5.1.4;

“Trading Day” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price is furnished as provided in the definition of Closing Price;

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

“VWAP” has the meaning provided in Condition 7.2.1; and

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

3.2 ***Construction of Certain References***

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

Except where the context requires otherwise, references to the “issue” of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words “issue”, “issued” and “issuable” shall be construed accordingly), and references in these Conditions to the word “acquire” used in conjunction with the Shares shall be read as including both the words “issue” and “transfer”, and the words “acquired” and “acquisition” shall be construed accordingly (other than where the references are to the acquisition of the Bonds pursuant to Condition 7.2). References to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Inc.’s system. The words “substitution” and “grant” used in relation to the exchange of the Company’s obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

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

4. **Default Interest**

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

5. Exercise of Stock Acquisition Rights

5.1 Conversion Price, Exercise Period, Shares Issuable and Procedure

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

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

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

As at the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 1,000 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 ¥827 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period:* Each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, 23 June 2014 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 17 August 2021, or:

- (i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3 or 7.4 or if the Bonds shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed); or
- (ii) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled by the Company pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled; or
- (iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.8, then up to the time when such Bond is so cancelled; or
- (iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after 17 August 2021;
- (b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company

reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7);

- (c) in the case of acquisition pursuant to Condition 7.2, the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date; and
- (d) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law and regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(d) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

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

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

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

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

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

So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give notice to the Trustee 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 business days prior to the commencement of such Shareholder Determination Date Restriction Period (provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect); “business day” in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September. By way of example, in respect of the Record Date falling on 30 September 2014, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 26 September 2014 to (and including) 30 September 2014.

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

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

5.1.6 *Condition to Conversion:* Prior to (and including) 31 May 2021, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter, as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2. If this condition is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter (or, in the case of the calendar quarter commencing on 1 April 2021, until 31 May 2021), provided the relevant Deposit Date falls during the Exercise Period.

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

5.1.7 *Conditions to Conversion – Ratings Requirements:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6 shall not be applicable during any period in which (i) any of the Company’s long-term issue rating (or, where such rating is not available, the Company’s issuer rating) or, as the case may be, the rating assigned to the Bonds (if rated) by Rating and Investment Information, Inc. or its successors (together, “R&I”) is BBB– (or equivalent if the rating category is changed) or lower, (ii) any of the Company’s long-term issue rating (or, where such rating is not available, the Company’s issuer rating) or the rating assigned to the Bonds (if ever so rated) is no longer assigned by R&I, or (iii) any of the Company’s long-term issue rating (or, where such rating is not available, the Company’s issuer rating) or the rating assigned to the Bonds (if ever so rated) 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 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 the occurrence of any Corporate Event, subject to the suspension by the Company as referred to in Condition 5.1.4(b), the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.6 shall not be applicable during the period from (and including) the date upon which the Company is first required to give notice to the Bondholders in accordance with Condition 6.2 to (and including) the relevant Corporate Event Effective Date.

5.2 *Adjustments of the Conversion Price*

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

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

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

- (i) the Record Date for the issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or
- (ii) the last date (in the place of issue) of the period during which payment may be made for 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:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, 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 ¥120,910.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥10.

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

- 5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities:* if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds and bonds with stock acquisition rights due 2019 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:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

- n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

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

5.2.6 *Issue of Shares:* if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.
- n = the number of Shares being issued or transferred as aforesaid.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

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

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities:* if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights and the stock acquisition rights incorporated in bonds with stock acquisition rights due 2019 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:

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

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.11) 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:

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

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.11) 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 as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;
- 5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and
- 5.2.15 *Adjustment during the Relevant Period*: for the purposes of Condition 5.1.6, if the Conversion Price in effect on the last Trading Day of the period of 20 consecutive Trading Days referred to therein (the “Relevant Period”) reflects any adjustment which has become effective pursuant to this Condition 5.2 during the Relevant Period, then the Closing Price of the Shares for each Trading Day which occurs during the Relevant Period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment.

5.3 *Retroactive Adjustments*

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

5.4 *Limitation on Reduction of Conversion Price*

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

5.5 *Employee Share Schemes*

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

5.6 *Minimum Adjustments*

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

5.7 *Calculations*

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified herein, 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. None of the Trustee, the Registrar, the Principal Agent or the other Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made and will not be responsible or liable in any respect to Bondholders for any loss arising from any failure by it to do so.

5.8 *Notification of Adjustments*

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

5.9 *Procedure for Conversion*

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

5.9.2 *Custodian and Custodian's Agent:* The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Sumitomo Mitsui Banking Corporation 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 pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Agent will not be bound to make any payments until the Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the Agent have been made. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the

relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the Agent disclosing otherwise confidential information for the purposes of the Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

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

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

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

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

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

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

- (i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and
- (ii) as soon as practicable, the Company shall deliver to the Custodian's Agent, securities (other than Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:
 - (a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or
 - (b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

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

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

6. Certain Corporate Events

6.1 Corporate Events

In the case of a proposal for:

- (i) any Merger Event; or
- (ii) any Asset Transfer Event; or
- (iii) any Corporate Split Event; or
- (iv) any Holding Company Event; or

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

the following provisions of this Condition 6 shall apply.

6.2 Notice of Proposal

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

6.3 Notice of Passing of Resolution

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

6.4 Transfer of Obligations Following a Corporate Event

6.4.1 Transfer: If a Corporate Event occurs and

- (i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;
- (ii) a practical structure for such substitution and grant has been or can be established; and
- (iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

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

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

- 6.4.3 *Condition:* The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(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 shall be subject to conditions substantially the same as those described in Conditions 5.1.6 to 5.1.9;
- 6.5.7 *Acquisition at the Option of the New Obligor:* The New Stock Acquisition Rights together with the Bonds may be acquired by the New Obligor substantially in the same manner as described in Condition 7.2;
- 6.5.8 *Amount of Stated Capital and Additional Paid-in Capital:* As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the “maximum capital and other increase amount” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and
- 6.5.9 *Others:* Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

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

6.7 ***Subsequent Corporate Events***

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

7. **Redemption, Acquisition, Purchase and Cancellation**

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, 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 August 2021. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 *Acquisition at the Option of the Company*

7.2.1 *Acquisition Notice*: On or after 1 May 2021, 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 the date (the “Acquisition Option Date”) fixed for such acquisition in the Acquisition Notice (being not less than 60 and not more than 75 days after the date of the Acquisition Notice) and all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date (which, in the context of the Companies Act, is based on Item (vii) of Paragraph 1 of Article 236 of the Companies Act). 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 the Bonds (including the Stock Acquisition Rights) acquired by the Company:

- (i) pay in the same manner as provided in Condition 8 in cash, an amount equal to 100 per cent of the principal amount of the Bonds on the Acquisition Option Date; 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.

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.

In these Conditions:

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

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

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

“Average VWAP per Share” means the average of the Volume Weighted Average Prices (“VWAP”) of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during the Relevant VWAP Period. If on any Trading Day, VWAP of the Shares is not reported by, nor otherwise available from, the Relevant Stock Exchange, or VWAP reported by the Relevant Stock Exchange is manifestly incorrect, the average trading prices of the Shares using a volume weighted method on the Relevant Stock Exchange on such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company in its sole discretion (acting in a commercially reasonable manner) shall be deemed to be VWAP on such Trading Day. 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;

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

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

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 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 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 Company shall deliver or cause to be delivered all the Acquisition Shares deliverable with respect to all such Bonds without Share Settlement Notice to the Custodian’s Agent on behalf of the Custodian on or as soon as practicable after the Acquisition Option Date whereupon all such Acquisition Shares shall be deemed to be delivered and paid to the relevant Bondholders;
- (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 appoint an independent investment bank, securities company, financial institution, broker, accountancy firm or consultancy firm of established repute to advise the Custodian as to the manner and/or timing of any such sale (or on such other matters as the Custodian shall deem appropriate in connection therewith) and shall be entitled to act, without liability, 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 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, the 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 date of the Acquisition Notice to and including the Acquisition Option Date.

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

7.4 *Redemption for Taxation Reasons*

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 May 2014, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent or more of the aggregate principal amount of the Bonds as at 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 give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.5 (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 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.

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 17 August 2021, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)														
	50.00	60.00	70.00	80.00	90.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00
9 June 2014	94.96	97.02	99.96	103.77	108.43	113.90	120.10	126.99	134.52	142.62	151.26	160.41	170.02	180.00	190.00
9 June 2015	95.32	97.16	99.89	103.54	108.08	113.48	119.66	126.57	134.14	142.32	151.05	160.28	170.00	180.00	190.00
9 June 2016	95.42	97.01	99.51	102.98	107.41	112.75	118.95	125.91	133.58	141.88	150.75	160.13	170.00	180.00	190.00
9 June 2017	95.74	97.03	99.22	102.43	106.69	111.95	118.15	125.18	132.97	141.42	150.46	160.03	170.00	180.00	190.00
9 June 2018	96.23	97.15	98.93	101.79	105.80	110.95	117.14	124.28	132.24	140.91	150.18	160.00	170.00	180.00	190.00
9 June 2019	96.99	97.48	98.71	101.02	104.63	109.59	115.80	123.12	131.37	140.37	150.00	160.00	170.00	180.00	190.00
9 June 2020	98.13	98.24	98.72	100.09	102.91	107.47	113.76	121.51	130.36	140.00	150.00	160.00	170.00	180.00	190.00
17 August 2021..	100.00	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00

In the above table:

“Reference Parity” means:

- (i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and
- (ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:
- (a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act; or
- (b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

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

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

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

- (y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and
- (z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, 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 190.00 per cent, the Corporate Event Redemption Price shall be 190.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 18 August 2021 to (and including) 30 August 2021, the Corporate Event Redemption Price shall be 100.00 per cent.

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

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

"Squeezeout Event" means 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.

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 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 and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.9 **Cancellation**

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

7.10 **Notice of Redemption**

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.3 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, is 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

Other than in such cases as specifically stated herein (if any), the Trustee, 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, and shall have no responsibility to verify or monitor such calculation.

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 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 Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days’ written notice to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents or Registrar (as the case may be), provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee and (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 Business Days

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following 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. “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;
- (ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as at the expiry of such 30-day period;
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4.

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.

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 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 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 premium, if any, and default interest) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

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

- 11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;
- 11.1.2 *Transfers*: not close its register of shareholders or take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;
- 11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;
- 11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company with the prior written approval of the Trustee 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*), or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition of Shares pursuant to 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 Principal Agent, the other Agents, the Registrar, 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 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 directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

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

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

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

- (i) under such supplemental trust deed, the New Obligor agrees, in form, 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 making this determination, the Company shall consult with 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***

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

14. ***Replacement of Certificates***

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar 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 or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. ***Meetings of Bondholders; Modification and Waiver***

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent in principal amount of the Bonds for the time being outstanding, or

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

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these 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. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

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 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 (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not

have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 Authority to the Trustee

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

16. Enforcement

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

17. Indemnification of the Trustee

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

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

18. Independent Financial Adviser

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

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

19. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not (in the opinion of the Trustee) practicable, notices will be given in such other 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 Law Debenture Corporate Services Limited, whose office is at present at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificates contain provisions which apply to the Bonds in respect of which the Global Certificates are issued, some of which modify the effect of the Conditions 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 by the presentation to, or to the order of, any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bonds. Deposit of such Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of such Global Certificate.

Payments

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

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. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

Transfers

Transfers of interests in the Bonds in respect of which 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).

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.

Acquisition of Bonds at the Option of the Company

If the Company exercises its option to give notice 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 Global Certificate with the Principal Agent shall not be required.

Early Redemption by the Company

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

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.

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 ¥100 billion, and are expected to be used primarily as follows:

- (i) approximately ¥50 billion by the end of March 2015, for the Group's capital expenditure including in respect of carbon fiber and prepreg facilities in Japan and the United States, facilities for films for IT-related products in Japan, and PPS resin facilities in South Korea;
- (ii) approximately ¥30 billion by the end of March 2015, for R&D expenses, principally in respect of Green Innovation Businesses and Life Innovation Businesses, which the Group considers to be its growth business fields; and
- (iii) approximately ¥20 billion by the end of July 2014, as funding for the repurchase of Shares by the Company with a view to enabling the Company to implement flexible capital policies that meet the changes in the business environment (see "Information Concerning the Shares—Proposed Share Repurchase by the Company"). To the extent such repurchase takes place prior to the Closing Date in respect of the Bonds, the Company intends to fund such repurchase through the issuance of commercial paper, and to apply the amount referred to above in respect of the proceeds of the offering of the Bonds to repayment of such commercial paper. As the amount which the Company is able to repurchase its Shares is dependent on, among other things, market conditions, to the extent not all of the amount referred to above in respect of the proceeds of the offering of the Bonds is applied towards such repurchase, any balance will be applied towards repayment of interest-bearing liabilities.

TORAY INDUSTRIES, INC.

The Group is one of the major diversified chemical manufacturers in the world, engaging in the R&D, manufacture, sale and provision of a wide range of chemical products and services. The Group's operations are principally divided into six reportable segments:

- *Fibers & Textiles*, engaged in the development, manufacture and sale of nylon, polyester, acrylic and other synthetic fibers and textiles; non-woven fabrics; suede-texture artificial leather; and apparel products;
- *Plastics & Chemicals*, engaged in the development, manufacture and sale of nylon, ABS, PBT, PPS and other resins and molded products; polyolefin foam; polyester, polypropylene, PPS and other films and other film products, raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; and veterinary medicine (excluding films and resins covered in IT-related Products);
- *IT-related Products*, engaged in the development, manufacture and sale of films and plastic products for information and telecommunications-related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; magnetic recording materials, graphic materials and related equipment;
- *Carbon Fiber Composite Materials*, engaged in the development, manufacture and sale of carbon fibers, carbon fiber composite materials and their molded products;
- *Environment & Engineering*, engaged in comprehensive engineering and the development, manufacture and sale of condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; and materials for housing, building and civil engineering; and
- *Life Science*, engaged in the development, manufacture and sale of pharmaceutical and medical devices.

As at 31 March 2014, the Company had 159 consolidated subsidiaries (of which 62 were domestic subsidiaries and 97 were overseas subsidiaries), 56 non-consolidated subsidiaries accounted for by the equity method (of which 27 were domestic subsidiaries and 29 were overseas subsidiaries) and 38 affiliates accounted for by the equity method (of which 13 were domestic affiliates and 25 were overseas affiliates).

Selected Consolidated Financial Information

The following selected consolidated financial information should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statements of income data for the fiscal years ended 31 March 2012 and 2013 and the consolidated balance sheet data as at 31 March 2012 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 statements of income data for the year ended 31 March 2014 and the consolidated balance sheet data as at 31 March 2014 have been extracted without material adjustment from the unaudited consolidated financial statements of the Group (being a summary English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group) included elsewhere in this Offering Circular. Such consolidated financial statements are unaudited and there can be no assurance that such unaudited consolidated financial statements will accord in all respects with the audited financial statements for the fiscal year ended 31 March 2014 which are currently being prepared by the Group and will be published towards the end of June 2014. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2014 are not available, and the Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and the presentation of its unaudited consolidated financial statements included in this Offering Circular, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements compared with those for the fiscal year ended 31 March 2014 included in this Offering Circular and the audited consolidated financial statements for the fiscal year ended 31 March 2014, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements for the fiscal year ended 31 March 2014 becoming available.

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

As at and for the Fiscal Year Ended 31 March			
	2012	2013	2014 (Unaudited) ⁽¹⁾
	(Millions of yen, except per Share data and percentages)		
Net sales	¥1,588,604	¥1,592,279	¥ 1,837,778
Fibers & Textiles	638,375	632,150	755,474
Plastics & Chemicals	397,815	395,835	470,542
IT-related Products	243,404	237,593	245,741
Carbon Fiber Composite Materials	69,914	77,620	113,342
Environment & Engineering	170,247	178,355	180,197
Life Science	55,554	56,599	58,205
Others	13,295	14,127	14,277
Operating income	107,721	83,436	105,253
Income before income taxes and minority interests	101,091	77,828	97,760
Net income	64,218	48,477	59,608
Net cash provided by operating activities	104,410	100,815	161,455
Depreciation and amortisation	67,443	67,588	78,743
Capital expenditures	98,384	99,135	118,207
Total assets	1,581,501	1,731,933 ⁽²⁾	2,119,683
Property, plant and equipment, net	561,923	627,240	781,235
Interest-bearing liabilities ⁽³⁾	481,906	532,002	654,163
Net assets	674,149	778,626 ⁽²⁾	944,625
Per Share of Common Stock (yen):			
Net income:			
Basic	¥ 39.41	¥ 29.75	¥ 36.59
Diluted	37.46	28.90	35.70
Cash dividends	10.00	10.00	10.00 ⁽⁴⁾
Net assets	384.90	444.45 ⁽²⁾	527.32
Ratios (per cent, except where indicated):			
Operating income to net sales ⁽⁵⁾	6.78%	5.24%	5.73%
Net income to net sales ⁽⁶⁾	4.04	3.04	3.24
Equity ratio ⁽⁷⁾	39.7	41.8 ⁽²⁾	40.5
Return on equity ⁽⁸⁾	10.5	7.2 ⁽²⁾	7.5
Debt/equity ratio (times) ⁽⁹⁾	0.77	0.73 ⁽²⁾	0.76

Notes:

- (1) See "Presentation of Financial and Other Information".
- (2) These figures have been restated due to the retrospective application of the revised International Accounting Standard ("IAS") 19 "Employee Benefits" by certain foreign subsidiaries and affiliates of the Company (see "Recent Business—New Accounting Pronouncements and Accounting Changes"), and as such are unaudited.
- (3) Interest-bearing liabilities consist of short-term bank loans, commercial paper, long-term debt (consisting of bonds and long-term bank loans, including current portion) and lease obligations.
- (4) A year-end dividend of ¥5.00 per Share is subject to approval of the ordinary general meeting of shareholders in June 2014.
- (5) Operating income for the period as a percentage of net sales for the period.
- (6) Net income for the period as a percentage of net sales for the period.
- (7) Equity ratio has been calculated by dividing total net assets (less stock acquisition rights and minority interests) at the end of the period by total assets at the end of the period.
- (8) Return on equity has been calculated by dividing net income by the average of total net assets (less stock acquisition rights and minority interests) at the beginning and at the end of the period.
- (9) Debt/equity ratio has been calculated by dividing the interest-bearing liabilities at the end of the period by total net assets (less stock acquisition rights and minority interests) 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 "Selected Consolidated Financial Information" and the audited consolidated financial statements as at and for the fiscal years ended 31 March 2012 and 2013 included in pages F-4 to F-34 and the unaudited consolidated financial statements as at and for the fiscal years ended 31 March 2013 and 2014 included in pages A-2 to A-15, as well as the notes to such consolidated financial statements appearing elsewhere in this Offering Circular. The audited consolidated financial statements have been prepared in accordance with Japanese GAAP.

Overview

The Group is one of the major diversified chemical manufacturers in the world engaging in the R&D, manufacture, sale and provision of a wide range of chemical products and services. The Group's operations are principally divided into six reportable segments: Fibers & Textiles; Plastics & Chemicals; IT-related Products; Carbon Fiber Composite Materials; Environment & Engineering; and Life Science. The Group's other businesses not included in the reportable segments, including service-related businesses such as analysis, survey and research, are reported as others.

As at 31 March 2014, the Company had 159 consolidated subsidiaries (of which 62 were domestic subsidiaries and 97 were overseas subsidiaries), 56 non-consolidated subsidiaries accounted for by the equity method (of which 27 were domestic subsidiaries and 29 were overseas subsidiaries) and 38 affiliates accounted for by the equity method (of which 13 were domestic affiliates and 25 were overseas affiliates). For the fiscal year ended 31 March 2014, the Group's net sales, operating income and net income amounted to ¥1,837,778 million, ¥105,253 million and ¥59,608 million, respectively, and net sales to outside customers in Japan, China, Asia (other than China) and North America, Europe and other areas as a percentage of consolidated net sales amounted to 50.4 per cent, 16.6 per cent, 17.6 per cent and 15.4 per cent, respectively.

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

Overview

During the fiscal year ended 31 March 2014, the global economy continued to expand gradually, as consumer spending in the United States increased on the back of improved employment, while the European economy continued to stagnate despite some signs of recovery, and the growth rate of China and other emerging economies slowed down. The Japanese economy has been recovering at a gradual pace with consumer spending and public investment remaining steady, with the private sector's capital expenditure also showing signs of recovery and employment levels improving steadily.

Under such circumstances, the Group implemented its growth strategy with a focus on pursuing business expansion in growth business fields and growth regions and further bolstering its total cost competitiveness in accordance with the Medium-term Management Program "Project AP-G 2013".

Results

Net Sales

Net sales for the fiscal year ended 31 March 2014 increased by ¥245,499 million, or 15.4 per cent, to ¥1,837,778 million, compared to ¥1,592,279 million for the fiscal year ended 31 March 2013, as net sales in all reportable segments increased as discussed in "—Results by Business Segment" below.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for the fiscal year ended 31 March 2014 increased by ¥204,522 million, or 16.0 per cent, to ¥1,485,171 million, compared to ¥1,280,649 million for the fiscal year ended 31 March 2013. Cost of sales as a percentage of net sales for the fiscal year ended 31 March 2014 amounted to 80.8 per cent, a slight increase of 0.4 percentage points from 80.4 per cent for the fiscal year ended 31 March 2013.

Selling, general and administrative expenses for the fiscal year ended 31 March 2014 increased by ¥19,160 million, or 8.4 per cent, to ¥247,354 million, compared to ¥228,194 million for the fiscal year ended 31 March 2013.

Operating Income

As a result of the above, operating income for the fiscal year ended 31 March 2014 increased by ¥21,817 million, or 26.1 per cent, to ¥105,253 million, compared to ¥83,436 million for the fiscal year ended 31 March 2013.

Other Expenses, Net

Other expenses, net (being non-operating income less non-operating expenses plus extraordinary income less extraordinary losses) for the fiscal year ended 31 March 2014 increased by ¥1,885 million, or 33.6 per cent, to ¥7,493 million, compared to ¥5,608 million for the fiscal year ended 31 March 2013. This principally reflected the loss on impairment of fixed assets of ¥14,390 million recorded in the fiscal year ended 31 March 2014 (compared to ¥1,972 million for the fiscal year ended 31 March 2013), reflecting the impairment of the Company's second head office building, offset to a certain extent by the insurance income of ¥6,818 million recorded in the fiscal year ended 31 March 2014 (compared to ¥274 million for the fiscal year ended 31 March 2013), reflecting the receipt by the Group of insurance proceeds relating to the damage suffered at the Group's facilities in Thailand due to flooding.

Income Before Income Taxes and Minority Interests

As a result of the above, income before income taxes and minority interests for the fiscal year ended 31 March 2014 increased by ¥19,932 million, or 25.6 per cent, to ¥97,760 million, compared to ¥77,828 million for the fiscal year ended 31 March 2013.

Income Taxes

Income taxes for the fiscal year ended 31 March 2014 increased by ¥5,453 million, or 20.4 per cent, to ¥32,199 million, compared to ¥26,746 million for the fiscal year ended 31 March 2013.

Minority Interests in Earnings of Consolidated Subsidiaries

Minority interests in earnings of consolidated subsidiaries for the fiscal year ended 31 March 2014 increased by ¥3,348 million, or 128.5 per cent, to ¥5,953 million, compared to ¥2,605 million for the fiscal year ended 31 March 2013.

Net Income

As a result of the above, net income for the fiscal year ended 31 March 2014 increased by ¥11,131 million, or 23.0 per cent, to ¥59,608 million, compared to ¥48,477 million for the fiscal year ended 31 March 2013.

Results by Business Segment

In the below analysis of results by business segment, where figures for net sales are presented on a per-segment basis, such figures represent the net sales to outside customers, whereas where figures for operating income are presented on a per-segment basis, such figures represent the total operating income for such segment, without taking into account any inter-segment eliminations.

Fibers & Textiles

In Japan, while sales of functional apparel applications grew strongly in the fiscal year ended 31 March 2014, those of general apparel applications, though showing signs of recovery, remained weak. On the other hand, exports recovered partly due to the correction of the strong yen. Sales for industrial applications, led by automobile-related applications, continued on track to recovery.

Overseas, while the conditions continued to be tough with Europe remaining mired in economic slump and sluggish domestic demand in China, textile subsidiaries of the Company in Southeast Asia and China pursued sales expansion and a shift towards high value-added products. Also, while the October 2011 floods in Thailand had still affected the Group's operations in the fiscal year ended 31 March 2013, both production and sales have recovered since then, contributing to the improved performance in the fiscal year ended 31 March 2014.

As a result, net sales to outside customers in the Fibers & Textiles segment in the fiscal year ended 31 March 2014 increased by ¥123,324 million, or 19.5 per cent, to ¥755,474 million, compared to ¥632,150 million for the fiscal year ended 31 March 2013. Operating income for the segment increased by ¥9,697 million, or 22.4 per cent, to ¥52,919 million for the fiscal year ended 31 March 2014 compared to ¥43,222 million for the fiscal year ended 31 March 2013.

Plastics & Chemicals

In the Plastics & Chemicals segment in the fiscal year ended 31 March 2014, although sales for automotive applications in the resin business increased in Japan, those for electronics and general industrial applications remained weak. The business was also affected by the increase in raw material prices resulting from the correction of the strong yen. Overseas, automotive applications in North America, China and Southeast Asia led the sales expansion. Demand for the film business' products remained sluggish on the whole within and outside Japan, with continued price competition, although domestic sales for capacitors used in hybrid cars remained strong. Further, trading subsidiaries of the Company expanded their business transactions on the back of market recovery and strong overseas business.

As a result, net sales to outside customers in the Plastics & Chemicals segment in the fiscal year ended 31 March 2014 increased by ¥74,707 million, or 18.9 per cent, to ¥470,542 million, compared to ¥395,835 million for the fiscal year ended 31 March 2013. On the other hand, operating income for the segment decreased by ¥292 million, or 1.6 per cent, to ¥18,010 million for the fiscal year ended 31 March 2014 compared to ¥18,302 million for the fiscal year ended 31 March 2013.

IT-related Products

In the IT-related Products segment, sales of products for small and mid-sized displays such as smartphones and tablet terminals in general were strong, although they were partly affected by the production adjustment of end products in the second half of the fiscal year. Sales of films and processed film products for large LCD panels, after performing strongly in the first half of the fiscal year, were influenced by stagnating demand for flat-screen TV sets in the second half of the fiscal year.

As a result, net sales to outside customers in the IT-related Products segment in the fiscal year ended 31 March 2014 increased by ¥8,148 million, or 3.4 per cent, to ¥245,741 million, compared to ¥237,593 million for the fiscal year ended 31 March 2013. Operating income for the segment increased by ¥1,627 million, or 7.1 per cent, to ¥24,586 million for the fiscal year ended 31 March 2014 compared to ¥22,959 million for the fiscal year ended 31 March 2013.

Carbon Fiber Composite Materials

In the Carbon Fiber Composite Materials segment, as demand for aircrafts as well as that in the environment and energy fields, including compressed natural gas tank applications, expanded in the fiscal year ended 31 March 2014, sales of carbon fibers and intermediate products (prepreg) grew strongly for aerospace applications and general industrial applications. In the composite business, sales of carbon fiber reinforced plastic chassis for notebook PCs, which boast high strength and light weight, increased.

As a result, net sales to outside customers in the Carbon Fiber Composite Materials segment in the fiscal year ended 31 March 2014 increased by ¥35,722 million, or 46.0 per cent, to ¥113,342 million, compared to ¥77,620 million for the fiscal year ended 31 March 2013. Operating income for the segment increased by ¥9,628 million, or 131.9 per cent, to ¥16,927 million for the fiscal year ended 31 March 2014 compared to ¥7,299 million for the fiscal year ended 31 March 2013.

Environment & Engineering

In the Environment & Engineering segment in the fiscal year ended 31 March 2014, while the market for water treatment membranes had not yet fully recovered, reflecting continued uncertainties over the global economic outlook, shipments of reverse osmosis membranes to the Middle East were strong. Among domestic subsidiaries of the Company, the progress of plant construction projects remained slow at an engineering subsidiary.

As a result, net sales to outside customers in the Environment & Engineering segment in the fiscal year ended 31 March 2014 increased by ¥1,842 million, or 1.0 per cent, to ¥180,197 million, compared to ¥178,355 million for the fiscal year ended 31 March 2013. Operating income for the segment increased by ¥3,769 million, or 143.4 per cent, to ¥6,397 million for the fiscal year ended 31 March 2014 compared to ¥2,628 million for the fiscal year ended 31 March 2013.

Life Science

In the Life Science segment, sales of REMITCH®, an oral anti-pruritus drug for hemodialysis patients, expanded robustly, although other pharmaceutical products were affected by intensifying competition and royalty income on some products decreased. In medical devices, sales in Japan as well as exports of FILTRYZER®, polymethylmethacrylate (PMMA) dialysis membrane-based hemodialyzer, and TORAYSULFONE®, polysulfone membrane artificial kidneys, grew strongly.

(Note: REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.)

As a result, net sales to outside customers in the Life Science segment in the fiscal year ended 31 March 2014 increased by ¥1,606 million, or 2.8 per cent, to ¥58,205 million, compared to ¥56,599 million for the fiscal year ended 31 March 2013. On the other hand, operating income for the segment decreased by ¥1,851 million, or 24.8 per cent, to ¥5,605 million for the fiscal year ended 31 March 2014 compared to ¥7,456 million for the fiscal year ended 31 March 2013.

Others

Net sales to outside customers in the Others segment in the fiscal year ended 31 March 2014 increased by ¥150 million, or 1.1 per cent, to ¥14,277 million, compared to ¥14,127 million for the fiscal year ended 31 March 2013. Operating income for the segment increased by ¥430 million, or 27.6 per cent, to ¥1,987 million for the fiscal year ended 31 March 2014 compared to ¥1,557 million for the fiscal year ended 31 March 2013.

New Businesses and New Investments

In the Fibers & Textiles segment, in the fiscal year ended 31 March 2014, the Group decided to expand the high-performance PP spunbond production facility in China at its subsidiary Toray Polytech (Nantong) Co., Ltd. (“TPN”). After the new facility goes online in December 2014, TPN’s production capacity is expected to increase up to about 78,000 tonnes a year. PP spunbond is the main raw material for disposable diapers, and demand for disposable baby diapers is generally expected to grow rapidly in China. The expansion of the production capacity is intended to respond to the strong demand for PP spunbond in China as well as the requirements for high-performance materials for disposable diapers and other hygiene products and to strengthen the cost competitiveness.

In the Plastics & Chemicals segment, in the fiscal year ended 31 March 2014, the Group decided to establish a new plant to produce PPS resin TORELINA® at the Company’s wholly-owned subsidiary in South Korea, Toray Advanced Materials Korea Inc. (“TAK”). The integrated production plant converting main raw materials to compounding, to be constructed in Gunsan, Jeollabuk-do province, is the Group’s first manufacturing base for PPS resin outside of Japan. The plant is planned to become operational in April 2016 and is likely to boost the Group’s annual production capacity of PPS resin to 27,600 tonnes together with the existing Tokai Plant. PPS resins are super-engineering plastics, which are superior in heat resistance, chemical resistance, mechanical strength and flame retardation, and are used in electronic automotive components and electronic and electrical devices. Global demand for PPS resin compounds is generally expected to continue to grow.

In the Carbon Fiber Composite Materials segment, in the fiscal year ended 31 March 2014, the Group decided to expand the production facility for prepreg (resin-impregnated carbon fiber sheet) using the carbon fiber TORAYCA® at the Company’s Ishikawa Plant as well as at the Company’s US subsidiary Toray Composites (America), Inc. The Group is currently planning to introduce state-of-the-art facility for producing high value-added prepreg to address the growing demand for prepreg used in aircraft, automobile and IT devices and further bolster its stable supply system.

In addition, in February 2014 the Group acquired 100 per cent of the issued shares of Zoltek Companies, Inc. (“Zoltek”), a large tow carbon fiber manufacturer in the United States, and made it a wholly-owned subsidiary of the Company. The use of large tow carbon fibers, produced on modified acrylic staple fiber production line for textiles, is expected to expand in applications including those relating to wind energy, which

has been showing rapid demand growth in recent years, and automobile structural parts in the future. Zoltek is a major manufacturer of large tow carbon fibers and has been significantly expanding the business, as the material's wind energy-related applications have grown. The Group has to date focused its business resources on high-performance, high-quality regular tow carbon fibers and has been performing strongly in advanced fields such as aircraft and compressed natural gas tanks. The purchase of Zoltek enables the Group to expand into the highly versatile industrial field with large tow carbon fibers, giving it an opportunity for further growth.

In the Environment & Engineering segment, in the fiscal year ended 31 March 2014, the Group agreed with Abunayyan Holding Company, a leading strategic company of Saudi Arabia in the power and water desalination fields, to establish Toray Membrane Middle East LLC, a water treatment joint venture, and signed a joint venture agreement. The joint venture will construct a plant in Dammam 3rd Industrial City in the Kingdom of Saudi Arabia, and is planning to start production of reverse osmosis membrane elements beginning in 2015. The Group and Abunayyan Holding aim to establish a strong presence as the leading company in the water treatment membrane field in the Middle East and North African markets by leveraging their powerful sales network, high quality products and superior technical service.

In R&D, the Group established new life innovation-related bases in Medical Devices Center of the University of Minnesota, United States, and KOBE Biomedical Innovation Cluster in Japan to expand its business in the life innovation field. As well as pursuing its medical devices, pharmaceuticals and bio tools businesses, the Group aims to offer solutions to the increasingly sophisticated needs in the medical field by providing advanced materials to medical device manufacturers and advanced functional materials for various products used in the field. At the same time, recent developments in medical technology have led to increasingly complex and sophisticated needs, necessitating a closer and swifter exchange of information with the medical field. At the newly established bases, the Group intends to start with building and enhancing networks with medical institutions and medical device manufacturers to grasp medical needs and expand its activities to research and technology development functions as well as business planning function in a phased manner. By doing so, the Group aims to grow its medical device business and develop the advanced materials business in the life innovation field.

In addition to above, the Group acquired new management rights and commercial land for new businesses with an eye on further business expansions in the future.

Firstly, TAK purchased a 56.2 per cent stake in Woongjin Chemical Co., Ltd. ("Woongjin Chemical") for 430 billion South Korean won. The acquisition of the stake expands and strengthens TAK's business foundations in the country, as it adds Woongjin Chemical's main business of fibers and textiles as well as its water treatment filter business, which has been growing in recent years. The share acquisition was decided also on the grounds that it would be able to strategically utilise Woongjin Chemical in the business development of the Group as a whole while generating synergies with its existing businesses. The Group intends to integrate Woongjin Chemical into its operations to pursue sales expansion of high value-added products on a global basis by leveraging Woongjin Chemical's management, human resources and technological strengths and combining them with the Group's core technologies, where its strength lie. Woongjin Chemical changed its name to Toray Chemical Korea Inc. on 31 March 2014.

In the United States, the Group purchased approximately 400 acres (about 1.6 million square metres) of commercial land for its future business expansion in Spartanburg County, South Carolina. The demand for advanced materials is growing in the United States, as the country regains its industrial competitiveness on the back of shale gas/oil revolution and the manufacturing industry revives as a result. The Group plans to actively invest its management resources in the acquired land to make it the supply hub of advanced materials including carbon fibers.

Financial Condition

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

As at 31 March 2014, the Group's total assets stood at ¥2,119,683 million, an increase of ¥387,750 million, or 22.4 per cent, from ¥1,731,933 million as at 31 March 2013, as current assets increased by ¥123,633 million, or 15.5 per cent, primarily reflecting an increase in inventory as well as notes and accounts receivable, while fixed assets increased by ¥264,117 million, or 28.2 per cent, mainly due to increase in property, plant and equipment.

Total liabilities as at 31 March 2014 amounted to ¥1,175,058 million, an increase of ¥221,751 million, or 23.3 per cent, compared to ¥953,307 million as at 31 March 2013, principally reflecting an increase in interest-bearing liabilities.

Net assets as at 31 March 2014 increased by ¥165,999 million, or 21.3 per cent, to ¥944,625 million, compared to ¥778,626 million as at 31 March 2013, reflecting the increase in retained earnings and fluctuation in foreign currency translation adjustment. Net assets less minority interests and stock acquisition rights stood at ¥859,001 million as at 31 March 2014, compared to ¥724,161 million as at 31 March 2013. The equity ratio as at 31 March 2014 came to 40.5 per cent, a 1.3 percentage-point decrease compared with the level at 31 March 2013.

Liquidity and Capital Resources

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

Net cash provided by operating activities for the fiscal year ended 31 March 2014 amounted to ¥161,455 million, compared to ¥100,815 million in the fiscal year ended 31 March 2013. Major sources of cash for the fiscal year ended 31 March 2014 were income before income taxes and minority interests of ¥97,760 million, depreciation and amortisation of ¥78,743 million, and loss on impairment of fixed assets of ¥14,390 million, while major factors for use of cash included increase in inventories of ¥18,908 million and income taxes paid of ¥23,161 million.

Net cash used in investing activities during the fiscal year ended 31 March 2014 amounted to ¥214,826 million, compared to ¥107,525 million in the fiscal year ended 31 March 2013. The main uses of cash for the fiscal year ended 31 March 2014 were purchase of property, plant and equipment amounting to ¥108,186 million, purchase of investment securities of ¥10,513 million and purchase of investment in subsidiaries resulting in change in scope of consolidation of ¥91,391 million.

Net cash provided by financing activities during the fiscal year ended 31 March 2014 amounted to ¥41,475 million, compared to ¥26,167 million in the fiscal year ended 31 March 2013. Major sources of cash for the fiscal year ended 31 March 2014 were the proceeds from long-term bank loans of ¥150,139 million, offset to a certain extent by repayment of long-term bank loans of ¥40,266 million and redemption of bonds of ¥60,000 million.

As a result, cash and cash equivalents as at 31 March 2014 amounted to ¥113,137 million, compared to ¥107,690 million as at 31 March 2013. Free cash flows for the fiscal year ended 31 March 2014, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, were ¥53,371 million in negative.

Funding

As at 31 March 2014, the Group's interest-bearing liabilities (consisting of short-term bank loans, commercial paper, long-term debt (consisting of bonds and long-term bank loans, including current portion) and lease obligations) amounted to ¥654,163 million compared to ¥532,002 million as at 31 March 2013. Short-term bank loans as at 31 March 2014 amounted to ¥131,444 million, an increase of ¥32,811 million, or 33.3 per cent, compared to ¥98,633 million as at 31 March 2013. Current portion of long-term debt as at 31 March 2014 amounted to ¥77,201 million, a decrease of ¥21,024 million, or 21.4 per cent, compared to ¥98,225 million as at 31 March 2013. Commercial paper as at 31 March 2014 stood at ¥10,000 million, compared to ¥30,000 million as at 31 March 2013. Long-term debt as at 31 March 2014 amounted to ¥428,932 million, an increase of ¥126,193 million, or 41.7 per cent, compared to ¥302,739 million as at 31 March 2013.

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, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank under certain circumstances, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations. The Group also has certain borrowings overseas. In addition, as at 31 March 2014, the Group had a commitment lines with certain financial institutions in the aggregate amount of ¥50 billion, of which none had been drawn as at such date. Such commitment lines are also subject to certain financial covenants.

Capital Expenditure

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

	Year ended 31 March		
	2012	2013	2014 (Unaudited) ⁽¹⁾
	(Millions of yen)		
Fibers & Textiles	¥23,928	¥27,297	¥ 26,842
Plastics & Chemicals	24,215	24,521	19,386
IT-related Products	28,271	23,393	20,059
Carbon Fiber Composite Materials	13,531	15,561	40,290
Environment & Engineering	3,028	4,251	3,333
Life Science	3,913	4,488	8,632
Others	2,017	889	1,069
Adjustments	(519)	(1,265)	(1,404)
Total capital expenditure	<u>¥98,384</u>	<u>¥99,135</u>	<u>¥ 118,207</u>

Note:

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

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

The Group's capital expenditure during the fiscal years ended 31 March 2012, 2013 and 2014 primarily related to investments in new or increased manufacturing facilities, in particular in business areas where growth is expected, as well as investments for streamlining and modernising production processes.

New Accounting Pronouncements and Accounting Changes

IAS 19 "Employee Benefits" (Revised 2011)

As the revised International Accounting Standard ("IAS") 19 "Employee Benefits" (issued 16 June 2011) is effective for annual periods beginning on or after 1 January 2013, certain foreign subsidiaries and affiliates of the Company have applied the amendments and changed the method of recognising actuarial gains and losses, past service costs and net interest on the net defined benefit liability from the fiscal year ended 31 March 2014. Such amendments are retrospectively applied and the consolidated financial statements for the fiscal year ended 31 March 2013 have been restated (other than in the audited financial statements as at and for the fiscal year ended 31 March 2013 contained in pages F-4 to F-34) to reflect the retrospective application, though the effect was not significant.

Adoption of "Accounting Standard for Retirement Benefits" and Related Guidance

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued 17 May 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued 17 May 2012,) have been adopted from the end of the fiscal year ended 31 March 2014, except for specific provisions set out in Section 35 of the accounting standard and Section 67 of the guidance. Under the accounting standards, net defined benefit asset and net defined benefit liability are calculated by deducting pension plan assets from retirement benefit obligations and, unrecognised actuarial gains or losses and unrecognised prior service costs are included in the net defined benefit asset or liability. The Accounting Standard for Retirement Benefits is applied in accordance with the provision for transitional treatment set out in Section 37 of the accounting standard, and therefore the amount of the impact of such changes in accounting policies is adjusted in re-measurements of defined benefit plans under accumulated other comprehensive income, as of the end of the fiscal year ended 31 March 2014. As a result, net defined benefit asset of ¥24,500 million and net defined benefit liability of ¥84,579 million have been recorded in the consolidated balance sheet as of 31 March 2014, and accumulated other comprehensive income decreased by ¥15,825 million.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Group as at 31 March 2014, which has been extracted without material adjustment from the English translation of the unaudited annual consolidated financial statements of the Group contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2014, and as adjusted to give effect to the issue of the Bonds:

	(Unaudited)	
	As at 31 March 2014	
	Actual	As adjusted
	(Millions of yen)	
Short-term debt⁽²⁾:		
Short-term bank loans	¥ 131,444	¥ 131,444
Current portion of long-term bank loans	73,148	73,148
Commercial paper	10,000	10,000
Current portion of bonds	4,053	4,053
Total short-term debt	<u>218,645</u>	<u>218,645</u>
Long-term debt⁽³⁾:		
Bonds	40,000	40,000
Long-term bank loans	388,932	388,932
The Bonds now being issued	–	100,000
Total long-term debt	<u>428,932</u>	<u>528,932</u>
Net assets:		
<i>Shareholders' equity:</i>		
Common stock, no par value:		
Authorised: 4,000,000,000 Shares		
Issued: 1,631,481,403 Shares ⁽⁵⁾	147,873	147,873
Capital surplus	136,735	136,735
Retained earnings	505,834	505,834
Treasury stock (2,491,353 Shares), at cost ⁽⁶⁾	(1,455)	(1,455)
Total shareholders' equity	<u>788,987</u>	<u>788,987</u>
<i>Accumulated other comprehensive income:</i>		
Net unrealised gains on securities	49,546	49,546
Net deferred losses on hedges	(508)	(508)
Foreign currency translation adjustments	37,664	37,664
Re-measurements of defined benefit plans	(16,688)	(16,688)
Total accumulated other comprehensive income	<u>70,014</u>	<u>70,014</u>
Stock acquisition rights	991	991
Minority interests in consolidated subsidiaries	84,633	84,633
Total net assets	<u>944,625</u>	<u>944,625</u>
Total capitalisation and indebtedness ⁽⁶⁾⁽⁷⁾	<u>¥1,592,202</u>	<u>¥1,692,202</u>

Notes:

- (1) The above table should be read in conjunction with the unaudited consolidated financial statements of the Group contained herein.
- (2) As at 31 March 2014, ¥7,205 million of the Group's short-term debt was secured.
- (3) As at 31 March 2014, ¥18,372 million of the Group's long-term debt was secured.
- (4) As at 31 March 2014, the Group had ¥3,324 million of contingent liabilities in respect of guarantees of liabilities of certain non-consolidated subsidiaries and affiliates, ¥8,052 million of contingent liabilities in respect of guarantees of debt of third-parties and employees, and ¥11,531 million of contingent liabilities in respect of guarantees of securitisation of receivables.
- (5) All of the issued Shares are fully-paid and non-assessable.
- (6) As mentioned in "Information Concerning the Shares—Proposed Share Repurchase by the Company", the Company intends to repurchase up to 36 million Shares on and after 23 May 2014. Such repurchase of Shares may be made at any time up to and including 31 July 2014. In addition, the Company has also announced that, as part of such Share repurchase plan, it intends to repurchase up to 31,446,000 Shares at 8:45 a.m. (Tokyo time) on 23 May 2014 through the ToSTNeT-3 system. Any such repurchase, to the extent completed, will have the effect of increasing the amount of the Company's treasury stock and thereby reducing its total net assets and total capitalisation and indebtedness. Further, to the extent such repurchase is funded initially through issues of commercial paper (see "Use of Proceeds"), the Group's commercial paper and short-term debt may increase temporarily. None of such potential changes are reflected in the above table.
- (7) Total capitalisation and indebtedness is a total of total short-term debt, total long-term debt and total net assets.
- (8) There has been no material change in the Group's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 March 2014.

INFORMATION CONCERNING THE SHARES

Changes in Issued Share Capital

The Company has an authorised share capital of 4,000,000,000 Shares, of which 1,631,481,403 Shares were in issue as at 31 March 2014. The following table shows the changes in the issued share capital of the Company as at the dates indicated below:

Date	Type of issue	Number of Shares issued (thousands)	Total number of Shares in issue (thousands)
8 June 2010	Public offering	200,000	1,601,481
23 June 2010	Third party allotment	30,000	1,631,481

As at 31 March 2014, there has been no change in issued share capital of the Company since 23 June 2010.

See “—Proposed Share Repurchase by the Company” below with respect to proposed additional changes to the Company’s issued share capital.

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 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 cash distributions from its funds available for dividends to shareholders and pledgees of record as at 30 September of each year. The Company may also declare dividends other than those described above with the approval of its shareholders at a general meeting of shareholders subject to certain restrictions. 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 2009.....	¥ 2.50
31 March 2010	2.50
30 September 2010.....	2.50
31 March 2011	5.00
30 September 2011.....	5.00
31 March 2012	5.00
30 September 2012.....	5.00
31 March 2013	5.00
30 September 2013.....	5.00
31 March 2014	5.00 ⁽¹⁾

Note:

(1) Subject to approval at the ordinary general meeting of shareholders in June 2014.

The Company’s basic policy is to distribute profit appropriately, based on comprehensive consideration of factors such as business performance, financial strength and retained earnings necessary to invest for the Group’s future.

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)	
2009	¥591	¥350	¥10,639.71	¥ 7,054.98	975.59	700.93
2010	561	420	11,339.30	8,824.06	998.90	803.12
2011	643	444	10,857.53	8,160.01	974.63	706.08
2012:						
First quarter.	631	536	10,255.15	8,378.36	872.42	725.24
Second quarter.....	627	501	10,109.87	8,295.63	856.05	695.51
Third quarter.....	556	458	9,232.21	8,365.90	778.70	706.46
Fourth quarter.....	529	421	10,395.18	8,534.12	859.80	713.95
2013:						
First quarter.	654	490	12,635.69	10,486.99	1,058.10	871.88
Second quarter.....	786	584	15,627.26	12,003.43	1,276.03	991.34
Third quarter.....	703	601	14,808.50	13,338.46	1,222.72	1,106.05
Fourth quarter.....	733	601	16,291.31	13,853.32	1,302.29	1,147.58
2014:						
First quarter.	732	638	16,121.45	14,008.47	1,306.23	1,139.27
Second quarter (until 22 May 2014)	698	626	15,071.88	13,910.16	1,216.77	1,132.76

On 22 May 2014, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥636 per Share. The closing Nikkei Stock Average and TOPIX on the same date were ¥14,337.79 and 1,169.34, respectively.

Principal Shareholders and Distribution of Shares

As at 31 March 2014, the 10 largest shareholders of record and the number and percentage of Shares held by them were as follows:

Shareholder	Number of Shares held	Percentage of total Shares in issue
	(Thousands)	(Per cent)
The Master Trust Bank of Japan, Ltd. (Trust Account)	116,556	7.14%
Nippon Life Insurance Co.	71,212	4.36
Japan Trustee Services Bank, Ltd. (Trust Account).....	70,393	4.31
Mitsui Life Insurance Co., Ltd.	35,961	2.20
Sumitomo Mitsui Banking Corporation	30,022	1.84
Japan Trustee Services Bank, Ltd. (Trust 4 Account).....	21,447	1.31
Mitsui Fudosan Co., Ltd.	19,460	1.19
State Street Bank West Client-Treaty (standing proxy: Mizuho Bank Ltd.)	19,057	1.17
Mitsui Sumitomo Insurance Co., Ltd.	17,638	1.08
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	16,924	1.04
Total.....	418,673	25.66%

Notes:

- (1) 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 one per cent or more changes in such substantial shareholdings or any changes in material matters set out in the reports previously filed (see “Description of the Shares and Certain Regulations—Reporting of Substantial Shareholders”). As at 22 May 2014, the Company has received the following report which may not be reflected in the above table:
- a report concerning changes in substantial shareholdings filed on 8 April 2014 by Nomura Securities Co., Ltd., Nomura International plc and Nomura Asset Management Co., Ltd., reporting an ownership by concerted or related parties of

61,923,555 Shares, representing 3.80 per cent (including the ownership by Nomura Asset Management Co., Ltd. of 42,871,000 Shares, representing 2.63 per cent) of the total Shares in issue as at 28 February 2014.

(2) 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 2014 was as follows:

Category	Number of Shareholders	Number of Shares held (Thousands)	Percentage of total Shares in issue (Per cent)
Japanese financial institutions	209	596,714	36.57%
Japanese securities companies	84	24,000	1.47
Other Japanese companies.....	1,378	146,942	9.01
Companies and individuals in foreign countries	617	412,928	25.31
Japanese individuals and others ⁽¹⁾	170,421	450,898	27.64
Total.....	172,709	1,631,481	100.00%

Note:

(1) Includes treasury stock held by the Company.

As at 31 March 2014, the Directors and Corporate Auditors of the Company together held 1,258 thousand Shares, or 0.08 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.

Proposed Share Repurchase by the Company

The Company announced on 22 May 2014 that it intends to repurchase up to 36 million Shares (approximately 2.21 per cent of the issued Shares (excluding treasury stock) as at 30 April 2014) at a maximum cost of ¥20 billion from the market in the period from and including 23 May 2014 to and including 31 July 2014. The Company has decided to repurchase such Shares in order to enable the implementation of flexible capital policies that meet the changes in the business environment.

The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to 31,446,000 Shares (approximately 1.93 per cent of the issued Shares (excluding treasury stock) as at 30 April 2014) at 8:45 a.m. (Tokyo time) on 23 May 2014 at the closing price of the Shares on the Tokyo Stock Exchange on 22 May 2014, through the ToSTNeT-3 system. The result of such repurchase will be announced by the Company in Japan on 23 May 2014. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥20 billion and the maximum number of 36 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 31 July 2014. There can however be no assurance that any such repurchase will be proposed or effected.

BUSINESS

Overview

The Group is one of the major diversified chemical manufacturers in the world engaging in the R&D, manufacture, sale and provision of a wide range of chemical products and services. The Group's operations are principally divided into six reportable segments: Fibers & Textiles; Plastics & Chemicals; IT-related Products; Carbon Fiber Composite Materials; Environment & Engineering; and Life Science.

In February 2014, the Group introduced its Medium-term Management Program "Project AP-G 2016", under which the Group aims to implement its growth strategy through innovation and proactive management, with a view to achieving its long-term corporate vision "AP-Growth TORAY 2020", of becoming a corporate group capable of continually increasing revenues and profits, while also proactively contributing to social development and environmental stewardship and providing high value to all stakeholders.

As at 31 March 2014, the Company had 159 consolidated subsidiaries (of which 62 were domestic subsidiaries and 97 were overseas subsidiaries), 56 non-consolidated subsidiaries accounted for by the equity method (of which 27 were domestic subsidiaries and 29 were overseas subsidiaries) and 38 affiliates accounted for by the equity method (of which 13 were domestic affiliates and 25 were overseas affiliates). For the fiscal year ended 31 March 2014, the Group's net sales, operating income and net income amounted to ¥1,837,778 million, ¥105,253 million and ¥59,608 million, respectively, and net sales to outside customers in Japan, China, Asia (other than China) and North America, Europe and other areas as a percentage of consolidated net sales amounted to 50.4 per cent, 16.6 per cent, 17.6 per cent and 15.4 per cent, respectively.

The Company's registered head office is located at 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8666, Japan.

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

History

The Company was founded by a company currently named Mitsui & Co., Ltd. in January 1926 as Toyo Rayon Co., Ltd. and changed its name to the current Toray Industries, Inc. in 1970. The Company's business commenced as a manufacturer of rayon yarn. The Company expanded its fibers and textiles business by developing fibers and textiles made of other materials, including those made of nylon, polyester and acrylic, such developments being achieved with, among others, technologies introduced from E.I. du Pont de Nemours and Company of the United States in June 1951 in relation to nylon production and from Imperial Chemical Industries PLC of the United Kingdom in February 1957 in relation to polyester fiber production through licensing agreements. With its advanced technologies, the Group developed advanced new materials, including polyester fiber TORAY TETORON®, suede-texture artificial leather Ultrasuede® and carbon fiber TORAYCA®, which the Group commenced production in 1958, 1970 and 1971, respectively.

With the technologies it developed through the fibers and textiles business, the Group extended its business to other chemical fields, such as plastics, films and carbon fibers, and later further onto life science, environment-related fields, engineering and IT-related materials.

As the Group's business broadened, the Company established a number of domestic and overseas subsidiaries and invested in other companies of common business areas. The Group's major overseas operations commenced when it founded textile manufacturers Thai Toray Textiles Mills Public Co. Ltd. and Toray Nylon Thai Co Ltd. (now Thai Toray Synthetics Co., Ltd.) in Thailand in 1963, and an Indonesian synthetic fiber manufacturer, P.T. Indonesia Toray Synthetics, in 1971, followed by the foundation of two fiber manufacturing companies in Malaysia in 1973, Penfibre Sdn. Berhad and the current Penfabric Sdn. Berhad. The Group's operational expansion reached North America when a film manufacturer, Toray Plastics (America), Inc., joined the Group in 1985 through the Company's acquisition of the company. The Group, in a joint venture with Saehan Industries Inc. of South Korea, also established a synthetic fiber and film producer, Toray Saehan Inc., in 1999 (now renamed Toray Advanced Materials Korea Inc.).

In addition to manufacturing subsidiaries, in 1986 the Company established Toray International, Inc. ("Toray International") which currently engages in an extensive range of trading activities, including export of the Group's products to and import of raw materials from overseas firms. In August 2004, the Company also acquired additional shares in Chori, which was a specialist trading company engaged primarily in fibers and plastics, and as a result of the share acquisition, Chori became a consolidated subsidiary of the Company.

In 2010, the Company formed Toray Tonen Specialty Separator G.K. as a joint venture with Tonen Chemical Corporation and Tonen Chemical Nasu Corporation (both being subsidiaries of Tonen General Sekiyu K.K., a member of the ExxonMobil group), and in 2012 the Company made it its wholly-owned subsidiary (now named Toray Battery Separator Film Co., Ltd.).

In February 2014, the Company's consolidated subsidiary Toray Advanced Materials Korea Inc. acquired a 56.2 per cent stake in Woongjin Chemical Co., Ltd. (now named Toray Chemical Korea Inc.), a South Korean company involved in the manufacture and distribution of high-performance fibers, water treatment filters and A-PET sheets (cast film), and made it its consolidated subsidiary. Also in February 2014, the Company acquired the entire share capital of Zoltek, a formerly NASDAQ-listed US company involved in the manufacture and distribution of large tow carbon fiber, and made it its consolidated subsidiary.

The Shares have been listed on the Tokyo Stock Exchange since 1949.

Strategy

Long-term Corporate Vision "AP-Growth TORAY 2020"

Under the Long-term Corporate Vision "AP-Growth TORAY 2020" which was initiated in April 2011 covering the period to around 2020, the Group aims to become a corporate group capable of continually increasing revenues and profits, while also proactively contributing to social development and environmental stewardship and providing high values to all stakeholders.

Medium-term Management Program "Project AP-G 2016"

With a view to achieving the Long-term Corporate Vision AP-Growth TORAY 2020, the Group introduced its new Medium-term Management Program "Project AP-G 2016" in February 2014, covering the three fiscal years ending 31 March 2017. Under Project AP-G 2016, the Group aims to implement its growth strategy through innovation and proactive management.

Key Principles

The key principles of Project AP-G 2016 are to devise new growth strategies to achieve the Long-term Corporate Vision AP-Growth TORAY 2020, in addition to the basic strategies devised in the previous Medium-term Management Program "Project AP-G 2013". For example, in addition to working to expand green innovation business in its pursuit of expansion of business in growth business fields, the Group will, under Project AP-G 2016, work to expand its life innovation businesses as well; and in addition to working to expand businesses in Asia and emerging countries, under Project AP-G 2016 the Group will work to expand its businesses in America. Further, in addition to the reduction of variable costs and fixed costs pursued in Project AP-G 2013, in Project AP-G 2016 the Group aims to work on innovation of production processes and to reduce total operational costs in sales and marketing.

Pursuant to Project AP-G 2016, the Group intends to strive for business growth in areas that can leverage on the strengths of the Group, as well as to devise strategies and action plans to make each business "number one" worldwide. To carry out its growth strategies, the Group intends to:

- Fully analyse current circumstances, and determine the ideal approach in order to set new action plans;
- Design a roadmap and specific action plans for ambitious goals, and ensure the capabilities to carry them out;
- Execute innovative initiatives that are different from the past in addition to existing measures; and
- Pursue Group-wide initiatives that give the highest priority to CSR, including safety, accident prevention, environmental preservation and corporate ethics and legal compliance.

Basic Strategies

The basic strategies which the Group has set to implement its aims in Project AP-G 2016 are following eight strategies:

1. Business Expansion in Growth Business Fields

With the aim of expanding the Group's businesses in growth business fields, the Group will work to create new business and respond to expanding demand through the development of advanced materials with the Group's strength in technology and infrastructure.

- *Expansion of Green Innovation Businesses.* In the field of environment and energy issues, in addition to the conventional approach, the Group will work to identify shale gas revolution as a business opportunity and to expand its green innovation business. Under the Group-wide "Green Innovation Business Expansion (GR) Project", the Group will strive to (i) expand its businesses that contribute to solve problems related to the environment, resources and energy, such as global warming, atmospheric pollution and water shortages; (ii) select and carry out projects by identifying the Group's competitive technologies; (iii) improve the efficiency of R&D and accelerate commercialisation and business expansion by considering business strategies and collaboration outside the Group, (iv) create business opportunities around shale gas related businesses (such as compressed natural gas tanks and water treatment), (v) practice environmental management of Life Cycle Management, LCM, and achieve sustainable growth and lower the environmental impact. Specifically, the Group intends to focus on businesses that relate to reduction of greenhouse gas emissions (such as carbon fiber for aircraft, automobiles and pressure vessels among others, and back sheets for solar cells and lithium-ion battery separators), decreasing the environmental impact (such as non-halogen flame-retardant material and Toray Waterless Plate®), water treatment (such as reverse osmosis membrane, membrane bioreactor, microfiltration and ultrafiltration membranes and Torayvino® home water purifiers), recycling (such as regeneration-type recycling, circulation-type recycling and material and chemical recycling), and air purification (such as dust collecting filters and air filters), with a view to contributing to the society by providing solutions to global environmental issues and energy and resources issues, while supporting the sustainable growth of the Group.
- *Expansion of Life Innovation Businesses.* To improve quality of healthcare, ease burden on medical institutions, and contribute to health and longevity, the Group will expand businesses with its advanced materials, core technologies, fundamental technologies and business platform. Under the group-wide "Life Innovation Business Expansion (LI) Project", the Group will strive to (i) expand its pharmaceutical and medical devices businesses, focusing on such business areas to expand existing businesses and create new products and accelerating business development in pre-emptive therapies as a new business field, (ii) strengthen its life innovation business in relation to advanced materials, such as materials and systems for hospitals and advanced diagnostic equipment and materials, and (iii) expand business, accelerate development and explore new businesses, through collaboration with strategic partners, and capturing needs of medical institutions through engaging with "medical clusters" (such as the KOBE Biomedical Innovation Cluster, among others).

2. Business expansion in growth countries and regions

The Group will pursue business expansion and new markets by strengthening the network of the Group's global sites under its "Asia, America and Emerging Country Business Expansion (AE-II) Project".

In Asia and emerging countries, the Group aims to aggressively expand businesses with competitive advantages and capitalise on growing demand. For example, in China, the Group intends to accelerate business growth and increase revenue and profit by utilising its solid business platform and to apply high-performance products to capitalise on China's market demand to provide solutions to environmental problems. In Indonesia, Thailand and Malaysia, the Group intends to accelerate the growth of existing and new businesses, and to develop high-value added products in ASEAN countries, while in India, the Group intends to implement business expansion and establish production bases. In respect of other emerging countries and regions, the Group aims to expand its business in Middle East, the Republic of Turkey, Russia, Eastern Europe and Africa, among others.

In America, the Group will pursue new business expansion with opportunities in the growing US economy, driven by the shale gas revolution and government measures to stimulate manufacturing industries, as well as working to develop and expand business in Central and South America. For example, the Group purchased approximately 400 acres (approximately 1.6 million square metres) of commercial land in South Carolina, USA. In relation to carbon fiber composite materials, the Group intends to boost production to respond to the expected production increase of Boeing 787, and to respond to the growing demand of high value-added industrial usage such as energy-related applications. In relation to fibers & textiles, plastic resins and carbon fiber composite materials, the Group is contemplating a new production base and working for business expansion, focusing on growing demand of automotive-related products. The Group also intends to pursue further business expansion by entering into other new business, as well as through M&A and alliances.

3. Bolstering competitiveness

The Group intends to continue to maintain its competitive edge, targeting the world's highest level of cost competitiveness. Under its "Total Cost Reduction (TC-III) Project", the Group intends to continue its existing activities of variable cost reduction efforts as well as controlling fixed costs, with activities involving the participation of employees group-wide. Further, the Group is pursuing innovation of production processes, aiming to set up innovative production processes to achieve cost reductions based on new perspectives and approaches, at the same time as collaborating across organisations between research, technical, production and engineering departments. In addition, the Group is working towards total operational cost reduction in sales and marketing, through measures such as establishing a highly competitive supply chain by analysing and understanding the operational cost and logistics systems.

4. Strengthening sales and marketing

Pursuant to Project AP-G 2016, the Group will work to establish sales channels that generate earnings, and devise business strategies that take into account the entire supply chain. In this regard, the Group intends to practise solution-oriented sales and enhance relationships with major customers, set tasks and devise strategies for each business and product with the aim of becoming the world leader in the field, train core staff to conduct businesses in every region of the world, and strengthen the Toray brand in the world.

5. R&D strategies/Intellectual property strategies

In relation to R&D and intellectual property, the Group will work to create innovative new materials and technologies that contribute to the continuous growth of the Group, and carry out intellectual property strategies that ensure entry barriers for other companies and maintain the Group's advanced technology.

The Group's R&D strategies include prioritising projects which are essential for long-term competitiveness, utilising the Group's core technologies, fundamental technologies and business platform and establishing core technologies for the future by strengthening core products and technologies, actively researching new fields and technologies and pursuing production process innovations. The Group anticipates that around 50 per cent of R&D expenses will be allocated to R&D related to Green Innovation Businesses and around 20 per cent to Life Innovation Businesses.

The Group's intellectual property strategies include working to enhance the quality of the Group's patent applications and to establish a globally competitive network of patents, striving to maintain superiority of the Group's technologies by strategic patent applications, and developing human resources for global intellectual property.

6. Capital investment strategies

In terms of capital investment strategies, the Group intends to steadily carry out its investment plans until the fiscal year ending 31 March 2017, and to make strategic investments for long-term growth up to 2020. The Group intends to allocate around 60 per cent of total capital expenditures to growth and expansion fields, with the balance being allocated to maintenance and improvement. In terms of regions, the Group intends to allocate around 60 per cent of total capital expenditures to businesses in Asia (other than Japan), emerging countries and America.

7. *M&A and business alliance strategies*

The Group intends to consider M&A and business alliances as options to pursue its growth strategies. In this regard, the Group intends to search for M&A opportunities that suit strategies of each business of the Group, to invest management resources in M&A with a view to expanding businesses towards being a leader in the world, to consider strategic direction to realise the Group's medium to long-term plans, and to train personnel to plan and conduct M&A and business alliances and realise synergies. The Group expects to make M&A investments if strategic opportunities arise, in addition to its regular capital expenditure plans. Recent cases include the Group's acquisition of Zoltek in February 2014, thereby entering into the large tow carbon fiber business with the aim to shift to a new growth track, and the Group's purchase of a 56.2 per cent stake in Woongjin Chemical Co., Ltd. (now renamed Toray Chemical Korea Inc.), with the aim of maximising synergies by expanding product line-up in fibers and textiles and water treatment businesses.

8. *Human resources strategies*

With regard to its human resources strategies, the Group aims to realise strong potential, secure and develop outstanding human resources to expand business on a global scale, and to optimally assign them to focused areas. In this regard, the Group will work to pursue human resources strategies based on business strategies, including rotating human resources among the Group, securing and developing key personnel and pursuing the most suitable allocation of human resources, at the same time as securing and developing key personnel to take charge of local business operations overseas. Further, the Group aims to strengthen operation competency at worksites, including securing and developing outstanding human resources that can demonstrate leadership at key worksites and propose key strategies for expanding new businesses and promoting business structural reforms, raising the level of each employee's expertise through on-the-job training and making continuous efforts to develop and hire diverse human resources regardless of gender, nationality or other personal characteristics.

Segmental Strategies

In terms of segmental strategies under Project AP-G 2016, the Group is pursuing the following:

- *Fibers & Textiles Segment:* In this segment, the Group intends to pursue advancement of global supply chains and expansion of businesses in growth fields and areas while maintaining an appropriate operating margin. The growth products and applications which the Group has identified in terms of this strategy include functional material for apparel and garment, fiber & textiles for airbags, polypropylene spunbound for sanitary materials, and green innovation products (such as bio-based polymers).
- *Plastics & Chemicals Segment:* In this segment, the Group will work to expand high value-added products in automotive applications and applications for solving environment and energy issues, as well as to strengthen business structure in Asian and North American markets. The Group will also pursue high value-added products by developing integrated manufacturing processes spanning resin production to molding. The growth products and applications which the Group has identified in terms of this strategy include resin compound for automotive use, PPS resin, transparent ABS resin and high-functional packaging and industrial film.
- *IT-related Products Segment:* In this segment, the Group is aiming for growth in high value-added IT-related materials by capturing changes in market structure, and is strengthening global operation of high-functional film. The growth products and applications which the Group has identified in terms of this strategy include film for flat panel displays, battery separator film, touch panel related materials and OLED-related materials.
- *Carbon Fiber Composite Materials Segment:* In this segment, the Group intends to aggressively invest management resources to aerospace application, expand industrial application such as energy-related application, and strengthen supply chain of automotive application. The growth products and applications which the Group has identified in terms of this strategy include high functional/high quality carbon fiber, TORAYCA®, materials for IT-related and automotive application, and large tow (through Zoltek).
- *Environment & Engineering Segment:* In this segment, the Group is working to expand its water treatment businesses, and to strengthen the ties of the Group's advanced materials and equipment businesses. The growth products and applications which the Group has identified in terms of this strategy include reverse osmosis membranes for desalination of sea water and plant systems for environment and new energy.

- *Life Science Segment:* In this segment, the Group intends to promote growth in pharmaceutical business outside Japan and expand its adaptation, as well as to establish global production bases of medical devices to appropriately respond to the demand in each country. The growth products and applications which the Group has identified in terms of this strategy include REMITCH®, an oral antipruritus drug (REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.), TORAYMYXIN®, a blood purification device for treating septicaemia, and FILTRIZER®, TORAYSULFONE®, TORAYLIGHT®, hemodialyzer and hemodiafilter.

Operations

The Group's operations principally comprise six reportable segments, namely Fibers & Textiles; Plastics & Chemicals; IT-related Products; Carbon Fiber Composite Materials; Environment & Engineering; and Life Science. The Group has categorised the Fibers & Textiles and Plastics & Chemicals segment as its "core growth driving businesses", the IT-related Products and Carbon Fiber Composite Materials segments as its "strategically expanding businesses", and the Environment & Engineering and Life Science segments as its "intensively developing and expanding businesses".

The table below shows the major products of and the main businesses conducted by each segment:

Reportable Segment	Major Products/Main Businesses
Fibers & Textiles	Filament yarns, staple fibers, woven and knitted fabrics of nylon, polyester and acrylic fibers; non-woven fabrics; suede-texture artificial leather; apparel products
Plastics & Chemicals	Nylon, ABS, PBT, PPS and other resins and molded products (but excluding resins covered in the IT-related Products Segment); polyolefin foam; polyester, polypropylene, PPS and other films and processed film products (but excluding film products covered in the IT-related Products segment); raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine
IT-related Products	Films and plastic products for information and telecommunications-related products; electronic circuits and semiconductor-related materials; color filters for LCDs and related materials and equipment; magnetic recording materials; graphic materials and related equipment
Carbon Fiber Composite Materials	Carbon fibers; carbon fiber composite materials and their molded products
Environment & Engineering	Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering applications
Life Science	Pharmaceuticals and medical devices;

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

	Fiscal Year Ended 31 March					
	2012		2013		2014 (Unaudited) ⁽¹⁾	
	Sales (Millions of yen)	Proportion (Per cent)	Sales (Millions of yen)	Proportion (Per cent)	Sales (Millions of yen)	Proportion (Per cent)
Reportable Segments:						
Fibers & Textiles.....	¥ 638,375	40.2%	¥ 632,150	39.7%	¥ 755,474	41.1%
Plastics & Chemicals	397,815	25.1	395,835	24.9	470,542	25.6
IT-related Products.....	243,404	15.3	237,593	14.9	245,741	13.4
Carbon Fiber Composite Materials	69,914	4.4	77,620	4.9	113,342	6.2
Environment & Engineering	170,247	10.7	178,355	11.2	180,197	9.8
Life Science	55,554	3.5	56,599	3.5	58,205	3.1
Others	13,295	0.8	14,127	0.9	14,277	0.8
Total consolidated net sales	<u>¥1,588,604</u>	<u>100.0%</u>	<u>¥1,592,279</u>	<u>100.0%</u>	<u>¥1,837,778</u>	<u>100.0%</u>

Note:

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

The following table summarises by segment the Group's operating income (before inter-segment eliminations) for the periods indicated, together with the percentages of such operating income as a percentage of total operating income:

	Fiscal Year Ended 31 March					
	2012		2013		2014 (Unaudited) ⁽¹⁾	
	Operating Income	Proportion	Operating Income	Proportion	Operating Income	Proportion
	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)
Reportable Segments:						
Fibers & Textiles.....	¥ 45,327	35.7%	¥ 43,222	41.8%	¥ 52,919	41.9%
Plastics & Chemicals	27,381	21.5	18,302	17.7	18,010	14.2
IT-related Products.....	34,512	27.2	22,959	22.2	24,586	19.4
Carbon Fiber Composite Materials	7,671	6.0	7,299	7.1	16,927	13.4
Environment & Engineering.....	4,882	3.8	2,628	2.5	6,397	5.1
Life Science	5,981	4.7	7,456	7.2	5,605	4.4
Others	1,334	1.1	1,557	1.5	1,987	1.6
Subtotal	127,088	100.0%	103,423	100.0%	126,431	100.0%
Adjustments	(19,367)		(19,987)		(21,178)	
Total consolidated operating income	¥107,721		¥ 83,436		¥105,253	

Note:

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

Fibers & Textiles

The businesses carried on by this segment are classified by the Group as part of its core growth driving businesses. The Fibers & Textiles segment engages in the development, manufacture and sale of nylon, polyester and other synthetic fibers and textiles and related products. This segment's businesses deal with materials of the Group's origin, and this segment remains as the biggest segment of the Group in terms of net sales, accounting for 41.1 per cent of the Group's total net sales for the fiscal year ended 31 March 2014. While being a traditional segment for the Group, the Fibers & Textiles segment continues to provide advanced products in relation to which the Group has a leading share in the global market, such as fluorofibers and suede-texture artificial leather.

As at 31 March 2014, the Group engaged in this segment's business through the Company and subsidiaries and affiliates of the Company, including consolidated subsidiaries Ichimura Sangyo, Co., Ltd., Marusa Co., Ltd., Toray International Inc., Chori Co., Ltd., P.T. Indonesia Toray Synthetics, Luckytex (Thailand) Public Company Limited, Thai Toray Synthetics Co., Ltd., Penfabric Sdn. Berhad, Toray Fibers (Nantong) Co., Ltd., Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd., Toray International (China) Co., Ltd., Toray Industries (H.K.) Ltd., Toray Advanced Materials Korea Inc. and Toray Chemical Korea Inc. (formerly Woongjin Chemical Co., Ltd.), and affiliate Toray Opelontex Co., Ltd.

The product line-up of the Group's Fibers and Textiles business encompasses all three major groups of synthetic fibers (nylon, polyester and acrylic), and the Group is known for its capacity to meet requests for supplying a diverse range of products, from filament yarns and staple fibers to textiles and garments.

The Fibers & Textiles segment's products are used for apparel applications and industrial applications.

Apparel applications for which this segment's products are used include women's and men's clothing and sportswear. In March 2006, the Company entered into an agreement with Uniqlo Co., Ltd. ("Uniqlo"), a Japanese casual wear designer, manufacturer and retailer, in relation to the formation of a strategic partnership, which was followed in June 2006 by a mid- to long-term comprehensive supply agreement. Pursuant to this agreement, the Group and Uniqlo have been combining their forces on R&D, production and sales and marketing in relation to new materials and products in the industry. In July 2010, the Company and Uniqlo concluded an

agreement for a second five-year plan under their strategic partnership, under which the two companies agreed, among other things, to work towards continuing to create new markets by developing revolutionary new products, expanding the scale of global joint projects and creating new, international growth models operated by the Japanese industry.

This segment's products are also used for industrial applications including the following:

- *Automobiles.* The Group's nylon fiber is used in airbags, and polyester fiber is used in car seats and seatbelts. This is a growing area of business in this segment.
- *Disposable diapers.* The Group's polypropylene spunbound (polypropylene filament yarn non-woven fabric) is used in disposable diapers.
- *Furniture & interiors and tents.* The Group's suede-texture artificial leather is used in sofas, BCF nylon in carpets, halogen-free, flame retardant materials in curtains, and polyester fiber in tents.

This segment supplies a number of products with the Group's registered trademarks, such as polyester fiber TORAY TETORON®, acrylic fiber TORAYLON®, PLA fiber ECODEAR®, TORAYSEE® microfiber cleaning cloth and suede-texture artificial leather Ultrasuede®.

In February 2014, the Company's consolidated subsidiary Toray Advanced Materials Korea Inc. acquired a 56.2 per cent stake in Woongjin Chemical Co., Ltd. (now named Toray Chemical Korea Inc.), a South Korean company involved in the manufacture and distribution of high-performance fibers, water treatment filters and A-PET sheets (cast film), and made it its consolidated subsidiary, with the aim of maximising synergies by expanding product line-up in fibers and textiles and water treatment businesses.

Joint Venture

Since 2003, the Company and Invista Inc. have had in place a joint venture agreement under which they have agreed to establish and operate the joint venture company Toray Opelontex Co., Ltd. (formerly Opelontex Co., Ltd.), which currently manufactures and sells polyurethane elastic fiber.

Plastics & Chemicals

The businesses of this segment are also considered by the Group as part of the Group's core growth driving businesses. The Plastics & Chemicals segment engages in the development, manufacture and sale of a wide range of advanced resins and molded products, polyester and polypropylene films and other film products as well as fine chemicals (excluding films and resins covered in the IT-related Products segment). This segment is the second largest segment of the Group in terms of net sales, accounting for 25.6 per cent of the Group's net sales for the fiscal year ended 31 March 2014. The Plastics & Chemicals segment also offers certain advanced materials in relation to which the Group has a leading share in the global market, such as PPS films, para-based aramid films and dimethyl sulfoxides.

As at 31 March 2014, the Group engaged in this segment's business through the Company and subsidiaries and affiliates of the Company, including consolidated subsidiaries Toray Advanced Film Co., Ltd., Soda Aromatic Co., Ltd., Toray Plastics (America), Inc., Toray Films Europe S.A.S., Penfibre Sdn. Berhad, Toray Plastics (Malaysia) Sdn. Berhad, Toray International Singapore Pte. Ltd., Toray Plastics (China) Co., Ltd., Toray Advanced Materials Korea Inc. and Toray Chemical Korea Inc. (formerly Woongjin Chemical Co., Ltd.), and affiliates Dow Corning Toray Co., Ltd., Sanyo Chemical Industries, Ltd., Thai PET Resin Co., Ltd. and Toray BASF PBT Resin Sdn. Berhad.

This segment primarily consists of three businesses: plastic resins, plastic films and chemicals. The plastic resins business provides products including engineering plastics mainly used for automotive and electrical applications, such as TOYOLAC® ABS resins, AMILAN® nylon resins, TORAYCON® PBT resins, TORELINA® PPS resins SIVERAS® LCP resins and ECODEAR® PLA resins. The plastic films business offers materials used for packaging films such as food packaging materials, as well as for industrial materials applications such as for capacitor usage. The chemicals business provides a variety of chemical materials, including various raw materials for pharmaceutical and agrochemical products and other specialty chemicals.

Due to the nature of the materials it produces, the Plastics & Chemicals segment partly sells its products to companies of other segments within the Group, which use the plastics and chemicals products as raw materials or components for their products. For the fiscal year ended 31 March 2014, such sales within the Group amounted to 6.5 per cent of this segment's total net sales.

Joint Venture

Since 2005, the Company and Dow Corning Co. have had in place a joint venture agreement under which they have agreed to establish and operate the joint venture company Dow Corning Toray Co., Ltd., which currently manufactures and sells various silicone products, among others.

IT-related Products

The businesses of this segment form part of the Group's strategically expanding businesses, and the Group aims to further enlarge its operations under this segment. The IT-related Products segment engages in the development, manufacture and sale of display materials, semiconductor-related materials, circuit materials, data storage materials and certain other related equipment.

As at 31 March 2014, the Group engaged in this segment's business through the Company and subsidiaries and affiliates of the Company, including consolidated subsidiaries Toray Advanced Film Co., Ltd., Toray Battery Separator Film Co., Ltd., Toray Engineering Co., Ltd., Toray Advanced Materials Korea Inc. and STEMCO, Ltd., and affiliates Du Pont-Toray Co., Ltd. and STECO, Ltd.

The IT-related Products segment primarily consists of four sub-segments:

- *Display materials:* This sub-segment provides films used for IT-related materials including LCDs, mobile phones and digital home electronic appliances. Major products of this sub-segment include LUMIRROR® polyester films.
- *Electronic components, semiconductors and electrical circuit materials:* This sub-segment offers films and processed film products for electronic components, such as multilayer ceramic capacitors, and SETELA® battery separator films. This sub-segment also includes electrical circuit materials such as METALOYAL® electrolytic plated two-layer flexible substrate films.
- *Data storage materials:* This sub-segment offers products such as data storage materials and printing plates (including photosensitive relief printing plate TORELIEF® and waterless printing plates).
- *Equipments and others:* The products of the equipments and others business include slit nozzle coaters for color filters of LCDs.

The Group has identified products such as film for flat panel displays, battery separator film, touch panel related materials and OLED-related materials as growth products and applications in this segment.

Joint Venture

Since 1963, the Company and E.I. DuPont de Nemours and Co. have had in place a joint venture agreement, under which they have agreed to establish and operate the joint venture company Du Pont-Toray Co., Ltd., which currently manufactures and sells polyimide film, among other products.

Carbon Fiber Composite Materials

The businesses of this segment form part of the Group's strategically expanding businesses, and the Group aims to further strengthen its operations under this segment. This segment engages in the development, manufacture and sale of carbon fibers and carbon fiber composite materials and their molded products, and the Group is a leading provider of carbon fiber composite materials in the global market. The Group believes that the businesses in this segment is underpinned by its strengths, including: (i) global operations, with production bases in Japan, the United States, Europe and South Korea; (ii) vertical development of prepreg, intermediate materials and composite materials as well as carbon fibers; (iii) a superior line-up of high quality carbon fiber products; (iv) a technological competitive edge attributable to the stable quality of its prepreg products; and (v) solid position in aircraft applications. The Carbon Fiber Composite Materials segment primarily consists of three sub-segments based on applications: aerospace, sports and industrial.

As at 31 March 2014, the Group engaged in this segment's business through the Company and subsidiaries and affiliates of the Company, including consolidated subsidiaries Toray Carbon Fibers America, Inc., Toray Composites (America), Inc., Toray Carbon Fibers Europe S.A., Toray Advanced Materials Korea Inc. and Zoltek Companies, Inc.

This segment's products TORAYCA® polyacrylonitrile-based carbon fibers and TORAYCA® prepregs (sheet-form carbon fibers impregnated with resin and the midstream processed products of TORAYCA®) offer a wide variety of use including aircraft applications, industrial applications such as for CNG tanks for natural gas-powered automobiles, turbine blades for wind power generation, products used in civil engineering and construction and breathing equipments for firefighters, as well as for sports applications such as high-end bicycles, golf club shafts, fishing rods and tennis racket frames. In addition, TORAYCA® (molding components using TORAYCA®) further broaden the use of the Group's carbon fiber composite products to other areas including personal computer housings, fuel cell electrode basic materials and other general industrial applications such as for building and infrastructure composites and composites for automobile components (including shafts and exterior panels). Further, through its acquisition of Zoltek in February 2014, the Group has entered into the large tow carbon fiber business in addition to its existing regular tow business.

The Group has been providing its carbon fiber composite materials to Boeing since 1982, initially for the secondary structural elements of the 757 and 767 models, followed by the primary structural elements of the 777 model since 1992. The Company has entered into agreements with Boeing in respect of the supply of TORAYCA® Prepregs to be used in the primary structural elements of the 787 model. Under these agreements, the Group supplies TORAYCA® Prepregs to Boeing for a period of 18 years from 2004 to 2021 (which period includes an extension option for a period of up to five years) as the sole supplier of carbon fiber composite materials for the 787 aircraft. The Group has also been providing its carbon fiber to Airbus S.A.S. in relation to the A320, A340, A380 and other models.

Environment & Engineering

The businesses of this segment (in particular, environment, water treatment and energy-related businesses) form part of the Group's intensively developing and expanding businesses, and the Group expects that these businesses will grow to become the next profit growth drivers of the Group. The Environment & Engineering segment engages in the development, manufacture and sale of a range of industrial equipment and machinery, construction materials and water treatment business-related materials such as reverse osmosis membrane elements and water treatment systems, as well as the construction and sale of condominiums and provision of various services including those related to the construction and maintenance of factories.

As at 31 March 2014, the Group engaged in this segment's business through the Company and subsidiaries and affiliates of the Company, including Toray Construction Co., Ltd., Toray Engineering Co., Ltd. and Suido Kiko Kaisha, Ltd.

The Group is a global leader in the water treatment membrane business. The Environment & Engineering segment offers an extensive range of ROMEMBRA® reverse osmosis membrane elements used in a variety of applications, including the desalination of seawater and brackish water to pure water, the treatment and recycling of effluent for the recovery of valuable process materials and the concentration of foodstuffs. The Group also offers TORAYFIL® ultrafiltration/microfiltration membrane modules, for applications such as the production of service water and water for industrial use and water treatment of sewage and waste water, as well as being used in various water clarification and bacteria scrubbing applications, and MEMBRAY® immersion-type membrane modules, used in treatment and recycling of sewage and industrial wastewater.

Due to the nature of the products and services it offers, a significant portion of the Environment & Engineering segment's sales are made to the companies of other segments within the Group. For the fiscal year ended 31 March 2014, 25.3 per cent of this segment's total sales were attributable to such sales within the Group.

Joint Venture

In February 2014, the Group announced that it has signed a joint venture agreement with Abunayyan Holding Company, to establish a 50-50 joint venture company Toray Membrane Middle East LLC ("TMME"), to be based in Saudi Arabia. TMME is planned to be involved in the manufacture and sale of, and provision of technical service in relation to, water treatment membrane products and related activities.

Life Science

The businesses of this segment are classified by the Group as part of its intensively developing and expanding businesses, and the Group aims to strengthen these businesses to become the next profit growth drivers of the Group. This segment engages in the development, manufacture and sale of pharmaceutical products (such as natural interferon-beta preparation, prostacyclin and antipruritus drugs) and medical devices (such as hemodialyzers, dialyzers and other equipment).

As at 31 March 2014, the Group engaged in this segment's business through the Company and subsidiaries and affiliates of the Company, including Toray Medical Co., Ltd. and Toray Medical (Qingdao) Co., Ltd.

Pharmaceutical and medical products offered by this segment include TORAYLIGHTTMNV and TORAYSULFONE[®], hemodialysis membrane and hemodiafilter, and TORAYMYXIN[®], a blood purification device for treating septicaemia. The Group also offers BREATH-O[®] contact lenses, and 3-D-Gene[®] DNA chips.

This segment's sales are also derived from compensation revenues from joint development and marketing agreements with external parties in relation to new drugs. The Group has entered into such agreements with Takeda Pharmaceutical Co., Ltd. in respect of a frequent urination and incontinence drug candidate since the fiscal year ended 31 March 2005, and with Japan Tobacco Inc. ("Japan Tobacco") and Torii Pharmaceutical Co., Ltd. ("Torii Pharmaceutical") in respect of REMITCH[®], an antipruritic agent for treatment of severe uremic pruritus in hemodialysis patients which was launched in 2009. The Group, Japan Tobacco and Torii Pharmaceutical had previously been working together in the joint development of nalfurafine hydrochloride for an additional indication to treat pruritus among chronic liver disease patients in Japan, but since Torii Pharmaceutical's decision in 2011 to concentrate its efforts on the sales of REMITCH[®] in its key therapeutic area of renal/hemodialysis, such joint development program was terminated and the Group is now continuing such development by its own.

Others

The Others segment of the Group represents service-related businesses such as analysis, physical evaluation and research services. As at 31 March 2014, the Group engaged in this segment's business through subsidiaries and affiliates of the Company, including Toray Research Center, Inc. and Toray Enterprise Corp.

Intellectual Property

The Group considers the maintenance and protection of intellectual property to be critical to the success of its business. For procurement and management of patents, the Group adheres to its Patent Management Regulations and Patent Management Standards. Trademarks are handled in a similar manner with internal rules, including Trademark Management Regulations; Trade Name, Corporate Symbol and Brand Management Regulations; and Trademark Management Standards. For patents, the Group has set up a patent committee within each business to discuss details and complete all required procedures. Participants in these committees are patent practitioners of the Company's Intellectual Property Department and Toray Intellectual Property Center, Ltd., a subsidiary of the Company handling the Group's intellectual property issues, as well as members of the research, R&D and business (sales) departments in each business sector. In this way, the Group adopts an integrated approach to the management of intellectual properties, R&D and business strategies. The patent committees provide a particularly useful forum for making key policy decisions to determine the technological areas on which patent applications are focused, inventions for which applications should be filed, existing applications for which requests for examination are to be filed and patent rights that should be maintained or abandoned. Discussions likewise extend to the enforcement of existing patent rights and other key concerns. The Group has also established a brand committee system as the organisation overseeing important trademarks and brands in its business fields. The Technology Brand Committee serves as the organisation charged with reviewing and setting policy for the promotion and management of technology brands.

For incentivising inventions, the Group has long maintained a compensation system for employee inventions. This system includes fixed-sum compensations at the time of patent application and registration (including overseas patents in both cases) and performance compensations based on profits acquired through the use of patented inventions and from license fees. However, the Group has revised these internal rules to effectively respond to the amended Patent Act of Japan, as well as recent trends in court rulings in areas concerning employee inventions. Through a flexible system, the Group is promoting the creation of excellent inventions inspired by enhanced incentives to innovate and invent to enhance the Group's competitiveness. Further, in the fiscal year ended 31 March 2007, the Group established an award system for not only inventors but also others in the Group who make a valuable contribution to patent-related activities.

As at 31 March 2013, the number of valid and enforceable patents in Japan held by the Group (total for the Company and 45 Japanese and overseas subsidiaries and affiliates) amounted to 4,935, of which 1,938 (39.3 per cent) were in current use within the Group, 2,347 (47.6 per cent) were scheduled to be used in the future, and 650 (13.2 per cent) were for defense and other purposes. As at 31 March 2013, the number of valid and enforceable patents outside Japan held by the Group (total for the Company and 45 Japanese and overseas subsidiaries and affiliates) amounted to 5,171. In addition, the Group has trademarks and other intellectual property rights registered or pending throughout the world.

While the Group considers intellectual property to be highly significant to its business operations, it does not consider any single patent, trademark or other intellectual property right to be of such importance that its loss or limitation would have a material adverse effect on the Group's business, results of operations or financial condition.

To reduce the risk of infringement claims, the Group regularly monitors the patents of its competitors in each technical field and checks on its competitors' patent lists at least once before introducing a new product to the market. If a competitor has a patent that interferes with the Group's business, the Group then plans and executes appropriate countermeasures to eliminate any obstacles.

Research and Development

The R&D activities of the Group are divided into seven segments, one for each business domain, as follows: Fibers & Textiles; Resins & Chemicals; Films; Electronics & Information Related Products; Carbon Fiber Composite Materials; Life Science (pharmaceuticals and medical products); and Water Treatment.

The following chart shows the relationship between business categories and R&D segments:

Business Categories	R&D Segments		Reportable Segments	Basic Materials	Advanced Materials
Core Growth Driving Businesses	Fibers & Textiles		Fibers & Textiles	Synthetic Fibers Resins Chemical Materials Films	High Function Fibers & Textiles
	Resins & Chemicals	Films	Plastics & Chemicals		High Function Resins Functional Particles New Energy Materials High Density Recording Materials
Strategically Expanding Businesses	Electronics & Information Related Products		IT-related Products		High Function Films Display Materials Semiconductor-related Materials
	Carbon Fiber Composite Materials		Carbon Fiber Composite Materials		Carbon Fiber Composite Materials
Intensively Developing and Expanding Businesses	Life Science		Life Science		Pharmaceuticals and Medical Devices Bio-tools
	Water Treatment		Environment & Engineering		High Function Separation Membranes, etc.

The following table shows the Group's 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		
	2012	2013	2014 (Unaudited) ⁽¹⁾
	(Millions of yen / Per cent)		
Total R&D expenses ⁽²⁾	¥51,450	¥53,342	¥55,500
Percentage of consolidated net sales	3.2%	3.4%	3.0%

Notes:

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

(2) Total R&D expenses include R&D costs included in cost of sales and selling, general and administrative expenses.

Since its foundation, Toray Group has adhered to the philosophy that “R&D is the key to the Toray of tomorrow”. With this in mind, the Group has consistently pursued R&D into advanced materials to be in step with the times. The Group’s strengths which allow it to draw on its R&D capabilities include: (i) a history and culture of creating innovative technologies (with an emphasis on basic research); (ii) having numerous specialist organisations; (iii) having an integrated R&D organisation; (iv) having the ability to integrate technology through industry-government-academia joint research; and (v) possessing advanced analytical capabilities (with strong links to the Toray Research Center Inc.). These strengths have enabled the Group to develop and commercialise a wide range of advanced materials. To better utilise these strengths, since 1985 the Group has been building an R&D organisation centring on the Technology Center. The role of the Technology Center is to plan company-wide strategies and key projects for R&D. Each R&D department conducts research and development in its own area of responsibility. At the same time, they collaborate with each other and integrate their technologies across divisional boundaries in order to promote innovative research and deepen and deploy fundamental technologies, find solutions to urgent issues and take other pertinent actions. Additionally, utilising high-calibre personnel, the development of global research bases is under way to further strengthen collaborations with advanced users and leading-edge research institutions worldwide. To speed up processes from development to commercialisation, the Group is working to enhance functions to support processing technologies, facilities and equipment technologies and management for its vital projects as it progresses with the creation of large-scale businesses.

Recent R&D achievements by the Group include the following:

- In October 2013, the Group has developed a carbon fiber reinforced PPS capable of injection molding, with a tensile strength equivalent to aluminium die casting. This product is approximately 45 per cent lighter than aluminium die-cast products, and exhibits the heat, flame and chemical resistance properties of PPS. Moreover, the product is capable of being molded using the same mold-injection machinery as for glass fiber reinforced PPS, increasing the design flexibility of molded products as compared with metal-based products as well as being capable of being used for composite molding. The Group believes the product has potential for being utilised in many industries, including the automotive, electrical and machinery industries.
- In February 2014, the Company announced that it had succeeded in developing an ultralow pressure, highly durable reverse osmosis (RO) membrane with high water permeability and high durability by leveraging its proprietary microstructure control technology. The Company polished the technology to form fine pores (which lets water molecules pass while blocking sodium ions among others) in the RO membrane and improved water permeability while maintaining its superior capability to remove ions and organic compounds. This enabled water treatment with lower pressure, resulting in energy savings of about 30 per cent. At the same time, the newly developed RO membrane is highly durable (the ability to sustain its performance to remove substances) against chemical cleaning. The membrane is expected to contribute to reduction of water treatment cost in applications such as brackish water desalination and wastewater treatment where chemical cleaning is required even more frequently because of the low quality of raw water.
- In April 2013, the Company and Genomatica, Inc. (“Genomatica”) jointly announced that the Company had successfully made a partially bio-based PBT using BDO made with Genomatica’s bio-based process technology. The successful bench-level production gives the Group a significant boost towards commercial-scale production of partially bio-based PBT. The Group’s tests confirmed that PBT made using this BDO has physical properties and formability equivalent to PBT made from petroleum-derived BDO, and the Group then succeeded in making prototypes of molded components.

Raw Materials and Sources of Supply

The Group purchases a variety of raw materials, including principally petrochemical materials and fuel, for use in the manufacture of its products. The Group generally enters into medium- and long-term supply contracts to ensure stable and reliable supply, both directly with raw material manufacturers and with trading companies. Although the Group generally procures raw materials from multiple suppliers, in some instances, there may be only a limited number of suppliers in respect of certain raw materials. The Company believes that the Group is not dependent on any one individual third party supply source or group of suppliers for any raw materials or principal components essential to any significant part of its business. The Group has not experienced any material difficulty in obtaining raw materials and believes that it will continue to be able to obtain them to meet its needs.

Manufacturing

The Group is engaged in a wide range of production activities, from basic to advanced materials and products. Furthermore, with the aim of providing its customers with the best solutions, the Group maintains a worldwide network of production locations and global operation functions. This enables the Group to serve its customers with integrated operations through a geographically optimised structure. Moreover, based on the Group's corporate mission of offering its customers new value and high-quality products and services, each of its products is produced with a Japanese plant as a global mother plant. This is intended to ensure the continual development and enhancement of the Group's production technology, and the Group believes that as a result, it is able to maintain among the industry's highest levels of product quality worldwide.

The Group conducts cutting-edge R&D at its Japanese manufacturing facilities, and such facilities form the core facilities for the global supply of the advanced materials so developed. The Group conducts the development of advanced materials and production of high-value added products in Japan, and when the business expands, or when it becomes necessary to increase cost competitiveness, the Group may extend its manufacturing capability overseas taking into account location of demand and cost competitiveness; through such measures, the Group leverages its global manufacturing capabilities to expand its business. Revenues from such activities are then reinvested in further R&D, such as the development of further advanced materials in Japan, or development overseas of further applications that meet the local needs of customers.

By business segment, the Fibers & Textiles segment manufactures its products principally in Japan, China, South Korea and other ASEAN countries such as Thailand, Indonesia, and Malaysia, as well as partly in the United Kingdom and the United States, while advanced materials and value-added products including those which require processing with advanced technology are primarily manufactured in Japan. The Plastics & Chemicals segment manufactures its products principally in Japan, the United States, France, China, South Korea and other ASEAN countries such as Malaysia, Thailand and Indonesia. The IT-related Products segment manufactures its products principally in Japan, South Korea and Chinese Taipei. The Carbon Fiber Composite Materials segment manufactures its products principally in Japan, the United States, France and South Korea. The Environment & Engineering segment manufactures its products principally in Japan, the United States and China. The Life Science segment manufactures its products principally in Japan and China.

Sales and Marketing

The following table shows the Group's net sales to outside customers by region based upon the location of the customer for the periods indicated:

	Fiscal Year Ended 31 March					
	2012		2013		2014 (Unaudited) ⁽¹⁾	
	Sales	Proportion	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)
Japan	¥ 876,224	55.2%	¥ 870,315	54.7%	¥ 925,867	50.4%
Asia—China.....	203,419	12.8	222,514	14.0	305,742	16.6
Asia—Others.....	284,430	17.9	268,291	16.8	323,151	17.6
North America, Europe and other areas	224,531	14.1	231,159	14.5	283,018	15.4
Total consolidated net sales	<u>¥1,588,604</u>	<u>100.0%</u>	<u>¥1,592,279</u>	<u>100.0%</u>	<u>¥1,837,778</u>	<u>100.0%</u>

Note:

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

The Group's products are marketed and sold globally through trading companies (including Toray International), as well as direct to manufacturers and suppliers in the relevant industries.

Competition

The Group faces intense competition from a number of large Japanese and international manufacturers as well as smaller and specialised manufacturers in relation to the products, services and technologies which it provides. Some of the Group's competitors, which vary in size, area of distribution, range of products and

financial resources, are large-size international enterprises, and among such competitors, there may be companies that have greater financial, R&D, human or other resources than the Group. The Group aims to compete primarily by offering innovative products with high quality and superior performance developed by applying advanced technologies (including manufacturing technology) which are obtained and supported by a wide range of R&D activities.

By business segment, the Fibers & Textiles and Plastics & Chemicals segments have large-sized international synthetic fiber and chemical manufacturers as their principal competitors. Principal competitors in the IT-related Products segment are domestic chemical manufacturers. The Carbon Fiber Composite Materials segment mainly faces competition with carbon fiber manufacturers in Japan, the United States and the Republic of Turkey. Principal competitors of the Group in the Environment & Engineering segment are international chemical manufacturers and domestic engineering and construction companies. In the Life Science segment, the principal competitors include domestic drug manufacturers and international dialyser manufacturers.

Property, Plant and Equipment

The following table sets out certain information with respect to the Company's significant properties, plant and equipment as at 31 March 2013:

Name of Property	Location	Business Segment to which the Property Relates	Description of the Property (Principal Use)	Book Value				
				Buildings and Structures	Machinery and Equipment	Land ⁽¹⁾	Other ⁽²⁾	Total
						(Millions of yen)		
Shiga Plant	Shiga, Japan	Fibers & Textiles, Plastics & Chemicals, IT-related Products, Carbon Fiber Composite Materials, Environment & Engineering, Life Science	Manufacturing facilities for polyester films, color filters for LCD	¥ 18,225	¥ 10,972	¥ 677 (844)	¥ 5,603	¥35,477
Seta Plant	Shiga, Japan	Life Science	Manufacturing facilities for medical devices	2,989	610	87 (158)	738	4,424
Ehime Plant	Ehime, Japan	Fibers & Textiles, Plastics & Chemicals, IT-related Products, Carbon Fiber Composite Materials, Environment & Engineering	Manufacturing facilities for polyester staple and carbon fiber products	17,911	30,081	6,059 (860)	2,091	56,142
Nagoya Plant	Aichi, Japan	Plastics & Chemicals, IT-related Products	Manufacturing facilities for nylon resin	7,295	7,242	658 (420)	4,787	19,982
Tokai Plant	Aichi, Japan	Plastics & Chemicals, IT-related Products	Manufacturing facilities for terephthalic acid and caprolactam	5,393	10,621	7,098 (589)	5,369	28,481
Aichi Plant	Aichi, Japan	Fibers & Textile, IT-related Products	Manufacturing facilities for nylon fiber	1,561	925	152 (172)	303	2,942
Okazaki Plant	Aichi, Japan	Fibers & Textiles, Plastics & Chemicals, IT-related Products, Environment & Engineering, Life Science	Manufacturing facilities for nylon fiber and polyester fiber	4,920	5,207	268 (309)	1,952	12,346

Name of Property	Location	Business Segment to which the Property Relates	Description of the Property (Principal Use)	Book Value				
				Buildings and Structures	Machinery and Equipment	Land ⁽¹⁾	Other ⁽²⁾	Total
				(Millions of yen)				
Mishima Plant	Shizuoka, Japan	Fibers & Textiles, Plastics & Chemicals, IT-related Products, Life Science	Manufacturing facilities for polyester fiber, polyester film and pharmaceuticals	10,500	7,523	955 (347)	2,098	21,077
Chiba Plant	Chiba, Japan	Plastics & Chemicals, IT-related Products	Manufacturing facilities for ABS resin	1,077	1,173	521 (190)	242	3,012
Tsuchiura Plant	Ibaraki, Japan	Plastics & Chemicals, IT-related Products	Manufacturing facilities for polypropylene film	2,161	1,698	364 (129)	2,652	6,875
Gifu Plant	Gifu, Japan	Fibers & Textiles, Plastics & Chemicals, IT-related Products	Manufacturing facilities for suede-texture artificial leather and polyester film	2,195	6,204	878 (197)	696	9,974
Ishikawa Plant	Ishikawa, Japan	Fibers & Textiles, Carbon Fiber Composite Materials	Manufacturing facilities for polyester fiber, nylon fiber and carbon fiber composite materials	4,266	3,758	971 (348)	707	9,702
Basic Research Centre	Kanagawa, Japan	Basic research across the Group	R&D facilities	4,371	11	870 (286)	892	6,143
Second Head Office	Chiba, Japan	Group administration and sales	Other facilities	2,305	9	9,276 (4)	43	11,633
Others	Various	—	Marketing facilities, welfare facilities	7,975	0	14,450 (288)	74	22,499

Notes:

- (1) Figures in parentheses are land areas owned in thousands of square metres.
- (2) Book value for “Other” is the book value of furniture and fixtures, lease assets and construction in progress.
- (3) In addition to the above owned properties, as at 31 March 2013, the Group had certain significant leased properties, which included the Company’s headquarters in Tokyo and its main office in Osaka.

The following table sets out certain information with respect to the Company's subsidiaries' significant properties, plant and equipment as at 31 March 2013:

Name of Subsidiary	Name of Property	Location	Business Segment to Which the Property Relates	Description of the Property (Principal Use)	Book Value				
					Buildings and Structures	Machinery and Equipment	Land ⁽¹⁾	Other ⁽²⁾	Total
(Millions of yen)									
Toray Fine Chemicals Co., Ltd.	Chiba Plant and others	Chiba, Japan	Fibers & Textiles, Plastics & Chemicals, IT-related Products	Manufacturing facilities for fine chemicals	¥ 1,743	¥ 1,985	¥ 1,252 (106)	¥ 814	¥ 5,794
Toray Advanced Film Co., Ltd.	Mishima Plant and others	Shizuoka, Japan	Plastics & Chemicals, IT-related Products	Manufacturing facilities for polyolefin films and processing of various film products	5,337	5,619	1,848 (204)	1,084	13,888
Toray Engineering Co., Ltd.	Shiga Plant and others	Shiga, Japan	IT-related Products, Environment & Engineering	Engineering machinery	4,078	1,840	7,731 (101)	947	14,596
Penfibre Sdn. Berhad	Headquarters and Factory	Penang, Malaysia	Fibers & Textiles, Plastics & Chemicals, IT-related Products	Manufacturing facilities for polyester polymerisation and reeling and polyester films	2,689	7,419	— (153)	1,492	11,600
Toray Advanced Materials Korea Inc.	Headquarters and Factory	Gumi-si, Gyeongsangbuk-do, South Korea	Fibers & Textiles, Plastics & Chemicals, IT-related Products, Carbon Fiber Composite Materials, Environment & Engineering	Manufacturing facilities for polyester fibers and films and carbon fibers	17,723	30,893	4,334 (2,130)	11,244	64,194
Toray Plastics (America), Inc.	Headquarters and Factory	Rhode Island, USA and others	Plastics & Chemicals, IT-related Products	Manufacturing facilities for polypropylene and polyester films	5,267	5,237	419 (1,070)	2,794	13,717
Toray Carbon Fibers Europe S.A.	Headquarters and Factory	Abidos, France	Carbon Fiber Composite Materials	Manufacturing facilities for carbon fiber	3,352	18,035	163 (259)	3,940	25,490
Toray Carbon Fibers America, Inc.	Headquarters and Factory	Alabama, USA	Carbon Fiber Composite Materials	Manufacturing facilities for carbon fiber	6,152	16,605	90 (197)	437	23,284

Notes:

(1) Figures in parentheses are land areas owned in thousands of square metres.

(2) Book value for "Other" is the book value of furniture and fixtures, lease assets and construction in progress.

See also "Recent Business—Consolidated Results for the Fiscal Year Ended 31 March 2014 Compared to the Fiscal Year Ended 31 March 2013—New Businesses and New Investments".

Regulations

The Group's business activities are subject to various governmental regulations in countries in which it operates, such as regulations relating to business and investment approvals including construction business licences, consumer protection including product liabilities and safety measures, pharmaceutical regulations (including those regarding NHI drug prices), export regulations (including those related to national security

considerations and tariffs), antitrust, corrupt business practices, labour relations, intellectual property, taxation, foreign exchange controls and recycling requirements. The Group is also subject to environmental regulations with respect to, among others, air pollution, water pollution, soil pollution, waste emissions and the use and handling of potentially harmful chemical substances.

In 2009 the Company and one of its subsidiaries were subjected to a cease and desist order (and such subsidiary served with a penalty or fine) by the Japan Fair Trade Commission for suspected price fixing activities in relation to cross-linked polyethylene foam. The Group has made efforts to strengthen measures to prevent any recurrence of such incidents or allegations, through remedial training for sales employees and other efforts to ensure thorough understanding of the Group's Antitrust Law Compliance Manual across the entire group.

Compliance and Internal Control

Corporate ethics and legal compliance are among the Group's most important management priorities. The Group's management has established clear guidelines and provides proactive leadership with the aim of ensuring that all Group employees maintain high ethical standards and a strong commitment to compliance with laws and regulations. The Company has established a Corporate Ethics Committee under the chairmanship of the President as a framework for co-operative initiatives by labour and management. This committee deliberates on all policies pertaining to corporate ethics. The company-wide Legal Compliance Committee works under the auspices of the Corporate Ethics Committee to promote independent activities, and is specifically tasked with advancing initiatives relating to company-wide priorities. The committee's administration is based on close communication between committee members, who are mainly section managers from each business line, and top management. All divisions, offices and plants have established CSR/Legal Compliance Committees to carry out activities involving individual employees in their workplaces. To ensure that all executives and employees, including contract, part-time and temporary employees, are fully informed about compliance requirements, the Company distributes copies of the Corporate Ethics and Legal Compliance Handbook, which defines standards of conduct and provides detailed information about aspects that require special care. The handbook is updated as required, such as when laws and regulations are amended. The Company's subsidiaries and affiliates in Japan and overseas have also established CSR/Legal Compliance Committees and are working to ensure consistent compliance by compiling similar codes of conduct, guidelines, handbooks and other materials.

The Group develops and maintains internal control systems as a framework for the development of appropriate organisational structures, the formulation of rules and regulations, the dissemination of information and the monitoring of business operations. The Group reviews and improves these systems as required to ensure that its business operations are conducted efficiently and in compliance with the law. The following specific systems have been established: (i) system to ensure that the execution of duties by members of the Board and employees complies with laws and regulations and the Company's Articles of Incorporation; (ii) system to ensure the efficient execution of duties by members of the Board; (iii) system for preserving and managing information pertaining to the execution of duties by the members of the Board; (iv) rules and other systems pertaining to controls over risks of loss; (v) system of reporting to Corporate Auditors and other systems for ensuring effective implementation of audits by Corporate Auditors; (vi) items pertaining to employees assisting with duties of Corporate Auditors and items pertaining to the independence of such employees; and (vii) system for ensuring appropriate business operations by the Group.

Environment

In order to fulfil its responsibilities as a materials manufacturer, the Group is working to reduce its environmental impact, while promoting ongoing activities in areas that include safety and accident prevention.

Based on the approach that all business strategies should be grounded in concerns for the environment and contribute to realising a sustainable low-carbon society, the Company adopted an operating policy in 2008, and has been a leader in introducing and promoting life cycle management (LCM) as a diversified chemical company. In addition to reducing the environmental impact of products and services across their entire life cycle, LCM entails activities aimed at promoting sustainable development.

In promoting life cycle assessment (LCA) across all of its business areas, the Company has also adopted Contribution Factor of CO₂ Reduction, a proprietary environmental contribution indicator that incorporates the practice. In order to further boost LCM, the Company developed T-E2A, a method for comprehensively evaluating environmental impact reduction and economic efficiency. In addition to its application in appraising the Company's own business strategies and investment activities, the Company is looking to promote its use across all industries.

As a part of its efforts to carry out LCM, the Company has adopted ECODREAM® as an overall brand name for its environmentally friendly products, and has been actively promoting Project EcoChallenge, an initiative that recognises the broad range of ecological concerns. To further the initiative, the Company is in the process of vigorously advancing a Green Innovation Business Expansion (GR) Project under the leadership of the president. The Company is expanding its Green Innovation products business through the provision of solutions for global environmental issues. The Company will take the lead in these initiatives in order to help realise a sustainable low-carbon society.

Insurance

The Group maintains a range of insurance policies which the Company believes are generally comparable to other companies with similar operations in Japan, including those relating to property damage (including earthquake damage to a limited extent) and product liability.

Legal Proceedings

The Group is currently involved in certain legal disputes and proceedings that have arisen during its normal course of business. Such disputes relate, among others, to alleged intellectual property infringements, alleged environmental law infringements, and other general business disputes. However, the Group is not involved in any litigation or other legal proceedings that it believes, if determined adversely to the Group, would individually or in the aggregate have a material adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors carries the ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation provide for not more than 30 Directors. Directors are elected at a general meeting of shareholders. The normal term of office of any Director expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within two years after such Director's appointment, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Members of the Board, who have the authority individually to represent the Company. The Board of Directors may elect a Chairman of the Board, a President, and one or more Executive Vice Presidents and Senior Vice Presidents from among its members.

The Articles of Incorporation of the Company also provide for not more than four Corporate Auditors, who are elected at a general meeting of shareholders. The normal term of office of any Corporate Auditor expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within four years after such Corporate Auditor's appointment, although they may serve any number of consecutive terms. Under Japanese law, the Corporate Auditors are not required to be 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 persons who have never been directors or employees of the Company or of any of its subsidiaries. The Corporate Auditors form the Board of Corporate Auditors. Corporate Auditors have the duties of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by a Representative Member of the Board 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 relevant 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 financial position of the Company. In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Company, are required to have at least one independent officer. Such independent officer is required under the regulations to be an outside director or outside corporate auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with the shareholders of the relevant company.

In addition to Corporate Auditors, the Company must appoint by a resolution of a general meeting of shareholders independent certified public accountants as an independent auditor, who has the statutory duties of auditing the financial statements to be submitted by a Representative Member of the Board to the general meetings of shareholders and reporting thereon to the Board of Corporate Auditors and the relevant Director. Currently, the Company's independent auditor is Ernst & Young ShinNihon LLC.

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	
Sadayuki Sakakibara ⁽¹⁾	Chairman of the Board and Representative Member of the Board
Akihiro Nikkaku	President and Representative Member of the Board
Junichi Fujikawa ⁽¹⁾	Executive Vice President and Representative Member of the Board
Eizo Tanaka	Executive Vice President and Representative Member of the Board
Nobuo Suzui	Executive Vice President and Representative Member of the Board
Koichi Abe ⁽¹⁾	Senior Vice President and Representative Member of the Board (Member of the Executive Committee)
Moriyuki Onishi	Senior Vice President (Member of the Board & Member of the Executive Committee)
Shinichi Okuda	Senior Vice President (Member of the Board & Member of the Executive Committee)
Kazushi Hashimoto	Senior Vice President (Member of the Board & Member of the Executive Committee)

Name	Title
Ryo Murayama	Senior Vice President (Member of the Board & Member of the Executive Committee)
Akira Uchida	Senior Vice President (Member of the Board)
Susumu Yamaguchi ⁽¹⁾	Senior Vice President (Member of the Board)
Shogo Masuda	Senior Vice President (Member of the Board)
Akira Umeda	Senior Vice President (Member of the Board)
Yukichi Deguchi ⁽¹⁾	Senior Vice President (Member of the Board)
Hiroshi Murakami	Senior Vice President (Member of the Board)
Akio Sato	Senior Vice President (Member of the Board)
Hisae Sasaki ⁽¹⁾	Vice President (Member of the Board)
Hiroshi Otani ⁽¹⁾	Vice President (Member of the Board)
Minoru Yoshinaga	Vice President (Member of the Board)
Kunihiko Yoshida	Vice President (Member of the Board)
Toru Fukasawa	Vice President (Member of the Board)
Mitsuo Oya ⁽¹⁾	Vice President (Member of the Board)
Satoru Hagiwara ⁽¹⁾	Vice President (Member of the Board)
Yasuo Suga	Vice President (Member of the Board)
Hirofumi Kobayashi	Vice President (Member of the Board)
Corporate Auditors	
Kiyoshi Fukuchi	Corporate Auditor (Full-time)
Motoyuki Yagita	Corporate Auditor (Full-time)
Mitsuaki Yahagi ⁽²⁾	Corporate Auditor
Makoto Matsuo ⁽²⁾	Corporate Auditor

Notes:

- (1) The following changes are expected to take place on or around 25 June 2014 (following the ordinary general meeting of shareholders to be held on that day):
 - Mr. Sakakibara is expected to step down as Representative Member of the Board, and to become Chairman of the Board and Member of the Board.
 - Mr. Fujikawa is expected to retire.
 - Mr. Abe is expected to be appointed as Executive Vice President and Representative Member of the Board.
 - Mr. Yamaguchi is expected to retire.
 - Mr. Deguchi is expected to be appointed as Senior Vice President (Member of the Board & Member of the Executive Committee).
 - Mr. Sasaki is expected to retire.
 - Mr. Otani is expected to be appointed as Senior Vice President (Member of the Board).
 - Mr. Oya is expected to retire.
 - Mr. Hagiwara is expected to be appointed as Senior Vice President (Member of the Board).
- (2) Outside Corporate Auditors under the Companies Act.
- (3) In addition to the Corporate Auditors named above, Mr. Koichi Kobayashi was elected by resolution at the ordinary general meeting of shareholders held on 26 June 2013 to serve as a substitute Corporate Auditor to fill any future vacancy amongst the Corporate Auditors that may arise during their current terms of office.
- (4) In addition to the Directors named above, Mr. Masashi Fujita, Mr. Kazuhiko Shuto and Mr. Tetsuya Tsunekawa are expected to be appointed as Directors (Vice President (Member of the Board)) and Mr. Kunio Ito is expected to be appointed as an outside Director on or around 25 June 2014 (subject to approval at the ordinary general meeting of shareholders to be held on that day).

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 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8666, Japan.

The aggregate remuneration of the Directors, the Corporate Auditors (excluding outside Corporate Auditors) and outside Corporate Auditors for the fiscal year ended 31 March 2014 paid to by the Company was ¥1,535 million, ¥86 million and ¥21 million, respectively.

Under the Company's Articles of Incorporation, the Company may exempt, by resolution of the Board of Directors, its Directors or Corporate Auditors from liabilities to the Company arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, the Company's Articles of Incorporation provide that

the Company may enter into liability limitation contracts with any of its outside Corporate Auditors (and, if the proposed change to its Articles of Incorporation is approved at the ordinary general meeting of shareholders to be held on 25 June 2014, the outside Directors) in order to limit the maximum amount of such damages to the total amount stipulated in Article 425, Paragraph 1, Item 1 and Item 2 of the Companies Act.

As at 31 March 2014, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As at 31 March 2014, 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.

Employees

The Group had 45,881 full-time employees as at 31 March 2014. The following table sets out the number of full-time employees of the Group according to reportable segments as at the dates indicated:

	As at 31 March		
	2012	2013	2014
Fibers & Textiles	19,742	21,525	22,572
Plastics & Chemicals	5,929	6,076	6,475
IT-related Products	5,462	5,565	5,438
Carbon Fiber Composite Materials	1,933	2,155	3,760
Environment & Engineering	3,205	3,185	3,492
Life Science	1,382	1,484	1,606
Others	1,842	1,815	1,778
Corporate	732	779	760
Total	<u>40,227</u>	<u>42,584</u>	<u>45,881</u>

The Company considers the Group's labour relations to be good. A significant portion of the Group's full-time employees (excluding its officers) are organised into labour unions, each of which is affiliated with the Federation of All Toray Workers' Union, which is a member of the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers' Unions.

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 2014:

Date of board meeting	Exercise period	Exercise price per Share	Number of Shares to be issued upon exercise of options outstanding as at 31 March 2014
29 July 2011	21 August 2011 to 20 August 2041	¥ 1	518,000
19 July 2012	5 August 2012 to 4 August 2042	¥ 1	737,000
26 July 2013	11 August 2013 to 10 August 2043	¥ 1	583,000

SUBSIDIARIES AND AFFILIATES

As at 31 March 2014, the Company had 159 consolidated subsidiaries (of which 62 were domestic subsidiaries and 97 were overseas subsidiaries), 56 non-consolidated subsidiaries accounted for by the equity method (of which 27 were domestic subsidiaries and 29 were overseas subsidiaries) and 38 affiliates accounted for by the equity method (of which 13 were domestic affiliates and 25 were overseas affiliates).

The following table sets out certain information as at 31 March 2014 with respect to the Company's principal subsidiaries:

Subsidiary	Location	Principal business	Percentage of shares directly or indirectly held by the Company ⁽¹⁾	Paid-in Capital ⁽²⁾
			(Per cent)	(Millions)
Ichimura Sangyo Co., Ltd.	Ishikawa, Japan	Manufacturing and sales of raw materials for fibers, woven and knitted fabrics and plastic products	85.00%	¥1,000
Toray International, Inc.	Tokyo, Japan	Trading of textile products and plastic products, etc.	100.00	¥2,040
Chori Co., Ltd.	Osaka, Japan	Purchasing and sales of textile products and chemical products, etc.	51.25	¥6,800
Toray Engineering Co., Ltd.	Tokyo, Japan	General engineering	99.99	¥1,500
Toray Plastics (America), Inc.	United States	Manufacturing and sales of polyester and polypropylene films, and polyolefin foam	(100.00)	US\$238
Toray Carbon Fibers Europe S.A.	France	Manufacturing and sale of carbon fibers	100.00	€185
P.T. Indonesia Toray Synthetics	Indonesia	Manufacturing and sales of nylon fibers and polyester fibers	92.37 (7.63)	US\$105
Thai Toray Synthetics Co., Ltd.	Thailand	Manufacturing and sales of nylon fibers, polyester fibers, nylon resin, PBT resin and polypropylene films	70.77 (19.24)	THB3,078
Penfabric Sdn, Berhard	Malaysia	Manufacturing and sales of polyester and cotton blended woven fabrics	100.00	MYR86
Toray Fibers (Nantong) Co., Ltd.	China	Manufacturing and sales of synthetic fibers and chips	90.00 (10.00)	CNY2,171
Toray Advanced Materials Korea Inc.	South Korea	Manufacturing and sales of polyester films, polyester filament yarns and non-woven fabrics	100.00	KRW518,000

Notes:

(1) Figures in parentheses denote indirect holding.

(2) In the above table, "THB" means Thai baht, "MYR" means Malaysian ringgit, "CNY" means Chinese yuan and "KRW" means the South Korean won.

JAPANESE FOREIGN EXCHANGE REGULATIONS

Foreign Exchange Regulations

The Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (including regulations promulgated thereunder, the “Foreign Exchange Regulations”) govern certain aspects relating to the acquisition and holding of shares of a Japanese corporation by “exchange non-residents” and by “foreign investors” (as these terms are defined below). In general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents to purchase or sell shares of a Japanese corporation outside Japan using currencies other than yen.

Exchange residents are defined in the Foreign Exchange Regulations as:

- (i) individuals who reside within Japan; or
- (ii) corporations whose principal offices are located within Japan.

Exchange non-residents are defined in the Foreign Exchange Regulation as:

- (i) individuals who do not reside in Japan; or
- (ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are defined in the Foreign Exchange Regulations as:

- (i) individuals who do not reside in Japan;
- (ii) corporations or other entities organized under the laws of foreign countries or whose principal offices are located outside Japan;
- (iii) corporations of which 50 per cent or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above; or
- (iv) corporations or other entities of which a majority of whose directors or other officers (or directors or other officers having the power of representation) are non-resident individuals.

Acquisition of Shares

Acquisition by an exchange non-resident of shares of stock of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance of Japan through The Bank of Japan. No such reporting requirement is imposed, however, if:

- (i) the aggregate purchase price of the relevant shares is ¥100 million or less;
- (ii) the acquisition is effected through any bank, securities firm or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or
- (iii) the acquisition constitutes an “inward direct investment” described below.

Inward Direct Investment in Shares of Listed Corporations

If a foreign investor acquires shares of a Japanese corporation that is listed on a Japanese stock exchange, such as the Shares, or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10 per cent or more of the issued shares of the relevant corporation, such acquisition constitutes an “inward direct investment” and the foreign investor in general must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese corporation by the 15th day of the month immediately following the month to which the date of such acquisition belongs. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, or where that Japanese corporation is engaged in certain businesses designated by the Foreign Exchange Regulations (including manufacture of carbon fiber with certain specifications), a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers

(including the Minister of Economy, Trade and Industry). If such prior notification is filed, the proposed acquisition may not be consummated until 30 days have passed from the date of filing, although this period will be shortened to two weeks unless such Ministers deem it necessary to review the proposed acquisition. The Ministers may recommend any modification or abandonment of the proposed acquisition and, if such recommendation is not accepted, they may order the modification or abandonment of such acquisition.

Acquisition of shares by foreign investors by way of stock split is not subject to any of the foregoing notification or reporting requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, shares of a Japanese corporation held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad.

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

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

General

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

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

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

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

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

The Company's transfer agent is Sumitomo Mitsui Trust Bank, Limited, located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan.

Distributions of Surplus

General

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

Distributions of Surplus are required in principle to be authorised by a resolution of a general meeting of shareholders, but may also be made pursuant to a resolution of the Board of Directors but only if all 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 requirements described in (a) and (b) above are not met. Nevertheless the Company may make distributions of Surplus in cash as an interim dividend (the "interim dividend") to its shareholders by resolutions of the Board of Directors once per fiscal year under the Company's Articles of Incorporation and the Companies Act.

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31 March of each year pursuant to a resolution of a general meeting of shareholders, and an interim dividend may be distributed to shareholders of record as at 30 September of each year pursuant to a resolution of the Board of Directors. The Company is not obliged to pay any dividends unclaimed for a period of three years after the date on which they first became payable.

Distributions of Surplus may be made in cash or (except for interim dividends) in kind in proportion to the number of Shares held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors authorising a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders, grant a right to its shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the Shares generally goes ex-dividend on the second business day prior to the record date.

Restriction on Distributions of Surplus

When the Company makes a distribution of Surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed in accordance with an ordinance of the Ministry of Justice.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- "A" = the total amount of other capital surplus and other retained earnings, as each such amount appears on the Company's non-consolidated balance sheet as at the end of the last fiscal year,
- "B" = (if the Company has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof,
- "C" = (if the Company has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any),
- "D" = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any),
- "E" = (if the Company has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock,

- “F” = (if the Company has distributed Surplus to its shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed, and
- “G” = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount (the “Distributable Amount”), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the followings:

- (a) the book value of the Company’s treasury stock,
- (b) the amount of consideration for the Company’s treasury stock disposed of by it after the end of the last fiscal year, and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the Company’s non-consolidated balance sheet as at the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with ordinances of the Ministry of Justice.

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

If the Company has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company’s treasury stock disposed of by it, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as at any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements prepared by the Company must be reviewed by its Corporate Auditors and independent auditors, as required by ordinances of the Ministry of Justice.

Capital and Reserves

When the Company issues new Shares, the entire amount of money or other assets paid or contributed by subscribers for such Shares is required to be accounted for as stated capital, although the Company may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by resolution of the Board of Directors.

The Company may reduce its additional paid-in capital or legal reserve generally by resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Company may reduce its stated capital generally by special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Company may reduce its Surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by resolution of a general meeting of shareholders.

Stock Splits

The Company may at any time split the issued Shares into a greater number of Shares by resolution of its Board of Directors. When a stock split is to be made, so long as the only type of the Company’s outstanding

stock is its common stock, it may increase the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such stock split by amending its Articles of Incorporation, which amendment may be made without approval by shareholders.

Before a stock split, the Company must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date. Under the JASDEC rules relating to the new clearing system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of its Board of Directors determining such stock split. On the effective date of the stock split, the numbers of Shares recorded in all accounts held by holders of Shares at account management institutions or JASDEC will be increased in accordance with the applicable ratio.

Unit Share System

The Company's Articles of Incorporation provide that 1,000 Shares constitute one "unit". Its Board of Directors is permitted to reduce the number of Shares that will constitute a unit or abolish the unit share system entirely by amending its Articles of Incorporation without approval by shareholders, while a special resolution of a general meeting of shareholders is required to increase the number of Shares that will constitute a unit. The number of Shares constituting a unit may not exceed the lesser of 1,000 and one-two hundredth of the total number of issued Shares.

Under the unit share system, a shareholder has one vote for each unit of Shares held by it, except as stated in "—Voting Rights". Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Moreover, holders of Shares constituting less than one unit will have no other shareholder rights except for certain rights specified in the Companies Act, an ordinance of the Ministry of Justice or the Company's Articles of Incorporation, including the right to receive distribution of Surplus.

Under the new clearing system, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit and, accordingly, may not be sold on the Japanese stock exchanges, unless a different trading unit is designated by the relevant Japanese stock exchange.

Holders of Shares constituting less than one unit may at any time request the Company to purchase Shares held by them. Pursuant to the Company's Articles of Incorporation and Share Handling Regulations, any such holders may also request the Company to sell to such holder Shares constituting less than one unit which, when added to the Shares held by such holder, shall constitute a full one unit. Under the new clearing system, such requests must be made to the Company through the relevant account management institutions and JASDEC. Such purchase or sale of Shares will be effected at the last trading price of the Shares on the relevant stock exchange on the day such request is made (or if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter). The request of such purchase or sale may not be withdrawn without the Company's consent.

General Meetings of Shareholders

The ordinary general meeting of shareholders is held in June of each year pursuant to the Company's Articles of Incorporation. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating, among others, the place, time and purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or one per cent of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Member of the Board at least eight weeks prior to the date of such meeting. If the Company's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

Voting Rights

A holder of Shares constituting one or more units is in principle entitled to one voting right for each unit of Shares. However, in general, neither the Company nor any corporate or certain other entity one-quarter or more of the total voting rights of which are directly or indirectly held by the Company, has voting rights in respect of Shares held by the Company or such entity.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by the holder of a majority of the total number of voting rights represented at the meeting. The Company's Articles of Incorporation provide that the quorum for election of its Directors and Corporate Auditors is one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of its Directors. The shareholders may exercise their voting rights in writing or through proxies, provided that the proxies are, in general, also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" of a general meeting of shareholders. Under the Company's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

- (i) purchase of Shares by the Company from a specific shareholder other than the Company's subsidiary;
- (ii) consolidation of Shares;
- (iii) issuance or transfer of new Shares or existing Shares held by the Company as treasury stock to persons other than the shareholders at a "specially favourable" price;
- (iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favourable" conditions;
- (v) removal of any of the Company's Corporate Auditors;
- (vi) exemption from a portion of liability of the Company's Directors, Corporate Auditors or independent auditors;
- (vii) distribution of Surplus in kind with respect to which shareholders are not granted the right to require the Company to make distribution in cash instead of in kind;
- (viii) reduction of stated capital;
- (ix) any amendment to the Company's Articles of Incorporation;
- (x) transfer of the whole or a substantial part of the Company's business;
- (xi) taking over of the whole of the business of another company;
- (xii) dissolution or merger or consolidation;
- (xiii) corporate split; and
- (xiv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*).

However, under the Companies Act, no shareholder approval, whether by an ordinary resolution or a special resolution at a general meeting of shareholders, is required for any matter described in (viii) through (xiv) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act as are necessary to determine that its impact is immaterial.

Liquidation Rights

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

Subscription Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of

new Shares at a “specially favourable” price mentioned in “—Voting Rights”. The Board of Directors may, however, determine that shareholders be given subscription rights to new Shares, in which case they must be given on uniform terms to all holders of Shares as at a record date of which not less than two weeks’ prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks’ prior notice of the date on which such rights expire.

Stock Acquisition Rights

The Company may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire Shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The Company may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorised by the Board of Directors unless it is made under “specially favourable” conditions, as described in “—Voting Rights”.

Record Date

As mentioned above, 31 March is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders, and 30 September is the record date for the payment of interim dividends. In addition, by a resolution of the Board of Directors and after giving at least two weeks’ prior public notice, the Company may at any time set a record date in order to determine the shareholders who are entitled to certain rights pertaining to Shares.

Under the JASDEC rules relating to the new clearing system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors determining such record date. JASDEC is required to promptly give the Company notice of the names and addresses of holders of Shares, the numbers of Shares held by them and other relevant information as at such record date.

Acquisition by the Company of the Shares

The Company may acquire Shares (i) by soliciting all its shareholders to offer to sell Shares held by them (in this case, certain terms of such acquisition, including the total number of Shares to be purchased and the total amount of consideration, shall be set by an ordinary resolution of a general meeting of shareholders in advance, and such acquisition shall be executed pursuant to a resolution of the Board of Directors), (ii) from a specific shareholder other than any of the Company’s subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (iii) from any of the Company’s subsidiaries (pursuant to a resolution of the Board of Directors), or (iv) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to the Company’s Representative Member of the Board that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter) and (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted, the price of the Shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Shares may not exceed the Distributable Amount, as described in “—Distributions of Surplus—Restriction on Distributions of Surplus”.

The Company may hold the Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Shares by resolution of its Board of Directors.

Disposal of Shares by the Company

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails continuously for five years or more at his or her address registered in the Company’s register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder to whom delivery of notices has failed also fails to receive distributions of Surplus on the Shares continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company, then the Company may in general dispose of such Shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

Reporting of Substantial Shareholders

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than five per cent of the total issued shares of capital stock of a company that is listed on any Japanese stock exchange to file a report with the director of the relevant Local Finance Bureau of the Ministry of Finance within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of one per cent or more in the holding or of any change in material matters set forth in any previously filed reports. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by the holder and the issuer's total issued share capital. Copies of each report must also be furnished to the issuer of the shares. Reports are required to be filed through the EDINET system.

TAXATION

Japan

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon exercise of the Stock Acquisition Rights incorporated in the Bonds or upon acquisition of the Bonds by the Company who are non-resident individuals or non-Japanese corporations having no permanent establishment in Japan (“non-resident Holders”). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or double taxation conventions occurring after that date.

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

Bonds

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

Gains derived from the sale of Bonds, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company. Stock splits are not subject to Japanese income tax.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20 per cent, subject to any applicable income tax treaty. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the Shares) to any corporate or individual shareholders (including those shareholders who are non-resident individuals or non-Japanese corporations), except for any individual shareholder who holds three per cent or more of the total issued shares of the relevant Japanese corporation, the said 20 per cent withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent of the original applicable tax rate) will be added to the withholding tax rates from and including 1 January 2013 to and including 31 December 2037.

Gains derived from the sale of Shares, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

Others

Proposed Financial Transactions Tax

On 14 February 2013, 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”).

The proposed FTT has very broad scope. If introduced in the form proposed on 14 February 2013, it could apply to certain dealings in Bonds (including secondary market transactions) in certain circumstances.

Under the 14 February 2013 proposal, 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 the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The FTT proposal may therefore be altered prior to any implementation, the timing of which remains unclear. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Subscription Agreement

Pursuant to a subscription agreement dated 22 May 2014 in respect of the 2019 Bonds (the “2019 Bonds Subscription Agreement”) between the Company on the one hand and Nomura International plc (“Nomura”), Daiwa Capital Markets Europe Limited (“Daiwa”) and SMBC Nikko Capital Markets Limited (“SMBC Nikko”, and together with Nomura and Daiwa, the “2019 Bonds Joint Lead Managers”), and Citigroup Global Markets Limited (together with the 2019 Bonds Joint Lead Managers, the “2019 Bonds Managers”) on the other, the 2019 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 2019 Bonds as indicated in the table below at the issue price (the “2019 Bonds Issue Price”) of 100.0 per cent of the principal amount of the 2019 Bonds and to offer the 2019 Bonds at the offer price in respect of the 2019 Bonds as stated on the cover page of this Offering Circular (the “2019 Bonds Offer Price”).

	Aggregate Principal Amount of the 2019 Bonds
2019 Bonds Managers	
Nomura International plc	¥27,500,000,000
Daiwa Capital Markets Europe Limited	17,500,000,000
SMBC Nikko Capital Markets Limited	2,500,000,000
Citigroup Global Markets Limited	2,500,000,000
Total	¥50,000,000,000

Pursuant to a subscription agreement dated 22 May 2014 in respect of the 2021 Bonds (the “2021 Bonds Subscription Agreement” and together with the 2019 Bonds Subscription Agreement, the “Subscription Agreements” and each a “Subscription Agreement”) between the Company on the one hand and Nomura, Goldman Sachs International (“Goldman Sachs”) and SMBC Nikko (together with Nomura and Goldman Sachs, the “2021 Bonds Joint Lead Managers” and the 2021 Bonds Joint Lead Managers together with the 2019 Bonds Joint Lead Managers being referred to herein as the “Joint Lead Managers”), and Citigroup Global Markets Limited (together with the 2021 Bonds Joint Lead Managers, the “2021 Bonds Managers” and the 2021 Bonds Managers together with the 2019 Bonds Managers being referred to herein as the “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”, and together with the 2019 Bonds Issue Price, the “Issue Prices” and each an “Issue Price”) of 100.0 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” and together with the 2019 Bonds Offer Price, the “Offer Prices” and each an “Offer Price”).

	Aggregate Principal Amount of the 2021 Bonds
2021 Bonds Managers	
Nomura International plc	¥27,500,000,000
Goldman Sachs International	17,500,000,000
SMBC Nikko Capital Markets Limited	2,500,000,000
Citigroup Global Markets Limited	2,500,000,000
Total	¥50,000,000,000

No selling concession or combined management and underwriting commission will be payable by the Company with respect to the offering of the Bonds. The difference between the 2019 Bonds Offer Price and the 2019 Bonds Issue Price will be retained by the 2019 Bonds Managers and the difference between the 2021 Bonds Offer Price and the 2021 Bonds Issue Price will be retained by the 2021 Bonds Managers.

The closings of the 2019 Bonds and the 2021 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 Agreement and ending on the date 180 calendar days after the Closing Date:

- (i) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;
- (ii) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;
- (iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or
- (iv) publicly announce any intention to do any of the above,

without the prior written consent of the 2019 Bonds Joint Lead Managers (on behalf of the 2019 Bonds Managers) in the case of the 2019 Bonds and the 2021 Bonds Joint Lead Managers (on behalf of the 2021 Bonds Managers) in the case of the 2021 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 grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or other members of the Group, pursuant to its stock option plans, and the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants;
- (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares;
- (d) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and
- (e) any other issue or sale of Shares required by the Japanese laws and regulations.

Selling Restrictions

United States

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights 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 Bonds which are the subject of the offerings contemplated by this Offering Circular to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Lead Managers (on behalf of the Managers); 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 or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

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:

- (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (2) where no consideration is given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulation 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.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (“ASIC”), in relation to the offering of the Bonds. This Offering Circular does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the “Corporations Act”), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the Bonds may only be made to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the Bonds without disclosure to investors under Chapter 6D of the Corporations Act.

The Bonds applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering of the Bonds, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise, or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act.

Further, any Shares must not be offered for sale in Australia in the period of 12 months after the date of issue of those Shares, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring Bonds or Shares must observe such Australian on-sale restrictions.

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
2019 Bonds.....	XS1069938741	106993874
2021 Bonds.....	XS1069939392	106993939

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 3402.
3. Approval in-principle has been received for the listing of the Bonds of each Series on the SGX-ST. The Bonds of each Series will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds of such Series are listed on the SGX-ST. For so long as the Bonds of any Series are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate 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 22 May 2014 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 2014.
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 for each of the two fiscal years ended 31 March 2012 and 2013, included in this Offering Circular, have been audited by Ernst & Young ShinNihon LLC, the Company's independent auditors, as stated in their audit reports appearing herein.
9. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.
10. The Trustee is entitled under the Trust 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

The Board of Directors
Toray Industries, Inc.

We have audited the accompanying consolidated financial statements of Toray Industries, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toray Industries, Inc. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their consolidated financial performance and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

/s/ Ernst & Young ShinNihon LLC
June 26, 2013
Tokyo, Japan

CONSOLIDATED BALANCE SHEETS

Toray Industries, Inc. and Consolidated Subsidiaries
March 31, 2013 and 2012

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2013</u>	<u>2012</u>	<u>2013</u>
Assets			
Current assets:			
Cash (Note 5)	¥ 87,276	¥ 63,519	\$ 928,468
Time deposits (Notes 4 and 5)	21,390	17,879	227,553
Trade receivables (Notes 5 and 7):			
Notes receivable	32,747	34,935	348,372
Accounts receivable	275,483	248,693	2,930,670
Inventories (Note 3)	313,707	295,745	3,337,309
Deferred tax assets (Note 10)	21,405	18,220	227,713
Prepaid expenses and other current assets (Notes 5 and 6)	46,852	49,517	498,426
Allowance for doubtful accounts	(2,128)	(2,269)	(22,638)
Total current assets	796,732	726,239	8,475,872
Property, plant and equipment (Notes 4 and 13):			
Land	69,672	69,595	741,191
Buildings	489,399	454,542	5,206,372
Machinery and equipment	1,572,900	1,439,318	16,732,979
Construction in progress	62,998	76,971	670,191
	2,194,969	2,040,426	23,350,734
Accumulated depreciation	(1,567,729)	(1,478,503)	(16,677,968)
Property, plant and equipment, net	627,240	561,923	6,672,766
Intangible assets (Note 13):			
Goodwill	29,767	31,862	316,670
Other	12,853	10,758	136,734
Total intangible assets	42,620	42,620	453,404
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	78,031	72,023	830,117
Investment securities (Notes 4, 5 and 6)	120,851	98,949	1,285,649
Long-term loans receivable	929	1,236	9,883
Deferred tax assets (Note 10)	19,399	34,067	206,372
Other (Note 8)	48,144	46,836	512,170
Allowance for doubtful accounts	(2,116)	(2,392)	(22,511)
Total investments and other assets	265,238	250,719	2,821,681
Total assets	¥ 1,731,830	¥ 1,581,501	\$ 18,423,723

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Toray Industries, Inc. and Consolidated Subsidiaries
March 31, 2013 and 2012
(Continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2013	2012	2013
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Notes 4, 5 and 7)	¥ 98,633	¥ 101,758	\$ 1,049,287
Current portion of long-term debt (Notes 4, 5 and 7)	98,225	56,246	1,044,947
Commercial paper (Note 5)	30,000	25,000	319,149
Trade payables (Notes 5 and 7):			
Notes payable	31,077	35,756	330,606
Accounts payable	154,850	146,315	1,647,340
Income taxes payable (Note 10)	9,764	12,494	103,872
Accrued liabilities	45,593	43,969	485,032
Other current liabilities (Notes 4 and 10)	82,136	94,291	873,787
Total current liabilities	550,278	515,829	5,854,021
Long-term debt (Notes 4, 5 and 7)	302,739	295,961	3,220,628
Deferred tax liabilities (Note 10)	9,214	5,674	98,021
Accrued employees' retirement benefits (Note 8)	68,101	65,684	724,479
Customers' guarantee deposits and other liabilities (Note 4) ...	21,883	24,204	232,798
Total liabilities	952,215	907,352	10,129,947
Commitments and contingent liabilities (Note 12)			
Net assets (Note 11):			
Stockholders' equity:			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,631,481,403 shares	147,873	147,873	1,573,117
Capital surplus	136,748	136,740	1,454,766
Retained earnings	462,536	430,365	4,920,596
Treasury stock, at cost	(1,170)	(1,194)	(12,447)
Total stockholders' equity	745,987	713,784	7,936,032
Accumulated other comprehensive income:			
Net unrealized gains on securities	35,388	20,659	376,468
Net deferred losses on hedges	(883)	(78)	(9,394)
Foreign currency translation adjustments	(55,515)	(107,254)	(590,585)
Total accumulated other comprehensive income ...	(21,010)	(86,673)	(223,511)
Stock acquisition rights (Note 9)	566	287	6,021
Minority interests in consolidated subsidiaries	54,072	46,751	575,234
Total net assets	779,615	674,149	8,293,777
Total liabilities and net assets	¥ 1,731,830	¥ 1,581,501	\$ 18,423,723

CONSOLIDATED STATEMENTS OF INCOME

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2013</u>	<u>2012</u>	<u>2013</u>
Net sales	¥1,592,279	¥1,588,604	\$ 16,939,138
Costs and expenses:			
Cost of sales (Notes 3, 8, 13 and 14)	1,280,649	1,261,114	13,623,926
Selling, general and administrative expenses (Notes 8, 13 and 14)	228,194	219,769	2,427,596
	1,508,843	1,480,883	16,051,521
Operating income	83,436	107,721	887,617
Other income (expenses):			
Interest expense	(5,460)	(5,766)	(58,085)
Interest and dividend income	3,247	3,200	34,543
Equity in earnings of unconsolidated subsidiaries and affiliated companies	7,431	5,194	79,053
Loss on sales and disposal of property, plant and equipment, net	(4,444)	(4,064)	(47,277)
Loss on impairment of fixed assets	(1,972)	(232)	(20,979)
Gain on sales and loss on write-down of investment securities, net	(1,267)	(49)	(13,479)
Restructuring costs	(287)	(1,629)	(3,053)
Other, net	(2,856)	(3,284)	(30,383)
	(5,608)	(6,630)	(59,660)
Income before income taxes and minority interests	77,828	101,091	827,957
Income taxes (Note 10):			
Current	17,876	18,639	190,170
Deferred	8,870	14,689	94,362
	26,746	33,328	284,532
Income before minority interests	51,082	67,763	543,426
Minority interests in earnings of consolidated subsidiaries	(2,605)	(3,545)	(27,713)
Net income	¥ 48,477	¥ 64,218	\$ 515,713

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2013</u>	<u>2012</u>	<u>2013</u>
Income before minority interests	¥ 51,082	¥ 67,763	\$ 543,426
Other comprehensive income (Note 15)			
Net unrealized gains (losses) on securities	14,981	(441)	159,372
Net deferred losses on hedges	(807)	(185)	(8,585)
Foreign currency translation adjustments	52,466	(13,778)	558,149
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method.....	2,607	(706)	27,734
Total other comprehensive income	69,247	(15,110)	736,670
Comprehensive income.....	¥120,329	¥ 52,653	\$ 1,280,096
Total comprehensive income attributable to:			
Owners of the parent	¥114,140	¥ 50,528	\$ 1,214,255
Minority interests	6,189	2,125	65,840

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Toray Industries, Inc. and Consolidated Subsidiaries Years ended March 31, 2013 and 2012

	Millions of yen											
	Stockholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive Income	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2011	¥ 147,873	¥ 136,739	¥ 382,454	¥ (1,160)	¥ 665,906	¥ 21,164	¥ 105	¥ (94,252)	¥ (72,983)	¥ -	¥ 48,047	¥ 640,970
Changes in:												
Dividends.....			(16,302)		(16,302)							(16,302)
Net income.....			64,218		64,218							64,218
Acquisition of treasury stock.....				(38)	(38)							(38)
Disposition of treasury stock.....		1		4	5							5
Other.....			(5)		(5)							(5)
Items other than stockholders' equity, net						(505)	(183)	(13,002)	(13,690)	287	(1,296)	(14,699)
Total changes.....	-	1	47,911	(34)	47,878	(505)	(183)	(13,002)	(13,690)	287	(1,296)	33,179
Balance as of March 31, 2012.....	¥ 147,873	¥ 136,740	¥ 430,365	¥ (1,194)	¥ 713,784	¥ 20,659	¥ (78)	¥ (107,254)	¥ (86,673)	¥ 287	¥ 46,751	¥ 674,149
Balance as of April 1, 2012	¥ 147,873	¥ 136,740	¥ 430,365	¥ (1,194)	¥ 713,784	¥ 20,659	¥ (78)	¥ (107,254)	¥ (86,673)	¥ 287	¥ 46,751	¥ 674,149
Changes in:												
Dividends.....			(16,302)		(16,302)							(16,302)
Net income.....			48,477		48,477							48,477
Acquisition of treasury stock.....				(36)	(36)							(36)
Disposition of treasury stock.....		8		60	68							68
Other.....			(4)		(4)							(4)
Items other than stockholders' equity, net						14,729	(805)	51,739	65,663	279	7,321	73,263
Total changes.....	-	8	32,171	24	32,203	14,729	(805)	51,739	65,663	279	7,321	105,466
Balance as of March 31, 2013.....	¥ 147,873	¥ 136,748	¥ 462,536	¥ (1,170)	¥ 745,987	¥ 35,388	¥ (883)	¥ (55,515)	¥ (21,010)	¥ 566	¥ 54,072	¥ 779,615

Thousands of U.S. dollars (Note 2)												
	Stockholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2012	\$1,573,117	\$1,454,681	\$4,578,351	\$(12,702)	\$7,593,447	\$219,777	\$ (830)	\$(1,141,000)	(922,053)	\$ 3,053	\$ 497,351	\$7,171,798
Changes in:												
Dividends.....			(173,426)		(173,426)							(173,426)
Net income.....			515,713		515,713							515,713
Acquisition of treasury stock.....				(383)	(383)							(383)
Disposition of treasury stock.....		85		638	723							723
Other.....			(43)		(43)							(43)
Items other than stockholders' equity, net						156,691	(8,564)	550,415	698,543	2,968	77,883	779,394
Total changes.....	-	85	342,245	255	342,585	156,691	(8,564)	550,415	698,543	2,968	77,883	1,121,979
Balance as of March 31, 2013.....	\$1,573,117	\$1,454,766	\$4,920,596	\$(12,447)	\$7,936,032	\$376,468	\$(9,394)	\$(590,585)	(223,511)	\$ 6,021	\$ 575,234	\$8,293,777

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2013</u>	<u>2012</u>	<u>2013</u>
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 77,828	¥ 101,091	\$ 827,957
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	67,588	67,443	719,021
Loss on impairment of fixed assets	1,972	232	20,979
Interest and dividend income	(3,247)	(3,200)	(34,543)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(7,431)	(5,194)	(79,053)
Interest expense	5,460	5,766	58,085
Loss on sales and disposal of property, plant and equipment, net	4,444	4,064	47,277
Gain and loss on sales and loss on write-down of investment securities, net	1,442	54	15,340
Increase (decrease) in accrued employees' retirement benefits	1,844	(1,116)	19,617
Increase in trade receivables	(10,223)	(2,301)	(108,755)
Increase in inventories	(4,473)	(26,210)	(47,585)
(Decrease) increase in trade payables	(5,170)	1,810	(55,000)
Other, net	(12,364)	(18,055)	(131,532)
Subtotal	117,670	124,384	1,251,809
Interest and dividends received	9,647	7,569	102,628
Interest paid	(5,565)	(5,896)	(59,202)
Income taxes paid	(20,937)	(21,647)	(222,734)
Net cash provided by operating activities	100,815	104,410	1,072,500
Cash flows from investing activities:			
Capital expenditures	(105,093)	(90,284)	(1,118,011)
Purchases of investment securities	(1,951)	(5,509)	(20,755)
Proceeds from sales of property, plant and equipment	1,635	1,236	17,394
Proceeds from sales of investment securities	257	299	2,734
Additional acquisition of shares of consolidated subsidiaries	(374)	(4,389)	(3,979)
Other, net	(1,999)	(5,355)	(21,266)
Net cash used in investing activities	(107,525)	(104,002)	(1,143,883)
Cash flows from financing activities:			
Net (decrease) increase in short-term debt	(5,788)	56,197	(61,574)
Proceeds from long-term debt	101,565	22,341	1,080,479
Repayment of long-term debt	(53,806)	(85,094)	(572,404)
Cash dividends paid	(17,210)	(17,067)	(183,085)
Other, net	1,406	(22)	14,957
Net cash provided by (used in) financing activities	26,167	(23,645)	278,372
Effect of exchange rate changes on cash and cash equivalents	6,811	(1,658)	72,457
Net increase (decrease) in cash and cash equivalents	26,268	(24,895)	279,447
Cash and cash equivalents at beginning of year	81,289	105,257	864,777
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	133	927	1,415
Cash and cash equivalents at end of year	¥ 107,690	¥ 81,289	\$ 1,145,638

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Toray Industries, Inc. (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

For the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle. However, financial statements prepared by overseas subsidiaries in accordance with International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process. In addition, some items should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material.

Certain items presented in the original consolidated financial statements in Japanese have been reclassified for the convenience of readers outside Japan.

b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries.

Assets and liabilities of the consolidated subsidiaries are revalued to fair market value when the majority interest in the subsidiaries is purchased.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method.

All intercompany accounts and transactions have been eliminated in consolidation. The difference between the acquisition cost and the underlying net assets of the subsidiaries is recognized as goodwill and amortized principally over its estimated useful life not exceeding twenty years on a straight-line method.

c) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2012 include cash, short-term time deposits which may be withdrawn on demand without diminution of principal and highly liquid investments with original maturities of three months or less.

Cash and cash equivalents consisted of:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Cash.....	¥ 87,276	¥63,519	\$ 928,468
Time deposits	21,390	17,879	227,553
Less—Time deposits with maturities of over 3 months.....	(976)	(109)	(10,383)
Cash and cash equivalents.....	<u>¥107,690</u>	<u>¥81,289</u>	<u>\$1,145,638</u>

d) Financial Instruments

Derivatives:

All derivatives are stated at fair value, with changes in fair value included in net income or loss for the period in which they arise, except for derivatives that are designated as “hedging instruments” (see Hedge Accounting below).

Securities:

Held-to-maturity debt securities that the Company and its consolidated subsidiaries have the intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net income or loss for the period.

Hedge Accounting:

Gains or losses arising from changes in fair value of derivatives designated as “hedging instruments” are deferred as a separate item of net assets at a net-of-tax amount and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company and its consolidated subsidiaries are principally interest rate swaps and forward foreign exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans and debt securities issued by the Company and its consolidated subsidiaries.

The Company and its consolidated subsidiaries have a policy to utilize the above hedging instruments in order to reduce their exposure to the risk of interest rate and foreign currency fluctuations. Thus, their purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company and its consolidated subsidiaries evaluate the effectiveness of 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.

e) Allowance for Doubtful Accounts

In the Company and its domestic consolidated subsidiaries, an allowance for doubtful accounts, including receivables and loans, is determined from the amounts considered unlikely to be recovered, estimated from past actual bad debt ratio records for general receivables and from studying the probability of recovery in individual cases where there is concern over claims.

f) Inventories

Inventories are stated at the lower of acquisition cost, principally determined by the moving average method, or net selling value to reflect any decreased profitability of inventories.

g) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation for property, plant and equipment (except leased assets) of the Company and its domestic consolidated subsidiaries is principally computed by the declining balance method, and depreciation for those of its overseas consolidated subsidiaries is principally computed by the straight-line method at rates based on estimated useful lives that are as follows:

Buildings	3–60 years
Machinery and equipment	3–15 years

Principally, a depreciation method of leased assets is identical to the method applicable to its own fixed assets. In the Company and its domestic consolidated subsidiaries, finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating lease transactions.

h) Income Taxes

Income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Deferred income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements. The Company also provides for the anticipated tax effect of future remittances of retained earnings from overseas subsidiaries and affiliated companies.

i) Retirement Benefits

The Company and its domestic consolidated subsidiaries have an unfunded lump-sum benefit plan, a funded contributory pension plan and a defined contribution pension plan covering all eligible employees.

Under the terms of the unfunded lump-sum benefit plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to indemnities based on compensation at the time of severance and years of service.

The funded contributory pension plan and the defined contribution pension plan provide, in general, pension payments for life commencing from age 60.

Accrued employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the standard, unrecognized actuarial differences and unrecognized prior service cost are amortized on a straight-line basis over a period of 15 years.

Allowance for retirement benefits for members of the Board and corporate auditors ("executives") of the Company and certain of its domestic consolidated subsidiaries is provided based on the companies' pertinent rules and is calculated as the estimated amount which would be payable if all executives were to retire at the balance sheet date. Any amounts payable to executives upon retirement are subject to approval at the annual stockholders' meeting. The amount is included in "customers' guarantee deposits and other liabilities" on the consolidated balance sheets.

j) Appropriation of Retained Earnings

Cash dividends are recorded in the fiscal year when the proposed appropriation of retained earnings is approved by the Board of Directors and/or stockholders.

k) Foreign Currency Transactions

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.

l) Translation of Foreign Currency Financial Statements

Translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by using the current exchange rates prevailing at their balance sheet dates, with the exception that the translation of stockholders' equity is made by using historical rates. Revenue and expense accounts are principally translated at the average exchange rates during the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in net assets except for the portion belonging to minority stockholders, which is included in "minority interests in consolidated subsidiaries" in net assets.

m) Standards Issued but Not Yet Adopted

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

Revisions apply mainly to the accounting treatments for unrecognized actuarial differences as well as unrecognized prior service costs, the calculation methods for projected benefit obligations as well as service costs, and broadening disclosure taking into consideration improvements to financial reporting and international trends.

(2) Scheduled Date of Adoption

The revised accounting standard and guidance are scheduled to be adopted from the end of the fiscal year ending March 31, 2014. However, revisions to the calculation methods for projected benefit obligations and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of Adopting Revised Accounting Standard and Guidance

The impact of adopting the revised accounting standard and guidance on consolidated financial statements is currently under evaluation.

2. U.S. DOLLAR AMOUNTS

The Company and its domestic consolidated subsidiaries maintain their accounting records in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at the rate of ¥94 to \$1.00, the approximate exchange rate prevailing on March 31, 2013. The inclusion of such U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts and assets and liabilities that originated in yen have been or could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

3. INVENTORIES

At March 31, 2013 and 2012, inventories consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Merchandise and finished goods.....	¥175,553	¥161,757	\$1,867,585
Work in process.....	70,121	73,032	745,968
Raw materials and supplies	68,033	60,956	723,755
	<u>¥313,707</u>	<u>¥295,745</u>	<u>\$3,337,309</u>

Losses recognized and charged to cost of sales as a result of valuation at March 31, 2013 and 2012 were ¥2,139 million (\$22,755 thousand) and ¥3,593 million, respectively.

4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term bank loans at March 31, 2013 and 2012 represented bank overdrafts and short-term notes. The Company is not required to pay commitment fees on unused balances of the bank overdraft agreements.

Long-term debt and lease obligations at March 31, 2013 and 2012 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Loans principally from banks and insurance companies with interest rates primarily from 0.04% to 7.05%, maturing serially through 2020:			
Unsecured.....	¥320,964	¥282,207	\$3,414,511
Lease obligations maturing serially through 2022:			
Unsecured.....	2,405	2,941	25,585
Yen notes with an interest rate of 2.00% due 2013.....	–	10,000	–
Yen notes with an interest rate of 1.61% due 2013.....	10,000	10,000	106,383
Yen notes with an interest rate of 0.93% due 2022.....	20,000	–	212,766
Zero coupon convertible bonds due 2014	50,000	50,000	531,915
	403,369	355,148	4,291,160
Less amounts due within one year	99,115	57,044	1,054,415
	<u>¥304,254</u>	<u>¥298,104</u>	<u>\$3,236,745</u>

At March 31, 2013, assets pledged as collateral were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Time deposits	¥ 8	\$ 85
Property, plant and equipment, net	5,933	63,117
Investment securities.....	633	6,734
Others	376	4,000
	<u>¥ 6,950</u>	<u>\$ 73,936</u>

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2013 were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Years ending March 31:		
2014.....	¥ 99,115	\$1,054,415
2015.....	69,548	739,872
2016.....	57,291	609,479
2017.....	30,661	326,181
2018.....	59,002	627,681
2019 and thereafter.....	87,752	933,532
	<u>¥ 403,369</u>	<u>\$4,291,160</u>

5. FINANCIAL INSTRUMENTS

Conditions of Financial Instruments

a) Policy in Relation to Financial Instruments

The policy of the Company and its consolidated subsidiaries is to manage funds only by short-term deposits, etc. and to raise funds by borrowing from banks and issuing corporate bonds. The Company and its consolidated subsidiaries use derivatives to hedge risks associated with foreign currency exchange rates and fluctuations of borrowing interest rates and do not enter into derivative transactions for speculative or trading purposes.

b) Contents and Risk of Financial Instruments and Risk Management System

Trade receivables are operating receivables and therefore are exposed to customer credit risk. Under their internal regulations, the Company and its consolidated subsidiaries carefully manage payment periods for receivables and outstanding balances of all customers and regularly monitor the credit standing of major clients. Operating receivables and payables denominated in foreign currencies that arise from the global business operations are also exposed to foreign currency exchange risk. The Company and its consolidated subsidiaries hedge this risk mainly through the use of forward exchange contracts against positions after netting receivables and payables denominated in the same foreign currencies. Likewise, the Company and its consolidated subsidiaries mainly use currency swaps to hedge the foreign currency exchange risk of bank loans denominated in foreign currencies.

Investment securities are exposed to the risk of market price fluctuations. Most of these securities are the shares of corporations with which the Company and its consolidated subsidiaries have business relationships.

The fair value and financial positions of the issuing entities (clients) are regularly monitored.

Trade payables are operating payables, most of which are due and payable within one year.

Short-term bank loans and commercial paper are financing instruments mainly for operating transactions, while long-term bank loans and bonds (due within ten years, in principle) are primarily for capital expenditures. Bank loans and bonds are exposed to the risk of interest rate fluctuation. Bank loans at floating interest rates carry the risk of higher interest expenses when rates rise, while bank loans and bonds at fixed interest rates carry the risk of higher interest expenses when rates fall. The Company and its consolidated subsidiaries use derivative transactions (interest rate swap transactions) to minimize the risk of interest rate fluctuation, taking into consideration the balance between fixed interest rates and floating interest rates.

Hedging instruments, hedged items, the policy for utilizing such hedging instruments and the method for evaluating the effectiveness of hedging activities are described in Note 1. SIGNIFICANT ACCOUNTING POLICIES d) Financial Instruments, Hedge Accounting in the Notes to the Consolidated Financial Statements.

Derivative transactions are executed and managed in accordance with the internal regulations prescribing the authorization for transactions. To mitigate credit risk, the Company and its consolidated subsidiaries carry out derivative transactions only with highly rated financial institutions.

c) Supplemental Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is based on market prices, or reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because

they employ various factors and assumptions. In addition, the contract amount of derivatives in Note 7. DERIVATIVES in the Notes to the Consolidated Financial Statements is not an indicator of market risk associated with derivative transactions.

Fair Value of Financial Instruments

Carrying value, fair value and unrealized gain (loss) as of March 31, 2013 and 2012 were as follows.

In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please refer to Note 2 below).

	<i>Millions of yen</i>		
	2013		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	¥108,666	¥108,666	¥ –
Trade receivables.....	308,230	308,230	–
Investment securities			
Held-to-maturity debt securities.....	92	92	–
Investment securities in subsidiaries and affiliated companies	15,355	9,817	(5,538)
Other securities.....	115,575	115,575	–
Assets	¥547,918	¥542,380	¥ (5,538)
Trade payables.....	¥185,927	¥185,927	¥ –
Short-term bank loans	98,633	98,633	–
Commercial paper	30,000	30,000	–
Bonds* ¹	80,000	80,222	222
Long-term bank loans* ²	320,964	327,307	6,343
Liabilities.....	¥715,524	¥722,089	¥ 6,565
Derivative transactions* ³			
Hedge accounting is not applied	¥ 426	¥ 426	¥ –
Hedge accounting is applied	(1,145)	(1,145)	–
Derivative transactions.....	¥ (719)	¥ (719)	¥ –

	<i>Millions of yen</i>		
	2012		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	¥ 81,398	¥ 81,398	¥ –
Trade receivables.....	283,628	283,628	–
Investment securities			
Held-to-maturity debt securities.....	177	177	–
Investment securities in subsidiaries and affiliated companies	14,674	10,564	(4,110)
Other securities.....	92,962	92,962	–
Assets	¥472,839	¥468,729	¥ (4,110)
Trade payables.....	¥182,071	¥182,071	¥ –
Short-term bank loans	101,758	101,758	–
Commercial paper	25,000	25,000	–
Bonds* ¹	70,000	69,861	(139)
Long-term bank loans* ²	282,207	288,507	6,300
Liabilities.....	¥661,036	¥667,197	¥ 6,161
Derivative transactions* ³			
Hedge accounting is not applied	¥ 955	¥ 955	¥ –
Hedge accounting is applied	3,408	3,408	–
Derivative transactions.....	¥ 4,363	¥ 4,363	¥ –

Thousands of U.S. dollars			
2013			
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits.....	\$1,156,021	\$1,156,021	\$ –
Trade receivables	3,279,043	3,279,043	–
Investment securities			
Held-to-maturity debt securities	979	979	–
Investment securities in subsidiaries and affiliated companies	163,351	104,436	(58,915)
Other securities	1,229,521	1,229,521	–
Assets	<u>\$5,828,915</u>	<u>\$5,770,000</u>	<u>\$(58,915)</u>
Trade payables	\$1,977,947	\$1,977,947	\$ –
Short-term bank loans	1,049,287	1,049,287	–
Commercial paper	319,149	319,149	–
Bonds* ¹	851,064	853,426	2,362
Long-term bank loans* ²	3,414,511	3,481,989	67,479
Liabilities	<u>\$7,611,957</u>	<u>\$7,681,798</u>	<u>\$ 69,840</u>
Derivative transactions* ³			
Hedge accounting is not applied	\$ 4,532	\$ 4,532	\$ –
Hedge accounting is applied	(12,181)	(12,181)	–
Derivative transactions	<u>\$ (7,649)</u>	<u>\$ (7,649)</u>	<u>\$ –</u>

*1: Bonds include bonds due within one year.

*2: Long-term bank loans include long-term bank loans due within one year.

*3: Receivables and payables arising from derivative transactions are indicated in net amounts. Total net payables, if any, are shown in parentheses.

Notes:

1. Estimation method for fair value of financial instruments and items related to securities and derivative transactions

Assets

Cash and time deposits and Trade receivables

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

Investment securities

Securities are valued at quoted market price. Debt securities are valued at quoted market price or at the price provided by correspondent financial institutions. For information on securities classified by holding purpose, please refer to Note 6. SECURITIES of the Notes to the Consolidated Financial Statements.

Liabilities

Trade payables, Short-term bank loans and Commercial paper

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

Bonds

The fair value of bonds issued by the Company is based on market price. However, in cases where the special accounting method for interest rate swaps is applied, the fair value is approximately equal to the carrying value because the interest rates fluctuate and are adjusted periodically. Therefore, the fair value is based on the carrying value.

Long-term bank loans

The fair value of long-term bank loans is estimated by discounting the principal amounts and interest based on estimated interest rates if similar new loans were entered into in the current period. The fair value of long-term bank loans for which the special accounting method for interest rate swaps is applied is estimated by discounting the total principal amount and interest (accounted for together with the interest rate swaps) based on estimated interest rates if similar new loans were entered into in the current period. For long-term bank loans at floating interest rates, however, the fair value is approximately equal to the carrying value because the interest rates are adjusted periodically. Therefore, the fair value is based on the carrying value.

Derivative transactions

Please refer to Note 7. DERIVATIVES in the Notes to the Consolidated Financial Statements.

2. Financial instruments for which it is extremely difficult to determine the fair value

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Unlisted securities	¥54,075	¥52,382	\$ 575,266

Unlisted securities have no quoted market price and the fair value is extremely difficult to determine. Therefore, they are not included in the preceding table.

3. Redemption schedule for receivables and investment securities with maturities at March 31, 2013 and 2012

<i>Millions of yen</i>				
2013				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits.....	¥ 108,666	¥ –	¥ –	¥ –
Trade receivables	308,230	–	–	–
Investment securities				
Held-to-maturity debt securities	14	72	6	–
Other securities	–	574	10	800
	¥ 416,910	¥ 646	¥ 16	¥ 800
<i>Millions of yen</i>				
2012				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits.....	¥ 81,398	¥ –	¥ –	¥ –
Trade receivables	282,738	890	–	–
Investment securities				
Held-to-maturity debt securities	22	147	8	–
Other securities	–	504	–	800
	¥ 364,158	¥ 1,541	¥ 8	¥ 800
<i>Thousands of U.S. dollars</i>				
2013				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits.....	\$ 1,156,021	\$ –	\$ –	\$ –
Trade receivables	3,279,043	–	–	–
Investment securities				
Held-to-maturity debt securities	149	766	64	–
Other securities	–	6,106	106	8,511
	\$ 4,435,213	\$ 6,872	\$ 170	\$ 8,511

4. The redemption schedule for long-term debt is disclosed in Note 4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS of the Notes to the Consolidated Financial Statements.

6. SECURITIES

At March 31, 2013 and 2012, information on securities classified as held-to-maturity debt securities was as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>			
	2013				2013			
	Carrying value	Fair value	Unrealized gains	Unrealized losses	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities ...	<u>¥ 92</u>	<u>¥ 92</u>	<u>¥ –</u>	<u>¥ –</u>	<u>\$ 979</u>	<u>\$ 979</u>	<u>\$ –</u>	<u>\$ –</u>

	<i>Millions of yen</i>			
	2012			
	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities ...	<u>¥ 177</u>	<u>¥ 177</u>	<u>¥ –</u>	<u>¥ –</u>

At March 31, 2013 and 2012, information on securities classified as other securities was as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>			
	2013				2013			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities.....	<u>¥115,575</u>	<u>¥ 62,341</u>	<u>¥ 56,236</u>	<u>¥ 3,002</u>	<u>\$1,229,521</u>	<u>\$663,202</u>	<u>\$598,255</u>	<u>\$ 31,936</u>

	<i>Millions of yen</i>			
	2012.			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities.....	<u>¥ 92,962</u>	<u>¥ 62,569</u>	<u>¥ 36,611</u>	<u>¥ 6,218</u>

7. DERIVATIVES

The Company and its consolidated subsidiaries had the following derivative contracts outstanding at March 31, 2013 and 2012:

Hedge accounting is not applied

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>		
	2013			2013		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buying U.S. dollar.....	¥4,468	¥292	¥ 292	\$47,532	\$3,106	\$ 3,106
Buying euro.....	281	0	0	2,989	0	0
Buying Thai baht.....	422	116	116	4,489	1,234	1,234
Buying Japanese yen.....	362	(9)	(9)	3,851	(96)	(96)
Selling U.S. dollar.....	5,314	(30)	(30)	56,532	(319)	(319)
Selling euro.....	218	0	0	2,319	0	0
Selling British pound.....	147	0	0	1,564	0	0
Selling Chinese yuan.....	50	1	1	532	11	11
Selling Japanese yen.....	823	16	16	8,755	170	170
Foreign currency swaps:						
Receiving U.S. dollar, paying Korean won.....	1,477	(31)	(31)	15,713	(330)	(330)
Foreign currency options:						
Buying Japanese yen (put).....	600	76	76	6,383	809	809
Selling Japanese yen (call).....	600	0	0	6,383	0	0
Interest rate swaps:						
Floating-rate receipt, fixed-rate payment.....	693	(5)	(5)	7,372	(53)	(53)
	¥ —	¥426	¥ 426	\$ —	\$4,532	\$ 4,532
	<i>Millions of yen</i>					
	2012					
	Contract amount	Fair value	Unrealized gain (loss)			
Forward foreign exchange contracts:						
Buying U.S. dollar.....	¥6,532	¥238	¥ 238			
Buying euro.....	260	13	13			
Buying Indonesian rupiah.....	466	0	0			
Buying Thai baht.....	485	43	43			
Buying Japanese yen.....	306	(4)	(4)			
Selling U.S. dollar.....	3,639	(71)	(71)			
Selling euro.....	139	2	2			
Selling British pound.....	88	(2)	(2)			
Selling Chinese yuan.....	5	0	0			
Selling Japanese yen.....	787	(6)	(6)			
Foreign currency swaps:						
Receiving Japanese yen, paying U.S. dollar.....	3,140	807	807			
Receiving U.S. dollar, paying Korean won.....	1,978	(52)	(52)			
Receiving U.S. dollar, paying Malaysian ringgit..	829	(5)	(5)			
Interest rate swaps:						
Floating-rate receipt, fixed-rate payment.....	622	(8)	(8)			
	¥ —	¥955	¥ 955			

Hedge accounting is applied

		Millions of yen		
		2013		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	¥ 26	¥ 2	Forward foreign exchange quotes
	Buying euro	199	7	
	Buying Japanese yen	5,818	(463)	
	Selling U.S. dollar	402	8	
	Selling euro	107	2	
	Selling Japanese yen	783	86	
	Foreign currency options:			
	Accounted for as part of trade payables			The price provided by correspondent financial institutions
	Buying Japanese yen (call)	5,787	(520)	
	Selling Japanese yen (put)	2,974	269	
	Interest rate swaps:			
	Accounted for as part of long-term bank loans			The price provided by correspondent financial institutions
	Floating-rate receipt, fixed-rate payment	8,386	(224)	
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	72,500*1		
	Floating-rate receipt, floating-rate payment	49,400	—	
	Fixed-rate receipt, floating-rate payment	48,000		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	20,183	501	Forward foreign exchange quotes
	Buying euro	1,232	18	
	Buying Canadian dollar	467	(5)	
	Buying Czech koruna	1,800	(33)	
	Buying Chinese yuan	510	100	
	Selling U.S. dollar	14,639	(639)	
	Selling euro	2,070	(61)	
	Selling British pound	3	0	
	Selling Chinese yuan	1	0	
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans (Forecasted transactions)			The price provided by correspondent financial institutions
	Receiving U.S. dollar, paying Japanese yen	20,000	(193)	

		<i>Millions of yen</i>		
		2013		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	15,161 ^{*2}		
	Buying euro	44		
	Buying Canadian dollar	3		
	Buying Thai baht	4		
	Selling U.S. dollar	30,361	–	
	Selling euro	4,258		
	Selling British pound	15		
	Selling Canadian dollar	21		
	Selling Thai baht	75		
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving U.S. dollar, paying Japanese yen	44,417 ^{*2}	–	
	Receiving Australian dollar, paying Japanese yen	3,129		
		<u>¥ –</u>	<u>¥ (1,145)</u>	

		<i>Millions of yen</i>		
		2012		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	¥ 81	¥ (1)	Forward foreign
	Buying Japanese yen	1,314	81	exchange quotes
	Selling U.S. dollar	54	0	
	Selling euro	125	0	
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving Japanese yen, paying U.S. dollar	10,715	3,708	The price provided by correspondent financial institutions
	Interest rate swaps:			
	Accounted for as part of long-term bank loans			
	Floating-rate receipt, fixed-rate payment	8,624	(207)	The price provided by correspondent financial institutions
	Interest rate caps:			
	Accounted for as part of long-term bank loans	216	0	The price provided by correspondent financial institutions

		<i>Millions of yen</i>		
		2012		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Special accounting method for interest rate swaps	Interest rate swaps: Accounted for as part of long-term bank loans Floating-rate receipt, fixed-rate payment Floating-rate receipt, floating-rate payment Fixed-rate receipt, floating-rate payment	81,200* ¹ 30,700 28,000	—	
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables (Forecasted transactions) Buying U.S. dollar Buying euro Buying Canadian dollar Buying Chinese yuan Buying Korean won Selling U.S. dollar Selling euro Selling British pound Selling Thai baht	16,396 7,051 8 1,668 1,423 10,376 1,950 18 9	225 58 0 (44) 10 (364) (57) 0 (1)	Forward foreign exchange quotes
	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables Buying U.S. dollar Buying euro Selling U.S. dollar Selling euro Selling British pound Selling Canadian dollar Selling Thai baht	11,659* ² 57 27,433 3,987 20 40 75	—	
	Foreign currency swaps: Accounted for as part of long-term bank loans Receiving U.S. dollar, paying Japanese yen	16,138* ²	—	
		¥ —	¥ 3,408	

		<i>Thousands of U.S. dollars</i>		
		2013		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables Buying U.S. dollar Buying euro Buying Japanese yen Selling U.S. dollar Selling euro Selling Japanese yen	\$ 277 2,117 61,894 4,277 1,138 8,330	\$ 21 74 (4,926) 85 21 915	Forward foreign exchange quotes

		Thousands of U.S. dollars		
		2013		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
	Foreign currency options:			
	Accounted for as part of trade payables			The price provided by
	Buying Japanese yen (call)	61,564	(5,532)	correspondent financial
	Selling Japanese yen (put)	31,638	2,862	institutions
	Interest rate swaps:			
	Accounted for as part of long-term bank loans			The price provided by
	Floating-rate receipt, fixed-rate payment	89,213	(2,383)	correspondent financial
				institutions
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	771,277*1		
	Floating-rate receipt, floating-rate payment	525,532	–	
	Fixed-rate receipt, floating-rate payment	510,638		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	214,713	5,330	Forward foreign
	Buying euro	13,106	191	exchange quotes
	Buying Canadian dollar	4,968	(53)	
	Buying Czech koruna	19,149	(351)	
	Buying Chinese yuan	5,426	1,064	
	Selling U.S. dollar	155,734	(6,798)	
	Selling euro	22,021	(649)	
	Selling British pound	32	0	
	Selling Chinese yuan	11	0	
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans (Forecasted transactions)			The price provided by
	Receiving U.S. dollar, paying Japanese yen	212,766	(2,053)	correspondent financial
				institutions
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	161,287*2		
	Buying euro	468		
	Buying Canadian dollar	32		
	Buying Thai baht	43		
	Selling U.S. dollar	322,989	–	
	Selling euro	45,298		
	Selling British pound	160		
	Selling Canadian dollar	223		
	Selling Thai baht	798		

		<i>Thousands of U.S. dollars</i>		
		2013		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving U.S. dollar, paying Japanese yen	472,521 ^{*2}	—	
	Receiving Australian dollar, paying Japanese yen	33,287		
		<u>\$ —</u>	<u>\$ (12,181)</u>	

*1 The fair value of interest rate swaps to which a special accounting method is applied is included in the fair value of bonds and long-term bank loans in Note 5. FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements because such interest rate swaps are accounted for together with the corresponding bonds and long-term bank loans.

*2 The fair value of forward foreign exchange contracts to which the allocation method is applied, except for forecasted transactions, is included in the fair value of trade receivables, trade payables and long-term bank loans in Note 5. FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements since such forward foreign exchange contracts are accounted for together with the corresponding trade receivables, trade payables and long-term bank loans.

8. RETIREMENT BENEFIT PLAN

Accrued employees' retirement benefits as of March 31, 2013 and 2012 were analyzed as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Projected benefit obligations	¥(181,735)	¥(190,661)	\$(1,933,351)
Plan assets	117,661	115,172	1,251,713
	(64,074)	(75,489)	(681,638)
Unrecognized actuarial differences	44,204	59,886	470,255
Unrecognized prior service cost	(19,222)	(22,174)	(204,489)
	(39,092)	(37,777)	(415,872)
Prepaid pension cost (included in other assets)	29,009	27,907	308,606
Accrued employees' retirement benefits	¥ (68,101)	¥ (65,684)	\$ (724,479)

The components of net periodic benefit cost related to the employees' retirement benefits for the years ended March 31, 2013 and 2012 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Service cost	¥ 5,552	¥ 5,728	\$ 59,064
Interest cost	3,782	3,863	40,234
Expected return on plan assets	(3,359)	(3,575)	(35,734)
Amortization of actuarial differences	6,976	6,834	74,213
Amortization of prior service cost	(2,871)	(2,965)	(30,543)
Net periodic benefit cost	10,080	9,885	107,234
Contribution to defined contribution pension plan and other	4,706	3,657	50,064
	<u>¥14,786</u>	<u>¥13,542</u>	<u>\$ 157,298</u>

In addition to the above, special severance payments of ¥752 million (\$8,000 thousand) and ¥1,283 million were charged to net income for the years ended March 31, 2013 and 2012, respectively.

Assumptions used in calculation of the above information were as follows:

	2013	2012
Method of attributing the projected benefits to periods of services.....	straight-line basis	straight-line basis
Discount rate	primarily 2.0%	primarily 2.0%
Expected rate of return on plan assets	primarily 3.0%	primarily 3.0%
Amortization period of prior service cost	primarily 15 years	primarily 15 years
Amortization period of actuarial differences	primarily 15 years	primarily 15 years

9. STOCK OPTION PLANS

1. Stock option expense included in selling, general and administrative expenses amounted to ¥345 million (\$3,670 thousand) and ¥287 million for the years ended March 31, 2013 and 2012, respectively.
2. Information on stock options issued

The following table summarizes the stock options outstanding as of March 31, 2013.

		No.1 Stock Option Plan	No.2 Stock Option Plan
Position and number of grantees	Members of the Board of the Company	28	26
	Directors of the Company	32	32
Type and number of shares to be issued upon exercise	Common stock	747,000 shares	844,000 shares
Grant date		August 20, 2011	August 4, 2012
Vesting conditions		Based on the number of months that have elapsed during the vesting period	Based on the number of months that have elapsed during the vesting period
Vesting period		June 24, 2011 – June 22, 2012	June 22, 2012 – June 26, 2013
Exercise period		August 21, 2011 – August 20, 2041	August 5, 2012 – August 4, 2042

The following table summarizes movement of stock options during the year and price information on stock options as of March 31, 2013. Number of stock options are translated into the number of shares.

(1) Number of stock options

	No.1 Stock Option Plan	No.2 Stock Option Plan
Stock acquisition rights not yet vested		
As of March 31, 2012.....	211,000	–
Granted.....	–	844,000
Forfeited	–	–
Vested.....	211,000	607,000
As of March 31, 2013.....	–	237,000
Stock acquisition rights already vested		
As of March 31, 2012.....	536,000	–
Vested.....	211,000	607,000
Exercised	129,000	–
Forfeited	–	–
As of March 31, 2013.....	618,000	607,000

(2) Price information

	<i>Yen</i>	
	<u>No.1 Stock Option Plan</u>	<u>No.2 Stock Option Plan</u>
Exercise price	¥ 1	¥ 1
Weighted average exercise price.....	529	—
Fair value per share at the grant date	513	394
	<i>U.S. dollars</i>	
	<u>No.1 Stock Option Plan</u>	<u>No.2 Stock Option Plan</u>
Exercise price	\$ 0.01	\$ 0.01
Weighted average exercise price.....	5.63	—
Fair value per share at the grant date	5.46	4.19

3. Estimation method and assumptions used for the per share fair value of stock options

(1) Estimation method

Black-Scholes model

(2) Assumptions used for the per share fair value of stock options.

	<u>No.2 Stock Option Plan</u>
Expected volatility* ¹	32.885%
Expected holding period* ²	8 years
Expected dividend* ³	¥10 per share (\$0.11)
Risk-free rate* ⁴	0.476%

*1 Expected volatility is based on actual share prices during 8 years from August 5, 2004 to August 3, 2012.

*2 The expected holding period is calculated based on the service period of past members of the Board.

*3 This is based on the dividend for the year ended March 31, 2012.

*4 The risk-free interest rate is the yield on government bonds for the period that corresponds to the remaining life of the option.

Because it is difficult to reasonably estimate the number of options that will expire in the future, only the number of options that have actually forfeited is applied.

10. INCOME TAXES

The statutory tax rates in Japan used for calculating deferred tax assets and liabilities for the years ended March 31, 2013 and 2012 were 38.0% and 40.7%, respectively.

At March 31, 2013 and 2012, significant components of deferred tax assets and liabilities were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Deferred tax assets:			
Accrued bonuses	¥ 5,975	¥ 5,923	\$ 63,564
Accrued employees' retirement benefits	27,232	26,777	289,702
Tax loss carryforwards	35,273	26,017	375,245
Unrealized intercompany profits	11,464	11,371	121,957
Investments in subsidiaries and affiliated companies	22,631	33,942	240,755
Other	34,602	35,833	368,106
	137,177	139,863	1,459,330
Valuation allowance	(41,467)	(39,981)	(441,138)
Total deferred tax assets	95,710	99,882	1,018,191
Deferred tax liabilities:			
Reserve for advanced depreciation	10,220	10,507	108,723
Depreciation	14,711	12,190	156,500
Undistributed earnings of overseas subsidiaries and affiliated companies	7,926	6,081	84,319
Unrealized gains on securities	19,181	12,195	204,053
Other	12,091	12,478	128,628
Total deferred tax liabilities	64,129	53,451	682,223
Net deferred tax assets	¥ 31,581	¥ 46,431	\$ 335,968

At March 31, 2013 and 2012, deferred tax assets and liabilities were classified as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Deferred tax assets—current	¥21,405	¥18,220	\$ 227,713
Deferred tax assets—non-current	19,399	34,067	206,372
Deferred tax liabilities—current (included in other current liabilities)	9	182	96
Deferred tax liabilities—non-current	9,214	5,674	98,021

The reconciliation of the statutory tax rates and the effective income tax rates for the years ended March 31, 2013 and 2012 was as follows:

	2013	2012
Statutory tax rates	38.0%	40.7%
Increase (decrease) in taxes resulting from:		
Permanent differences	0.7	0.6
Recognition of certain deferred tax assets by reversal of valuation allowance	(1.1)	(2.5)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3.6)	(2.1)
Differences of tax rates for overseas consolidated subsidiaries	(7.2)	(6.4)
Undistributed earnings of overseas subsidiaries and affiliated companies	2.4	0.6
Change in statutory tax rate	—	3.4
Differences of tax rates for special reconstruction corporation tax	1.6	—
Amortization of goodwill	1.5	—
Other	2.1	(1.3)
Effective income tax rates	34.4%	33.0%

11. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the earned

reserve) be transferred to the capital reserve and the earned reserve, respectively, until the sum of the capital reserve and the earned reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met.

At the June 2013 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥5.00 per share, aggregating to ¥8,151 million (\$86,713 thousand) which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013.

12. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2013, commitment line of credit to unconsolidated subsidiaries and affiliated companies was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Total commitment line of credit	¥ 775	\$ 8,245
Loans receivable outstanding.....	355	3,777
Balance.....	<u>¥ 420</u>	<u>\$ 4,468</u>

This commitment does not necessarily imply that the unused amount may be fully utilized.

At March 31, 2013 and 2012, contingent liabilities were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2013</u>	<u>2012</u>	<u>2013</u>
As guarantors of loans to:			
Unconsolidated subsidiaries and affiliated companies	¥ 1,432	¥ 1,056	\$ 15,234
Other.....	6,959	6,368	74,032
	<u>¥ 8,391</u>	<u>¥ 7,424</u>	<u>\$ 89,266</u>
Export bills discounted.....	¥ 541	¥ 1,564	\$ 5,755
Notes endorsed	640	269	6,809
Contingent liabilities associated with securitization of receivables	¥10,361	¥10,233	\$ 110,223

13. LEASES

Finance leases

The Group holds certain buildings, machinery and equipment and intangible assets by leases.

Finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating lease transactions. Total lease payments under these leases were ¥383 million (\$4,074 thousand) and ¥729 million for the years ended March 31, 2013 and 2012, respectively. Pro forma information relating to acquisition costs, accumulated depreciation/amortization and accumulated loss on impairment and net book value for property held under finance lease transactions which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at March 31, 2013 and 2012 was as follows:

	<i>Millions of yen</i>		
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
March 31, 2013:			
Machinery and equipment	¥ 2,160	¥ 1,793	¥ 367
	<u>¥ 2,160</u>	<u>¥ 1,793</u>	<u>¥ 367</u>

<i>Millions of yen</i>			
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
March 31, 2012:			
Buildings.....	¥ 64	¥ 62	¥ 2
Machinery and equipment	3,503	2,815	688
Intangible assets.....	458	377	81
	<u>¥ 4,025</u>	<u>¥ 3,254</u>	<u>¥ 771</u>
<i>Thousands of U.S. dollars</i>			
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
March 31, 2013:			
Machinery and equipment	<u>\$ 22,979</u>	<u>\$ 19,074</u>	<u>\$ 3,904</u>
	<u>\$ 22,979</u>	<u>\$ 19,074</u>	<u>\$ 3,904</u>

Future minimum lease payments under finance leases subsequent to March 31, 2013 and 2012 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Due within one year	¥220	¥405	\$ 2,340
Due after one year	147	366	1,564
Total	<u>¥367</u>	<u>¥771</u>	<u>\$ 3,904</u>

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Operating leases

Future minimum lease payments under noncancellable operating leases subsequent to March 31, 2013 and 2012 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Due within one year	¥247	¥203	\$ 2,628
Due after one year	586	635	6,234
Total	<u>¥833</u>	<u>¥838</u>	<u>\$ 8,862</u>

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were ¥53,342 million (\$567,468 thousand) and ¥51,450 million, respectively.

15. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2012.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
Net unrealized gains (losses) on securities:			
Amount arising during the year.....	¥21,611	¥ (3,252)	\$ 229,904
Reclassification adjustments for gains and losses included in net income	1,467	28	15,606
Before tax effect	23,078	(3,224)	245,511
Tax effect.....	(8,097)	2,783	(86,138)
Net unrealized gains (losses) on securities.....	14,981	(441)	159,372
Net deferred losses on hedges:			
Amount arising during the year.....	(955)	(212)	(10,160)
Reclassification adjustments for gains and losses included in net income	(17)	(124)	(181)
Assets acquisition cost adjustment	(385)	4	(4,096)
Before tax effect	(1,357)	(332)	(14,436)
Tax effect.....	550	147	5,851
Net deferred losses on hedges	(807)	(185)	(8,585)
Foreign currency translation adjustments:			
Amount arising during the year.....	51,585	(13,778)	548,777
Reclassification adjustments for gains and losses included in net income	881	–	9,372
Foreign currency translation adjustments	52,466	(13,778)	558,149
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method:			
Amount arising during the year.....	2,614	(706)	27,809
Reclassification adjustments for gains and losses included in net income	(7)	–	(74)
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	2,607	(706)	27,734
Total other comprehensive income	¥69,247	¥(15,110)	\$ 736,670

16. SEGMENT INFORMATION

(Segment information)

1. Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation to the segments and assess performance.

The Company identifies the following six segments according to the nature of the products and market for their products.

Reportable segment	Main products
Fibers & Textiles	Filament yarns, staple fibers, and woven and knitted fabrics of nylon, polyester and acrylic fibers, etc.; non-woven fabrics, man-made suede and apparel products
Plastics & Chemicals	Nylon, ABS, PBT, PPS and other resins and molded products, polyolefin foam; polyester, polypropylene, PPS and other films and processed film products; raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine (excludes film and resin covered in IT-related Products segment)

IT-related Products	Films and plastic products for information and telecommunications related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; materials for plasma display panels; magnetic recording materials; graphic materials and related equipment
Carbon Fiber Composite Materials	Carbon fibers, carbon fiber composite materials and their molded products
Environment & Engineering	Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering
Life Science	Pharmaceuticals and medical products

2. Measurement of sales, income, assets and other material items of reportable segments

The accounting policies for the reportable segments are the same as those described in Note 1. SIGNIFICANT ACCOUNTING POLICIES.

The figures of segment income are based on operating income.

Intersegment sales are determined based on consideration of the market price and related information.

3. Information on sales, income, assets and other material items of reportable segments

<i>Millions of yen</i>										
Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers..	¥632,150	¥395,835	¥237,593	¥ 77,620	¥ 178,355	¥56,599	¥14,127	¥1,592,279	¥ –	¥ 1,592,279
Intersegment sales.....	839	27,946	7,403	652	64,485	1	16,301	117,627	(117,627)	–
Total sales	¥632,989	¥423,781	¥244,996	¥ 78,272	¥ 242,840	¥56,600	¥30,428	¥1,709,906	¥ (117,627)	¥ 1,592,279
Segment income.....	¥ 43,222	¥ 18,302	¥ 22,959	¥ 7,299	¥ 2,628	¥ 7,456	¥ 1,557	¥ 103,423	¥ (19,987)	¥ 83,436
Segment assets	¥456,704	¥456,669	¥334,140	¥ 233,085	¥ 176,568	¥69,087	¥47,238	¥1,773,491	¥ (41,661)	¥ 1,731,830
Depreciation and amortization	15,572	17,704	15,850	11,760	2,626	1,905	1,257	66,674	914	67,588
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	16,308	36,386	3,205	224	6,938	2,933	5,075	71,069	(631)	70,438
Capital expenditures	27,297	24,521	23,393	15,561	4,251	4,488	889	100,400	(1,265)	99,135

<i>Millions of yen</i>										
Year ended March 31, 2012:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers..	¥638,375	¥397,815	¥243,404	¥ 69,914	¥ 170,247	¥55,554	¥13,295	¥1,588,604	¥ –	¥ 1,588,604
Intersegment sales.....	655	27,829	7,663	679	57,320	1	16,358	110,505	(110,505)	–
Total sales	¥639,030	¥425,644	¥251,067	¥ 70,593	¥ 227,567	¥55,555	¥29,653	¥1,699,109	¥ (110,505)	¥ 1,588,604
Segment income.....	¥ 45,327	¥ 27,381	¥ 34,512	¥ 7,671	¥ 4,882	¥ 5,981	¥ 1,334	¥ 127,088	¥ (19,367)	¥ 107,721
Segment assets	¥425,160	¥416,545	¥324,137	¥ 192,898	¥ 166,834	¥59,016	¥38,500	¥1,623,090	¥ (41,589)	¥ 1,581,501
Depreciation and amortization	17,006	17,681	14,593	11,827	2,614	2,030	1,222	66,973	470	67,443
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	14,641	36,140	2,643	188	5,126	3,038	4,674	66,450	(723)	65,727
Capital expenditures	23,928	24,215	28,271	13,531	3,028	3,913	2,017	98,903	(519)	98,384

<i>Thousands of U.S. dollars</i>										
Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers	\$6,725,000	\$4,211,011	\$2,527,585	\$ 825,745	\$ 1,897,394	\$602,117	\$150,287	\$16,939,138	\$ –	\$16,939,138
Intersegment sales	8,926	297,298	78,755	6,936	686,011	11	173,415	1,251,351	(1,251,351)	–
Total sales	<u>\$6,733,926</u>	<u>\$4,508,309</u>	<u>\$2,606,340</u>	<u>\$ 832,681</u>	<u>\$ 2,583,404</u>	<u>\$602,128</u>	<u>\$323,702</u>	<u>\$18,190,489</u>	<u>\$(1,251,351)</u>	<u>\$16,939,138</u>
Segment income	<u>\$ 459,809</u>	<u>\$ 194,702</u>	<u>\$ 244,245</u>	<u>\$ 77,649</u>	<u>\$ 27,957</u>	<u>\$ 79,319</u>	<u>\$ 16,564</u>	<u>\$ 1,100,245</u>	<u>\$ (212,628)</u>	<u>\$ 887,617</u>
Segment assets	<u>\$4,858,553</u>	<u>\$4,858,181</u>	<u>\$3,554,681</u>	<u>\$ 2,479,628</u>	<u>\$ 1,878,383</u>	<u>\$734,968</u>	<u>\$502,532</u>	<u>\$18,866,926</u>	<u>\$ (443,202)</u>	<u>\$18,423,723</u>
Depreciation and amortization	165,660	188,340	168,617	125,106	27,936	20,266	13,372	709,298	9,723	719,021
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	173,489	387,085	34,096	2,383	73,809	31,202	53,989	756,053	(6,713)	749,340
Capital expenditures	290,394	260,862	248,862	165,543	45,223	47,745	9,457	1,068,085	(13,457)	1,054,628

Notes:

- 1) “Others” represents service-related businesses such as analysis, survey and research.
- 2) a) “Adjustments” of segment income for the year ended March 31, 2013 of ¥(19,987) million (\$ (212,628) thousand) includes intersegment eliminations of ¥(27) million (\$ (287) thousand) and corporate expenses of ¥(19,960) million (\$ (212,340) thousand). “Adjustments” of segment income for the year ended March 31, 2012 of ¥(19,367) million includes intersegment eliminations of ¥(793) million and corporate expenses of ¥(18,574) million. The corporate expenses consist of the headquarters’ research expenses, etc. that are not allocated to each reportable segment.
b) “Adjustments” of segment assets for the year ended March 31, 2013 of ¥(41,661) million (\$ (443,202) thousand) includes intersegment eliminations of ¥(61,374) million (\$ (652,915) thousand) and corporate assets of ¥19,713 million (\$ (209,713) thousand). “Adjustments” of segment assets for the year ended March 31, 2012 of ¥(41,589) million includes intersegment eliminations of ¥(63,215) million and corporate assets of ¥21,626 million. The corporate assets consist of the headquarters’ research assets, etc. that are not allocated to each reportable segment.
- 3) “Segment income” is reconciled to operating income.

(Related information)

Geographic information

Sales to outside customers

<i>Millions of yen</i>					
Year ended March 31, 2013:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
Sales to outside customers	¥ 870,315	¥ 222,514	¥ 268,291	¥ 231,159	¥ 1,592,279

<i>Millions of yen</i>					
Year ended March 31, 2012:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
Sales to outside customers	¥ 876,224	¥ 203,419	¥ 284,430	¥ 224,531	¥ 1,588,604

<i>Thousands of U.S. dollars</i>					
Year ended March 31, 2013:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
Sales to outside customers	\$9,258,670	\$2,367,170	\$2,854,160	\$ 2,459,138	\$16,939,138

Sales amounts are allocated to countries or regions according to the customers’ location.

Property, plant and equipment, net

<i>Millions of yen</i>					
March 31, 2013:	Asia				Total
	Japan	Republic of Korea	Others	North America, Europe and other areas	
Property, plant and equipment, net	¥ 317,658	¥ 84,534	¥ 124,686	¥ 100,362	¥ 627,240

<i>Millions of yen</i>					
March 31, 2012:	Asia				Total
	Japan	Republic of Korea	Others	North America, Europe and other areas	
Property, plant and equipment, net	¥ 319,736	¥ 60,344	¥ 92,898	¥ 88,945	¥ 561,923

<i>Thousands of U.S. dollars</i>					
March 31, 2013:	Asia				Total
	Japan	Republic of Korea	Others	North America, Europe and other areas	
Property, plant and equipment, net	\$3,379,340	\$ 899,298	\$1,326,447	\$ 1,067,681	\$6,672,766

(Information about loss on impairment of fixed assets by reportable segments)

<i>Millions of yen</i>									
Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	¥ 150	¥ 280	¥ 225	¥ 264	¥ 990	¥ 63	¥ –	¥ –	¥ 1,972

Year ended March 31, 2012:

No significant items to be reported.

<i>Thousands of U.S. dollars</i>									
Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	\$1,596	\$ 2,979	\$ 2,394	\$ 2,809	\$ 10,532	\$ 670	\$ –	\$ –	\$20,979

(Information about amortization and balance of goodwill by reportable segments)

<i>Millions of yen</i>									
Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill	¥ (248)	¥ 16	¥ 3,132	¥ 238	¥ (16)	¥ –	¥ 1	¥ –	¥ 3,123
Balance of goodwill	(72)	907	27,871	1,060	–	–	1	–	29,767

<i>Millions of yen</i>									
Year ended March 31, 2012:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Balance of goodwill	¥ (320)	¥ 29	¥31,003	¥ 1,164	¥ (16)	¥ –	¥ 2	¥ –	¥31,862

Thousands of U.S. dollars

Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill.....	\$(2,638)	\$ 170	\$ 33,319	\$ 2,532	\$ (170)	\$ –	\$ 11	\$ –	\$ 33,223
Balance of goodwill.....	(766)	9,649	296,500	11,277	–	–	11	–	316,670

“Others” represents service-related businesses such as analysis, survey and research.

17. AMOUNTS PER SHARE

Basic net income per share is computed based on the net income attributable to stockholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock acquisition rights.

Amounts per share of net assets are computed based on the net assets available for distribution to the stockholders and the number of shares of common stock outstanding at year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors applicable to the respective years together with any interim cash dividends paid.

	Yen		U.S. dollars
	2013	2012	2013
Net income:			
Basic.....	¥ 29.75	¥ 39.41	\$ 0.32
Diluted.....	28.90	37.46	0.31
Cash dividends applicable to the year.....	10.00	10.00	0.11
Net assets	444.95	384.90	4.73

18. RELATED PARTY TRANSACTIONS

Year ended March 31, 2013

Related Party Transactions

No items to be reported.

Year ended March 31, 2012

Related Party Transactions

Name	Toray Battery Separator Film Godo Kaisha
Category	Subsidiary
Location	Tochigi, Japan
Common stock	¥301 million
Description of the business	Production and sales of battery separator film
Ownership percentage of voting rights	Direct 100%
Relationship	Repayment of deposits
The Company's transaction with the related company	
Repayment of deposits	¥28,464 million
Balance at year end	
Other current liabilities	–

Consumption taxes are not included in the above amounts. Toray Tonen Specialty Separator Godo Kaisha, which was formerly disclosed as an affiliated company, became a consolidated subsidiary during the fiscal year ended March 31, 2012, and ceased to qualify as a related party. Therefore, transactions during the period Toray Tonen Specialty Separator Godo Kaisha was an affiliated company are reported. In addition, its name has been changed to Toray Battery Separator Film Godo Kaisha. The interest rate for the deposits received from Toray Battery Separator Film Godo Kaisha is determined based on consideration of market interest rates.

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Notice to Investors

The accompanying unaudited consolidated financial statements of the Group in respect of the fiscal year ended 31 March 2014 (with comparative information in respect of the fiscal year ended 31 March 2013), are an English translation of the unaudited annual consolidated financial statements contained in the preliminary results announcement (*kessan tanshin*) of the Group published on 8 May 2014. Such financial statements are unaudited and there can be no assurance that such unaudited financial information will accord in all respects to the audited financial statements for the fiscal year ended 31 March 2014 which are currently being prepared by the Group and will be published towards the end of June 2014. As at the date of this Offering Circular, the audited consolidated financial statements as at and for the fiscal year ended 31 March 2014 are not available, and the Group is in the process of finalising such consolidated financial statements and may possibly make changes in classifications and the presentation of its unaudited consolidated financial statements included in this Offering Circular, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial statements for the fiscal year ended 31 March 2014 included in this Offering Circular and the audited consolidated financial statements for the fiscal year ended 31 March 2014, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements for the fiscal year ended 31 March 2014 becoming available.

(1) CONSOLIDATED BALANCE SHEETS

	Millions of yen	
	March 31,	
	2013	2014
Assets		
Current assets		
Cash and deposits	108,666	114,138
Notes and accounts receivable - trade	308,230	352,094
Merchandise and finished goods	175,553	211,837
Work in process	70,121	74,546
Raw materials and supplies	68,033	84,439
Deferred tax assets	21,405	25,600
Other	46,852	60,204
Allowance for doubtful accounts	(2,128)	(2,493)
Total current assets	796,732	920,365
Non-current assets		
Property, plant and equipment		
Buildings and structures	489,399	547,810
Accumulated depreciation	(294,019)	(318,317)
Buildings and structures, net	195,380	229,493
Machinery, equipment and vehicles	1,486,462	1,720,586
Accumulated depreciation	(1,205,867)	(1,366,114)
Machinery, equipment and vehicles, net	280,595	354,472
Land	69,672	76,403
Construction in progress	62,998	97,810
Other	86,438	99,049
Accumulated depreciation	(67,843)	(75,992)
Other, net	18,595	23,057
Total property, plant and equipment	627,240	781,235
Intangible assets		
Goodwill	29,767	72,300
Other	12,853	27,784
Total intangible assets	42,620	100,084
Investments and other assets		
Investment securities	185,084	229,274
Long-term loans receivable	929	1,551
Deferred tax assets	19,502	21,441
Net defined benefit asset	—	24,500
Other	61,942	43,555
Allowance for doubtful accounts	(2,116)	(2,322)
Total investments and other assets	265,341	317,999
Total non-current assets	935,201	1,199,318
Total assets	1,731,933	2,119,683

Millions of yen		
March 31,		
	2013	2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	185,927	209,465
Short-term bank loans	98,633	131,444
Current portion of long-term bank loans	38,225	73,148
Commercial paper	30,000	10,000
Current portion of bonds	60,000	4,053
Income taxes payable	9,764	16,411
Provision for bonuses	15,990	17,544
Provision for directors' bonuses	144	165
Other	111,595	134,352
Total current liabilities	550,278	596,582
Non-current liabilities		
Bonds	20,000	40,000
Long-term bank loans	282,739	388,932
Deferred tax liabilities	9,048	20,758
Accrued employees' retirement benefits	69,359	—
Net defined benefit liability	—	93,172
Provision for directors' retirement benefits	1,583	1,450
Other	20,300	34,164
Total non-current liabilities	403,029	578,476
Total liabilities	953,307	1,175,058
Net assets		
Stockholders' equity		
Common stock	147,873	147,873
Capital surplus	136,748	136,735
Retained earnings	462,536	505,834
Treasury stock, at cost	(1,170)	(1,455)
Total stockholders' equity	745,987	788,987
Accumulated other comprehensive income		
Net unrealized gains on securities	35,388	49,546
Net deferred losses on hedges	(883)	(508)
Foreign currency translation adjustments	(55,515)	37,664
Remeasurements of defined benefit plans	(816)	(16,688)
Total accumulated other comprehensive income	(21,826)	70,014
Stock acquisition rights	566	991
Minority interests in consolidated subsidiaries	53,899	84,633
Total net assets	778,626	944,625
Total liabilities and net assets	1,731,933	2,119,683

(2) CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(i) CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen	
	Year ended March 31,	
	2013	2014
Net sales	1,592,279	1,837,778
Cost of sales	1,280,649	1,485,171
Gross profit	311,630	352,607
Selling, general and administrative expenses	228,194	247,354
Operating income	83,436	105,253
Non-operating income		
Interest income	842	1,003
Dividend income	2,405	2,791
Equity in earnings of unconsolidated subsidiaries and affiliated companies	7,431	7,700
Foreign exchange gains	1,721	2,491
Miscellaneous income	4,962	5,093
Total non-operating income	17,361	19,078
Non-operating expenses		
Interest expenses	5,460	4,894
Costs related to start-up of new facilities	1,409	1,249
Costs related to idle facilities	1,850	2,945
Miscellaneous loss	3,834	4,595
Total non-operating expenses	12,553	13,683
Ordinary income	88,244	110,648
Extraordinary income		
Gain on sales of property, plant and equipment	965	704
Gain on sales of investment securities	108	389
Insurance income	274	6,818
Other	4	7
Total extraordinary income	1,351	7,918
Extraordinary losses		
Loss on disposal of property, plant and equipment	5,409	5,945
Loss on impairment of fixed assets	1,972	14,390
Loss on disaster	1,680	—
Loss on valuation of investment securities	1,375	29
Other	1,331	442
Total extraordinary losses	11,767	20,806
Income before income taxes and minority interests	77,828	97,760
Income taxes - current	17,876	26,558
Income taxes - deferred	8,870	5,641
Total income taxes	26,746	32,199
Income before minority interests	51,082	65,561
Minority interests in earnings of consolidated subsidiaries	2,605	5,953
Net income	48,477	59,608

(2) CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(ii) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen	
	Year ended March 31,	
	2013	2014
Income before minority interests	51,082	65,561
Other comprehensive income		
Net unrealized gains on securities	14,981	13,951
Net deferred gains (losses) on hedges	(807)	332
Foreign currency translation adjustments	52,466	94,354
Remeasurements of defined benefit plans	(508)	(82)
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	2,607	5,212
Total other comprehensive income	68,739	113,767
Comprehensive income	119,821	179,328
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	113,675	167,273
Comprehensive income attributable to minority interests	6,146	12,055

(3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended March 31, 2013

Millions of yen

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance as of April 1, 2012	147,873	136,740	430,365	(1,194)	713,784
Cumulative effects of changes in accounting policies					
Restated balance as of April 1, 2012	147,873	136,740	430,365	(1,194)	713,784
Changes of items during period					
Dividends			(16,302)		(16,302)
Net income			48,477		48,477
Acquisition of treasury stock				(36)	(36)
Disposition of treasury stock		8		60	68
Other			(4)		(4)
Items other than stockholders' equity, net					
Total changes	—	8	32,171	24	32,203
Balance as of March 31, 2013	147,873	136,748	462,536	(1,170)	745,987

Millions of yen

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2012	20,659	(78)	(107,254)	—	(86,673)	287	46,751	674,149
Cumulative effects of changes in accounting policies				(351)	(351)		(130)	(481)
Restated balance as of April 1, 2012	20,659	(78)	(107,254)	(351)	(87,024)	287	46,621	673,668
Changes of items during period								
Dividends								(16,302)
Net income								48,477
Acquisition of treasury stock								(36)
Disposition of treasury stock								68
Other								(4)
Items other than stockholders' equity, net	14,729	(805)	51,739	(465)	65,198	279	7,278	72,755
Total changes	14,729	(805)	51,739	(465)	65,198	279	7,278	104,958
Balance as of March 31, 2013	35,388	(883)	(55,515)	(816)	(21,826)	566	53,899	778,626

Year ended March 31, 2014

Millions of yen

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance as of April 1, 2013	147,873	136,748	462,536	(1,170)	745,987
Changes of items during period					
Dividends			(16,300)		(16,300)
Net income			59,608		59,608
Acquisition of treasury stock				(394)	(394)
Disposition of treasury stock		(13)		109	96
Other			(10)		(10)
Items other than stockholders' equity, net					
Total changes	–	(13)	43,298	(285)	43,000
Balance as of March 31, 2014	147,873	136,735	505,834	(1,455)	788,987

Millions of yen

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2013	35,388	(883)	(55,515)	(816)	(21,826)	566	53,899	778,626
Changes of items during period								
Dividends								(16,300)
Net income								59,608
Acquisition of treasury stock								(394)
Disposition of treasury stock								96
Other								(10)
Items other than stockholders' equity, net	14,158	375	93,179	(15,872)	91,840	425	30,734	122,999
Total changes	14,158	375	93,179	(15,872)	91,840	425	30,734	165,999
Balance as of March 31, 2014	49,546	(508)	37,664	(16,688)	70,014	991	84,633	944,625

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	
	Year ended March 31,	
	2013	2014
Cash flows from operating activities		
Income before income taxes and minority interests	77,828	97,760
Depreciation	67,588	78,743
Loss on impairment of fixed assets	1,972	14,390
Amortization of goodwill	3,123	3,536
Decrease in allowance for doubtful accounts	(473)	(428)
Increase in provision for retirement benefits	1,844	–
Increase in net defined benefit liability	–	3,066
Interest and dividend income	(3,247)	(3,794)
Interest expenses	5,460	4,894
Foreign exchange gains	(302)	(66)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(7,431)	(7,700)
Loss on disposal of property, plant and equipment, net	4,444	5,241
Loss and gain on sales and valuation of investment securities, net	1,442	(343)
Insurance income	(274)	(6,818)
Increase in notes and accounts receivable - trade	(10,223)	(6,330)
Increase in inventories	(4,473)	(18,908)
Decrease in notes and accounts payable - trade	(5,170)	(1,582)
Decrease (increase) in other current assets	368	(966)
(Decrease) increase in other current liabilities	(13,344)	1,455
Increase in prepaid pension costs	(1,102)	–
Increase in net defined benefit asset	–	(788)
Other, net	(634)	13,190
Subtotal	117,396	174,552
Interest and dividends received	9,647	8,208
Interest paid	(5,565)	(4,962)
Income taxes paid	(20,937)	(23,161)
Proceeds from insurance income	274	6,818
Net cash provided by operating activities	100,815	161,455
Cash flows from investing activities		
Purchase of property, plant and equipment	(100,544)	(108,186)
Proceeds from sales of property, plant and equipment	1,635	2,057
Purchase of intangible assets	(4,549)	(4,719)
Purchase of investment securities	(1,951)	(10,513)
Proceeds from sales of investment securities	257	954
Purchase of investment in subsidiaries resulting in change in scope of consolidation	(1,328)	(91,391)
Additional acquisition of shares of consolidated subsidiaries	(374)	–
Payments of long-term loans receivable	(36)	(535)
Collection of long-term loans receivable	139	86
Other, net	(774)	(2,579)
Net cash used in investing activities	(107,525)	(214,826)

	Millions of yen	
	Year ended March 31,	
	2013	2014
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(10,788)	10,284
Net increase (decrease) in commercial paper	5,000	(20,000)
Proceeds from long-term bank loans	81,565	150,139
Repayments of long-term bank loans	(43,806)	(40,266)
Redemption of bonds	(10,000)	(60,000)
Proceeds from issuance of bonds	20,000	20,000
Cash dividends paid	(16,277)	(16,296)
Cash dividends paid to minority shareholders	(933)	(1,061)
Proceeds from stock issuance to minority shareholders	2,243	—
Other, net	(837)	(1,325)
Net cash provided by financing activities	26,167	41,475
Effect of exchange rate change on cash and cash equivalents	6,811	17,343
Net increase in cash and cash equivalents	26,268	5,447
Cash and cash equivalents at beginning of year	81,289	107,690
Increase in cash and cash equivalents resulting from change of scope of consolidation	133	—
Cash and cash equivalents at end of year	107,690	113,137

(5) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Notes related to Going Concern Assumption)

No items to be reported.

(Changes in Accounting Policies)

IAS 19 “Employee Benefits” (Revised 2011)

As the revised IAS 19 “Employee Benefits” (issued June 16, 2011) is effective for annual periods beginning on or after January 1, 2013, certain foreign subsidiaries and affiliates have applied the amendments and changed the method of recognising actuarial gains and losses, past service costs and net interest on the net defined benefit liability from the year ended March 31, 2014.

Such amendments are retrospectively applied and the consolidated financial statements for the year ended March 31, 2013 have been restated to reflect the retrospective application, though the effect was not significant.

Adoption of “Accounting Standard for Retirement Benefits” and related guidance

“Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Statement No. 26, issued May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Guidance No. 25, issued May 17, 2012) have been adopted from March 31, 2014, except for specific provisions set out in Section 35 of the accounting standard and Section 67 of the guidance.

Under the accounting standards, net defined benefit asset and net defined benefit liability are calculated by deducting pension plan assets from retirement benefit obligations and unrecognized actuarial gains or losses and unrecognized prior service costs are included in the net defined benefit asset or liability.

The Accounting Standard for Retirement Benefits is applied in accordance with the provision for transitional treatment set out in Section 37 of the accounting standard, and therefore the amount of the impact of such changes in accounting policies is adjusted in re-measurements of defined benefit plans under accumulated other comprehensive income, as of March 31, 2014.

As a result, net defined benefit asset of ¥24,500 million and net defined benefit liability of ¥84,579 million have been recorded in the consolidated balance sheet as of March 31, 2014, and accumulated other comprehensive income decreased by ¥15,825 million. The impact of such changes on per-share information can be found in “Per Share Information” section.

(Changes in the Presentation of Consolidated Financial Statements)

(Consolidated Statements of Income)

“Foreign exchange gains,” which was included in “Miscellaneous income” under “Non-operating income” in the year ended March 31, 2013, is presented as a separate item in the consolidated statements of income from the year ended March 31, 2014, because it exceeded 10% of total non-operating income. To reflect this change, figures in the consolidated financial statements for the year ended March 31, 2013 have been reclassified.

As a result, the figure for the year ended March 31, 2013 of ¥6,683 million for “Miscellaneous income” under “Non-operating income” has been presented as ¥1,721 million for “Foreign exchange gains” and ¥4,962 million for “Miscellaneous income.”

(Consolidated Statements of Cash Flows)

“Insurance income,” which was included in “Income before income taxes and minority interests” under “Cash flows from operating activities” in the year ended March 31, 2013, is presented as a separate item below “Subtotal” of “Cash flows from operating activities” in the consolidated statements of cash flows from the year ended March 31, 2014, due to its increased materiality. To reflect this change, figures in the consolidated financial statements for the year ended March 31, 2013 have been reclassified.

As a result, figures in “Cash flows from operating activities” for the year ended March 31, 2013 have been presented as ¥(274) million for “Insurance income” and ¥274 million for “Proceeds from insurance income.”

“Purchase of investment in subsidiaries resulting in change in scope of consolidation,” which was included in “Other, net” under “Cash flows from investing activities” in the year ended March 31, 2013, is presented as a separate item in the consolidated statements of cash flows from the year ended March 31, 2014, due to its increased materiality. To reflect this change, figures in the consolidated financial statements for the year ended March 31, 2013 have been reclassified.

As a result, the figure for the year ended March 31, 2013 of ¥(2,102) million for “Other, net” under “Cash flows from investing activities” has been presented as ¥(1,328) million for “Purchase of investment in subsidiaries resulting in change in scope of consolidation” and ¥(774) million for “Other, net.”

(Segment and Related Information)

[Segment information]

1. Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation to the segments and assess performance. The Company identifies the following six segments according to the nature of the products and market for their products.

The table below shows the major products of each segment:

Reportable segment	Main products
Fibers & Textiles	Filament yarns, staple fibers, woven and knitted fabrics of nylon, polyester and acrylic fibers, etc.; non-woven fabrics, suede-texture artificial leather and apparel products
Plastics & Chemicals	Nylon, ABS, PBT, PPS and other resins and molded products, polyolefin foam; polyester, polypropylene, PPS and other films and processed film products; raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine (excludes film and resin covered in the IT-related Products Segment)
IT-related Products	Films and plastic products for information and telecommunications-related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; materials for plasma display panels; magnetic recording materials; graphic materials and related equipment
Carbon Fiber Composite Materials	Carbon fibers, carbon fiber composite materials and their molded products
Environment & Engineering	Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering
Life Science	Pharmaceuticals and medical devices

2. Measurement of sales, income, assets and other material items of reportable segments

The accounting policies for the reportable segments are the same as those applied to prepare consolidated financial statements. The figures of segment income are based on operating income. Intersegment sales are determined based on consideration of the market price and related information.

3. Information on sales, income, assets and other material items of reportable segments

Year ended March 31, 2013

(Unit: millions of yen)

	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others (Notes 1)	Total	Adjustments (Notes 2)	Consolidated Total (Notes 3)
Sales to outside customers	632,150	395,835	237,593	77,620	178,355	56,599	14,127	1,592,279	—	1,592,279
Intersegment sales	839	27,946	7,403	652	64,485	1	16,301	117,627	(117,627)	—
Total sales	632,989	423,781	244,996	78,272	242,840	56,600	30,428	1,709,906	(117,627)	1,592,279
Segment income	43,222	18,302	22,959	7,299	2,628	7,456	1,557	103,423	(19,987)	83,436
Segment assets	456,766	456,685	334,165	233,085	176,568	69,087	47,238	1,773,594	(41,661)	1,731,933
Other items										
Depreciation and amortization	15,572	17,704	15,850	11,760	2,626	1,905	1,257	66,674	914	67,588
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	16,308	36,386	3,205	224	6,938	2,933	5,075	71,069	(631)	70,438
Capital expenditures	27,297	24,521	23,393	15,561	4,251	4,488	889	100,400	(1,265)	99,135

Notes:

- 1) “Others” represents service-related businesses such as analysis, survey and research.
- 2) a) “Adjustments” of segment income of ¥(19,987) million includes intersegment eliminations of ¥(27) million and corporate expenses of ¥(19,960) million. The corporate expenses consist of the headquarters’ research expenses, etc. that are not allocated to each reportable segment.
- b) “Adjustments” of segment assets of ¥(41,661) million includes intersegment eliminations of ¥(61,374) million and corporate assets of ¥19,713 million. The corporate assets consist of the headquarters’ research assets, etc. that are not allocated to each reportable segment.
- 3) “Segment income” is reconciled to operating income.

Year ended March 31, 2014

(Unit: millions of yen)

	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others (Notes 1)	Total	Adjustments (Notes 2)	Consolidated Total (Notes 3)
Sales to outside customers	755,474	470,542	245,741	113,342	180,197	58,205	14,277	1,837,778	—	1,837,778
Intersegment sales	1,213	32,751	7,139	308	60,907	1	16,199	118,518	(118,518)	—
Total sales	756,687	503,293	252,880	113,650	241,104	58,206	30,476	1,956,296	(118,518)	1,837,778
Segment income	52,919	18,010	24,586	16,927	6,397	5,605	1,987	126,431	(21,178)	105,253
Segment assets	618,469	507,133	361,102	341,762	202,146	76,440	57,717	2,164,769	(45,086)	2,119,683
Other items										
Depreciation and amortization	19,368	19,688	18,331	14,339	2,843	2,134	1,235	77,938	805	78,743
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	24,148	41,252	4,006	3,432	9,996	2,853	5,422	91,109	(587)	90,522
Capital expenditures	26,842	19,386	20,059	40,290	3,333	8,632	1,069	119,611	(1,404)	118,207

Notes:

- 1) “Others” represents service-related businesses such as analysis, survey and research.
- 2) a) “Adjustments” of segment income of ¥(21,178) million includes intersegment eliminations of ¥(934) million and corporate expenses of ¥(20,244) million. The corporate expenses consist of the headquarters’ research expenses, etc. that are not allocated to each reportable segment.
- b) “Adjustments” of segment assets of ¥(45,086) million includes intersegment eliminations of ¥(63,419) million and corporate assets of ¥18,333 million. The corporate assets consist of the headquarters’ research assets, etc. that are not allocated to each reportable segment.
- 3) “Segment income” is reconciled to operating income.

[Related information]

Year ended March 31, 2013

1. Information about products and services

The information is omitted because similar information is disclosed in the Segment information above.

2. Geographic information

(1) Sales to outside customers

(Unit: millions of yen)

Japan	Asia		North America, Europe and other areas	Total
	China	Others		
870,315	222,514	268,291	231,159	1,592,279

Note: Sales amounts are allocated to countries or regions according to the customers' location.

(2) Property, plant and equipment, net

(Unit: millions of yen)

Japan	Asia		North America, Europe and other areas	Total
	Republic of Korea	Others		
317,658	84,534	124,686	100,362	627,240

3. Information about major customers

No specific outside customer that solely contributed more than 10% to the consolidated net sales.

Year ended March 31, 2014

1. Information about products and services

The information is omitted because similar information is disclosed in the Segment information above.

2. Geographic information

(1) Sales to outside customers

(Unit: millions of yen)

Japan	Asia		North America, Europe and other areas	Total
	China	Others		
925,867	305,742	323,151	283,018	1,837,778

Note: Sales amounts are allocated to countries or regions according to the customers' location.

(2) Property, plant and equipment, net

(Unit: millions of yen)

Japan	Asia		North America, Europe and other areas	Total
	Republic of Korea	Others		
305,161	152,570	154,781	168,723	781,235

3. Information about major customers

No specific outside customer that solely contributed more than 10% to the consolidated net sales.

[Information about loss on impairment of fixed assets by reportable segments]

Year ended March 31, 2013

(Unit: millions of yen)

	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	150	280	225	264	990	63	—	—	1,972

Year ended March 31, 2014

(Unit: millions of yen)

	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	1,687	6,826	2,425	2,512	259	681	–	–	14,390

[Information about amortization and balance of goodwill by reportable segments]

Year ended March 31, 2013

(Unit: millions of yen)

	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill	(248)	16	3,132	238	(16)	–	1	–	3,123
Balance of goodwill	(72)	907	27,871	1,060	–	–	1	–	29,767

Note: “Others” represents service-related businesses such as analysis, survey and research.

Year ended March 31, 2014

(Unit: millions of yen)

	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill	(25)	191	3,070	300	–	–	–	–	3,536
Balance of goodwill	12,724	1,384	24,801	29,976	3,414	–	1	–	72,300

Note: “Others” represents service-related businesses such as analysis, survey and research.

[Information about gain on bargain purchase by reportable segments]

Year ended March 31, 2013

No significant items to be reported.

Year ended March 31, 2014

No significant items to be reported.

(Per Share Information)

	Year ended March 31, 2013	Year ended March 31, 2014
Net assets per share (yen)	¥444.45	¥527.32
Net income per share (yen)	29.75	36.59
Diluted net income per share (yen)	28.90	35.70

Notes:

1) Basis for calculation of net assets per share

	March 31, 2013	March 31, 2014
Total net assets	778,626 million yen	944,625 million yen
Amounts deducted from total net assets	54,465 million yen	85,624 million yen
(Stock acquisition rights included above)	(566 million yen)	(991 million yen)
(Minority interests included above)	(53,899 million yen)	(84,633 million yen)
Year-end net assets attributable to common stock	724,161 million yen	859,001 million yen
Year-end number of common shares used in calculating net assets per share	1,629,356 thousand shares	1,628,990 thousand shares

2) Basis for calculation of net income per share and diluted net income per share

	Year ended March 31, 2013	Year ended March 31, 2014
(1) Net income per share		
Net income	48,477 million yen	59,608 million yen
Amounts not attributable to common stockholders	—	—
Net income attributable to common stock	48,477 million yen	59,608 million yen
Average number of common shares during period	1,629,364 thousand shares	1,628,997 thousand shares
(2) Diluted net income per share		
Adjustment for net income	—	—
Increase in number of common shares	47,802 thousand shares	40,522 thousand shares
(Convertible bonds included above)	(46,712 thousand shares)	(38,926 thousand shares)
(Stock acquisition rights included above)	(1,090 thousand shares)	(1,596 thousand shares)
Potentially dilutive shares not included in the calculation of diluted net income due to their anti-dilutive effect	—	—

- 3) As stated in “Changes in Accounting Policies,” the Accounting Standard for Retirement Benefits and related guidance are applied in accordance with the provision for transitional treatment set out in Section 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share as of March 31, 2014, has decreased by 9.71 yen.

(Material Subsequent Events)

No items to be reported.

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