

August 2, 2013

To Holders of the 1st Series Unsecured Bonds:

AvanStrate Inc.

Re: Partial Amendment to the Proposals at the Bondholders Meeting of the 1st Series Unsecured Bonds and Withdrawal of the Offer to Purchase the 1st Series Unsecured Bonds

In the press release “Re: Holding of Bondholders Meeting concerning Amendment to the Terms and Conditions (Extension of Maturity Date, etc.) of the 1st Series Unsecured Bonds” dated July 22, 2013, AvanStrate Inc. (the “Company”) gave notice of the holding of a bondholders meeting to be held on Friday, August 23, 2013, to amend the terms and conditions that include the extension of the maturity date prescribed in the terms and conditions with respect to ¥20 billion in total of the 1st Series Unsecured Bonds of the Company (With Inter-bond Pari Passu Clause) that the Company issued on November 5, 2010 (outstanding balance of ¥15.1 billion) (ISIN Code: JP310532AAB9) (the “Bonds”). However, taking various factors into consideration, the Company determined at its board of directors meeting held today to change the date of the bondholders meeting and the substance of its proposal to amend the terms and conditions of the Bonds, and to hold a bondholders meeting on Wednesday, August 28, 2013 (the “Bondholders Meeting”) at which the revised proposal would be considered. In addition to the revision of the proposal to amend the terms and conditions of the Bonds, the Company decided to withdraw the offer to purchase the Bonds that was notified in the press release “Re: Offer to Purchase the 1st Series Unsecured Bonds” dated July 22, 2013, at its board of directors meeting held today. The outline of the revised amendment to the terms and conditions and other related information shall be as follows.

There are no changes to the venue for, and the purpose of the bondholders meeting. Also, a briefing session for holders of the Bonds, as notified in the press release “Re: Notice of Briefing Session for Holders of the 1st Series Unsecured Bonds” dated July 22, 2013, will be held as scheduled. The holders of the Bonds are cordially invited to attend.

1. Outline of Amendment to the Terms and Conditions after the Revisions

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|-----|---|---|
| (1) | November 5, 2013
(current maturity date) | Redemption of ¥40,000,000 per ¥100 million of each Bond |
| (2) | November 5, 2015 | Redemption of ¥40,000,000 per ¥100 million of each Bond |
| (3) | November 5, 2016 | Redemption of ¥10,000,000 per ¥100 million of each Bond |
| (4) | November 5, 2017 | Redemption of ¥10,000,000 per ¥100 million of each Bond |

In order to obtain the bondholders’ consent regarding the extension of the maturity date, the interest rate of the Bonds will be increased from the current 1.94% per

annum on and after November 6, 2013. Specifically, payment in cash on each interest payment date is proposed, with an interest rate of 5.00% per annum for the period from November 6, 2013, to November 5, 2015; 5.55% per annum for the period from November 6, 2015, to November 5, 2016; and 7.30% per annum for the period from November 6, 2016, to November 5, 2017.

In order to enable early redemption of the Bonds where the Company's business performance improves and surplus funds are generated, the Company has also proposed adding a new condition that enables the early redemption of all or part of the Bonds at the Company's option.

2. Holding of Bondholders Meeting

Amendment to the terms and conditions of the Bonds will be determined through consultation at the Bondholders Meeting scheduled as stated below. The validity of the resolution of this Bondholders Meeting is subject to the approval of the court.

Details

- (1) Date and time of the Bondholders Meeting

August 28, 2013 (Wednesday) at 2:00 PM

- (2) Venue for the Bondholders Meeting

Hall 1, TKP Shinagawa Conference Center
3rd Floor, TAKANAWA COURT, 13-1, Takanawa 3-chome, Minato-ku, Tokyo

- (3) Purpose of the Bondholders Meeting

Partial amendment to the Terms and Conditions of the Bonds

- (4) Substance of the Proposal

The Terms and Conditions of the Bonds shall be amended as follows:

(The underlined parts indicate the amendments)

Before Amendment	After Amendment
4. Interest Rate 1.94% per annum	4. Interest Rate <u>(1) 1.94% per annum for the period from the payment date to November 5, 2013;</u> <u>(2) 5.00% per annum for the period from on and after November 6, 2013, to November 5, 2015;</u> <u>(3) 5.55% per annum for the period from on and after November 6, 2015, to November 5, 2016;</u> <u>and (4) 7.30% per annum for the period from on and after November 6, 2016 to November 5, 2017.</u>
9. Method of Redemption and Maturity	9. Method of Redemption and Maturity

(1) The total amount of the principal amount of the Bonds shall be redeemed on November 5, 2013.

(New)

(1) Redemption of the principal amount of the Bonds shall be made as follows: 40 million yen per 100 million yen of each Bond on November 5, 2013; 40 million yen per 100 million yen of each Bond on November 5, 2015; 10 million yen per 100 million yen of each Bond on November 5, 2016; and 10 million yen per 100 million yen of each Bond on November 5, 2017. However, if early redemption of a part of the principal amount of the Bonds is made pursuant to item (2) below, the principal amount repaid upon such early redemption shall be reduced from the redemption amount above.

(New)

(2) On any interest payment date that falls on or after November 5, 2013, the Company may make early redemption of all or a part of the principal amount of the Bonds that remains unredeemed on such date. In the event of early redemption of a part of the principal amount of the Bonds pursuant to this item (2), the Company shall designate the redemption amount to be repaid on each Redemption Date (to be defined in item (5) below) set forth in item (1) above.

(New)

(3) When making early redemption of the Bonds, the Company shall inform the bondholders, through a public notice set forth in Condition 15 below or through other means, of its intention to make early redemption of the Bonds and other necessary matters, not later than twenty-five (25) days and not earlier than sixty (60) days before the date for such early redemption (the "Early Redemption Date").

(4) Since the method of redemption and maturity dates of the Bonds have been changed from redemption of the total amount of the principal amount of the Bonds on November 5, 2013, to the method of redemption and the maturity dates set forth in item (1) above, the Company shall consider making the early redemption set forth in item (2) above in good faith, and shall exert its best efforts to procure the source of

<p>(2) If the date on which the Bonds shall be redeemed (the “Redemption Date”) falls on a bank holiday, the Bonds shall be redeemed on the bank business day immediately preceding such Redemption Date.</p> <p>(3) The Company may purchase and cancel any Bonds at any time on or after the date immediately following the payment date, unless otherwise provided by the book-entry institution set forth in Condition 18.</p>	<p><u>redemption therefor (including, but not limited to, external financing).</u></p> <p>(5) If the date on which the Bonds shall be redeemed (<u>in case of early redemption, the Early Redemption Date</u>) (the “Redemption Date”) falls on a bank holiday, the Bonds shall be redeemed on the bank business day immediately preceding such Redemption Date.</p> <p>(6) The Company may purchase and cancel any Bonds at any time on or after the date immediately following the payment date, unless otherwise provided by the book-entry institution set forth in Condition 18.</p>
<p>10. Interest Payment</p> <p>(omitted)</p> <p>(3) No interest shall accrue on the Bonds after the Redemption Date.</p> <p>(omitted)</p>	<p>10. Interest Payment</p> <p>(omitted)</p> <p>(3) No interest shall accrue on <u>the principal amount of the Bonds that shall be redeemed on the Redemption Date</u> after such Redemption Date.</p> <p>(omitted)</p>
<p>13. Financial Covenants</p> <p>(1) Negative pledge</p> <p>(omitted)</p> <p>(New)</p> <p>(2) Other provisions</p> <p>(omitted)</p> <p>(3) Public notice in case of the creation of a security interest</p> <p>(omitted)</p>	<p>13. Financial Covenants</p> <p>(1) Negative pledge</p> <p>(omitted)</p> <p><u>(2) Limitation on payment</u> <u>As long as any Bonds are outstanding, the Company shall not repay the principal nor interest of the liabilities that are subordinate to the Bonds, nor distribute surplus to its shareholders.</u></p> <p>(3) Other provisions</p> <p>(omitted)</p> <p>(4) Public notice in case of the creation of a security interest</p> <p>(omitted)</p>
<p>14. Event of Default</p> <p>(1) (omitted)</p>	<p>14. Events of Default</p> <p>(1) (omitted)</p>

<p>(iii) Where the Company violates Condition 13, item (1).</p> <p>(omitted)</p> <p>(v) Where the default is made in the payment of indebtedness other than bonds, or where the Company fails to perform its guarantee obligation regarding a bond issued by a party other than the Company or other indebtedness of such party when the obligation is due. <u>However, if the total amount of the relevant indebtedness, bond or obligation (when converted into yen) does not exceed 500 million yen, this may not apply.</u></p> <p>(omitted)</p>	<p>(iii) Where the Company violates Condition 13, items (1) <u>or (2)</u>.</p> <p>(omitted)</p> <p>(v) Where the default is made in the payment of indebtedness other than bonds, or where the Company fails to perform its guarantee obligation regarding a bond issued by a party other than the Company, or other indebtedness of such party, when the obligation is due.</p> <p>(omitted)</p>
<p>(New)</p>	<p><u>22. Periodic Report to the Bondholders</u></p> <p><u>(1) As long as any Bonds are outstanding, the Company shall publish, by posting on the Company's website, the consolidated financial statements for each quarter financial period (however, quarterly review is not required) no later than sixty (60) days after the last day of each quarter financial period.</u></p> <p><u>(2) As long as any Bonds are outstanding, the Company shall publish, by posting on the Company's website, the semi-annual and annual consolidated financial statements for each half-financial year and full financial year no later than three (3) months after the last day of each period.</u></p> <p><u>(3) As long as any Bonds are outstanding, as soon as practicable after posting the consolidated financial statements on the Company's website pursuant to item (2) above, the Company shall hold a financial results</u></p>

briefing session for the holders of the Bonds, to provide an opportunity for the bondholders to ask questions, and answer such questions in good faith.
The Company shall exert its best efforts so that the holders of the Bonds may attend the briefing session from remote areas using telephone conference systems or other facilities.

* For inquiries regarding the Bondholders Meeting and the briefing session for bondholders, please contact:

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