

Type PA SHOWA AIRCRAFT INDUSTRY Co., Ltd.
GENERAL TERMS AND CONDITIONS FOR PURCHASING
SAIC2018

SQI-18-007

1. **DEFINITIONS** : “Purchase Order” means the purchase order issued on the date of stipulating the goods to be purchased and its terms and conditions. The General Terms and Conditions shall be read as being incorporated thereto.

“Goods” means any materials, machinery, equipment, article, item, drawings, service or work provided for in the Purchase Order.

“Specification” means the technical aspects agreed on by the Parties hereto to fulfill any parts of the Goods including the specifications referred to in the Purchase Order.

“Seller” means the person, firm or corporation to whom this Purchase Order is issued.

“Buyer” means Showa Aircraft Industry Co., Ltd..

“Buyer’s Client” means the person, firm or corporation owning the product for which the Goods are to be purchased under the Purchase Order.

2. **CONTRACT** : The Purchase Order shall become a binding contract between the Seller and the Buyer upon the Buyer’s issuance of this Purchase Order as the notice of acceptance of the latest estimate made by the Seller or of the agreed final condition made subsequent to the negotiation between the Seller and the Buyer or the Seller’s substantial commencement of performance of this Purchase Order, whichever occurs first.

The Purchase Order, together with the specifications, drawings and other relevant documents referred therein, shall by this reference be all made a part hereof and shall constitute the entire agreement between the parties. All prior negotiations, proposals, and writing pertaining to this Purchase Order or the subject matter thereof are hereby superseded and supplanted.

The Seller agrees that the General Terms and Conditions apply and govern to the exclusion of all others, unless otherwise specified in this Purchase Order.

3. **INSPECTION AND TEST** : Before dispatching the Goods, the Seller shall carefully inspect and test the Goods in compliance with the Specifications.

The Buyer, its Client and its designated inspection agent shall be entitled to attend such inspection and / or test at all reasonable times and places before, during and / or after the manufacture.

The Seller shall inform the Buyer in writing of the date of inspection and / or test that may be specified in the Purchase Order and/or other related documents referred thereto ten (10) days prior to such inspection and / or test.

If, as a result of such inspection or test, the Buyer is of the reasonable opinion that the Goods do not comply with or conform to the Purchase Order, the Buyer shall inform the Seller accordingly in writing and the Seller shall take such steps as may be necessary to ensure such compliance.

The Buyer’s attendance at such inspection and / or test shall not be interpreted in any way to imply acceptance of such Goods, and shall not relieve the Seller from any responsibility for supplying the Goods in strict conformity and for any defects which may be found during the guarantee period.

The Buyer is not obliged to pay for any Goods supplied in error or in excess of the amount ordered herein. Such Goods shall be returned to the Seller upon the Seller’s payment of all shipping and return freight costs.

4. **PROGRESS REPORT** : The Seller shall provide the Buyer with the progress report showing the manufacturing position of the Goods monthly or at anytime upon the Buyer’s

requests without any additional cost to the Buyer, and the Seller shall inform the Buyer of the estimated time of shipment.

5. **CHANGE** : The Buyer shall have the right by written supplement to make changes in the specifications and drawings for the Goods covered by the Purchase Order.

If such change which is beyond the scope of the Specification in the Purchase

Order agreed on by the Parties would affect the price or delivery date for the Goods, the Seller shall so notify the Buyer within ten (10) days of the instruction of such change and then both parties shall mutually agree in writing upon commercially reasonable adjustment in the price and / or delivery date to reflect the effect of such change.

While the Buyer and the Seller are in the process of making such adjustment, if released in writing by the Buyer, the Seller shall comply with and perform such change in accordance with the terms of the Purchase Order during such time.

No substitutions by the Seller shall be made in this Purchase Order without a prior written permission of the Buyer.

6. **PACKING** : The Goods shall be packed to ensure adequate protection until they reach their ultimate destination and in compliance with the Buyer’s packing requirements.

The cost of all packing, boxing and / or crating, carriage, etc., is included in the price specified in this Purchase Order, unless otherwise specifically agreed to in this Purchase Order.

The Buyer’s count will be accepted as final and conclusive on shipments not accompanied by the Seller’s itemized packing list.

7. **DELIVERY** : The Seller shall deliver the Goods in accordance with the terms and conditions in the Purchase Order.

Such terms and conditions of delivery shall be interpreted in accordance with “Incoterms 2010” (as amended) .

8. **DELAY IN DELIVERY** : The time of delivery specified in the Purchase Order is of the essence.

If at any time it appears that the Goods will not be delivered in accordance with the specified times of delivery, as given in the Purchase Order, the Seller shall forthwith notify the Buyer in writing indicating the best delivery date possible.

If in such case, the Buyer deems necessary, the Buyer may, without prejudice to any other rights which the Buyer may have, make such arrangements as the Buyer may consider necessary or desirable in the circumstances. Buyer also shall be entitled to request for the Seller to issue an adequate assurance of due performance of delivery to the Buyer when requested by the Buyer. In such a case, the Seller shall issue an adequate assurance within ten (10) days from the date of receipt of the request by the Buyer. If the Seller fails to issue an adequate assurance within the said period of time, the Buyer may terminate the Purchase Order partly or wholly.

If the Seller fails to perform timely delivery of the Goods due to reasons attributable to the Seller, the Buyer shall have the right to claim all costs incurred by the Buyer for any remedial actions including the cost to send the Goods by air.

In addition, the Buyer shall be entitled to recover the liquidated damages from the Seller promptly, at the rate of one (1) % of the contract price of the Goods stipulated in the Purchase Order for each and every week or a part thereof from the due date of delivery under the Purchase Order but not exceeding ten (10) % in total. In the event that the delay in delivery time is beyond ten (10) weeks, the Buyer shall have the rights to cancel the Purchase Order or any part thereof without prejudice to all claims of the Buyer for the losses and damages caused by such default.

9. **GUARANTEE** : The Seller warrants to the Buyer and its Client that the Goods covered by the Purchase Order shall conform to the specifications, drawings and other descriptions supplied or adopted by the Buyer, shall be fit and sufficient for the purpose for which they are intended, as evidenced in the Purchase Order and in the Specifications, shall be of good material, design and workmanship, free from defects, and shall satisfactorily fulfill the operating conditions specified herein.

If any defect appears, the Buyer shall so notify the Seller at any time within a time period of one (1) year from the date when the facilities in which the Goods are incorporated are started up. The Seller shall then at its own expense and as quickly as possible, make such alterations, repairs and replacements as may be necessary to comply with the Purchase Order, and shall reimburse the Buyer for any costs and expenses (including transportation cost of the replacement and defective parts) incurred by the Buyer in connection with such trouble or defect.

If the Seller fails to take such remedial actions within the period instructed by the Buyer, the Buyer and its Client shall be entitled to make repair or replacement of the Goods at the Seller’s cost and expense.

A new guarantee shall be applied under the same terms and conditions as those applicable to the original Goods, to parts supplied in replacement of defective parts or to parts renewed in pursuance of this clause for twelve (12) months after replacement or renewal thereof.

10. **PRICE AND PAYMENT** : Unless otherwise stated, all prices for the Goods are firm and are not subject to price escalation for any reason whatsoever.

Any applicable sales, use, or similar taxes levied in the country of manufacture, export charges, fees, the Seller’s profit and all other expenses are included in the price.

The due date for payment shall be counted from the date the Buyer receives correct invoices in proper form from the Seller accompanied by the shipping documents and other documents specified in this Purchase Order. Improperness of invoices or shipping documents, such as but not limited to discrepancy, errors or omissions therein, may result in the delay in payment by the Buyer, without any interest accruing thereon for such period of delay.

11. **FORCE MAJEURE** : A delay in or failure of performance by either party hereto shall not constitute default under the Purchase Order if and to the extent such delay or failure is caused by Force Majeure, which shall mean acts of God, acts of civil or military authority, fires, floods, epidemics, war, or riot which the Seller could not have reasonably foreseen and provided against.

In the event of Force Majeure, the Seller shall promptly notify the Buyer of

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any such delay and take all reasonable steps to avoid or end such delay.

The date of delivery or of performance shall be extended for a period equal to the duration of Force Majeure.

Neither party shall be entitled to claim compensation for delay or failure caused by Force Majeure.

12. PATENT : The Seller warrants that the Buyer's use or sale of the Goods, in the form in which they are furnished to the Buyer, shall not infringe any valid patent, copyright, trademark, or proprietary information rights of others. The Seller shall at its sole expense hold harmless and defend the Buyer and the Buyer's Client from any suit or proceeding brought against the Buyer and the Buyer's Client based on any such infringement, and shall pay all damages and costs awarded therein against the Buyer and the Buyer's Client.

The Seller shall be promptly notified by the Buyer in writing of the suit or proceeding and shall be given adequate authority, information and assistance (at the Seller's expense) for the defense of same, subject to the right of the Buyer and its Client to participate at their expense and to be fully advised by the Seller in advance of all action taken.

In case the Goods, or any part thereof, is in such suit held to constitute infringement and the sale or use of the Goods or parts is enjoined, the Seller shall, at its own expense, either procure for the Buyer and its Client the right to sell and use the Goods or parts, or replace same with substantially equal but noninfringing equipment, or modify it so it becomes substantially equal but noninfringing, or if approved by the Buyer remove the Goods and refund the purchase price and the transportation and installation costs thereof and other costs incurred by the Buyer due to the Seller's failure.

13. TITLE : The Seller warrants full, clear and unrestricted title to the Buyer to all Goods furnished by the Seller in performance of this Purchase Order, free and clear of any and all liens, restrictions, reservations, security interests, and encumbrances.

Title to the Goods to be supplied by the Seller hereunder shall pass to the Buyer, without prejudice to the Buyer's right of rejection at the time of delivery of the Goods

under Clause 7. Notwithstanding the above, the Goods shall be at the Seller's risk until delivered as specified in this Purchase Order.

14. INDEMNITY : The Seller hereby indemnify and hold harmless the Buyer and the Buyer's Client from and against all liability to others and all claims, causes of action and suits of others, including without limitation those by employees, subcontractors or agents of the Buyer or its Client, for personal injury (including death) or property damage, arising out of acts or omissions to act of employees, contractors, or agents of the Seller or arising out of defects in the Goods supplied by the Seller pursuant to this Purchase Order.

15. CANCELLATION FOR DEFAULT : In the event the Seller shall be adjudged bankrupt, or make a general assignment for benefit of his creditor, or if a receiver or liquidator shall be appointed, or if winding up proceeding shall be commenced, or in the event the Seller does not correct any default of the Seller to comply with any of the provisions or requirements of this Purchase Order after reasonable period of being notified in writing of such default by the Buyer, the Buyer may, by written notice to the Seller, without prejudice to any other rights or remedies which the Buyer may have, terminate further performance by the Seller of the Purchase Order.

In the event of such termination, the Buyer may complete the performance of the Purchase Order by such means as the Buyer selects. Any amounts due to the Seller for the Goods delivered by the Seller in full compliance with the terms of the Purchase Order prior to such termination shall be subject to setoff of the Buyer's additional costs of completing the Purchase Order and other damages incurred by the Buyer as a result of the Seller's default.

17. ASSIGNMENT : The Seller shall not assign or subcontract the Purchase Order or any part thereof or any amounts due thereunder without written consent of the Buyer.

Any such permitted assignment or subcontracting shall not relieve the Seller of any of its obligations under the Purchase Order.

18. NO-WAIVER : No failure or delay of one party to require performance by the other of anything contained in the Contract Documents under the Purchase Order shall in any way adversely affect such party's right to require full performance of such provision after that. No waiver by one party of a breach thereof shall be taken to be a waiver by such party of any succeeding breach of thereof.

19. CORRESPONDENCE : Any and all correspondence and notices shall be made in English, in writing to the address as mentioned in the Purchase Order, unless otherwise required by the Buyer.

20. ARBITRATION : All disputes or controversies which may arise between the Buyer and the Seller, out of or in relation to or in connection with this

Purchase Order, or for any breach thereof, shall be finally settled by arbitration in Tokyo, Japan, in accordance with the Commercial Arbitration Association. The award rendered by the arbitrators shall be final and binding upon both parties.

21. APPLICABLE LAWS : This Purchase Order shall be governed by and construed in accordance with the laws of Japan.

This Purchase Order will not be governed by the conflict of law rules of any jurisdiction or the United Nations Convention on Contracts for the International Sale of Goods, the application of which is expressly excluded.