

OFFERING CIRCULAR



TOKYU CORPORATION

(incorporated with limited liability under the laws of Japan)

Offering of ¥30,000,000,000 Zero Coupon Convertible Bonds due 2028

Offer Price for the 2028 Bonds: 102.5 Per Cent

Offering of ¥30,000,000,000 Zero Coupon Convertible Bonds due 2030

Offer Price for the 2030 Bonds: 102.5 Per Cent

This Offering Circular relates to the issue by TOKYU CORPORATION (the “Company”) of ¥30,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2028 (the “2028 Bonds”) and ¥30,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2030 (the “2030 Bonds”, together with the 2028 Bonds, the “Bonds”, being bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakukentuki shasai*), and each a “Series”, and which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated therein).

The Bonds will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (the “Stock Acquisition Rights”).

The Stock Acquisition Rights will be exercisable from, and including, 12 July 2023 to, and including, 15 September 2028, in the case of the 2028 Bonds, and 16 September 2030, in the case of the 2030 Bonds, and will entitle the Bondholder (as defined in Condition 1.2 of the terms and conditions of the Bonds for the relevant Series (the “Conditions of the 2028 Bonds” and the “Conditions of the 2030 Bonds”, 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, subject to adjustment in certain events and as set out in the Conditions for the relevant Series of Bonds, of ¥2,124.5 per Share, in the case of the 2028 Bonds, and ¥2,033.5 per Share, in the case of the 2030 Bonds. However, (i) prior to (and including) 30 September 2027, in the case of the 2028 Bonds, and 30 September 2029, in the case of the 2030 Bonds, and subject to the Conditions for the relevant Series of Bonds, a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter only if as of the last Trading Day (as defined in Condition 3.1 of the Conditions for the relevant Series of Bonds) of any immediately preceding calendar quarter, the Closing Price (as defined in Condition 3.1 of the Conditions for the relevant Series of Bonds) of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in Condition 5.1.3 of the Conditions for the relevant Series of Bonds) in effect on the last Trading Day of such calendar quarter, and (ii) from (and including) 1 October 2027, in the case of the 2028 Bonds, and 1 October 2029, in the case of the 2030 Bonds, but prior to (and including) 30 June 2028, in the case of the 2028 Bonds, and 30 June 2030, in the case of the 2030 Bonds, and subject to the Conditions for the relevant Series of Bonds, a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter only if as of the last Trading Day of any immediately preceding 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. Such condition to the exercise of the Stock Acquisition Rights shall not be applicable, in general, (1) during any period in which any rating assigned by a specified rating agency to the Company’s issuer rating is below a specified level or certain other ratings events occur, (2) if a notice of redemption is given to the Bondholders or (3) if the Company is required to give notice of certain specified Corporate Events (as defined in Condition 6.1 of the Conditions for the relevant Series of Bonds) to the Bondholders. In addition, where a Parity Event (as defined in Condition 5.1.9 of the Conditions for the relevant Series of Bonds) has occurred pursuant to Condition 5.1.9 of the Conditions for the relevant Series of Bonds, such conditions to the exercise of the Stock Acquisition Rights shall not be applicable during the period of 15 consecutive Tokyo Business Days (as defined in Condition 5.1.4 of the Conditions for the relevant Series of Bonds) from and including the first Tokyo Business Day immediately following the Company Notification Date (as defined in Condition 5.1.9 of the Conditions for the relevant Series of Bonds) in respect of the occurrence of such Parity Event.

Unless previously redeemed, acquired or purchased and cancelled, or unless the Bonds have become due and repayable, the Bonds will be redeemed at 100 per cent of their principal amount on 29 September 2028 in the case of the 2028 Bonds, and 30 September 2030, in the case of the 2030 Bonds.

At any time during the period from, and including, 1 September 2027 to, and including, 30 June 2028, in the case of the 2028 Bonds, and at any time during the period from, and including, 3 September 2029 to, and including, 28 June 2030, in the case of the 2030 Bonds, the Company may, but shall not be bound to, give an Acquisition Notice (as defined in Condition 7.2.1 of the Conditions for the relevant Series of Bonds) to the Bondholders, in which event the Company shall acquire each Bond on the Acquisition Option Date (as defined in Condition 7.2.1 of the Conditions for the relevant Series of Bonds) specified on the Acquisition Notice from those Bondholders which deliver a duly completed Acquisition Election Notice (as defined in Condition 7.2.2 of the Conditions for the relevant Series of Bonds) on or before the date falling 14 calendar days prior to the Acquisition Option Date.

The Shares are listed on the Prime Market of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”). The closing price of the Shares on 12 June 2023, as reported by Tokyo Stock Exchange, was ¥1,815.5 per Share.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation for the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, its associated companies or the Bonds.

Each Series of Bonds will initially be evidenced by a global certificate (each, a “Global Certificate”) representing the relevant Series of Bonds in registered form, deposited with, and registered in the name of, or a nominee for, a common depository for each of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream, Luxembourg”) on or about 28 June 2023 (the “Closing Date”) for the accounts of their respective accountholders. The Managers (as defined in “Subscription and Sale”) expect to deliver the Bonds to investors through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds 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 U.S. Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, the Bonds or the Shares may not be offered or sold within the United States. In addition, the Bonds 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 of, residents of Japan, including corporations incorporated under the laws of Japan, unless otherwise permitted under the FIEA. For a summary of certain restrictions on the offer and sale of the Bonds 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.

Joint Bookrunners and Joint Lead Managers

Nomura
UBS Investment Bank

Daiwa Capital Markets Europe
J.P. Morgan

Co-Managers

Morgan Stanley

Goldman Sachs International

Mizuho

The date of this Offering Circular is 12 June 2023.

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 (i) this Offering Circular contains all information with respect to the Company, the Group (as defined below), the Bonds and the Shares (including all information in relation to the applicable laws of Japan) which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in this Offering Circular are in every material particular true and accurate and not misleading, (iii) 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, (iv) 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 (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been 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 or on behalf of the Company, the Trustee (as defined in the Conditions) 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 in this Offering Circular 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, the Trustee, the Principal Agent, the Custodian, the Registrar, the Custodian's Agent or the Calculation Agent (each as defined in the Conditions), to subscribe for, or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds 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 offer and sale of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".

To the fullest extent permitted by law, none of the Managers, the Trustee, the Principal Agent, the Custodian, the Registrar, the Custodian's Agent or the Calculation Agent, accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made on their 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, the Custodian's Agent and the Calculation 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 distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area, the United Kingdom, Singapore, Hong Kong and to persons connected therewith. See "Subscription and Sale".

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds 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 or the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—*The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer*

within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK INVESTORS—The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time, (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore (“MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION AND OVER-ALLOTMENT

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

In this Offering Circular, unless otherwise specified or the context requires, references to the “Company” or the “Issuer” are to TOKYU CORPORATION, and references to the “Group” are to the Company or, as the context may require, the Company, its consolidated subsidiaries and affiliates accounted for by the equity method, taken as a whole.

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 the Stock Acquisition Rights or upon acquisition by the Company of the Bonds. 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, except where the context otherwise requires. In addition, references to the word “acquire” used in connection with the Shares shall be read as including both of the words “issue” and “transfer”, and the words “acquired” and “acquisition” shall be construed accordingly (other than where such references to “acquired” and “acquisition” are to the acquisition of the Bonds pursuant to Condition 7.2) and references to “delivery” used in connection with the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system of Japan Securities Depository Center, Inc. (“JASDEC”).

The Company’s fiscal year-end is 31 March of each year. The Company’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which differ in certain respects from accounting principles generally accepted in certain other countries, including International Financial Reporting Standards (“IFRS”). Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and IFRS or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein.

The unaudited consolidated financial information of the Company as of and for the fiscal year ended 31 March 2023 (with comparative information as of and for the fiscal year ended 31 March 2022) included in this Offering Circular is a summary English translation of the unaudited consolidated financial information contained in the preliminary results announcement (*kessan tanshin*) of the Company published on 11 May 2023 in Japanese under the rules of the Tokyo Stock Exchange. Such financial information has not been, and is not required to be, audited or reviewed by the Company’s independent auditor and has been prepared by, and at the sole responsibility of, the Company.

As of the date of this Offering Circular, the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 are not available, and the Company 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 information. As a result, there may be differences between the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular and the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 becoming available.

The English translation of the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular omits certain disclosure required under Japanese GAAP, including some of the notes, compared to the English language audited consolidated financial statements as of and for the fiscal years ended 31 March 2022 (together with comparable information as of and for the fiscal year ended 31 March 2021) included in this Offering Circular.

The “Accounting Standard for Revenue Recognition (ASBJ Statement No 29 of 31 March 2020, the “Revenue Recognition Accounting Standard”) and related measures have been applied from the fiscal year ended 31 March 2022. Accordingly, revenue in the Company’s consolidated financial statements is recognised at points where control over goods or services that the Group promises to provide is transferred to customers and in amounts that it expects to receive in exchange for such goods or services. See Note 3 “Change in Accounting Policies” in the consolidated financial statements for the fiscal year ended 31 March 2022 herein.

In this Offering Circular, except as otherwise indicated, references to “yen” and “¥” are to Japanese yen.

In this Offering Circular, unless otherwise specified or the context requires, where information is presented in millions of yen or billions of yen and amounts of less than one million or one billion have been truncated, and percentages of less than one per cent, one-tenth of one per cent or one-hundredth of one per cent have been rounded up or down. In some cases, figures presented in tables in this Offering Circular may not total due to rounding or truncating.

Unless otherwise stated or the context requires, the description of the Company’s business and financial information relating to the Company contained herein are given on a consolidated basis.

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 “Recent Business” and elsewhere in this Offering Circular, as well as other matters not yet known to the Company or not currently considered material 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 Shares or the Bonds, see “Investment Considerations”.

TOKYU CORPORATION

The Group is engaged in the operation of passenger railway services in the south-west of Tokyo and in the Kanagawa prefecture of Japan, as well as the operation of real estate business, retail outlets and other retail services, and hotels and resorts. Focusing on the areas served by the Group’s railway network, the Group is engaged in urban and community development from a long-term perspective and developing businesses that are closely linked to the lives of its customers. The year 2022 was the 100th anniversary of the Company’s establishment.

The Group’s business is divided into the following business segments: (i) transportation, (ii) real estate, (iii) life service and (iv) hotel and resort. The transportation business segment is principally engaged in the operation of the Group’s railway network, as well as in the operation of scheduled and chartered bus services and the operation of airports. The real estate business segment is principally engaged in real estate sales, real estate leasing, real estate management and real estate brokerage businesses. The life service business segment is principally engaged in the operation of department stores and other retail outlets, the operation of cable television network and internet connection services and the operation of advertising agency services. The hotel and resort business segment is principally engaged in the operation of 44 hotels in Japan, the operation of time-share resort business in 17 properties in Japan, the operation of linen supply services and the operation of five golf courses in Japan.

For the fiscal year ended 31 March 2023, the Group’s operating revenues, operating profit and profit attributable to owners of the parent amounted to ¥931,293 million, ¥44,603 million and ¥25,995 million, respectively. As of 31 March 2023, the Company had 129 consolidated subsidiaries and 38 affiliated companies accounted for by the equity method.

The Shares are listed on the Prime Market of the Tokyo Stock Exchange with the stock code 9005. The Company’s registered office is located at 5-6, Nampeidai-cho, Shibuya-ku, Tokyo 150-8511, Japan.

THE OFFERING

Bond Offering:

Issuer	TOKYU CORPORATION
Securities Offered	2028 Bonds: ¥30,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2028 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>). 2030 Bonds: ¥30,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2030 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>).
Issue Price per Bond	2028 Bonds: 100.0 per cent 2030 Bonds: 100.0 per cent
Offer Price per Bond	2028 Bonds: 102.5 per cent 2030 Bonds: 102.5 per cent
Joint Bookrunners and Joint Lead Managers	Nomura International plc Daiwa Capital Markets Europe Limited UBS AG London Branch J.P. Morgan Securities plc
Co-Managers	Morgan Stanley & Co. International plc Goldman Sachs International Mizuho International plc
Closing Date	On or about 28 June 2023
Delivery	It is expected that a Global Certificate in respect of each Series of Bonds will be deposited with, and registered in the name of, or of a nominee for, a common depository for each of Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	Each Series of Bonds will be issued in registered form and evidenced on issue by a Global Certificate. Definitive Certificates 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 from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 150 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Lock-up	In connection with the issue and offering of the Bonds, the Company has agreed not to, and not to direct any entities or any persons acting at the direction of the Company to, (i) issue, offer, pledge, lend, sell, contract to sell, sell 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 represent the right to receive, Shares or any other capital stock of the Company; (ii) enter into any derivative

transaction or any other 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, in each case, 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 without the prior written consent of Nomura International plc and Daiwa Capital Markets Europe Limited (on behalf of the Managers), 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 by the Company), (b) the issue or transfer of Shares by the Company upon exercise of stock acquisition rights issued and outstanding as at the date of the Subscription Agreement (as defined in “Subscription and Sale”) and referred to in the Offering Circular, (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder’s holding, when added to the Shares held by such holder, constitute one full unit of Shares, (d) the issue of Shares by the Company as a result of any stock split, (e) the grant and issue of stock options or stock acquisition rights exercisable for Shares to its and the Group’s Directors, officers, Audit and Supervisory Board Members or employees pursuant to the Company’s stock option plans, (f) the sale by the Company of Shares held by unidentified shareholders and (g) any other issue or sale of Shares required by applicable Japanese laws and regulations. See “Subscription and Sale”.

Use of Proceeds The net proceeds from the issue of the Bonds are estimated to be approximately ¥60 billion after deducting expenses. The Company intends to apply the net proceeds as follows:

- approximately ¥30 billion towards capital expenditure for various redevelopment projects including the realisation of “Greater SHIBUYA 2.0” in Shibuya; and
- approximately ¥30 billion towards the repurchase of Shares (as further described below) to reduce cross-shareholdings as well as to improve capital efficiency and to increase the value per Share through a reduction in the number of outstanding Shares.

To the extent that the Company repurchases any Shares prior to Closing Date in respect of the Bonds, the Company intends to use net proceeds from the offering of the Bonds to replenish its cash reserves used for the purpose of such repurchase. As the amount for which the Company is able to repurchase is dependent on, among other things, market conditions, to the extent that any such proceeds remain after the implementation of such repurchase, such proceeds may be used towards capital expenditure for various redevelopment projects including the realisation of “Greater SHIBUYA 2.0” in Shibuya. See “Use of Proceeds” and “Information Concerning the Shares—Proposed Share Repurchase by the Company”.

Proposed Repurchase of Shares by the Company Concurrently with the offering of the Bonds, the Company announced on 12 June 2023 that:

- (i) the Company intends to repurchase up to 20,000,000 Shares (approximately 3.25 per cent of the issued Shares (excluding

treasury stock) as of 31 May 2023) at a maximum cost of ¥30 billion from the market in the period from and including 13 June 2023 to and including 31 December 2023; and

- (ii) to implement the abovementioned share repurchase plan, the Company intends to repurchase Shares up to a value of approximately ¥30 billion through the ToSTNeT-3 system at 8:45 a.m. (Tokyo time) on 13 June 2023 at the closing price of the Shares on the Tokyo Stock Exchange on 12 June 2023. The result of such repurchase will be announced in Japan on 13 June 2023. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is entirely dependent on the volume of Shares offered by investors at a certain price and at a certain 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 ¥30 billion and the maximum number of 20,000,000 Shares) after the repurchase through the ToSTNeT-3 system on 13 June 2023, the Company may repurchase further Shares on the auction market, at the market prices prevailing at the relevant time until 31 December 2023.

There can however be no assurance that any such repurchase will be proposed by the Company as currently intended or, if proposed by the Company, executed in full, or at all. See “Information Concerning the Shares—Proposed Share Repurchase by the Company”.

Selling Restrictions The Bonds are being offered and sold outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on the offer and sale of the Bonds and the Shares, see “Subscription and Sale”.

Bond Terms:

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

Initial Conversion Price 2028 Bonds: ¥2,124.5 per Share, subject to adjustment in certain circumstances.
2030 Bonds: ¥2,033.5 per Share, subject to adjustment in certain circumstances.

Coupon 2028 Bonds: Zero.
2030 Bonds: Zero.

Exercise of Stock Acquisition Rights ... Subject to and upon compliance with the provisions of Condition 5 of the Conditions for the relevant Series of Bonds, a Bondholder may exercise the Stock Acquisition Right at any time during the period from, and including, 12 July 2023 to, and including, the close of business (at the place where the Bond is deposited for the exercise of the Stock Acquisition Right) on 15 September 2028, in the case of the 2028 Bonds, and 16 September 2030, in the case of the 2030 Bonds (except for the period from, and including, 1 July 2028, in the case of the 2028 Bonds, and 1 July 2030, in the case of the 2030 Bonds, to, and including, the Elected Redemption Date (as defined in Condition 3.1 of the Conditions for the relevant Series of Bonds) (if an Acquisition Notice is given pursuant to Condition 7.2 of the Conditions of the relevant Series of Bonds)), to acquire fully-paid and non-assessable Shares.

Conditions to the Exercise of Stock

Acquisition Rights (i) Prior to (and including) 30 September 2027, in the case of the 2028 Bonds, and 30 September 2029, in the case of the 2030 Bonds, and subject to the Conditions of the relevant Series of Bonds, a

Bondholder may exercise its Stock Acquisition Rights only if, as of the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter; and

- (ii) From (and including) 1 October 2027, in the case of the 2028 Bonds, and 1 October 2029, in the case of the 2030 Bonds, but prior to (and including) 30 June 2028, in the case of the 2028 Bonds, and 30 June 2030, in the case of the 2030 Bonds, and subject to the Conditions of the relevant Series of Bonds, a Bondholder may exercise its Stock Acquisition Rights only if, as of the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter,

in each case as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds, subject to adjustment in the manner provided in Condition 5.2 of the Conditions for the relevant Series of Bonds.

If the relevant condition set out in (i) or (ii) above is satisfied, then a Bondholder may (subject to the Conditions of the relevant Series of Bonds) exercise the Stock Acquisition Rights on and after the first day of the immediately following calendar quarter (or, in the case of (i) above, in the case of the calendar quarter commencing on 1 July 2023, on and after 12 July 2023) until the end of such calendar quarter, provided the relevant Deposit Date (as defined in Condition 5.9.4 of the Conditions for the relevant Series of Bonds) falls during the Exercise Period (as defined in Condition 5.1.4 of the Conditions for the relevant Series of Bonds).

The above conditions to the exercise of the Stock Acquisition Rights shall not be applicable (i) during any period in which (a) the long-term issuer rating assigned to the Company by Japan Credit Rating Agency, Ltd. or its successors (together, "JCR") is BBB- (or equivalent if the rating category is changed) or lower, a long-term issuer rating is no longer assigned to the Company by JCR, or the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn, or (b) the issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successors (together, "R&I") is BBB- (or equivalent if the rating category is changed) or lower, an issuer rating is no longer assigned to the Company by R&I, or the issuer rating assigned to the Company by R&I has been suspended or withdrawn; (ii) if a notice of redemption is given pursuant to Condition 7.3, 7.4 (except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed), 7.5, 7.6 or 7.7 of the Conditions for the relevant Series of Bonds; or (iii) if the Company is required to give notice of certain Corporate Events to the Bondholders. See Condition 5 of the Conditions for the relevant Series of Bonds.

In addition, where a Parity Event has occurred pursuant to Condition 5.1.9 of the Conditions for the relevant Series of Bonds, the above conditions to the exercise of the Stock Acquisition Rights shall not be applicable during the period of 15 consecutive Tokyo Business Days from and including the first Tokyo Business Day immediately following the Company Notification Date in respect of the occurrence of such Parity Event. See Condition 5.1.9 of the Conditions for the relevant Series of Bonds.

For the avoidance of doubt, during the period from and including 1 July 2028, in the case of the 2028 Bonds, and 1 July 2030, in the case of the 2030 Bonds, to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 15 September 2028, in the case of the 2028 Bonds, and 16 September 2030, in the case of the 2030 Bonds, the conditions to the exercise of the Stock Acquisition Rights set forth above shall not be applicable.

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

Redemption at Maturity Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 per cent of their principal amount on 29 September 2028, in the case of the 2028 Bonds, and 30 September 2030, in the case of the 2030 Bonds.

Acquisition by the Company of

Bonds At any time during the period from, and including, 1 September 2027 to, and including, 30 June 2028, in the case of the 2028 Bonds, and at any time during the period from, and including, 3 September 2029 to, and including, 28 June 2030, in the case of the 2030 Bonds, the Company may, but shall not be bound to, give an Acquisition Notice to the Bondholders, in which event the Company shall, subject to the provisions of Condition 7.2 of the Conditions for the relevant Series of Bonds, acquire each Bond on the Acquisition Option Date specified on the Acquisition Notice from those Bondholders which deliver a duly completed Acquisition Election Notice on or before the date falling 14 calendar days prior to the Acquisition Option Date. As consideration for each Bond so acquired, the Company will (i) pay an amount equal to 100 per cent of the principal amount and (ii) issue and deliver any Acquisition Shares (as defined in Condition 7.2.1 of the Conditions for the relevant Series of Bonds), in each case to each such Bondholder.

Bonds in respect of which a duly completed Acquisition Election Notice has not been received on or prior to the Acquisition Election Date will be redeemed at 100 per cent of their outstanding principal amount on the date falling two Tokyo Business Days after the Acquisition Option Date.

See Condition 7.2 of the Conditions for the relevant Series of Bonds.

Early Redemption—Reduced

Outstanding Amounts The Company may, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the relevant Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds (which notice shall be irrevocable), redeem all, but not some only, of the relevant Series of Bonds then outstanding at 100 per cent of their principal amount on the date fixed for such redemption, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the relevant Series of Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.3 of the Conditions for the relevant Series of Bonds.

Early Redemption—Taxation

Reasons If the Company satisfies the Trustee, immediately prior to giving the notice to the relevant Bondholders, that (i) 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 12 June 2023, the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9 of the Conditions for the relevant Series of Bonds) in accordance with Condition 9 and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior irrevocable notice to the relevant Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds redeem all, but not some only, of the relevant Series of Bonds then outstanding at 100 per cent of their principal amount.

If, however, the outstanding principal amount of the relevant Series of Bonds at the time of such notice of redemption is 10 per cent or more of the aggregate principal amount of the relevant Series of Bonds as of the date of issue thereof, each holders of such Bonds will have the right to elect that its Bonds should not be redeemed and that, in respect of payments on such Bonds 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 of the Conditions of the relevant Series of Bonds.

Early Redemption—Corporate

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

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 of the Conditions for the relevant Series of Bonds to redeem all, but not some only, of the then outstanding Bonds 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 of the Conditions for the relevant Series of Bonds and in accordance with the provisions of Condition 7.5 of the Conditions for the relevant Series of Bonds on the Corporate Event Redemption Date (as defined in Condition 7.5 of the Conditions for the relevant Series of Bonds) 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 of the Conditions for the relevant Series of Bonds) 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 by the Company as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

- 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 of the Conditions for the relevant Series of Bonds;
- 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 of the Conditions for the relevant Series of Bonds;
- despite the Company using its best endeavours pursuant to Condition 6.4.2 of the Conditions for the relevant Series of Bonds, 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 of the Conditions for the relevant Series of Bonds) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1 of the Conditions for the relevant Series of Bonds), 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
- 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 of the Company 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 of the Conditions for the relevant Series of Bonds.

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 Conditions 7.6.1 of the Conditions for the relevant Series of Bonds) 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 of the Conditions for the relevant Series of Bonds), and the Offeror acquires any Shares pursuant to the offer, then the Company shall give notice to the relevant Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds, 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 a redemption price determined by reference to the table set out in Condition 7.5 of the Conditions for the relevant Series of Bonds (subject to the provisions of Condition 7.6 of the Conditions for the relevant Series of Bonds). See Condition 7.6 of the Conditions for the relevant Series of Bonds.

Early Redemption—Squeezeout

Redemption	Upon the occurrence of a Squeezeout Event (as defined in Condition 3.1 of the Conditions for the relevant Series of Bonds), the Company shall give notice to the Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds, 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 determined by reference to the table set out in Condition 7.5 of the Conditions for the relevant Series of Bonds (subject to the provisions of Condition 7.7 of the Conditions for the relevant Series of Bonds). See Condition 7.7 of the Conditions for the relevant Series of Bonds.
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 Condition 10 of the Conditions for the relevant Series of Bonds.
Taxation	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9 of the Conditions for the relevant Series of Bonds.
Governing Law	English law
Jurisdiction	English courts
International Securities Identification Number (“ISIN”)	2028 Bonds: XS2635167450 2030 Bonds: XS2635167963
Common Code	2028 Bonds: 263516745 2030 Bonds: 263516796
Legal Entity Identifier (LEI) for the Company	3538005PGNIBTZYXAE45
Trustee and Custodian	The Law Debenture Trust Corporation p.l.c.
Principal Agent, Registrar and Calculation Agent	Mizuho Trust & Banking (Luxembourg) S.A.
Custodian’s Agent in Japan	Mizuho Bank, Ltd.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out in this Offering Circular, the following factors. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Considerations Relating to the Group and its Business

Concentration of operations in the areas served by Tokyu Railways lines

The Group operates nine railway lines in the south-west of Tokyo and the Kanagawa prefecture of Japan (see “Business—Areas Served by Tokyu Railways Lines”) and the Group’s other business operations are concentrated along this railway network. As a consequence, the Group’s business operations are materially affected by demographic trends in the areas served by its railway lines.

Japan’s overall population is on a declining trend due to a reduced birth rate. Japanese society is demographically aging and the productive-age population, which comprises of persons between the ages of 15 and 64, in Japan is considered to have already peaked (source: “Annual Report on the Ageing Society FY2022” published by the Cabinet Office of Japan on 29 July 2022). As senior citizens typically do not commute regularly for work or study, an aging society results in less demand for the public transportation and other services the Group provides in the long term.

While the overall population and the productive-age population of the areas served by the Group’s railway lines have been slowly increasing since 2012 and its overall population is forecasted to continue growing until 2035 (see “Business—Areas Served by Tokyu Railways Lines”), there can be no assurance that this demographic trend will continue. If the overall population and the productive-age population of the areas served by the Group’s railway lines were to peak or to start to decrease earlier than expected, the results of operations and financial condition of the Group may be adversely affected.

Furthermore, the Group is dependent on the level of commercial activities and economic trends in the areas served by its railway lines.

Weaker economic conditions in the areas served by the Group’s railway lines may result in a worsening of employment conditions, which, in turn, may result in reduced sales of commuter passes for the Group’s transportation business and a decline in real estate prices for its real estate business. Weaker economic conditions in the areas served by the Group’s railway lines may also result in reduced consumer spending, adversely affecting the Group’s life service business and hotel and resort business.

Further, a slowdown in the global economy, as well as other external factors such as the attractiveness of Tokyo as a global tourist destination, may also impact the number of overseas tourists visiting the areas served by its railway lines. This will result in the decline in the number of passengers for the Group’s transportation business, the use of the hotels and other facilities that it operates.

Highly competitive operating environment

The Group’s railway business competes with other passenger railway companies in the areas served by the Group’s railway network. For example, the Toyoko Line, which is the Group’s main railway services connecting Shibuya station and Yokohama station, competes with the Shonan-Shinjuku Line operated by East Japan Railway Company. In addition, the Group’s railway services are having to meet the challenge of increased use of privately owned cars, particularly for non-commuting traffic, as well as the opening of new railway lines, the extension of existing railway routes and an increase in sharing and connection of railway sections by its competitors. A customer’s choice of railway network is primarily dependent on the location of departure and destination, in particular, for commuters. However, other factors such as travel time, price and convenience (including network, frequency of trains and connectivity with different railway and other public transport services), as well as punctuality, comfort (including seating capacity), safety and reliability of operations may also influence a customer’s decision. In particular, the Group recently obtained an approval for fare revisions from the Minister of Land, Infrastructure, Transport and Tourism (the “Minister”) and increased the upper limits of its fares by an average of 12.9 per cent effective from 18 March 2023. If the Group is unable to achieve the level of service to its customers’ satisfaction, the Group’s results of operations and financial condition may be adversely affected.

The Group’s real estate business competes primarily with nationwide real estate developers and real estate companies that have strength in the development of residential properties, offices and commercial properties. In the Group’s real estate sales business, the competitors may have greater resources than the Group does, and the Group may not be able to compete effectively against them in procuring optimal property locations, developing properties or

securing potential buyers and investors. In the Group's real estate leasing business, the Group faces significant competition in attracting tenants for the properties for which the Group is the lessor on the basis of a wide range of factors related to building structure and operations, including location, age since construction or renovation, functionality, construction quality, maintenance and design. The Group also competes for tenants on the basis of rent levels and other lease terms. If the Group is unable to compete effectively, as a result of factors including above, the Group's results of operations and financial condition may be adversely affected.

The Group's retail outlets, including principally its department stores and supermarkets, compete not only with those operated by its competitors, but also with other forms of retail organisations such as suburban large-scale commercial complexes operated by general merchandise stores, outlet malls, specialised chain stores, convenience stores, numerous other small retail stores in Japan and internet shopping websites. The Group's other businesses generally compete with other providers of similar services or products, which may be more specialised or have greater financial resources or a wider customer base than similar operations of the Group. If the Group is unable to timely identify or effectively respond to consumer trends or preferences, or to offer services and products at competitive prices relative to its competitors, the Group may not be able to compete effectively and the Group's results of operations and financial condition may be adversely affected.

The Group operates most of its businesses in the areas served by its railway lines. If the Group's railway lines lose their competitive advantages or the residential properties, offices and commercial properties developed by the Group in the areas served by its railway lines lose their competitive advantages, synergies of the transportation and real estate businesses with the Group's other businesses may not materialise and the Group may fail to increase the value of the areas served by its railway lines against the other areas as expected. If the areas served by its railway lines significantly lose its comparative advantages against the other areas, the Group's results of operations and financial condition may be adversely affected.

Management plans and strategies

The Group is currently pursuing its medium-term management plan "Three-Year Medium-Term Management Plan" for the three fiscal years ending 31 March 2024 and has set out four key strategies for the Group to implement (see "Business—Management Strategy") and certain specific quantitative or qualitative targets. In preparing such key strategies and targets, the Group assumed significant changes in operational environment and external factors, including those changes that emerged as a result of the COVID-19 pandemic, such as a trend toward a lower birth rate and an aging population, decreasing population, changes in workstyle and evolution of digital technologies. However, the magnitude of changes in such operational environment and external factors may far exceed the Group's expectations. There can be no assurance that the Group's management plan and strategies will be implemented successfully, that the implementation of the business plan and strategies will have their intended effect, that objectives and targets (whether quantitative or qualitative, and whether in the long- or short-term) set by the Group will be met on time or at all, or that such targets and aims will not be changed in the future by the Group's management.

Social changes caused by epidemics and pandemics

Since a significant part of the Group's business depends on the activities of people in society outside their homes, epidemics and pandemics (such as the COVID-19 pandemic, and future epidemics and pandemics of other diseases) and changes in society and lifestyles due to such epidemics and pandemics may have a material adverse effect on the Group's business operations and financial results.

In particular, the COVID-19 pandemic disrupted many aspects of the Group's operations and adversely impacted its business operations and financial results to date. In addition, the COVID-19 pandemic has had a profound impact on society and lifestyle choices, and the Group anticipates business challenges arising from those changes on the assumption that the business environment will not return to that which prevailed before the COVID-19 pandemic.

During the COVID-19 pandemic the Group experienced a decrease in the number of passengers for the Group's transportation business and a decrease in consumer spending at, and visitors to the Group's hotels and retail outlets as customers avoided going out in observance of regional and national governmental states of emergency and COVID-19 guidance. For example, for the fiscal year ended 31 March 2021, the total number of passengers carried for Tokyu Railways network decreased by 32.1 per cent compared to the fiscal year ended 31 March 2020. While the total number of passengers carried for Tokyu Railways network recovered by 11.3 per cent for the fiscal year ended 31 March 2022 and by 10.2 per cent for the fiscal year ended 31 March 2023, each compared to the previous fiscal year, to date total passenger numbers remain below pre-COVID-19 levels. In addition, the Group's hotels experienced a significant drop in occupancy rates compared to pre-COVID-19 levels, particularly during each of the national and Tokyo-regional states of emergency, with occupancy rates recovering to 31.0 per cent in the fiscal year ended 31 March 2021, 44.1 per cent in the fiscal year ended 31 March 2022 and to 70.6 per cent in the fiscal year ended 31 March 2023. Furthermore, there can be no assurance that epidemics or pandemics of other diseases (including new variants of COVID-19) will not

occur in the future, which may have a material adverse effect on the Group's business operations and financial results as the COVID-19 pandemic had.

Furthermore, the COVID-19 pandemic has brought about irreversible changes to society and lifestyles that will present challenges for the Group's business even after the end of COVID-19 pandemic restrictions. In the Group's transportation business, it has become commonplace for people to work from home or take school classes online, and the number of passengers may not recover to the levels seen before the COVID-19 pandemic. In the Group's real estate leasing business, as it has become more common for people to work from home, corporate tenants of the Group's office buildings may reduce the size of their office space or may not renew their lease contracts, which may affect occupancy rates of the Group's office buildings. In addition, changes in consumer behaviour due to the COVID-19 pandemic may reduce the number of users of the Group's commercial facilities. In the Group's life service business, the COVID-19 pandemic has led to retail customers buying products and experience services on-line rather than in store, and the Group's retail outlets, including its department stores, and its hotels and resorts may not attract customer levels equivalent to those experienced before the COVID-19 pandemic. The Group has implemented a Three-Year Medium-Term Business Plan starting from the year ended 31 March 2022 on the assumption that the business environment will not return to that which prevailed before the COVID-19 pandemic and is actively seeking to adjust each of its businesses to this new operating environment. However, there can be no assurance that the Group will be able to implement the necessary changes to its businesses and social changes in a timely or effective manner to address the continued impact to its results of operations and financial condition. Furthermore, any future epidemic or pandemic of other diseases may lead to further changes in society and lifestyles, and the Group may not be able to respond in a timely and effective manner, or at all.

Major projects conducted by the Group require significant investment

Currently the Group has five large scale development projects under construction (see "Business—Operations—Real estate business segment") as well as several infrastructure improvement projects on its railway network. The Group makes and will continue to make significant investments during the course of these and other future projects. In addition, these projects typically require the Group to incur considerable costs at an early stage with no prospect of recouping that expenditure often until several years after the projects are complete.

Further, these projects are subject to various risks associated with large-scale property development, including unexpected delays in development, and potential disagreements with business partners. If any project experiences delay due to any of these or other factors, the Group may incur significant costs or losses which may have an adverse effect on the Group's results of operations and financial condition.

Changes in the international business environment

The Group operates several real estate developments, including residential properties, operations of commercial properties and bus operations, overseas. As a result, the Group is subject to a number of risks relating to overseas business, including unexpected economic downturn, social or economic turmoil caused by natural disasters, terrorism or other factors or difficulties associated with management of local personnel and operations in the countries it operates. Any of these risks and others, individually or in the aggregate, may adversely affect the Group's business, results of operations and financial condition.

Interest-bearing debt

The Group makes a significant amount of capital expenditure in the course of its business operations, especially in its transportation business and its real estate business, and also requires funds for its operations. The Group has raised a high level of funding through the issuance of bonds and from loans through financial institutions. As of 31 March 2023, the Group had interest-bearing debt (being the sum of short-term borrowings, commercial papers, current portion of bonds payable, bonds payable and long-term borrowings) of ¥1,287,519 million. In general, the Group's interest-bearing debt remains at a high level with interest-bearing debt/TOKYU EBITDA (being the sum of operating profit, depreciation and amortization expenses, amortization of goodwill, disposal cost of property, plant and equipment, interest and dividend income and share of profit of entities accounted for using equity method) multiple of 8.9 times and a debt to equity ratio (being the ratio of interest bearing debt divided by total net assets minus non-controlling interests) of 1.7 times, each as of 31 March 2023. Fluctuations in interest rates, a downgrade of the Group's credit ratings by one or more rating agencies or a downgrade of the Group's ESG ratings by one or more ESG rating agencies may raise the Group's costs of funding and/or make it more difficult for the Group to obtain the financing necessary for its operations or to refinance its existing debt on terms that are acceptable to the Group. Any of these events may have an adverse effect on the Group's business, results of operations and financial condition.

Asset prices

Real estate, land, construction in progress and other assets held by the Group may be subject to impairment or devaluation due to a decline in market value in Japan, the introduction of new accounting standards or changes in

existing accounting standards. As of 31 March 2023, the Group had total property, plant and equipment of ¥1,830,693 million, including buildings and structures, net of ¥812,185 million, rolling stock and machinery, net of ¥81,853 million, as well as land of ¥723,020 million and construction in progress of ¥190,205 million. The Group has in the past incurred, and may in the future incur, impairment losses or valuation loss, as well as a decrease in the value of the Group's net assets, as a result of such factors.

Energy prices and costs

Electricity and other energy resources, including diesel, represent a significant portion of the costs incurred by the Group in its transportation business. The Group's railways are powered by electricity while the Group's buses are powered by diesel. The prices of electricity and diesel are determined by global economic conditions and energy companies based on factors that are outside the Group's control, including international oil prices, geopolitical events and global economic trends and demands. In addition, as most of fossil fuel, LNG and other sources of energy are imported into Japan, any weakening of the yen against other currencies may result in higher prices of electricity and other energy resources. A significant increase in the price of electricity and other energy resources results in higher costs for the Group and may have a material adverse effect on the Group's business, results of operations and financial condition. Further, the Group has set targets for reducing CO₂ emissions from its business activities (see "Business—Sustainability") and is implementing measures to achieve these targets, such as converting electricity used on all its railway lines to effectively net zero CO₂ emissions electricity by purchasing environmental values, which may result in higher costs of electricity.

Regulations and regulatory change

The operation of passenger railway services in Japan is subject to extensive regulation and supervision by the Ministry of Land, Infrastructure, Transport and Tourism (the "MLIT"). The operation of a railway must be licenced by the Minister under the Railway Business Act of Japan (Act No. 92 of 1986, as amended) (the "Railway Business Act"), to which all railway companies are subject and which governs many aspects of the Group's railway operations. In particular, the upper limits of the fares applicable for railway services must be approved by the Minister and advance notification is necessary in order to raise or reduce fares within such upper limits. (See "Business—Regulations"). Although the Group recently obtained approval for fare revisions from the Minister and increased the upper limits of its fares by an average of 12.9 per cent effective from 18 March 2023, there can be no guarantee that the Group will be able to obtain approval for fare revisions from the Minister in a timely manner when it is necessary in the future.

The Group's other businesses, including real estate business are also subject to laws and regulations. If the Group fails to comply with these regulations, the Group may become subject to sanctions or penalties imposed by governmental authorities or its reputation may be impaired substantially. On the other hand, should existing regulations be relaxed, the Group may face increased competition in its businesses. Accordingly, future changes in laws and regulations (including de-regulation) as well as policy changes may adversely affect the Group's businesses and its competitive landscape.

On 28 February 2023, the Tokyo District Public Prosecutors Office filed criminal charges, subsequent to accusations filed by the Fair Trade Commission, against Tokyu Agency Inc. ("Tokyu Agency"), a subsidiary of the Company, and one former executive of Tokyu Agency. The criminal charges relate to alleged bid-rigging (antitrust law violations) in respect of consignment contracts for test event planning, and other services ordered by the Tokyo Organising Committee of the Olympic and Paralympic Games ("Tokyo Organising Committee") and related to the Tokyo 2020 Olympics and Paralympic Games. Tokyu Agency has been indicted by the Tokyo District Public Prosecutors Office and has been suspended from tender nomination for projects by some government agencies and local governments. In addition to the possibility of criminal convictions resulting in penalties it is possible that the Fair Trade Commission may impose a cease and desist order and surcharge payment on Tokyu Agency, and/or that the Tokyo Organising Committee may claim damages from Tokyu Agency, any of which may have an adverse effect on the Group's reputation as well as the Group's performance and financial position.

Property prices and costs

The Group's real estate sales business is susceptible to changes in real estate values, particularly in the period between acquisition of the land and/or building and the time that the completed or renovated condominium units or buildings are sold by the Group. Any decline in value of the real estate market after the acquisition of the land and/or buildings could affect the Group's ability to sell such properties at prices initially anticipated by the Group, which in turn could impact the revenue expected from such sales.

Similarly, the profitability of such condominium development projects or asset turnover of the building business will be adversely affected if construction costs unexpectedly increase during the period between the acquisition of the land and/or building and sale of properties, due to external factors such as an increase in labour costs or in construction materials due to a weakening of the yen. Furthermore, a rise in interest rates in the future may negatively affect the demands for properties and may result in lower sale prices.

In addition, in the Group's real estate leasing business, large scale development projects conducted by the Group require long periods of time before the Group recoups expenditures (see, "—Major projects conducted by the Group require significant investment"). Such projects are similarly susceptible to changes in real estate values, increase in construction costs and a rise in interest rates, making it difficult to accurately predict the final total expenditure for each project in advance.

Use of contractors in real estate business

In its real estate business, the Group relies on third party contractors to carry out construction work and enters into construction agreements with a number of construction and contracting companies. In addition, the Group engages third party design offices to provide the necessary architectural and design services. Further, on occasion, the Group may seek to develop a particular development project together with other developers.

Although the Group monitors the performance and quality of the contractors, design offices and third party developers which it works with, some of them may not meet the standards required by the Group, which may result in design, construction or other defects or problems in the Group's properties that may require significant costs to remedy or result in payment or other obligations to third parties, including the Group's customers, as well as significant damage to the "Tokyu" brand.

In its real estate sales business, as a developer of condominium and housing units, the Group is subject to construction defect and home warranty claims. The Group generally provides purchasers of individual condominium or housing units with limited statutory warranties under the Civil Code of Japan (Act No. 89 of 1896, as amended) and the Housing Quality Security Promotion Act (Act No. 81 of 1999, as amended), covering workmanship, materials and major structural defects, and carries out regular aftercare inspections at certain intervals for its condominiums. However, claims arising under these warranties, construction defects and general product liability claims can be costly.

Accidents and other incidents concerning safety

Safety and customer welfare are an important aspect of all of the Group's operations, in particular to its railway and bus operations. Although the Group has undertaken measures to ensure the safety of its railway and bus operations and passengers, such as installing platform screen doors and fixed platform barriers at all stations on its railway network (excluding the Setagaya Line and the Kodomonokuni Line), there can be no assurance that an accident or incident involving the Group's transportation services, including severe accidents involving serious injury to, or death of, its passengers or personnel will not occur. Accidents and injuries may be caused by internal factors such as human errors of the Group's personnel, as well as external factors such as acts of terrorism. Any such accident or incident could cause prolonged disruption to the Group's transportation services, as well as significant liability claims and proceedings against the Group by injured parties.

Although the Group maintains liability insurance in amounts and of the type generally consistent with industry practice, such coverage may not cover all claims and the amount of such coverage may not be adequate. As a result, the Group may be forced to bear substantial losses from accidents or incidents, any of which could have an adverse effect on the Group's results of operations and financial condition. Moreover, any accident or incident, even if fully insured, could severely impair the Group's reputation through claims that the Group or its services are less safe than those of its competitors or of alternative modes of transportation.

Natural disasters and factors outside the Group's control

Japan has historically experienced, and the Group's operations may be affected by, major earthquakes and other natural disasters, including volcanic eruptions, tsunamis, typhoons, floods and any secondary disasters therefrom. The Group's operations may also be affected by unforeseen events, including acts of terrorism, the spread of infectious diseases or other similar events. As most of the Group's assets, including its railway facilities, leased properties, retail outlets and hotels are located in the areas served by the Group's railway network (see "Business—Areas Served by Tokyu Railways Lines"), in the event of a major natural disaster or an unforeseen event impacting such areas, the Group may experience a catastrophic loss, including damages to the Group's facilities and injuries to customers and personnel at the Group's facilities. In such an event, the Group's operations may be halted, large losses and expenses to repair or replace facilities may be incurred, a significant reduction in revenue or impairment may result, or other problems may arise.

The Group has worked to strengthen its response capabilities to natural disasters, including the establishment of co-operative systems among the members of the Group in the event of natural disasters. The Group also regularly conducts assessments of losses and social impacts of climate change and is implementing countermeasures based on the results of such assessments, such as upgrading flood prevention measures at the Group's facilities. In addition, the Group conducts ongoing reviews to improve the effectiveness of risk financing, including earthquake insurance and commitment lines from financial institutions, to meet emergency funding needs in the event of natural disasters.

However, there can be no assurance as to whether the preparations and procedures that the Group has implemented will be sufficient to cover all possible scenarios and to prevent the losses and expenses that may arise as a consequence.

Separately, where a natural disaster and/or other event outside the Group's control occurs, even where the Group's operational capabilities are not compromised, such events may adversely affect demand for its services and products as a consequence of a decline in the general economic environment in the areas served by the Group's railway network, as well as a decline in the number of visitors from other areas, including overseas tourists.

Internal controls

The Group has established and operates internal controls with the aim of ensuring the effectiveness and efficiency of business operations, reliability of financial reporting, compliance with applicable laws and regulations relevant to its business operations. However, there is no assurance that the Group will be able to establish and operate effective internal controls on a continuous basis since there are inherent limitations to such controls. If the internal controls that the Group implements fail to function effectively, or if there are deficiencies or material weaknesses in such internal controls, material errors or irregularities in the Group's accounting procedures, which could result in the publication of incorrect financial statements, or in its compliance processes may occur. Any of such events may adversely affect the reliability of the Group's financial reporting and compliance processes.

Systems failures

The Group relies on information technology ("IT") in all aspects of its business. In particular, the Group's railway operations are increasingly reliant on IT, including with respect to signalling and scheduling, as well as for safety management. The Group has introduced IT security, back-up and recovery measures to deal with the consequences of disruption and/or damage to its IT systems, however, there is no assurance that a severe technical failure, disruption or loss of IT systems will not occur due to human error, natural disaster, hardware or software failure, computer virus, hacking, earthquake, fire, flood, terrorism and prolonged power outage.

Any disruption or failure of its IT systems could result in service interruptions, safety failures, security violations, accidents, regulatory compliance failures, the inability to protect corporate information assets against intruders, or other operational difficulties, including significant delays in, and disruption to, services. A significant and prolonged disruption may result in the Group losing customers to competitors and could adversely affect the Group's results of operations and financial condition.

The "Tokyu" brand

The Group's success in the markets for its services depends in part on its brand name. The Company considers the "Tokyu" brand as central to its corporate identity and the Group provides services and products directly to customers under a variety of "Tokyu"-related brand names. The Company actively manages the use of the brand and enters into agreements with the companies within the Group for the use of the brand name "Tokyu" and its trademark. The Company has also established certain standards to ensure that the value of the brand is maintained and to eliminate brand risk, in return for which the Company receives a brand fee. Although the Group works to enhance the value of the "Tokyu" brand, if any subsidiary or affiliate within the Group uses the brand, or operates its business, in a manner that is inconsistent with the Company's standards, the value attributed to the "Tokyu" brand will suffer together with the reputation of the Company and each subsidiary and affiliate that is associated with the brand. Any material damage to the "Tokyu" brand could negatively affect customers' perception of the quality of services and products rendered under the "Tokyu" brand generally, which could adversely affect all areas of the Group's business.

Confidential data and personal information

In the course of its businesses the Group obtains, stores and maintains personal and other confidential information concerning its customers through the issuance of products such as season tickets and credit cards, as well as through the ordinary course of the Group's hotel operations and real estate operations. Any unauthorised access, leakage or misuse of such information, whether by the Group's employees or by third parties, could harm the Group's reputation and otherwise adversely affect the Group's operations.

Although the Group employs measures to ensure the integrity of data security, there is no assurance that unauthorised access, hacking, leakage, phishing or other misuse of such information will never occur. Under Japanese law, pursuant to the Act Concerning Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), if personal information is leaked or improperly accessed and subsequently misused, the Group may be held responsible and may be subject to civil liability and regulatory action. Moreover, such incidents could damage the credibility and reputation of the Group's services and negatively affect the Group's results of operations and financial condition.

Human resources

Recruiting and retaining qualified personnel is essential for all aspects of the Group's businesses in order to maintain high standards of service as well as the safety and security of operations. As the Group belongs to the service

industry, maintaining and enhancing the quality of its services is essential for customer satisfaction. It is also essential for the Group to attract and retain a skilled workforce to expand the business areas which are more profitable or strategically significant as and when the Group so plans. The Group strives to achieve and maintain the quality of services required through continuous training and investment in its personnel. However, partly due to Japan's aging population, the Group may find it increasingly difficult to attract and retain qualified personnel in some of its business areas, including the recruitment and retention of bus drivers, or to replace its retiring skilled workforce. There is no assurance that the Group will be able to continue to attract and retain qualified personnel in the future.

Acquisitions, joint ventures and strategic investments

The Group may from time to time evaluate and consider a wide array of potential strategic transactions, including acquisitions and dispositions of businesses, joint ventures, business or capital alliances, new technologies, services, products and other assets and strategic investments.

However, acquisitions or strategic investments may not always be successful or produce expected returns. The process of integrating any acquired business or operating any joint venture may create unforeseen operating difficulties and expenditures. The Group may also face unknown liabilities associated with a company which it acquires or in which it invests. Any failure to address these risks or other problems encountered in connection with its acquisitions and investments could result in unexpected costs, the impairment of assets or goodwill relating to the investment or other damage to the business. In addition, acquisitions could also result in dilutive issuances of the Company's equity securities, the incurrence of debt, increased expenses as a result of amortization of goodwill or other intangible assets, contingent liabilities or other unexpected losses, any of which could harm the Group's financial condition. Any of these risks, if realised, could materially and adversely affect the Group's business, results of operations and financial conditions.

Considerations Relating to Financial Information

Differences in Japanese GAAP and financial reporting standards in other jurisdictions

The Company's consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain material respects from IFRS and generally accepted accounting principles and financial reporting standards in other jurisdictions. The Company's consolidated financial statements may therefore differ from those prepared for companies outside Japan. This Offering Circular does not include a reconciliation of the Company's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards. It is likely that such reconciliation would identify material quantitative differences between Japanese GAAP and IFRS or between Japanese GAAP and such other generally accepted accounting principles or reporting standards.

Unaudited Financial Information

This Offering Circular contains unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 (with comparative information as of and for the fiscal year ended 31 March 2022), which have not been audited by the Company's independent auditor and which consists of a summary English translation of the unaudited annual consolidated financial information contained in the preliminary results announcement (*kessan tanshin*) of the Company published on 11 May 2023 in Japanese under the rules of the Tokyo Stock Exchange. This information is unaudited and there can be no assurance that such unaudited financial information will accord in all respects with the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 which are currently being prepared by the Company and will be published towards the end of June 2023 upon completion of the audit.

As of the date of this Offering Circular, the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 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 information, as well as correct any errors discovered during the process. As a result, there may be differences between the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular and the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 becoming available.

The English translation of the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular omits certain disclosures required under Japanese GAAP, including some of the notes, compared to the English language audited consolidated financial statements as of and for the fiscal year ended 31 March 2022 (together with comparable information as of and for the fiscal year ended 31 March 2021) included in this Offering Circular.

Considerations Relating to the Bonds and the Shares

The Company intends to repurchase its Shares

On 12 June 2023, the Company's Board of Directors authorised the repurchase of up to 20,000,000 Shares (approximately 3.25 per cent of the issued Shares, excluding treasury stock as of 31 May 2023) at a maximum cost of ¥30 billion from the market, such repurchase to be made at any time in the period from and including 13 June 2023 to and including 31 December 2023. The Company has decided to repurchase such Shares to reduce cross-shareholdings as well as to improve capital efficiency and to increase the value per Share through a reduction in the number of outstanding Shares.

As part of its repurchase plan, the Company intends to repurchase up to approximately ¥30 billion worth of Shares at 8:45 a.m. (Tokyo time) on 13 June 2023 at the closing price of the Shares on the Tokyo Stock Exchange on 12 June 2023 through the ToSTNeT-3 system. The amount of Shares which the Company is able to repurchase through the ToSTNeT-3 system is dependent on the amount of Shares market participants offer to sell at the relevant price at the relevant time. The result of such repurchase will be announced in Japan on 13 June 2023.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥30 billion and the maximum number of 20,000,000 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 December 2023. However, there can 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 repurchases 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 the replacement of cash with debt. Although the Company believes such changes will not adversely 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 adversely impact credit rating, financing, share price or investor relations.

There are limitations on the timing of exercise of Stock Acquisition Rights that will impact Bondholders' rights

Under the current handling rules and practices of JASDEC, it will take a minimum of three business days for Shares to be delivered to a Bondholder after the Stock Acquisition Date (as defined in Condition 5.9.4 of the Conditions for the relevant Series of Bonds). The Stock Acquisition Rights may not be exercised during any such period in which 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 exercise of Stock Acquisition Rights will be restricted during the period surrounding any record date in respect of Shares set by the Company (as of the date of this Offering Circular, 31 March and 30 September in each year).

No cash amounts will be payable in respect of Shares that constitute less than one full unit

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 exchange on which they are listed. Currently, the Company's Articles of Incorporation provide that one unit comprises 100 Shares. Since the introduction of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including the regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one full unit to be delivered through the JASDEC book-entry transfer system, JASDEC's guidance requires that stock acquisition rights issued by Japanese companies should be structured such that shares that constitute less than one full unit are delivered to the account of the exercising holder, instead of being automatically sold back 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 receive cash amounts in respect of Shares that constitute less than one full unit.

Shares that constitute less than one full unit may not be traded on the stock exchange on which they are listed. Accordingly, a holder of Shares that constitutes less than one full unit will need to request the Company to purchase such Shares 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; alternatively, such holders may require the Company to sell sufficient number of Shares in order to make its holding a full unit 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. See "Description of the Shares and Certain Regulations—Unit Share System".

Limitations on Anti-Dilution Protection

The Conversion Price at which the Stock Acquisition Rights for the Bonds may be exercised will be adjusted upon certain events having a dilutive impact on the Shares, to the extent described in the Conditions for the relevant Series of Bonds. 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.

The trading price of the Bonds will be affected by fluctuations in the trading price of the Shares

The trading price of the Bonds is expected to be affected by fluctuations in the trading price of the Shares and it is impossible to predict whether the trading price of the Shares will rise or fall. Any decline in the trading price of the Shares will have an adverse effect on the trading 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 financial results.

A trading market for the Bonds may not develop

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 on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, there can be no assurance that the Bonds will not trade at prices lower than the initial Offer Price.

The Bonds are unsecured

The Bonds do not benefit from any security and the Bondholders' claims will rank behind any secured creditors in the event of the Company's liquidation or bankruptcy.

Because of daily price range limitations under Japanese stock exchange rules, investors may not be able to sell their Shares at a particular price on any particular trading day, or at all

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell Shares received upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds at a price above or below the relevant daily limit may not be able to sell his or her Shares at such price on a particular trading day, or at all.

Future changes to Japanese law relating to Stock Acquisition Rights and the Shares may have a mandatory effect under Japanese law

Future changes to provisions relating to Stock Acquisition Rights and/or the Shares may have a mandatory effect under Japanese law. Condition 15.2 of the Conditions for the relevant Series of Bonds provides for amendments to be made to the Conditions for the relevant Series of Bonds relating to the Stock Acquisition Rights where those amendments become necessary in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

The rights of shareholders under Japanese law may be different from those that apply to companies incorporated in other jurisdictions

The corporate affairs of the Company are governed by, and in accordance with, the Company's Articles of Incorporation, the Company's Share Handling Regulations and the Company's Regulations of the Board of Directors and other related regulations thereunder, 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. Bondholders who acquire Shares upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds may have more difficulty in asserting their rights as a shareholder than they would as a shareholder of a corporation organised in other jurisdictions.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including giving notice to the Company pursuant to Condition 10 of the Conditions for the relevant Series of Bonds and taking enforcement steps as contemplated in Condition 16 of the Conditions for the relevant Series of Bonds), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be

obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Prior notification under the Foreign Exchange and Foreign Trade Act of Japan may be required in the case of acquisition by foreign investors of a certain portion of our Shares

Because the Group is engaged in certain businesses designated by the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (the “FEFTA”) and its related cabinet orders and ministerial ordinances (collectively, the “Foreign Exchange Regulations”), if a foreign investor intends to acquire Shares in circumstances that constitutes an “inward direct investment” under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance of Japan (the “Minister of Finance”) and any other competent Ministers (the “Ministers”). “Inward direct investment” includes an acquisition of Shares as a result of which such foreign investor, in combination with any existing holdings, directly or indirectly holds one per cent or more of the total number of issued Shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. If such prior notification is filed, the proposed acquisition may not be consummated until a prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order a modification or abandonment of such acquisition. In addition, if certain conditions, including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of the Shares acquired or take other measures. Consequently, any foreign investor seeking to acquire Shares in a transaction that constitutes an “inward direct investment” may not consummate such acquisition in an expected time frame, in accordance with an intended plan, or at all.

Additionally, if a foreign investor directly or indirectly holds one per cent or more of the total voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on the Company’s management such as the (i) election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as the Company’s Directors or Audit and Supervisory Board Members or (ii) transfer or discontinuation of its business, such consent, subject to certain exemptions, also constitutes an “inward direct investment” requiring prior notification. If such prior notification is filed, such consent cannot be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all.

The discussion above is not exhaustive of all possible foreign exchange control considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of Shares or voting rights by consulting their own advisors. For a more detailed discussion on the requirements and procedures regarding the prior notifications under the Foreign Exchange Regulations, see “Japanese Foreign Exchange Regulations”.

Acquisition Option

Under Condition 7.2 of the Conditions for the relevant Series of Bonds, at any time during the period from and including 1 September 2027 to and including 30 June 2028 (in the case of the 2028 Bonds) or from and including 3 September 2029 to and including 28 June 2030 (in the case of the 2030 Bonds), the Company may, but shall not be bound to, give an Acquisition Notice (as defined in the Conditions for the relevant Series of Bonds) to acquire each Bond at a consideration of 100 per cent of the principal amount in cash plus any Acquisition Shares calculated in accordance with the provisions of Condition 7.2.1 of the Conditions for the relevant Series of Bonds, provided that any Bondholder who wishes its Bonds to be so acquired must deliver a duly completed Acquisition Election Notice (as defined in the Conditions for the relevant Series of Bonds) on or before the date falling 14 calendar days prior to the Acquisition Option Date (as defined in the Conditions for the relevant Series of Bonds). In accordance with Condition 7.2.3 of the Conditions for the relevant Series of Bonds, any Bonds in respect of which a duly completed Acquisition Election Notice has not been delivered prior to such deadline will be redeemed at 100 per cent of their outstanding principal amount on the Elected Redemption Date (as defined in the Conditions for the relevant Series of Bonds), which amount may be lower in economic value than what the Bondholder would have been able to receive had it delivered a duly completed Acquisition Election Notice prior to the relevant deadline. Investors shall also note that pursuant to Condition 5.1.4(b) of the Conditions for the relevant Series of Bonds, if an Acquisition Notice is given pursuant to Condition 7.2 of the Conditions for the relevant Series of Bonds, the Stock Acquisition Rights may not be exercised during the period from and including 1 July 2028, in the case of the 2028 Bonds, and 1 July 2030, in the case of the 2030 Bonds, to and including the Elected Redemption Date.

Considerations Relating to Forward-Looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies and beliefs, as well as other statements that are not historical facts are forward-looking statements involving risks and uncertainties. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, the impact of general economic and market conditions in the markets where the Group operates, the level of demand for the Group's products and services, the level of competition, and the Group's ability to adapt itself to market, industry and general economic, political and business conditions.

TERMS AND CONDITIONS OF THE 2028 BONDS

The following terms and conditions of the 2028 Bonds will, subject to completion and amendment and save for the paragraphs in italics, be endorsed on the Certificates (as defined herein) evidencing the 2028 Bonds.

The ¥30,000,000,000 Zero Coupon Convertible Bonds due 2028 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the “Bonds”, which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by TOKYU CORPORATION (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 28 June 2023 made between the Company and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include its successors as trustee and any other trustee appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 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 28 June 2023 relating to the Bonds among, *inter alios*, the Company, the Trustee, Mizuho Trust & Banking (Luxembourg) S.A. as principal agent (the “Principal Agent”), as calculation agent (the “Calculation Agent”) and as registrar (the “Registrar”) and the other agents referred to therein are available for inspection by Bondholders by prior appointment 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 Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or electronically upon request to the Trustee, 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.

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

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

1.1 Form, Denomination and Issue Price

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100 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) “holder” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named 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 Global Certificate, owners of interests in the Bonds evidenced 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 exercise of the 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 executed and any other evidence as the Registrar or the relevant Agent (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 during normal business hours by the Principal Agent or the Registrar to any Bondholder upon 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" of this Offering Circular.

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 three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery 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 Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, 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); and (ii) the Company and the Registrar or the relevant Agent being reasonably 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 due date for redemption pursuant to Condition 7.1, 7.2.3, 7.5, 7.6 or 7.7;
- (ii) with respect to any Bond for which Condition 7.2.2 applies, during the period from and including the Acquisition Determination Date (as defined in Condition 3.1) or, if earlier, the time at which an Acquisition Election 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 or prior thereto, 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):

"3-Month Deposit Rate" means, as of any specified time on any date, the rate per annum as of such specified time on such date as shown on Bloomberg page JYDRC Curncy (setting "Bid", and using the pricing source "CMPL") (or any successor page, setting or pricing source), or, if no such rate is available as of the specified time on such day (for the purposes of this definition, the "Original Date"), the 3-Month Deposit Rate on the Original Date shall be the 3-Month Deposit Rate, determined as aforesaid, as of the specified time on the immediately preceding day on which the same can be so determined, provided however that if such immediately preceding day falls prior to the fifth day before the Original Date, or if the 3-Month Deposit Rate cannot be determined as aforesaid (including without limitation because such Bloomberg page (or any successor) has ceased to exist), the 3-Month Deposit Rate as of the specified time on the Original Date shall be determined in such other manner as determined in good faith to be appropriate by an Independent Financial Adviser. If the 3-Month Deposit Rate determined as aforesaid shall be less than zero, then the 3-Month Deposit Rate shall be deemed to be zero.

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

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

“Acquisition Election Notice” has the meaning provided in Condition 7.2.2;

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

“Acquisition Notice Period” means the period from, and including, 1 September 2027 to, and including, 30 June 2028;

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

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

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

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

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

“Annual Fiscal Period” means a period commencing on 1 April and ending on the following 31 March; provided that, if the Company shall change its fiscal 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 of them under these Conditions or the Trust Deed, such other auditors or firm of auditors as may be appointed by the Company to act as such 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 notified to the Trustee 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;

“Bid Price” has the meaning provided in Condition 5.1.9;

“Board of Directors” of a company means the board of directors of that company within the meaning of the Companies Act; provided that, if any individual director is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company’s articles of incorporation and other internal regulations, any reference to the Board of Directors of such company shall be deemed to mean such director, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director;

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

“Bonds without Acquisition Election Notice” has the meaning provided in Condition 7.2.3;

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

“Business Day” in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

“BVAL Price” has the meaning provided in Condition 5.1.9;

“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 28 June 2023;

“Closing Parity Value” has the meaning provided in Condition 5.1.9;

“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);

“Companies Act” means the Companies Act of Japan (Act No. 86 of 2005, as amended);

“Company Notification Date” has the meaning provided in Condition 5.1.9;

“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 and its Consolidated Subsidiaries 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 and its Consolidated Subsidiaries prepared as aforesaid;

“Consolidated Subsidiary” means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

“Controlling Shareholder” means a shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as provided in the Articles of Incorporation) or more of the Company’s voting rights as calculated in accordance with the Companies Act;

“Conversion Notice” means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the 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 The Law Debenture Trust Corporation p.l.c. at its specified office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG United Kingdom 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 Mizuho Bank, Ltd. at its specified office at 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6009, 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;

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

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

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

“Elected Redemption Date” has the meaning provided in Condition 7.2.3;

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

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

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

“Extraordinary Resolution” means a resolution passed (i) at a meeting of the Bondholders duly convened (including satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

“FATCA withholding” has the meaning provided in Condition 9;

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

“Fiscal Period” means, as the context may require, (i) a period commencing on 1 April and ending on the following 31 March; 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 fiscal 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 approved in writing by the Trustee or, if the Company fails to make such appointment 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 or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing or not doing) following notification to the Company, which appointment shall be deemed to be an appointment of the Company;

“JCR” has the meanings provided in Condition 5.1.6;

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

“Leading Institution” means the meaning provided in Condition 5.1.9;

“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;

“Notification Date” has the meaning provided in Condition 5.1.9;

“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;

“Parity Event” has the meaning provided in Condition 5.1.9;

“Parity Notification Event” has the meaning provided in Condition 5.1.9;

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

“Principal Subsidiary” means any Consolidated Subsidiary of the Company (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company’s opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Proceedings” has the meaning provided in Condition 21.2;

“Quote for the Bonds” has the meaning provided in Condition 5.1.9;

“R&I” has the meaning provided in Condition 5.1.6;

“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;

“Reference Period” has the meaning provided in Condition 5.1.9;

“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 International Financial Reporting Standards (as issued by the International Accounting Standards Board (or its successor) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or its successor));

“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 its successor) 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. (or its successor), 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, the 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” means (i) any Record Date and (ii) any other date set for the purpose of determination of the 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);

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

“Squeezeout Event” means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, for the purpose of, including but not limited to, making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder’s wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing;

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

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

“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), 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 such references to “acquired” and “acquisition” are to the acquisition of the Bonds pursuant to Condition 7.2), and references to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words “substitution” and “grant” used in relation to the exchange of the Company’s obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

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

4 Default Interest

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum as being equal to the 3-Month Deposit Rate 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 *Exercise of Stock Acquisition Rights and 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 at the Stock Acquisition Date as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond.

- 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 not constituting a unit (*tangen*) of Shares (“Non-unit 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 provide that 100 Shares constitute one unit. Under the book-entry transfer system established pursuant to the Book-Entry Act, 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, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may at any time require the Company to purchase such Shares through the relevant Account Management Institution. The Articles of Incorporation currently provide that a holder of Shares constituting less than one unit may also request the Company to sell the number of Shares which, when added to the Shares held by such holder, shall constitute one full unit.

- 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 ¥2,124.5 per Share, subject to adjustment in the manner provided in Condition 5.2.

- 5.1.4** *Exercise Period:* Subject to Condition 5.1.5, each Stock Acquisition Right may be exercised at any time during the period from, and including, 12 July 2023 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 15 September 2028, or:

- (i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled;
- (ii) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3 or 7.4, 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);
- (iii) if the relevant Bonds shall become due to be redeemed pursuant to Condition 7.2.3, 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;
- (iv) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.8 and cancelled by the Company pursuant to Condition 7.9, then up to the time when such Bond is so cancelled; or
- (v) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after 15 September 2028;

- (b) in the case of an acquisition pursuant to Condition 7.2 (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised during the period from and including 1 July 2028 to and including the Elected Redemption Date;
- (c) 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); and
- (d) the Stock Acquisition Rights may not be exercised where the relevant Stock Acquisition Date (or the next following Tokyo Business Day, if the Stock Acquisition Date would not be a Tokyo Business Day) would fall on a date within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, 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 (together with the reason for such change) shall be given promptly by the Company to the Trustee in writing and to the Bondholders in accordance with Condition 19.

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of the determination and period referred to in Condition 5.1.4(c) above at least 30 days prior to the commencement of such period.

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of each 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.

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 2023, it is anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 27 September 2023 to (and including) 2 October 2023.

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

5.1.5 *Condition to Conversion:*

- (i) Prior to (and including) 30 September 2027, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter; and
- (ii) From (and including) 1 October 2027 but prior to (and including) 30 June 2028, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter,

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

If the relevant condition as set out in (i) or (ii) above is satisfied, then a Bondholder may (subject to the Conditions) exercise the Stock Acquisition Rights on and after the first day of the immediately following calendar quarter (or, in the case of (i) above, in the case of the calendar quarter commencing on 1 July 2023, on and after 12 July 2023) until the end of such calendar quarter, provided the relevant Deposit Date falls during the Exercise Period.

The conditions to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable (A) during any period that Condition 5.1.6, 5.1.7 and/or 5.1.8 apply, and/or (B) where a Parity Event has occurred pursuant to Condition 5.1.9, during the period of 15 consecutive Tokyo Business Days commencing on (and including) the first Tokyo Business Day immediately following the Company Notification Date in respect of such Parity Event.

The conditions to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable during the period from, and including, 1 July 2028 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 15 September 2028.

Further, for the avoidance of doubt, even where a condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 is not applicable by virtue of Condition 5.1.6, 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.

5.1.6 *Conditions to Conversion – Rating Requirements:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during any period in which:

- (i) the long-term issuer rating assigned to the Company by Japan Credit Rating Agency, Ltd. or its successors (together, “JCR”) is BBB- (or equivalent if the rating category is changed) or lower, a long-term issuer rating is no longer assigned to the Company by JCR, or the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn; or
- (ii) the issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successors (together, “R&I”) is BBB- (or equivalent if the rating category is changed) or lower, an issuer rating is no longer assigned to the Company by R&I, or the issuer rating assigned to the Company by R&I has been suspended or withdrawn.

Upon the occurrence of any of the events set out in (i) or (ii) above, the Company shall forthwith give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

5.1.7 *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 5.1.5 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.

5.1.8 *Conditions to Conversion – Corporate Events:* Subject to the suspension by the Company as referred to in Condition 5.1.4(c), the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 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.

5.1.9 *Conditions to Conversion – Parity Event:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during the period of 15 consecutive Tokyo Business Days from and including the first Tokyo Business Day immediately following the Company Notification Date in respect of the occurrence of a Parity Event. Whether or not a Parity Event has occurred for the purposes of these Conditions shall be determined by the Calculation Agent in accordance with the provisions of this Condition 5.1.9.

Any Bondholder shall be entitled to give notice (each, a “Parity Notification Event Notice”) to the Company in writing, with a copy to the Calculation Agent, in each case in accordance with this Condition 5.1.9, if and to the extent that a Parity Notification Event has occurred, provided that such notice shall be accompanied by reasonable supporting evidence (such evidence to be accepted in the opinion of the Company in its absolute discretion) regarding the occurrence of such Parity Notification

Event. If any Parity Notification Event Notice is received after 5.00 p.m. in the place of the specified office of the Calculation Agent, such Parity Notification Event Notice shall be deemed for all purposes of these Conditions to have been provided on the date which is the immediately following Business Day in the place of the specified office of the Calculation Agent.

A Parity Notification Event Notice shall include a certification by or on behalf of the relevant Bondholder that it holds at least one Bond and evidence of such holding to the satisfaction of the Company, on which certification the Company and the Calculation Agent shall be able to rely, in the absence of manifest error, without further investigation. If a Parity Notification Event Notice is delivered in accordance with the foregoing, neither the Company nor the Calculation Agent shall be entitled or required to demand any further information from such person.

Each Parity Notification Event Notice to be given by a Bondholder to the Company shall be delivered to the Company by electronic mail only to 1322000@tkk.tokyo.co.jp, and shall simultaneously be copied to the Calculation Agent by electronic mail only to agencyparity@mizuho.lu, or in each case to such other electronic mail address as may be notified to Bondholders in accordance with Condition 19. Any Parity Notification Event Notice shall be deemed to be received by the Company or the Calculation Agent, as the case may be, only if received by the relevant party in legible form.

At any time when the relevant Bonds are evidenced by the Global Certificate, a Parity Notification Event Notice may be given by (or on behalf of) a person with an entitlement to such Bond, and which may be an accountholder in Euroclear or Clearstream, Luxembourg. Such Parity Notification Event Notice shall include a certification that such person holds (or is delivering such Parity Notification Event Notice on behalf of a person that holds) an entitlement to at least one Bond. Parity Notification Event Notices shall be submitted by electronic mail in accordance with this Condition 5.1.9 rather than through the Euroclear or Clearstream, Luxembourg systems.

The date on which any Parity Notification Event Notice is provided (or deemed to be so provided) to the Company and the Calculation Agent in accordance with the foregoing shall be the "Notification Date" in respect of such Parity Notification Event Notice. Once a Parity Notification Event Notice has been provided (or deemed to be so provided) on a Notification Date (such Parity Notification Event Notice being, for the purposes of this paragraph, the "earlier Parity Notification Event Notice"), any subsequent Parity Notification Event Notice that is provided (or deemed to be provided) on or prior to the Company Notification Date in respect of the earlier Parity Notification Event Notice shall be disregarded, and no Notification Date shall occur in respect of that subsequent Parity Notification Event Notice.

The following shall apply in respect of each Notification Date which is deemed to occur under this Condition 5.1.9:

- (a) no later than the second Business Day in Luxembourg and Tokyo immediately following the Notification Date, the Company shall give notice of the receipt of the relevant Parity Notification Event Notice, the relevant Notification Date and the expected Reference Period to the Bondholders in accordance with Condition 19 and to the Trustee;
- (b) the Calculation Agent shall determine whether or not a Parity Event has occurred in respect of the relevant Reference Period and shall notify the Company of such determination by no later than the second Business Day in Luxembourg and Tokyo immediately following (1) the last Business Day in Tokyo of the Reference Period if the Parity Event shall be deemed to have occurred in such Reference Period, or (2) the first day in the relevant Reference Period on which none of the events set out in the definition of Parity Event has occurred (and therefore it is determined that no Parity Event has occurred in respect of the relevant Reference Period); and
- (c) the Company will give notice of such Calculation Agent's determination to the Bondholders in accordance with Condition 19 and the Trustee no later than the second Business Day in Luxembourg and Tokyo immediately following the date on which the Calculation Agent notifies the Company of the determination set out in paragraph (b) above (the date on which notice is given by the Company in accordance with this paragraph (c) being referred herein to as the "Company Notification Date").

None of the Company, the Calculation Agent, the Trustee, the Agents, the Registrar, the Custodian or the Custodian's Agent will be required to monitor any BVAL Price or Quotes for the Bonds or to take any steps or to perform any related calculations to verify whether a Parity Notification Event or Parity Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so, save

(in the case of the Company and the Calculation Agent only and only as expressly provided in this Condition 5.1.9) where a Notification Date has occurred pursuant to this Condition 5.1.9.

In these Conditions:

“Bid Price” means, in respect of any day, the bid price per ¥10,000,000 in principal amount of the Bonds quoted by a Leading Institution for the purchase by that Leading Institution of a minimum principal amount of the Bonds equal to ¥10,000,000 on such day;

“BVAL Price” means, in respect of any day, the price of the Bonds as derived from the Bloomberg page: XS2635167450 Corp HP (setting “BVAL” or any successor setting) provided by Bloomberg (or any successor service) as the bid price of the Bonds as at 4:00 p.m. (New York time) on such date, multiplied by 100,000, as determined by (i) the Calculation Agent, in the case of the determination of a Parity Event, or (ii) the relevant Bondholder, in the case of the determination of a Parity Notification Event;

“Closing Parity Value” means, in respect of any day, the amount determined in good faith by the Calculation Agent and calculated as follows:

$$CPV = N \times CP$$

where

CPV = the Closing Parity Value.

N = ¥10,000,000 divided by the Conversion Price in effect on such day (for the avoidance of doubt, without taking into account Retroactive Adjustments, if any); and

CP = the Closing Price of the Shares on such day (or if such day is not a Trading Day, the most recent Trading Day prior thereto);

“Leading Institution” means any bank or financial institution which is a leading, internationally recognised market maker in trading exchangeable and/or convertible bonds;

A “Parity Event” shall be deemed to have occurred on the last day of any Reference Period, where the Calculation Agent determines that, in respect of each of the five Tokyo Business Days comprised in such Reference Period, either:

- (i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (ii) if no BVAL Price is available on such Tokyo Business Day (for any reason, including but not limited to by reason of the temporary unavailability of the relevant page or setting, or the permanent cessation of the provision of such price by the relevant provider), the Quote for the Bonds in respect of such Tokyo Business Day is less than 97 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (iii) neither the BVAL Price nor Quote for the Bonds is available in respect of such Tokyo Business Day;

A “Parity Notification Event” shall occur if, on each Tokyo Business Day during any period of five consecutive Tokyo Business Days ending no earlier than the fifth Business Day in Luxembourg and Tokyo immediately before the relevant Notification Date, either:

- (i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (ii) if no BVAL Price is available on such Tokyo Business Day (provided that it is not necessary for the relevant Bondholder to provide any evidence that such BVAL Price was so unavailable), such other reasonable evidence to show that the price of the Bonds (indicated as a percentage and multiplied by 100,000) as at 4:00 p.m. New York time on such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day is available;

“Quote for the Bonds” means, in respect of any Tokyo Business Day and in respect of Bid Prices as at or around 4.00 p.m. (Tokyo time) on such Tokyo Business Day, the Bid Price so provided by a Leading Institution selected by the Company (in its absolute discretion) as informed by the Company to the Calculation Agent, provided that where no Bid Price is provided to the Company in respect of such Tokyo Business Day, it shall be deemed that no Quote for the Bonds is available in respect of such Tokyo Business Day; and

“Reference Period” means, in respect of any Notification Date, the period of five consecutive Tokyo Business Days commencing on the third Business Day in Luxembourg and Tokyo immediately following such Notification Date.

References in these Conditions to any Bloomberg page means the relevant page on the Bloomberg terminal (or, if not available from Bloomberg, any successor information service provider thereto determined by the Company in its absolute discretion).

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

5.2 Adjustments of the Conversion Price

Upon the occurrence 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 allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3; or
- (ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8; or
- (iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8; or
- (iv) the date of grant, issue, transfer or offer 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 All, or a Class of, 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 All, or a Class of, 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 All, or a Class of, Shareholders of Assets (including Extraordinary Dividends):*

if the Company shall distribute to the holders of Shares (i) evidence of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being “distribution of surplus” within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidence 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 in respect of such Extraordinary Dividend.

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 evidence 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: ¥70,590

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥15.

“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 such Bond, and only such Bond, 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 2030 issued by the Company on the Closing Date, or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

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

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

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

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

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) 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 non-shareholders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant, issue or offer of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the grant, issue or offer of such rights or warrants;

5.2.8 *Combined Adjustment:* if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the “relevant date”) is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as “Relevant Securities”), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of “n2” below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

- n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.
- n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.
- v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue, transfer 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 grant, issue, transfer or offer 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 at which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question, and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share:* for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

- (i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;
- (ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court,

irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

- (iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);
- (iv) in the case of the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments:* if, at the time of computing an adjustment (the “later adjustment”) of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of “Fixed”:* any reference in this Condition 5.2 to the date on which the consideration is “fixed” shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events:* if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred

to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

5.2.14 *Modification to Operation of Adjustment Provisions:* notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

5.2.15 *Adjustment during the Relevant Period or the Reference Period:* for the purposes of Conditions 5.1.5 and 5.1.9, if the Conversion Price in effect on the last Trading Day of the period of 20 consecutive Trading Days referred to in Condition 5.1.5 (the “Relevant Period”) or the Reference Period reflects any adjustment which has become effective pursuant to this Condition 5.2 during the Relevant Period or the Reference Period, then the Closing Price of the Shares for each Trading Day which occurs during the Relevant Period or the Reference Period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment. For the avoidance of doubt, if the Closing Price of the Shares for any Trading Day within the Relevant Period or the Reference Period reflects (by reason of having become ex-rights or otherwise) an event which gives rise to an adjustment to the Conversion Price pursuant to this Condition 5.2 becoming effective immediately after the end of the Relevant Period or the Reference Period, then such Closing Price shall be appropriately adjusted to be such price prior to such event having been so reflected, for the purposes of Conditions 5.1.5 and 5.1.9.

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 at 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

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, officers, audit and supervisory board members 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 one yen 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 of a yen. None of the Trustee, the Principal Agent, the Registrar, the Custodian, the Custodian's Agent, the Calculation Agent or any other Agents shall be under any duty or responsibility to any Bondholder or any other person to determine, calculate or verify the adjusted Conversion Price or whether any adjustment is required to be made, and none of them will be responsible to Bondholders or any other person for any loss arising from any failure to do so or any erroneous calculation.

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 Registrar, the Custodian, the Custodian's Agent and the Calculation 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 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 Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent fail to 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 relevant Agent will not be bound to make any payments until the relevant 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 relevant Agent have been made. Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights (which for the avoidance of doubt does not include the exercising Bondholder's own costs and expenses for holding such Shares) and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

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 relevant 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 relevant Agent disclosing otherwise confidential information for the purposes of the relevant 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.

5.9.4 *Deposit Date and Stock Acquisition Date:*

- (i) The time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;
- (ii) 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 relevant Certificate therefor will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);
- (iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and
- (iv) If deposit of the Conversion Notice is made on a day which is not a Business Day or after 17:00 hours in the place of the specified office of the Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

At any time when the relevant Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its time of deposit. 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 Bonds the Stock Acquisition Rights incorporated in which 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 at 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 or regulation (including any administrative order or guidelines issued by any relevant authority) or the Articles of Incorporation or the share handling regulations of the Company:

- (i) as soon as practicable and in any event within 14 days after the Stock Acquisition Date, in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, 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 purposes of such transfer); and
- (ii) as soon as practicable, the Company shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares) 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 as soon as practicable, and in any event within 21 days after the Stock Acquisition Date, 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 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) required to be delivered upon exercise (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) 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.

Any Conversion Notice transmitted electronically is not required to be endorsed and shall be processed in accordance with the operating procedures of the relevant clearing systems.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital:* With effect as at 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 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 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 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 the 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 the New Obligor 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 5.1.5 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 at the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the “maximum capital and other increase amount” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.9 *Others:* Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 No Statutory Put Rights

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

6.7 Subsequent Corporate Events

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

7 Redemption, Acquisition, Purchase and Cancellation

7.1 Final Maturity

Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent of their principal amount on 29 September 2028. 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:* At any time during the Acquisition Notice Period, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may, but shall not be bound to, give notice (the “Acquisition Notice”) to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), to acquire from those Bondholders which deliver a duly completed Acquisition Election Notice on or after the date of the Acquisition Notice and on or before 29 August 2028 (the “Acquisition Determination Date”) pursuant to Condition 7.2.2, the Bonds which are the subject of such Acquisition Election Notice outstanding on 12 September 2028 (the “Acquisition Option Date”); provided that such option to acquire may not be exercised by the Company if an Event of Default has occurred. Upon giving such notice, all such Bonds which are the subject of a duly completed Acquisition Election Notice shall be deemed to be so acquired by the Company on the Acquisition Option Date. Each Bondholder which delivers a duly completed Acquisition Election Notice, by accepting or acquiring any Bond, agrees that the relevant Bond shall be so acquired by the Company on the Acquisition Option Date.

Subject to Conditions 7.2.2, 7.2.3 and 7.2.4, the Company shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Company:

- (i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent of the principal amount of the Bonds on the Acquisition Option Date in cash; and
- (ii) issue and deliver the Acquisition Shares in accordance with Condition 7.2.2, if any, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date,

in each case, to the Bondholders which have delivered a duly completed Acquisition Election Notice.

Immediately prior to giving the Acquisition Notice (but on the same day as the giving of such Acquisition Notice), the Company shall provide the Trustee with a certificate by a Representative

Director or an Authorised Officer certifying to the effect that, as at the date thereof, no Event of Default or, no Potential Event of Default (as defined in the Trust Deed), has occurred. The Trustee may rely absolutely without liability to Bondholders or any other person on such certificate as to the absence of any Event of Default or, any Potential Event of Default, on such date.

Any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the 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 positive, calculated by dividing (a) the amount by which the Acquisition Share Value exceeds the principal amount of each Bond by (b) the Average VWAP per Share, provided that:

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

“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, provided that:

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

be the VWAP on such Trading Day (but subject to adjustment pursuant to (a) and/or (b) above, if required); and

- (d) if during the Relevant VWAP Period any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the last day of the Relevant VWAP Period) to the Conversion Price under the provisions of Condition 5.2, the Average VWAP per Share as determined above shall be adjusted in such manner and to such extent as the Company ((a) in its reasonable opinion, or (b) at its option, after consultation with an Independent Financial Adviser) shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser, if obtained) in order to compensate for the effect of such event.

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

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

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

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

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

“Ex-Dividend Date” means the Tokyo Business Day immediately prior to any Record Date for a dividend declared or to be declared by the Company (provided that if such Record Date falls on a date that is not a Tokyo Business Day, then the Ex-Dividend Date means the second Tokyo Business Day immediately prior to such Record Date); provided further that if, in the opinion of the Company, there has been a change to the mandatory provisions of Japanese law, regulation or practice which affects the timing or application of ex-dividend dates, the definition of Ex-Dividend Date may be amended by the Company, and/or the Company may make such other changes to this Condition 7.2.1 as it shall consider appropriate and fair, in each case, to the extent permitted by applicable law and to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders, and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

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

“Relevant VWAP Period” means the 20 consecutive Trading Days beginning on, and including, the 30th Trading Day prior to the Acquisition Option Date.

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** Acquisition Election Notice: In order to elect to have its Bonds acquired by the Company and to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.2, the electing Bondholder must deliver to the specified office of an Agent, on or after the date of the Acquisition Notice and no later than the Acquisition Determination Date, a duly completed election notice substantially in the form set out in the Agency Agreement (an “Acquisition Election Notice”, a copy of which may be obtained from the

specified office of any Agent) with respect to all, but not part, of the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Acquisition Election Notice relates. An Acquisition Election Notice shall be irrevocable once delivered.

At any time when the relevant Bonds are evidenced by the Global Certificate, the Bondholder shall, in lieu of depositing the Acquisition Election Notice in the manner aforesaid, transmit the Acquisition Election Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto.

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including but not limited to any administrative orders or guidelines issued by any relevant authority), the Articles of Incorporation or the share handling regulations of the Company, 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 Acquisition Election 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 Acquisition Election Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.10 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 an Acquisition Election 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.

An Acquisition Election Notice may be delivered by a holder with respect to one or more Bonds. To the extent that an Acquisition Election 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 Acquisition Election Notice.

7.2.3 *Bonds in Respect of Which an Acquisition Election Notice was Not Delivered:* If, on the day immediately following the Acquisition Determination Date, there are any Bonds in respect of which a duly completed Acquisition Election Notice has not been received by an Agent on or prior to the Acquisition Determination Date ("Bonds without Acquisition Election Notice"), such Bonds without Acquisition Election Notice shall be redeemed at 100 per cent of their outstanding principal amount on the date falling two Tokyo Business Days after the Acquisition Option Date (the "Elected Redemption Date"), and payment in respect thereof shall be made in accordance with Condition 8.

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, provided that failure to give such notice shall not invalidate such nullification.

In addition, if an Event of Default occurs at any time after the giving of the Acquisition Notice but before the Acquisition Option Date, then the Acquisition Notice shall, unless the Bonds have already been acquired on the Acquisition Option Date, become null and void and the provisions of Condition 10 will apply. If the Company becomes aware, after the Acquisition Notice having been given but prior to the relevant Acquisition Option Date, that an Event of Default has occurred, the Company shall give notice of the annulment and cancellation of the Acquisition Notice to the Bondholders in accordance with

Condition 19 forthwith upon such occurrence, provided that failure to give such notice shall not invalidate such annulment and cancellation.

7.2.5 Exercise of Stock Acquisition Rights: The Company's right to acquire the Bonds in the manner set forth in this Condition 7.2 does not affect a Bondholder's right to exercise its Stock Acquisition Rights hereunder during the Exercise Period. For the avoidance of doubt, in the case of an acquisition pursuant to this Condition 7.2 (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised during the period from and including 1 July 2028 to and including the Elected Redemption 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 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 first 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 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 that (i) 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 12 June 2023 and (ii) 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 Authorised Officer stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent or more of the aggregate principal amount of the Bonds as 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 Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.5 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event

Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event), if any of the following conditions is satisfied:

- (i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to 15 September 2028, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)										
	70.00	80.00	90.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00
28 June 2023	98.12	100.79	104.67	109.78	116.02	123.29	131.45	140.39	150.00	160.00	170.00
28 June 2024	98.05	100.44	104.11	109.12	115.38	122.76	131.08	140.20	150.00	160.00	170.00
28 June 2025	98.09	100.09	103.46	108.33	114.62	122.14	130.69	140.05	150.00	160.00	170.00
28 June 2026	98.27	99.73	102.64	107.30	113.63	121.40	130.29	140.00	150.00	160.00	170.00
28 June 2027	98.71	99.41	101.50	105.74	112.23	120.52	130.00	140.00	150.00	160.00	170.00
28 June 2028	99.68	99.69	100.03	102.07	110.00	120.00	130.00	140.00	150.00	160.00	170.00
15 September 2028	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00

“Reference Parity” means:

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

divided by the Conversion Price in effect on the last day of such five consecutive Trading Day period (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to

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

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

- (x) if the Reference Parity falls between two numbers in the first row of the above table and/or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365-day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;
- (y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and
- (z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is less than 100.00 per cent, the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is more than 170.00 per cent, the Corporate Event Redemption Price shall be 170.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 16 September 2028 to (and excluding) 29 September 2028, 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 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 shall be entitled to assume, without being required to take any action and without liability, until it has written notice 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 *mutatis mutandis* 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 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 Conditions 6 and 7.5, or Condition 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 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 in writing and to the Bondholders in accordance with Condition 19.

7.7 Squeezeout Redemption

7.7.1 *Redemption:* Upon the occurrence of a Squeezeout Event, the Company shall give notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), 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 Condition 7.7.2, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be; provided however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

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

amount of cash which the holder of a Share would receive in exchange for Shares following 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 *mutatis mutandis* to the above redemption price without any adjustment.

7.8 Purchase of Bonds by the Company

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

7.9 Cancellation

All Bonds which are redeemed or acquired 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 or Acquisition

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption, 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(a) 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 7.2.4 and 7.6.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4.

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.

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

8 Payments

8.1 Method of Payment

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. All payments are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. 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 third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date of payment.

8.2 Agents

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to (in respect of the Principal Agent, the Registrar and any other Agent only) the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar, the Calculation Agent or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) a Calculation Agent. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar, the Calculation Agent or any other Agent will be given to the Bondholders in accordance with Condition 19.

8.3 Payments on Payment Business Days

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. “Payment Business Day” means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried out 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) to 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 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 the receipt of payment in respect of any Bond; or
- (ii) in respect of which the relevant Certificate is presented for payment, more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting such Certificate for payment as at the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds in accordance with and subject to Condition 7.4.

No Additional Amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service (“FATCA withholding”). Further, the Company will have no obligation to otherwise indemnify for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

As used herein, the “Due Date” for any payment 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 its 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 at their principal amount together with accrued interest (if any) to the date of payment on the occurrence of any of the following events:

- 10.1** *Non-Payment*: the Company defaults in the payment of 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 seven 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 principal in respect 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 (on demand or otherwise) (or at the expiration of any applicable grace period as originally provided); 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 (in the opinion of the Trustee) any material 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 are to 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, (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 Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.2 if 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 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 (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 *Stoppage of 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 are to 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 (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 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

10.10.2 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 (in the opinion of the Trustee) any material 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 (in the opinion of the Trustee) any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days;

and, in the case of any of the events described in Condition 10.2, 10.3, 10.4, 10.5 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have

certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee, in forming any opinion or in making any determination under or required or contemplated by this Condition 10, may exercise any or all of the rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law and may also seek instructions or directions from the Bondholders.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than yen may be translated into yen at the spot rate for the sale of relevant currency against the purchase of yen quoted by any leading bank selected in its sole discretion by the Trustee 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 delivered 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 of the Stock Acquisition Rights, if any, 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 Fiscal Year and Record Date: give notice to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its fiscal 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 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, and (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, 7.6 or 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1, or (z) proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the

Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing after the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be);

- 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 Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;
- 11.1.7** *Limitation on Reduction of Conversion Price*: 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 are to 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 Registrar, the other Agents, the Custodian, the Custodian's Agent and the Calculation Agent (including the cost of providing notices) 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 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, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) satisfaction of such other conditions as are set out in the Trust Deed. 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 these Conditions whether an event or circumstance is materially prejudicial to the interests of Bondholders, the Trustee may obtain such directions from Bondholders and/or expert advice as it considers appropriate and rely thereon without responsibility or liability to the Bondholders or any person for delay occasioned by 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 and manner 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 at 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 and which certificate the Trustee shall be entitled to rely upon without further investigation and without incurring any liability to any person for doing so. In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;
- (iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will 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 the New Obligor will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need 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 the 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), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 Deemed Amendment

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

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

13 Prescription

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14 Replacement of Certificates

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Principal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Meetings of Bondholders; Modification and Waiver

15.1 Meetings of Bondholders

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

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds outstanding shall for all purposes be as valid and effective 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. A meeting of Bondholders may be held electronically in accordance with the procedures set out in the Trust Deed.

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, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default shall not be treated as such 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, authorisation or determination shall be binding on the Bondholders and shall be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.2, 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 Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming 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 (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections 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 and substance 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 and may rely on any opinion or any certificate of a Representative Director or Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 Authority to the Trustee

To the fullest extent permitted by applicable law, by acquiring a Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding 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, step or proceeding 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, step or proceeding. The Trustee shall not take any action, step or proceeding 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 or is unable

to do so within a reasonable time following such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure or inability 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. 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 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 or the Independent Financial Adviser or such other expert (as the case may be) in respect thereof is limited by a monetary cap or otherwise; 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 or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing or not doing, following notification to the Company, in which case such Independent Financial Adviser shall be deemed to have been appointed by the Company.

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 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, the Agency Agreement 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 and accordingly any legal action or proceedings arising out of or in

connection with the Trust Deed or 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 Cogency Global (UK) Limited as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) 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 2030 BONDS

The following terms and conditions of the 2030 Bonds will, subject to completion and amendment and save for the paragraphs in italics, be endorsed on the Certificates (as defined herein) evidencing the 2030 Bonds.

The ¥30,000,000,000 Zero Coupon Convertible Bonds due 2030 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the “Bonds”, which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by TOKYU CORPORATION (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 28 June 2023 made between the Company and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include its successors as trustee and any other trustee appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 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 28 June 2023 relating to the Bonds among, *inter alios*, the Company, the Trustee, Mizuho Trust & Banking (Luxembourg) S.A. as principal agent (the “Principal Agent”), as calculation agent (the “Calculation Agent”) and as registrar (the “Registrar”) and the other agents referred to therein are available for inspection by Bondholders by prior appointment 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 Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or electronically upon request to the Trustee, 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.

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

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

1.1 Form, Denomination and Issue Price

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100 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) “holder” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named 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 Global Certificate, owners of interests in the Bonds evidenced 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 exercise of the 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 executed and any other evidence as the Registrar or the relevant Agent (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 during normal business hours by the Principal Agent or the Registrar to any Bondholder upon 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” of this Offering Circular.

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 three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company’s expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery 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 Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, 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); and (ii) the Company and the Registrar or the relevant Agent being reasonably 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 due date for redemption pursuant to Condition 7.1, 7.2.3, 7.5, 7.6 or 7.7;
- (ii) with respect to any Bond for which Condition 7.2.2 applies, during the period from and including the Acquisition Determination Date (as defined in Condition 3.1) or, if earlier, the time at which an Acquisition Election 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 or prior thereto, 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):

"3-Month Deposit Rate" means, as of any specified time on any date, the rate per annum as of such specified time on such date as shown on Bloomberg page JYDRC Curncy (setting "Bid", and using the pricing source "CMPL") (or any successor page, setting or pricing source), or, if no such rate is available as of the specified time on such day (for the purposes of this definition, the "Original Date"), the 3-Month Deposit Rate on the Original Date shall be the 3-Month Deposit Rate, determined as aforesaid, as of the specified time on the immediately preceding day on which the same can be so determined, provided however that if such immediately preceding day falls prior to the fifth day before the Original Date, or if the 3-Month Deposit Rate cannot be determined as aforesaid (including without limitation because such Bloomberg page (or any successor) has ceased to exist), the 3-Month Deposit Rate as of the specified time on the Original Date shall be determined in such other manner as determined in good faith to be appropriate by an Independent Financial Adviser. If the 3-Month Deposit Rate determined as aforesaid shall be less than zero, then the 3-Month Deposit Rate shall be deemed to be zero.

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

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

“Acquisition Election Notice” has the meaning provided in Condition 7.2.2;

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

“Acquisition Notice Period” means the period from, and including, 3 September 2029 to, and including, 28 June 2030;

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

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

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

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

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

“Annual Fiscal Period” means a period commencing on 1 April and ending on the following 31 March; provided that, if the Company shall change its fiscal 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 of them under these Conditions or the Trust Deed, such other auditors or firm of auditors as may be appointed by the Company to act as such 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 notified to the Trustee 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;

“Bid Price” has the meaning provided in Condition 5.1.9;

“Board of Directors” of a company means the board of directors of that company within the meaning of the Companies Act; provided that, if any individual director is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company’s articles of incorporation and other internal regulations, any reference to the Board of Directors of such company shall be deemed to mean such director, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director;

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

“Bonds without Acquisition Election Notice” has the meaning provided in Condition 7.2.3;

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

“Business Day” in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

“BVAL Price” has the meaning provided in Condition 5.1.9;

“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 28 June 2023;

“Closing Parity Value” has the meaning provided in Condition 5.1.9;

“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);

“Companies Act” means the Companies Act of Japan (Act No. 86 of 2005, as amended);

“Company Notification Date” has the meaning provided in Condition 5.1.9;

“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 and its Consolidated Subsidiaries 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 and its Consolidated Subsidiaries prepared as aforesaid;

“Consolidated Subsidiary” means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

“Controlling Shareholder” means a shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as provided in the Articles of Incorporation) or more of the Company’s voting rights as calculated in accordance with the Companies Act;

“Conversion Notice” means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the 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 The Law Debenture Trust Corporation p.l.c. at its specified office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG United Kingdom 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 Mizuho Bank, Ltd. at its specified office at 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6009, 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;

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

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

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

“Elected Redemption Date” has the meaning provided in Condition 7.2.3;

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

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

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

“Extraordinary Resolution” means a resolution passed (i) at a meeting of the Bondholders duly convened (including satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

“FATCA withholding” has the meaning provided in Condition 9;

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

“Fiscal Period” means, as the context may require, (i) a period commencing on 1 April and ending on the following 31 March; 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 fiscal 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 approved in writing by the Trustee or, if the Company fails to make such appointment 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 or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing or not doing) following notification to the Company, which appointment shall be deemed to be an appointment of the Company;

“JCR” has the meanings provided in Condition 5.1.6;

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

“Leading Institution” means the meaning provided in Condition 5.1.9;

“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;

“Notification Date” has the meaning provided in Condition 5.1.9;

“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;

“Parity Event” has the meaning provided in Condition 5.1.9;

“Parity Notification Event” has the meaning provided in Condition 5.1.9;

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

“Principal Subsidiary” means any Consolidated Subsidiary of the Company (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company’s opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Proceedings” has the meaning provided in Condition 21.2;

“Quote for the Bonds” has the meaning provided in Condition 5.1.9;

“R&I” has the meaning provided in Condition 5.1.6;

“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;

“Reference Period” has the meaning provided in Condition 5.1.9;

“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 International Financial Reporting Standards (as issued by the International Accounting Standards Board (or its successor) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or its successor));

“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 its successor) 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. (or its successor), 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, the 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” means (i) any Record Date and (ii) any other date set for the purpose of determination of the 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);

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

“Squeezeout Event” means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, for the purpose of, including but not limited to, making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder’s wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing;

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

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

“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), 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 such references to “acquired” and “acquisition” are to the acquisition of the Bonds pursuant to Condition 7.2), and references to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words “substitution” and “grant” used in relation to the exchange of the Company’s obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

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

4 Default Interest

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum as being equal to the 3-Month Deposit Rate 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 *Exercise of Stock Acquisition Rights and 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 at the Stock Acquisition Date as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond.

- 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 not constituting a unit (*tangen*) of Shares (“Non-unit 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 provide that 100 Shares constitute one unit. Under the book-entry transfer system established pursuant to the Book-Entry Act, 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, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may at any time require the Company to purchase such Shares through the relevant Account Management Institution. The Articles of Incorporation currently provide that a holder of Shares constituting less than one unit may also request the Company to sell the number of Shares which, when added to the Shares held by such holder, shall constitute one full unit.

- 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 ¥2,033.5 per Share, subject to adjustment in the manner provided in Condition 5.2.
- 5.1.4** *Exercise Period:* Subject to Condition 5.1.5, each Stock Acquisition Right may be exercised at any time during the period from, and including, 12 July 2023 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 16 September 2030, or:
- (i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled;
 - (ii) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3 or 7.4, 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);
 - (iii) if the relevant Bonds shall become due to be redeemed pursuant to Condition 7.2.3, 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;
 - (iv) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.8 and cancelled by the Company pursuant to Condition 7.9, then up to the time when such Bond is so cancelled; or
 - (v) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after 16 September 2030;

- (b) in the case of an acquisition pursuant to Condition 7.2 (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised during the period from and including 1 July 2030 to and including the Elected Redemption Date;
- (c) 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); and
- (d) the Stock Acquisition Rights may not be exercised where the relevant Stock Acquisition Date (or the next following Tokyo Business Day, if the Stock Acquisition Date would not be a Tokyo Business Day) would fall on a date within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, 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 (together with the reason for such change) shall be given promptly by the Company to the Trustee in writing and to the Bondholders in accordance with Condition 19.

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of the determination and period referred to in Condition 5.1.4(c) above at least 30 days prior to the commencement of such period.

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of each 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.

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 2023, it is anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 27 September 2023 to (and including) 2 October 2023.

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

5.1.5 Condition to Conversion:

- (i) Prior to (and including) 30 September 2029, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter; and
- (ii) From (and including) 1 October 2029 but prior to (and including) 30 June 2030, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter,

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

If the relevant condition as set out in (i) or (ii) above is satisfied, then a Bondholder may (subject to the Conditions) exercise the Stock Acquisition Rights on and after the first day of the immediately following calendar quarter (or, in the case of (i) above, in the case of the calendar quarter commencing on 1 July 2023, on and after 12 July 2023) until the end of such calendar quarter, provided the relevant Deposit Date falls during the Exercise Period.

The conditions to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable (A) during any period that Condition 5.1.6, 5.1.7 and/or 5.1.8 apply, and/or (B) where a Parity Event has occurred pursuant to Condition 5.1.9, during the period of 15 consecutive Tokyo Business Days commencing on (and including) the first Tokyo Business Day immediately following the Company Notification Date in respect of such Parity Event.

The conditions to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable during the period from, and including, 1 July 2030 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 16 September 2030.

Further, for the avoidance of doubt, even where a condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 is not applicable by virtue of Condition 5.1.6, 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.

5.1.6 *Conditions to Conversion – Rating Requirements:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during any period in which:

- (i) the long-term issuer rating assigned to the Company by Japan Credit Rating Agency, Ltd. or its successors (together, “JCR”) is BBB- (or equivalent if the rating category is changed) or lower, a long-term issuer rating is no longer assigned to the Company by JCR, or the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn; or
- (ii) the issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successors (together, “R&I”) is BBB- (or equivalent if the rating category is changed) or lower, an issuer rating is no longer assigned to the Company by R&I, or the issuer rating assigned to the Company by R&I has been suspended or withdrawn.

Upon the occurrence of any of the events set out in (i) or (ii) above, the Company shall forthwith give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

5.1.7 *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 5.1.5 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.

5.1.8 *Conditions to Conversion – Corporate Events:* Subject to the suspension by the Company as referred to in Condition 5.1.4(c), the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 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.

5.1.9 *Conditions to Conversion – Parity Event:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during the period of 15 consecutive Tokyo Business Days from and including the first Tokyo Business Day immediately following the Company Notification Date in respect of the occurrence of a Parity Event. Whether or not a Parity Event has occurred for the purposes of these Conditions shall be determined by the Calculation Agent in accordance with the provisions of this Condition 5.1.9.

Any Bondholder shall be entitled to give notice (each, a “Parity Notification Event Notice”) to the Company in writing, with a copy to the Calculation Agent, in each case in accordance with this Condition 5.1.9, if and to the extent that a Parity Notification Event has occurred, provided that such notice shall be accompanied by reasonable supporting evidence (such evidence to be accepted in the opinion of the Company in its absolute discretion) regarding the occurrence of such Parity Notification Event. If any Parity Notification Event Notice is received after 5.00 p.m. in the place of the specified office of the Calculation Agent, such Parity Notification Event Notice shall be deemed for all purposes of these Conditions to have been provided on the date which is the immediately following Business Day in the place of the specified office of the Calculation Agent.

A Parity Notification Event Notice shall include a certification by or on behalf of the relevant Bondholder that it holds at least one Bond and evidence of such holding to the satisfaction of the Company, on which certification the Company and the Calculation Agent shall be able to rely, in the absence of manifest error, without further investigation. If a Parity Notification Event Notice is delivered in accordance with the foregoing, neither the Company nor the Calculation Agent shall be entitled or required to demand any further information from such person.

Each Parity Notification Event Notice to be given by a Bondholder to the Company shall be delivered to the Company by electronic mail only to 1322000@tkk.tokyu.co.jp, and shall simultaneously be copied to the Calculation Agent by electronic mail only to agencyparity@mizuho.lu, or in each case to such other electronic mail address as may be notified to Bondholders in accordance with Condition 19. Any Parity Notification Event Notice shall be deemed to be received by the Company or the Calculation Agent, as the case may be, only if received by the relevant party in legible form.

At any time when the relevant Bonds are evidenced by the Global Certificate, a Parity Notification Event Notice may be given by (or on behalf of) a person with an entitlement to such Bond, and which may be an accountholder in Euroclear or Clearstream, Luxembourg. Such Parity Notification Event Notice shall include a certification that such person holds (or is delivering such Parity Notification Event Notice on behalf of a person that holds) an entitlement to at least one Bond. Parity Notification Event Notices shall be submitted by electronic mail in accordance with this Condition 5.1.9 rather than through the Euroclear or Clearstream, Luxembourg systems.

The date on which any Parity Notification Event Notice is provided (or deemed to be so provided) to the Company and the Calculation Agent in accordance with the foregoing shall be the “Notification Date” in respect of such Parity Notification Event Notice. Once a Parity Notification Event Notice has been provided (or deemed to be so provided) on a Notification Date (such Parity Notification Event Notice being, for the purposes of this paragraph, the “earlier Parity Notification Event Notice”), any subsequent Parity Notification Event Notice that is provided (or deemed to be provided) on or prior to the Company Notification Date in respect of the earlier Parity Notification Event Notice shall be disregarded, and no Notification Date shall occur in respect of that subsequent Parity Notification Event Notice.

The following shall apply in respect of each Notification Date which is deemed to occur under this Condition 5.1.9:

- (a) no later than the second Business Day in Luxembourg and Tokyo immediately following the Notification Date, the Company shall give notice of the receipt of the relevant Parity Notification Event Notice, the relevant Notification Date and the expected Reference Period to the Bondholders in accordance with Condition 19 and to the Trustee;
- (b) the Calculation Agent shall determine whether or not a Parity Event has occurred in respect of the relevant Reference Period and shall notify the Company of such determination by no later than the second Business Day in Luxembourg and Tokyo immediately following (1) the last Business Day in Tokyo of the Reference Period if the Parity Event shall be deemed to have occurred in such Reference Period, or (2) the first day in the relevant Reference Period on which none of the events set out in the definition of Parity Event has occurred (and therefore it is determined that no Parity Event has occurred in respect of the relevant Reference Period); and
- (c) the Company will give notice of such Calculation Agent’s determination to the Bondholders in accordance with Condition 19 and the Trustee no later than the second Business Day in Luxembourg and Tokyo immediately following the date on which the Calculation Agent notifies the Company of the determination set out in paragraph (b) above (the date on which notice is given by the Company in accordance with this paragraph (c) being referred herein to as the “Company Notification Date”).

None of the Company, the Calculation Agent, the Trustee, the Agents, the Registrar, the Custodian or the Custodian’s Agent will be required to monitor any BVAL Price or Quotes for the Bonds or to take any steps or to perform any related calculations to verify whether a Parity Notification Event or Parity Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so, save (in the case of the Company and the Calculation Agent only and only as expressly provided in this Condition 5.1.9) where a Notification Date has occurred pursuant to this Condition 5.1.9.

In these Conditions:

“Bid Price” means, in respect of any day, the bid price per ¥10,000,000 in principal amount of the Bonds quoted by a Leading Institution for the purchase by that Leading Institution of a minimum principal amount of the Bonds equal to ¥10,000,000 on such day;

“BVAL Price” means, in respect of any day, the price of the Bonds as derived from the Bloomberg page: XS2635167963 Corp HP (setting “BVAL” or any successor setting) provided by Bloomberg (or any successor service) as the bid price of the Bonds as at 4:00 p.m. (New York time) on such date, multiplied by 100,000, as determined by (i) the Calculation Agent, in the case of the determination of a Parity Event, or (ii) the relevant Bondholder, in the case of the determination of a Parity Notification Event;

“Closing Parity Value” means, in respect of any day, the amount determined in good faith by the Calculation Agent and calculated as follows:

$$CPV = N \times CP$$

where

CPV = the Closing Parity Value.

N = ¥10,000,000 divided by the Conversion Price in effect on such day (for the avoidance of doubt, without taking into account Retroactive Adjustments, if any); and

CP = the Closing Price of the Shares on such day (or if such day is not a Trading Day, the most recent Trading Day prior thereto);

“Leading Institution” means any bank or financial institution which is a leading, internationally recognised market maker in trading exchangeable and/or convertible bonds;

A “Parity Event” shall be deemed to have occurred on the last day of any Reference Period, where the Calculation Agent determines that, in respect of each of the five Tokyo Business Days comprised in such Reference Period, either:

- (i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (ii) if no BVAL Price is available on such Tokyo Business Day (for any reason, including but not limited to by reason of the temporary unavailability of the relevant page or setting, or the permanent cessation of the provision of such price by the relevant provider), the Quote for the Bonds in respect of such Tokyo Business Day is less than 97 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (iii) neither the BVAL Price nor Quote for the Bonds is available in respect of such Tokyo Business Day;

A “Parity Notification Event” shall occur if, on each Tokyo Business Day during any period of five consecutive Tokyo Business Days ending no earlier than the fifth Business Day in Luxembourg and Tokyo immediately before the relevant Notification Date, either:

- (i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (ii) if no BVAL Price is available on such Tokyo Business Day (provided that it is not necessary for the relevant Bondholder to provide any evidence that such BVAL Price was so unavailable), such other reasonable evidence to show that the price of the Bonds (indicated as a percentage and multiplied by 100,000) as at 4:00 p.m. New York time on such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day is available;

“Quote for the Bonds” means, in respect of any Tokyo Business Day and in respect of Bid Prices as at or around 4.00 p.m. (Tokyo time) on such Tokyo Business Day, the Bid Price so provided by a Leading Institution selected by the Company (in its absolute discretion) as informed by the Company to the Calculation Agent, provided that where no Bid Price is provided to the Company in respect of such Tokyo Business Day, it shall be deemed that no Quote for the Bonds is available in respect of such Tokyo Business Day; and

“Reference Period” means, in respect of any Notification Date, the period of five consecutive Tokyo Business Days commencing on the third Business Day in Luxembourg and Tokyo immediately following such Notification Date.

References in these Conditions to any Bloomberg page means the relevant page on the Bloomberg terminal (or, if not available from Bloomberg, any successor information service provider thereto determined by the Company in its absolute discretion).

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

5.2 Adjustments of the Conversion Price

Upon the occurrence 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 allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3; or
- (ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8; or
- (iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8; or
- (iv) the date of grant, issue, transfer or offer 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 All, or a Class of, 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 All, or a Class of, 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 All, or a Class of, Shareholders of Assets (including Extraordinary Dividends):*

if the Company shall distribute to the holders of Shares (i) evidence of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being “distribution of surplus” within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidence 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 in respect of such Extraordinary Dividend.

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 evidence 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: ¥73,755

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥15.

“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 such Bond, and only such Bond, 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 2028 issued by the Company on the Closing Date, or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

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

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

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

5.2.6 Issue to Non-shareholders of Shares: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*) or which becomes a subsidiary of the Company by a share delivery (*kabushiki-kofu*), in proportion to their shareholding in such corporation immediately prior to such merger, exchange or delivery 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 or transfer) 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 non-shareholders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant, issue or offer of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the grant, issue or offer of such rights or warrants;

5.2.8 *Combined Adjustment:* if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the “relevant date”) is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as “Relevant Securities”), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of “n2” below to the extent that such Shares are then issued and outstanding.

- n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.
- n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.
- n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.
- v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue, transfer 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 grant, issue, transfer or offer 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 at which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question, and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share:* for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

- (i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;
- (ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as

determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

- (iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);
- (iv) in the case of the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments:* if, at the time of computing an adjustment (the “later adjustment”) of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of “Fixed”:* any reference in this Condition 5.2 to the date on which the consideration is “fixed” shall be construed as a reference to the first day on which such consideration in a cash amount

can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events:* if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

5.2.14 *Modification to Operation of Adjustment Provisions:* notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

5.2.15 *Adjustment during the Relevant Period or the Reference Period:* for the purposes of Conditions 5.1.5 and 5.1.9, if the Conversion Price in effect on the last Trading Day of the period of 20 consecutive Trading Days referred to in Condition 5.1.5 (the “Relevant Period”) or the Reference Period reflects any adjustment which has become effective pursuant to this Condition 5.2 during the Relevant Period or the Reference Period, then the Closing Price of the Shares for each Trading Day which occurs during the Relevant Period or the Reference Period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment. For the avoidance of doubt, if the Closing Price of the Shares for any Trading Day within the Relevant Period or the Reference Period reflects (by reason of having become ex-rights or otherwise) an event which gives rise to an adjustment to the Conversion Price pursuant to this Condition 5.2 becoming effective immediately after the end of the Relevant Period or the Reference Period, then such Closing Price shall be appropriately adjusted to be such price prior to such event having been so reflected, for the purposes of Conditions 5.1.5 and 5.1.9.

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 at 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

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, officers, audit and supervisory board members 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 one yen 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 of a yen. None of the Trustee, the Principal Agent, the Registrar, the Custodian, the Custodian's Agent, the Calculation Agent or any other Agents shall be under any duty or responsibility to any Bondholder or any other person to determine, calculate or verify the adjusted Conversion Price or whether any adjustment is required to be made, and none of them will be responsible to Bondholders or any other person for any loss arising from any failure to do so or any erroneous calculation.

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 Registrar, the Custodian, the Custodian's Agent and the Calculation 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 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 Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent fail to 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 relevant Agent will not be bound to make any payments until the relevant 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 relevant Agent have been made. Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights (which for the avoidance of doubt does not include the exercising Bondholder's own costs and expenses for holding such Shares) and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

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 relevant 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 relevant Agent disclosing otherwise confidential information for the purposes of the relevant 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.

5.9.4 *Deposit Date and Stock Acquisition Date:*

- (i) The time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;
- (ii) 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 relevant Certificate therefor will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);
- (iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and
- (iv) If deposit of the Conversion Notice is made on a day which is not a Business Day or after 17:00 hours in the place of the specified office of the Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

At any time when the relevant Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its time of deposit. 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 Bonds the Stock Acquisition Rights incorporated in which 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 at 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 or regulation (including any administrative order or guidelines issued by any relevant authority) or the Articles of Incorporation or the share handling regulations of the Company:

- (i) as soon as practicable and in any event within 14 days after the Stock Acquisition Date, in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, 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 purposes of such transfer); and
- (ii) as soon as practicable, the Company shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares) 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 as soon as practicable, and in any event within 21 days after the Stock Acquisition Date, 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 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) required to be delivered upon exercise (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) 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.

Any Conversion Notice transmitted electronically is not required to be endorsed and shall be processed in accordance with the operating procedures of the relevant clearing systems.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital:* With effect as at 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 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 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 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 the 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 the New Obligor 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 5.1.5 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 at the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the “maximum capital and other increase amount” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and
- 6.5.9** *Others:* Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 No Statutory Put Rights

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

6.7 Subsequent Corporate Events

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

7 Redemption, Acquisition, Purchase and Cancellation

7.1 Final Maturity

Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent of their principal amount on 30 September 2030. 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:* At any time during the Acquisition Notice Period, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may, but shall not be bound to, give notice (the “Acquisition Notice”) to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), to acquire from those Bondholders which deliver a duly completed Acquisition Election Notice on or after the date of the Acquisition Notice and on or before 28 August 2030 (the “Acquisition Determination Date”) pursuant to Condition 7.2.2, the Bonds which are the subject of such Acquisition Election Notice outstanding on 11 September 2030 (the “Acquisition Option Date”); provided that such option to acquire may not be exercised by the Company if an Event of Default has occurred. Upon giving such notice, all such Bonds which are the subject of a duly completed Acquisition Election Notice shall be deemed to be so acquired by the Company on the Acquisition Option Date. Each Bondholder which delivers a duly completed Acquisition Election Notice, by accepting or acquiring any Bond, agrees that the relevant Bond shall be so acquired by the Company on the Acquisition Option Date.

Subject to Conditions 7.2.2, 7.2.3 and 7.2.4, the Company shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Company:

- (i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent of the principal amount of the Bonds on the Acquisition Option Date in cash; and
- (ii) issue and deliver the Acquisition Shares in accordance with Condition 7.2.2, if any, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date,

in each case, to the Bondholders which have delivered a duly completed Acquisition Election Notice.

Immediately prior to giving the Acquisition Notice (but on the same day as the giving of such Acquisition Notice), the Company shall provide the Trustee with a certificate by a Representative Director or an Authorised Officer certifying to the effect that, as at the date thereof, no Event of Default or, no Potential Event of Default (as defined in the Trust Deed), has occurred. The Trustee may rely absolutely without liability to Bondholders or any other person on such certificate as to the absence of any Event of Default or, any Potential Event of Default, on such date.

Any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the 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 positive, calculated by dividing (a) the amount by which the Acquisition Share Value exceeds the principal amount of each Bond by (b) the Average VWAP per Share, provided that:

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

“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, provided that:

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

contained in the definition of “Acquisition Share Value”) shall be adjusted by adding the Dividend Adjustment Amount to the VWAP of the Shares reported by the Relevant Stock Exchange in yen on each Trading Day during the period from and including the later of (x) the Ex-Dividend Date and (y) the first day of the Relevant VWAP Period, to and including the last day of the Relevant VWAP Period;

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

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

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

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

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

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

“Ex-Dividend Date” means the Tokyo Business Day immediately prior to any Record Date for a dividend declared or to be declared by the Company (provided that if such Record Date falls on a date that is not a Tokyo Business Day, then the Ex-Dividend Date means the second Tokyo Business Day immediately prior to such Record Date); provided further that if, in the opinion of the Company, there has been a change to the mandatory provisions of Japanese law, regulation or practice which affects the timing or application of ex-dividend dates, the definition of Ex-Dividend Date may be amended by the Company, and/or the Company may make such other changes to this Condition 7.2.1 as it shall consider appropriate and fair, in each case, to the extent permitted by applicable law and to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders, and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

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

“Relevant VWAP Period” means the 20 consecutive Trading Days beginning on, and including, the 30th Trading Day prior to the Acquisition Option Date.

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 Acquisition Election Notice: In order to elect to have its Bonds acquired by the Company and to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.2, the electing Bondholder must deliver to the specified office of an Agent, on or after the date of the Acquisition Notice and no later than the Acquisition Determination Date, a duly completed election notice substantially in the form set out in the Agency Agreement (an “Acquisition Election Notice”, a copy of which may be obtained from the specified office of any Agent) with respect to all, but not part, of the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Acquisition Election Notice relates. An Acquisition Election Notice shall be irrevocable once delivered.

At any time when the relevant Bonds are evidenced by the Global Certificate, the Bondholder shall, in lieu of depositing the Acquisition Election Notice in the manner aforesaid, transmit the Acquisition Election Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder’s account pro tanto.

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including but not limited to any administrative orders or guidelines issued by any relevant authority), the Articles of Incorporation or the share handling regulations of the Company, 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 Acquisition Election 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 Acquisition Election Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.10 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 an Acquisition Election 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.

An Acquisition Election Notice may be delivered by a holder with respect to one or more Bonds. To the extent that an Acquisition Election 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 Acquisition Election Notice.

7.2.3 *Bonds in Respect of Which an Acquisition Election Notice was Not Delivered:* If, on the day immediately following the Acquisition Determination Date, there are any Bonds in respect of which a duly completed Acquisition Election Notice has not been received by an Agent on or prior to the Acquisition Determination Date (“Bonds without Acquisition Election Notice”), such Bonds without Acquisition Election Notice shall be redeemed at 100 per cent of their outstanding principal amount on the date falling two Tokyo Business Days after the Acquisition Option Date (the “Elected Redemption Date”), and payment in respect thereof shall be made in accordance with Condition 8.

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, provided that failure to give such notice shall not invalidate such nullification.

In addition, if an Event of Default occurs at any time after the giving of the Acquisition Notice but before the Acquisition Option Date, then the Acquisition Notice shall, unless the Bonds have already been acquired on the Acquisition Option Date, become null and void and the provisions of Condition 10 will apply. If the Company becomes aware, after the Acquisition Notice having been given but prior to the relevant Acquisition Option Date, that an Event of Default has occurred, the Company shall give notice of the annulment and cancellation of the Acquisition Notice to the Bondholders in accordance with Condition 19 forthwith upon such occurrence, provided that failure to give such notice shall not invalidate such annulment and cancellation.

7.2.5 *Exercise of Stock Acquisition Rights:* The Company's right to acquire the Bonds in the manner set forth in this Condition 7.2 does not affect a Bondholder's right to exercise its Stock Acquisition Rights hereunder during the Exercise Period. For the avoidance of doubt, in the case of an acquisition pursuant to this Condition 7.2 (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised during the period from and including 1 July 2030 to and including the Elected Redemption 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 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 first 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 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 that (i) 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 12 June 2023 and (ii) 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 Authorised Officer stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent or more of the aggregate principal amount of the Bonds as 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 Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.5 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event), if any of the following conditions is satisfied:

- (i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to 16 September 2030, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)										
	<u>70.00</u>	<u>80.00</u>	<u>90.00</u>	<u>100.00</u>	<u>110.00</u>	<u>120.00</u>	<u>130.00</u>	<u>140.00</u>	<u>150.00</u>	<u>160.00</u>	<u>170.00</u>
28 June 2023	95.78	98.91	103.21	108.66	115.17	122.66	131.02	140.17	150.00	160.00	170.00
28 June 2024	95.86	98.80	102.96	108.35	114.86	122.41	130.85	140.10	150.00	160.00	170.00
28 June 2025	96.03	98.72	102.71	108.00	114.52	122.12	130.68	140.04	150.00	160.00	170.00
28 June 2026	96.27	98.65	102.40	107.59	114.10	121.79	130.48	140.00	150.00	160.00	170.00
28 June 2027	96.62	98.58	102.01	107.03	113.56	121.39	130.27	140.00	150.00	160.00	170.00
28 June 2028	97.17	98.57	101.50	106.27	112.83	120.88	130.07	140.00	150.00	160.00	170.00
28 June 2029	98.10	98.72	100.76	105.07	111.75	120.29	130.00	140.00	150.00	160.00	170.00
28 June 2030	99.57	99.58	99.80	101.91	110.00	120.00	130.00	140.00	150.00	160.00	170.00
16 September 2030	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00

"Reference Parity" means:

- (i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and

- (ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:
 - (a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act; or
 - (b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

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

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

- (x) if the Reference Parity falls between two numbers in the first row of the above table and/or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365-day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;
- (y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and
- (z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is less than 100.00 per cent, the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is more than 170.00 per cent, the Corporate Event Redemption Price shall be 170.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 17 September 2030 to (and excluding) 30 September 2030, 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 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 shall be entitled to assume, without being required to take any action and without liability, until it has written notice 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 *mutatis mutandis* 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 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 Conditions 6 and 7.5, or Condition 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 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 in writing and to the Bondholders in accordance with Condition 19.

7.7 Squeezeout Redemption

7.7.1 *Redemption:* Upon the occurrence of a Squeezeout Event, the Company shall give notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), 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 Condition 7.7.2, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor

later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the “Squeezeout Effective Date”) of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be; provided however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

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 amount of cash which the holder of a Share would receive in exchange for Shares following 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 *mutatis mutandis* to the above redemption price without any adjustment.

7.8 Purchase of Bonds by the Company

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

7.9 Cancellation

All Bonds which are redeemed or acquired 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 or Acquisition

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption, 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(a) 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 7.2.4 and 7.6.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4.

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.

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

8 Payments

8.1 Method of Payment

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. All payments are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. 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 third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date of payment.

8.2 Agents

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to (in respect of the Principal Agent, the Registrar and any other Agent only) the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar, the Calculation Agent or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) a Calculation Agent. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar, the Calculation Agent or any other Agent will be given to the Bondholders in accordance with Condition 19.

8.3 Payments on Payment Business Days

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. “Payment Business Day” means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried out 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) to 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 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 the receipt of payment in respect of any Bond; or
- (ii) in respect of which the relevant Certificate is presented for payment, more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting such Certificate for payment as at the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds in accordance with and subject to Condition 7.4.

No Additional Amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service (“FATCA withholding”). Further, the Company will have no obligation to otherwise indemnify for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

As used herein, the “Due Date” for any payment 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 its 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 at their principal amount together with accrued interest (if any) to the date of payment on the occurrence of any of the following events:

- 10.1** *Non-Payment*: the Company defaults in the payment of 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 seven 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 principal in respect 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 (on demand or otherwise) (or at the expiration of any applicable grace period as originally provided); 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 (in the opinion of the Trustee) any material 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 are to 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, (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 Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or
- 10.7.2** if 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 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 (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or
- 10.9** *Stoppage of 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 are to 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 (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 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

10.10.2 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 (in the opinion of the Trustee) any material 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 (in the opinion of the Trustee) any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days;

and, in the case of any of the events described in Condition 10.2, 10.3, 10.4, 10.5 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee, in forming any opinion or in making any determination under or required or contemplated by this Condition 10, may exercise any or all of the rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law and may also seek instructions or directions from the Bondholders.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than yen may be translated into yen at the spot rate for the sale of relevant currency against the purchase of yen quoted by any leading bank selected in its sole discretion by the Trustee 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 delivered 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 of the Stock Acquisition Rights, if any, 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 *Fiscal Year and Record Date*: give notice to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its fiscal 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 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, and (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, 7.6 or 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1, or (z) proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing after the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be);

- 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 Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;
- 11.1.7 Limitation on Reduction of Conversion Price:** 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 are to 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 Registrar, the other Agents, the Custodian, the Custodian's Agent and the Calculation Agent (including the cost of providing notices) 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 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, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) satisfaction of such other conditions as are set out in the Trust Deed. 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 these Conditions whether an event or circumstance is materially prejudicial to the interests of Bondholders, the Trustee may obtain such directions from Bondholders and/or expert advice as it considers appropriate and rely thereon without responsibility or liability to the Bondholders or any person for delay occasioned by 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 and manner 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 at 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 and which certificate the Trustee shall be entitled to rely upon without further investigation and without incurring any liability to any person for doing so. In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;
- (iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will 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 the New Obligor will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need 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 the 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), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 Deemed Amendment

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

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

13 Prescription

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14 Replacement of Certificates

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Principal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Meetings of Bondholders; Modification and Waiver

15.1 Meetings of Bondholders

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

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds outstanding shall for all purposes be as valid and effective 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. A meeting of Bondholders may be held electronically in accordance with the procedures set out in the Trust Deed.

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, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default shall not be treated as such 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, authorisation or determination shall be binding on the Bondholders and shall be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.2, 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 Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming 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 (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections 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 and substance 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 and may rely on any opinion or any certificate of a Representative Director or Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 Authority to the Trustee

To the fullest extent permitted by applicable law, by acquiring a Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding 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, step or proceeding 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, step or proceeding. The Trustee shall not take any action, step or proceeding 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 or is unable to do so within a reasonable time following such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure or inability 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. 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 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 or the Independent Financial Adviser or such other expert (as the case may be) in respect thereof is limited by a monetary cap or otherwise; 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 or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing or not doing, following notification to the Company, in which case such Independent Financial Adviser shall be deemed to have been appointed by the Company.

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 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, the Agency Agreement 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 and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or 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 Cogency Global (UK) Limited as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) 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 Trust Deed and the Global Certificates contain provisions which apply to the Bonds in respect of which the Global Certificates are issued, some of which modify the effect of the Conditions of the 2028 Bonds and the 2030 Bonds set out in this Offering Circular. Terms defined in the Conditions of the 2028 Bonds and the 2030 Bonds have the same meanings in the paragraphs below. The following is a summary of those provisions.

Notices

So long as any Series of Bonds are evidenced by a Global Certificate and such Global Certificate is registered in the name of a nominee on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system as shall have been approved in writing by the Trustee (the “Alternative Clearing System”), notices required to be given to the Bondholders of such Series of Bonds 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 the entitled accountholders in substitution for publication and mailing as required by the Conditions of the 2028 Bonds or the 2030 Bonds, as the case may be. Such notices shall be deemed to have been given in accordance with the Conditions of the 2028 Bonds or the 2030 Bonds, as the case may be, on the date of delivery to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System.

Meetings

The registered holder of the Bonds of any Series of Bonds (or any proxy or representative appointed by it) in respect of which a Global Certificate is issued shall (unless such Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders of such Series of Bonds and, at any such meeting, as having one vote in respect of each such 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 such Bonds in respect of which such Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders of such Series of Bonds on appropriate proof of his identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear or Clearstream, Luxembourg or 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 transmission in electronic form to 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 Bond and otherwise in accordance with the procedures of Euroclear or Clearstream, Luxembourg or Alternative Clearing System. 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.

Parity Event

A Parity Notification Event Notice may be given to the Company by (or on behalf of) a person with an entitlement to such Bond, and which may be an accountholder in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. Such Parity Notification Event Notice shall include a certification that such person holds (or is delivering such Parity Notification Event Notice on behalf of a person that holds) an entitlement to at least one Bond and evidence of such holding to the satisfaction of the Company. Parity Notification Event Notices should be submitted in accordance with Condition 5.1.9 of the Conditions for the relevant Series of Bonds rather than through the systems of Euroclear, Clearstream, Luxembourg or Alternative Clearing System.

Payments

Payments of principal and premium (if any) and any other amount in respect of any Series 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 relevant Bondholders of such Series of Bonds for such purpose.

Each payment will be made to, or to the order of, the person whose name is entered in the Register on the close of business on the Clearing System Business Day immediately prior to the date of payment, where “Clearing System Business Day” means Monday to Friday inclusive, except 25 December and 1 January.

So long as a Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, a “Payment Business Day” for the purposes of Condition 8.3 of the Conditions for the relevant Series of Bonds shall be any day on which dealings in foreign currency may be carried out in Tokyo.

Transfers

Transfers of interests in any Series of Bonds in respect of which a Global Certificate is issued shall be effected through the records of Euroclear or Clearstream, Luxembourg (or an Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg or Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Prescription

Claims in respect of any Series of Bonds in respect of which a Global Certificate is issued shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions for the relevant Series of Bonds) in respect of such Series of Bonds.

Trustee's Powers

Notwithstanding anything contained in the Trust Deed, in considering the interests of Bondholders of any Series of Bonds evidenced by a Global Certificate while such Global Certificate is registered in the name of a nominee for any one or more of Euroclear or Clearstream, Luxembourg or 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 such clearing system or its operator as to the identity of its accountholders (either individually or by category) with entitlements to such Series of Bonds in respect of which such Global Certificate is issued and may consider such interests (and treat such accountholders) as if such accountholders were the holders of such Series of Bonds in respect of which such Global Certificate is issued.

Cancellation

Cancellation of any Bond in respect of which the Global Certificate is issued pursuant to the Conditions of the 2028 Bonds or the 2030 Bonds, as the case may be, will be effected by a reduction in the principal amount of the Bonds in the Register of such Series of Bonds and the endorsement (for information only) of such Global Certificate by the Principal Agent.

Early Redemption or Acquisition by the Company

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

If the Company exercises its option to acquire Bonds under Condition 7.2 of the Conditions for the relevant Series of Bonds, subject to the requirements of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, an Acquisition Election Notice may be duly completed by, or on behalf of, an accountholder in such system with an entitlement to the relevant Bonds as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems. Deposit of the Global Certificate with an Agent shall not be required.

Election of Bondholders

The election of the Bondholders of any Series of Bonds provided for in Condition 7.4 of the Conditions for the relevant Series of Bonds may be exercised by the holder of the Bonds evidenced by a Global Certificate by giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and within the time limits relating thereto set out in the relevant Condition and otherwise in accordance with the procedures of the relevant clearing system in the form acceptable thereto from time to time.

Electronic Consent

While a Global Certificate is registered in the name of any nominee, or a nominee for any common depository for, a clearing system, then (a) approval of a resolution proposed by the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of any Series of Bonds of not less than 90 per cent in nominal amount of such Bonds then outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes, take effect as an extraordinary resolution passed at a meeting of Bondholders of such Series of Bonds duly convened and held, and shall be binding on all Bondholders of such Series of Bonds whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, subject to certain requirements set out in the Trust Deed, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, (i) by accountholders in the relevant clearing system with entitlements to such Bonds evidenced by such Global Certificate or, (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to be approximately ¥60 billion after deducting expenses. The Company intends to apply the net proceeds as follows:

- approximately ¥30 billion towards capital expenditure for various redevelopment projects including the realisation of “Greater SHIBUYA 2.0” in Shibuya; and
- approximately ¥30 billion towards the repurchase of Shares (as further described in “Information Concerning the Shares—Proposed Share Repurchase by the Company”) to reduce cross-shareholdings as well as to improve capital efficiency and to increase the value per Share through a reduction in the number of outstanding Shares.

To the extent that the Company repurchases any Shares prior to Closing Date in respect of the Bonds, the Company intends to use net proceeds from the offering of the Bonds to replenish its cash reserves used for the purpose of such repurchase. As the amount for which the Company is able to repurchase is dependent on, among other things, market conditions, to the extent that any such proceeds remain after the implementation of such repurchase, such proceeds may be used towards capital expenditure for various redevelopment projects including the realisation of “Greater SHIBUYA 2.0” in Shibuya.

INFORMATION CONCERNING THE SHARES

Authorised and Issued Share Capital

As of the date of this Offering Circular, the Company had an authorised share capital of 900,000,000 Shares. As of 31 March 2023, 624,869,876 Shares were issued and outstanding. The following table shows recent changes in issued share capital as of the dates indicated:

Period/Date	Description	Changes in number of Shares	Total number of issued and outstanding Shares
1 August 2017	2-to-1 consolidation of shares	(624,869,876)	624,869,876

There has been no change in the Company's issued share capital since 31 March 2023.

In addition to the issued Shares described above, there are stock acquisition rights outstanding as part of the Company's stock option plan, as described in further detail in "Management and Employees—Stock Acquisition Rights" that entitle the holders to acquire additional Shares from the Company under certain conditions.

Japanese Stock Market and Price Range of the Shares

The Company's Shares have been listed on the Tokyo Stock Exchange since 1949. The Company moved its listing to the Tokyo Stock Exchange's Prime Market following revision to the Tokyo Stock Exchange's market segments from 4 April 2022. The following table sets forth, for the periods indicated, (i) the highs and lows of the reported trading sales prices of the Shares on the Tokyo Stock Exchange, (ii) the highs and lows of the daily closing Nikkei Stock Average, an index of 225 selected stocks listed on the Prime Market of the Tokyo Stock Exchange, (iii) the highs and lows of the daily closing TSE Prime Market Index, an index of the market value of all Japanese stocks listed on the Prime Market of the Tokyo Stock Exchange and (iv) the highs and lows of the daily closing Tokyo Stock Price Index (TOPIX), an index of the market value of all Japanese stocks listed on the Prime Market of the Tokyo Stock Exchange:

Calendar period	Price per Share		Nikkei Stock Average		TSE Prime Market Index		TOPIX	
	High	Low	High	Low	High	Low	High	Low
	(Yen)				(Points)			
2018	2,116	1,632	24,270.62	19,155.74	—	—	1,911.07	1,415.55
2019	2,210	1,729	24,066.12	19,561.96	—	—	1,747.20	1,471.16
2020	2,032	1,165	27,568.15	16,552.83	—	—	1,819.18	1,236.34
2021	1,753	1,198	30,670.10	27,013.25	—	—	2,118.87	1,791.22
2022								
1st quarter	1,702	1,476	29,332.16	24,717.53	—	—	2,039.27	1,758.89
2nd quarter	1,656	1,458	28,246.53	25,748.72	1,013.53	935.78	1,969.98	1,818.94
3rd quarter	1,740	1,503	29,222.77	25,935.62	1,032.75	944.64	2,006.99	1,835.94
4th quarter	1,768	1,559	28,383.09	26,093.67	1,038.78	950.61	2,018.80	1,847.58
2023								
1st quarter	1,790	1,571	28,623.15	25,716.86	1,065.73	951.23	2,071.09	1,868.15
2nd quarter (up to 12 June)	2,036	1,764	32,506.78	27,472.63	1,152.09	1,009.17	2,238.77	1,961.28

On 12 June 2023, the last reported closing price of the Shares on the Tokyo Stock Exchange was ¥1,815.5 per Share and the Nikkei Stock Average, the TSE Prime Market Index and TOPIX closed at ¥32,434.00, ¥1,152.09 and 2,238.77, respectively.

Dividends

Year-end dividends may be recommended by the Company's Board of Directors and approved by shareholders at the ordinary general meeting of shareholders customarily held in June of each year. If a year-end dividend is approved at the meeting, year-end dividend payments are made promptly thereafter to shareholders and pledgees of record as of 31 March of the relevant year. In addition to year-end dividends, the Company may, by resolution of its Board of Directors and subject to certain restrictions, make interim dividend payments in the form of cash distributions from its funds available for dividends to shareholders and pledgees of record as of 30 September of each year. The

Company may also make dividends other than those described above with the approval of its shareholders at a general meeting of shareholders and subject to certain restrictions. The payment of dividends will also be subject to other factors, including legal restrictions with respect to the payment of dividends. See “Description of the Shares and Certain Regulations—Distribution of Surplus”.

The Company’s basic approach to shareholder returns as stated in its medium-term management plan is to pay a stable dividend, while also taking into account the soundness of its assets, free cash flow and other factors and to return profits to shareholders with an awareness of the total return ratio.

The following table sets forth the dividends paid by the Company for each of the periods shown:

Record Date	Dividend per Share
	<i>(Yen)</i>
30 September 2018	10.00
31 March 2019	10.00
30 September 2019	12.00
31 March 2020	11.00
30 September 2020	10.00
31 March 2021	5.00
30 September 2021	7.50
31 March 2022	7.50
30 September 2022	7.50
31 March 2023 ⁽¹⁾	7.50

Note:

(1) Subject to approval at the ordinary general meeting of shareholders scheduled to be held on 29 June 2023.

Principal Shareholders and Other Information

As of 31 March 2023, the Company had 94,012 shareholders of record. The table below shows information about the ownership of Shares as of 31 March 2023 by the Company’s ten largest shareholders, as appearing on the register of shareholders.

Shareholder	Number of Shares held	Percentage of total Shares in issue
	<i>(Shares)</i>	<i>(Per cent)</i>
The Master Trust Bank of Japan, Ltd. (Trust Account)	90,478,800	14.67%
Custody Bank of Japan, Ltd. (Trust Account)	31,254,700	5.07
The Dai-ichi Life Insurance Company, Limited	30,990,167	5.02
Nippon Life Insurance Company	23,564,693	3.82
Sumitomo Mitsui Trust Bank, Limited	22,395,800	3.63
Mizuho Bank, Ltd.	9,906,415	1.61
STATE STREET BANK WEST CLIENT – TREATY 505234	9,742,065	1.58
Taiyo Life Insurance Company	9,566,559	1.55
Mitsubishi UFJ Trust and Banking Corporation	9,393,324	1.52
MUFG Bank, Ltd.	8,951,578	1.45
Total	<u>246,244,101</u>	<u>39.92%</u>

Notes:

- (1) Shares held by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are held in trust for the benefit of their representative trust beneficiaries.
- (2) The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of issued voting shares (excluding treasury stock) amounting to more than 5 per cent of the total shares of a company that is listed on any Japanese stock exchange to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau

of the Ministry of Finance, and also require such person to file an amendment concerning any subsequent changes of 1 per cent or more of the total issued shares in such substantial shareholdings or any change in material matters set out in reports previously filed (see “Description of the Shares and Certain Regulations—Reporting of Substantial Shareholdings”).

As of the date of this Offering Circular, the Company is aware of the following reports in relation to which we were unable to confirm beneficial ownership as of 31 March 2023:

- according to a report of substantial holding filed on 6 June 2022 under the FIEA, as of 31 May 2022, the following shareholders held the Shares of the Company’s common stock as shown below, which is not reflected in the table above;

Shareholder	Number of Shares held on record (thousand)	Percentage of outstanding Shares
BlackRock Japan Co., Ltd.	7,882	1.26%
BlackRock (Netherlands) B.V.	885	0.14%
BlackRock Fund Managers Limited	1,894	0.30%
BlackRock Asset Management Ireland Limited	4,102	0.66%
BlackRock Fund Advisors	8,768	1.40%
BlackRock Institutional Trust Company, N.A.	7,195	1.15%
BlackRock Investment Management (UK) Limited	830	0.13%
Total	31,558	5.05%

- according to a report of change in substantial holding filed on 6 October 2022 under the FIEA, as of 30 September 2022, the following shareholders held the Shares of the Company’s common stock as shown below, which is not reflected in the table above;

Shareholder	Number of Shares held on record (thousand)	Percentage of outstanding Shares
Sumitomo Mitsui Trust Asset Management Co., Ltd.	23,123	3.70%
Nikko Asset Management Co., Ltd.	10,483	1.68%
Total	56,002	8.96%

The ownership distribution of the Shares by category of shareholders of record as of 31 March 2023 (being the most recent date as of which the information is available) was as follows:

	Number of Shares held ⁽¹⁾	Percentage of total Shares in issue
	<i>(Unit Shares)</i>	<i>(Per cent)</i>
Government and municipal bodies	72	0.00%
Japanese financial institutions	2,993,614	47.98
Japanese financial instruments business operators	56,133	0.90
Other Japanese corporations	207,033	3.32
Japanese individual investors and others ⁽²⁾	1,839,013	29.48
Foreign corporations and individual investors	1,142,861	18.32
Total	6,238,726	100.00%

Notes:

(1) 100 Shares constitute one unit of Shares. See “Description of the Shares and Certain Regulations – Unit Share System”.

- (2) As of 31 March 2023, the Company held 8,023,110 Shares in treasury stock, of which 80,231 units of Shares were included in “Japanese individual investors and others” and 10 Shares were included in Shares not amounting to one unit of Shares.
- (3) 73 units of Shares included in “Other Japanese corporations” and 49 Shares not constituting one unit of Shares are held under the name of JASDEC.

As of 31 March 2023, the Company’s Directors together directly held 275 thousand Shares, representing 0.04 per cent of total Shares in issue at that date.

Proposed Share Repurchase by the Company

Concurrently with the offering of the Bonds, the Company announced on 12 June 2023 that its Board of Directors authorised the repurchase of up to 20,000,000 Shares (approximately 3.25 per cent of the issued Shares (excluding treasury stock) as of 31 May 2023) at a maximum cost of ¥30 billion from the market in the period from and including 13 June 2023 to and including 31 December 2023. The Company has decided to repurchase such Shares to reduce cross-shareholdings as well as to improve capital efficiency and to increase the value per Share through a reduction in the number of outstanding Shares.

The Company has also announced that for executing the abovementioned share repurchase plan, it intends to repurchase Shares up to a value of approximately ¥30 billion through the ToSTNeT-3 system at 8:45 a.m. (Tokyo time) on 13 June 2023 at the closing price of the Shares on the Tokyo Stock Exchange on 12 June 2023. The result of such repurchase will be announced in Japan on 13 June 2023. The Company is aware that certain shareholders intend to collectively sell approximately 9.5 million Shares through the ToSTNeT-3 system as of 13 June 2023, although the number of Shares sold by existing shareholders may be more or less than this amount and the Company has no control over any such action. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is entirely dependent on the volume of Shares offered by investors at a certain price and at a certain time, there can be no assurance that such repurchase will be executed in full or at all.

The Tokyo Stock Exchange Trading Network System, or “ToSTNeT”, is a trading system which has fully computerised the trading process from order input to execution. ToSTNeT-3 is an off-market hour trading system specifically for use for the buy-back by issuers of their own shares and provides investors with the means of executing their sell orders at the Tokyo Stock Exchange’s prior-day closing prices at 8:45 a.m. (Tokyo time). If the number of shares for the aggregated sell orders exceeds the buy-back order, the sell orders will in principle be executed proportionally based on the number of shares at each sell order.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥30 billion and the maximum number of 20,000,000 Shares) after the abovementioned 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 until 31 December 2023. There can however be no assurance that any such repurchase will be proposed by the Company as currently intended or, if proposed by the Company, executed in full, or at all.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the unaudited consolidated capitalisation and indebtedness of the Group as of 31 March 2023, and as adjusted to give effect to the issue of the Bonds:

	As of 31 March 2023	
	Actual	As adjusted
	<i>(Millions of yen)</i>	
Short-term debt:		
Short-term borrowings	423,036	423,036
Commercial papers	30,000	30,000
Current portion of bonds payable	25,000	25,000
Total short-term debt	478,036	478,036
Long-term debt:		
Bonds payable	320,000	320,000
Long-term borrowings	489,483	489,483
The Bonds now being issued ⁽¹⁾	—	60,000
Total long-term debt	809,483	869,483
Net Assets		
Shareholders' equity:		
Common stock:		
Authorised: 900,000,000 Shares		
Issued: 624,869,876 Shares	121,724	121,724
Capital surplus	123,329	123,329
Retained earnings	471,348	471,348
Treasury stock: 10,210,452 Shares	(17,329)	(17,329)
Total shareholders' equity	699,074	699,074
Accumulated other comprehensive income:		
Net unrealised gains (losses) on investment securities	15,698	15,698
Deferred gains (losses) on hedges	1,151	1,151
Land revaluation reserve	5,196	5,196
Foreign currency translation adjustment	13,968	13,968
Remeasurements of defined benefit plans	5,531	5,531
Total accumulated other comprehensive income	41,546	41,546
Non-controlling interests	38,751	38,751
Total net assets	779,372	779,372
Total capitalisation and indebtedness⁽²⁾	¥2,066,892	¥2,126,892

Notes:

- (1) For illustrative purposes only, the aggregate principal amount of the Bonds being offered has been presented as an indebtedness above.
- (2) Total capitalisation and indebtedness is the sum of total short-term debt, total long-term debt and total net assets.
- (3) Save as disclosed above, there has been no material change in the capitalisation and indebtedness since 31 March 2023.

TOKYU CORPORATION

The Group is engaged in the operation of passenger railway services in the south-west of Tokyo and in the Kanagawa prefecture of Japan, as well as the operation of real estate business, retail outlets and other retail services, and hotels and resorts. Focusing on the areas served by the Group's railway network, the Group is engaged in urban and community development from a long-term perspective and developing businesses that are closely linked to the lives of its customers. The year 2022 was the 100th anniversary of the Company's establishment.

The Group's business is divided into the following business segments: (i) transportation, (ii) real estate, (iii) life service and (iv) hotel and resort. The transportation business segment is principally engaged in the operation of the Group's railway network, as well as in the operation of scheduled and chartered bus services and the operation of airports. The real estate business segment is principally engaged in real estate sales, real estate leasing, real estate management and real estate brokerage businesses. The life service business segment is principally engaged in the operation of department stores and other retail outlets, the operation of cable television network and internet connection services and the operation of advertising agency services. The hotel and resort business segment is principally engaged in the operation of 44 hotels in Japan, the operation of time-share resort business in 17 properties in Japan, the operation of linen supply services and the operation of five golf courses in Japan.

For the fiscal year ended 31 March 2023, the Group's operating revenues, operating profit and profit attributable to owners of the parent amounted to ¥931,293 million, ¥44,603 million and ¥25,995 million, respectively. As of 31 March 2023, the Company had 129 consolidated subsidiaries and 38 affiliated companies accounted for by the equity method.

The Shares are listed on the Prime Market of the Tokyo Stock Exchange with the stock code 9005. The Company's registered office is located at 5-6, Nampeidai-cho, Shibuya-ku, Tokyo 150-8511, Japan.

Selected Financial and Other Data

The Company's annual consolidated financial statements as of, and for the fiscal year ended, 31 March 2022 (with comparative information as of and for the fiscal year ended 31 March 2021) have been prepared in accordance with Japanese GAAP and audited by the Company's independent auditor, Ernst & Young ShinNihon LLC.

Figures as of and for the fiscal year ended 31 March 2023 are unaudited and are taken from an English translation of the Company's unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023, which is included in the preliminary results announcement (*kessan tanshin*) of the Company published on 11 May 2023 in Japanese under the rules of the Tokyo Stock Exchange.

The following selected financial data has been derived from and should be read in conjunction with the consolidated financial statements of the Company and the notes thereto appearing elsewhere in this Offering Circular.

	Fiscal year ended/as of 31 March		
	2021	2022	2023
	<i>(Billions of yen, except otherwise indicated)</i>		
Financial Results:			
Operating revenue	¥ 935.9	¥ 879.1	¥ 931.2
Operating profit (loss)	(31.6)	31.5	44.6
Non-operating profit	18.2	17.2	17.1
Non-operating expenses	13.4	13.8	14.3
Ordinary profit (loss)	(26.8)	34.9	47.3
Extraordinary gains	19.4	23.4	10.7
Extraordinary losses	48.3	31.4	16.7
Profit (loss) before income taxes	(55.7)	27.0	41.3
Profit (loss)	(58.2)	10.2	27.0
Profit (loss) attributable to owners of parent	(56.2)	8.7	25.9
Comprehensive income (loss)	(45.0)	19.9	38.1
Financial Position:			
Total assets	¥2,476.0	¥2,479.1	¥2,614.0
Interest-bearing debt ⁽¹⁾	1,182.1	1,195.7	1,287.5
Total liabilities	1,723.5	1,726.2	1,834.6
Total net assets	752.5	752.9	779.3
Non-controlling interests	50.1	49.9	38.7
Equity ratio ⁽²⁾ (per cent)	28.4%	28.4%	28.3%
Debt/Equity ratio ⁽³⁾ (times)	1.7	1.7	1.7
Cash Flows:			
Net cash provided by operating activities	¥ 85.8	¥ 85.5	¥ 95.4
Net cash used in investing activities	(115.1)	(78.8)	(154.4)
Of which, payments for purchases of property, plant and equipment and intangible assets	(113.2)	(110.3)	(152.3)
Of which, proceeds from subsidies received for construction	8.3	5.4	6.2
Free cash flow ⁽⁴⁾	(29.3)	6.7	(59.0)
Net cash provided by (used in) financial activities	17.1	(1.3)	74.6
Of which, the change in interest-bearing debt ⁽⁵⁾	31.1	12.6	90.4
Of which, cash dividends paid	(12.6)	(7.5)	(9.0)
Cash and cash equivalents at end of period	45.2	51.6	68.5
Key Indicators:			
TOKYU EBITDA ⁽⁶⁾	¥ 74.7	¥ 128.3	¥ 144.7
Operating profit (loss)	(31.6)	31.5	44.6
Interest-bearing debt/TOKYU EBITDA (times)	15.8	9.3	8.9

Notes:

- (1) Interest-bearing debt = Short-term borrowings + Commercial papers + Current portion of bonds payable + Bonds payable + Long-term borrowings.
- (2) Equity ratio = (Total net assets – Non-controlling interests) ÷ Total assets.
- (3) Debt/Equity ratio = Interest-bearing debt ÷ (Total net assets – Non-controlling interests).
- (4) Free cash flow = Net cash provided by operating activities + Net cash used in investing activities.
- (5) The change in interest-bearing debt includes increase (decrease) in short-term borrowings, net, proceeds from long-term borrowings, repayment of long-term borrowings, proceeds from issuance of commercial papers, redemption of commercial papers, proceeds from bond issuance and payments for redemption of bonds.
- (6) TOKYU EBITDA = Operating profit (loss) + Depreciation and amortization expenses + Amortization of goodwill + Disposal cost of property, plant and equipment + Interest income + Dividend income + Share of profit of entities accounted for using equity method.

RECENT BUSINESS

Unaudited Financial Figures as of and for the Fiscal Year Ended 31 March 2023

Figures as of and for the fiscal year ended 31 March 2023 have been derived from financial data extracted from an English translation of the Company's unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023, which are contained in the preliminary results announcement (*kessan tanshin*) of the Company published on 11 May 2023 in Japanese under the rules of the Tokyo Stock Exchange. Such financial information has not been, and is not required to be, audited or reviewed by the Company's independent auditor and has been prepared by, and at the sole responsibility of the Company.

As of the date of this Offering Circular, the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 are not available, and the Company 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 information. As a result, there may be differences between the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular and the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 becoming available.

The English translation of the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular omits certain disclosure required under Japanese GAAP, including some of the notes, compared to the English language audited consolidated financial statements as of and for the fiscal years ended 31 March 2022 (together with comparable information as of and for the fiscal year ended 31 March 2021) included in this Offering Circular. See "Investment Considerations—Considerations Relating to Financial Information— Unaudited Financial Information".

Consolidated Results for the fiscal year ended 31 March 2023 compared to fiscal year ended 31 March 2022

Overview

During the year ended 31 March 2023, the outlook for the Japanese economy remained uncertain due to the effects of the rising cost of raw materials and energy prices, as well as the risk of rising interest rates. Nevertheless, there were signs of a gradual increase in socio-economic activity, mainly due to the relaxing of restrictions arising from the spread of COVID-19. In this environment, the Group continued to implement its medium-term three-year management plan based on the basic policy of "transformation" by responding to changes in the business environment as well as implementing structural reform.

Results

Operating revenue

Operating revenue for the fiscal year ended 31 March 2023 increased by ¥52,180 million, or 5.9 per cent, to ¥931,293 million, compared to ¥879,112 million in the fiscal year ended 31 March 2022, primarily due to the effects of revision of fares in the transportation business and recovery in demand in the hotel and resort business.

Operating expenses

Operating expenses for the fiscal year ended 31 March 2023 increased by ¥39,120 million, or 4.6 per cent, to ¥886,689 million, compared to ¥847,568 million in the fiscal year ended 31 March 2022, primarily due to the rise in electricity costs.

Operating profit(loss)

As a result of the above, operating profit (loss) for the fiscal year ended 31 March 2023 increased by ¥13,059 million, or 41.4 per cent, to ¥44,603 million, compared to ¥31,544 million in the fiscal year ended 31 March 2022.

Non-operating profit

Non-operating profit for the fiscal year ended 31 March 2023 decreased by ¥141 million, or 0.8 per cent, to ¥17,153 million, compared to ¥17,294 million in the fiscal year ended 31 March 2022, primarily due to the decrease in employment adjustment subsidies and COVID-19 related subsidies received.

Non-operating expenses

Non-operating expenses for the fiscal year ended 31 March 2023 increased by ¥547 million, or 4.0 per cent, to ¥14,387 million, compared to ¥13,840 million in the fiscal year ended 31 March 2022, primarily due to increase in interest expenses.

Ordinary profit

As a result of the above, ordinary profit for the fiscal year ended 31 March 2023 increased by ¥12,371 million, or 35.3 per cent, to ¥47,369 million, compared to ¥34,998 million in the fiscal year ended 31 March 2022.

Extraordinary gains

Extraordinary gains for the fiscal year ended 31 March 2023 decreased by ¥12,769 million, or 54.4 per cent, to ¥10,720 million, compared to ¥23,489 million in the fiscal year ended 31 March 2022. The decrease is a reaction to a ¥14.4 billion gain on the sale of property, plant and equipment in the previous year.

Extraordinary losses

Extraordinary losses for the fiscal year ended 31 March 2023 decreased by ¥14,750 million, or 46.9 per cent, to ¥16,704 million, compared to ¥31,455 million in the fiscal year ended 31 March 2022. The decrease is a reaction to impairment losses of ¥25.1 billion recorded in the previous year by Izukyu Corporation and other companies.

Profit before income taxes

As a result of the above, profit before income taxes for the fiscal year ended 31 March 2023 increased by ¥14,352 million, or 53.1 per cent, to ¥41,385 million, compared to ¥27,032 million in the fiscal year ended 31 March 2022.

Profit

As a result of the above, profit for the fiscal year ended 31 March 2023 increased by ¥16,857 million, or 165.2 per cent, to ¥27,061 million, compared to ¥10,203 million in the fiscal year ended 31 March 2022, primarily due to an increase in ordinary profit as well as a decrease in income taxes.

Profit attributable to owners of parent

Profit attributable to owners of parent for the fiscal year ended 31 March 2023 increased by ¥17,213 million, or 196.0 per cent, to ¥25,995 million, compared to ¥8,782 million in the fiscal year ended 31 March 2022.

Operating Result by Segment

Transportation

The number of passengers carried in the railway operations business of Tokyu Railways increased 10.2 per cent year on year, reflecting an increase of 7.0 per cent in the number of commuters carried and a 14.5 per cent increase in the number of non-commuters carried, as a result of the increase in customers travelling following the relaxing of restrictions arising from the spread of COVID-19. There was also an increase in the number of passengers carried for Izukyu Corporation by 29.4 per cent for the fiscal year ended 31 March 2023 compared to the previous fiscal year.

In its bus operations business, the number of passengers carried by Tokyu Bus Corporation increased 7.2 per cent for the fiscal year ended 31 March 2023, compared to the previous fiscal year.

As a result of the above, operating revenue for the transportation business segment for the fiscal year ended 31 March 2023 increased by ¥17,497 million, or 10.5 per cent, to ¥184,054 million, compared to ¥166,557 million in the fiscal year ended 31 March 2022. Segment profit for the fiscal year ended 31 March 2023 was ¥8,538 million, compared to a segment loss of ¥3,937 million in the fiscal year ended 31 March 2022.

Real estate

Operating revenue for the real estate business segment for the fiscal year ended 31 March 2023 decreased by ¥2,842 million, or 1.3 per cent, to ¥220,420 million, compared to ¥223,263 million in the fiscal year ended 31 March 2022, primarily due to a negative impact caused by the reduction of opening hours and closure of shops in some of the Group's commercial properties in the real estate leasing business, despite the sales of large-scale properties in the real estate sales business. Segment profit for the fiscal year ended 31 March 2023 decreased by ¥16,385 million, or 36.2 per cent, to ¥28,844 million, compared to ¥45,230 million in the fiscal year ended 31 March 2022.

Life service

Operating revenue for the life service business segment for the fiscal year ended 31 March 2023 increased by ¥14,478 million, or 2.9 per cent, to ¥517,225 million, compared to ¥502,747 million in the fiscal year ended 31 March 2022, impacted by the temporary closure or reduced opening hours for some of the Group's facilities in the previous fiscal year. Segment profit for the fiscal year ended 31 March 2023 increased by ¥4,477 million, or 67.8 per cent, to ¥11,078 million, compared to ¥6,600 million in the fiscal year ended 31 March 2022.

Hotel and resort

In the hotel and resort business segment, there was recovery in the number of customers due to the lifting of restrictions on domestic and international travel arising from the spread of COVID-19, resulting in an increase in

occupancy rate to 70.6 per cent for the fiscal year ended 31 March 2023, an increase of 26.5 percentage points from the same period in the previous fiscal year. Operating revenue for the hotel and resort business segment for the fiscal year ended 31 March 2023 increased by ¥27,276 million, or 62.7 per cent, to ¥70,800 million, compared to ¥43,523 million in the fiscal year ended 31 March 2022. Segment loss for the fiscal year ended 31 March 2023 decreased by ¥12,617 million, or 75.4 per cent, to ¥4,119 million, compared to ¥16,736 million in the fiscal year ended 31 March 2022.

Consolidated Results for the fiscal year ended 31 March 2022 compared to fiscal year ended 31 March 2021

Overview

During the fiscal year ended 31 March 2022, the Japanese economy continued to face a difficult business environment due to the prolonged impact of COVID-19, although there were some signs of recovery in corporate earnings. Vaccinations against COVID-19 in Japan progressed and efforts were made to find a balance between preventing the spread of COVID-19 and increase economic activity, but the future remains uncertain.

For the Group's business, although the number of customers recovered in each business segment, the Group's business was still significantly affected, particularly in the transportation business and hotel and resort business, due to voluntary restraint from activities as a result of the declaration of a state of emergency and the issuance of priority measures to prevent the spread of the virus.

Under these circumstances and recognising that the business environment may not return to pre-COVID-19 environment, the Group formulated the medium-term management plan. Based on this plan, the Group has worked towards restoring earnings by responding to the current changes in the business environment and promoting structural reforms.

Results

Operating revenue

Operating revenue for the fiscal year ended 31 March 2022 decreased by ¥56,814 million, or 6.1 per cent, to ¥879,112 million, compared to ¥935,927 million in the fiscal year ended 31 March 2021, primarily due to the application of "Revenue Recognition Accounting Standard" and related measures. For more information on application on the above, see Note 3 "Changes in Accounting Policies" in the consolidated financial statements for the year ended 31 March 2022 herein.

Operating expenses

Operating expenses for the fiscal year ended 31 March 2022 decreased by ¥120,017 million, or 12.4 per cent, to ¥847,568 million, compared to ¥967,585 million in the fiscal year ended 31 March 2021, primarily due to cost-saving efforts as well as a decrease in asset removal costs.

Operating profit(loss)

Operating profit for the fiscal year ended 31 March 2022 was ¥31,544 million, compared to an operating loss of ¥31,658 million in the fiscal year ended 31 March 2021 primarily due to the recovery in the number of customers mainly in the transportation business and hotel and resort business, as well as the sale of large-scale properties in the real estate business.

Non-operating profit

Non-operating profit for the fiscal year ended 31 March 2022 decreased by ¥948 million, or 5.2 per cent, to ¥17,294 million, compared to ¥18,242 million in the fiscal year ended 31 March 2021, primarily due to the decrease in subsidies for employment adjustment.

Non-operating expenses

Non-operating expenses for the fiscal year ended 31 March 2022 increased by ¥431 million, or 3.2 per cent, to ¥13,840 million, compared to ¥13,408 million in the fiscal year ended 31 March 2021.

Ordinary profit (loss)

As a result of the above, ordinary profit for the fiscal year ended 31 March 2022 was ¥34,998 million, compared to an ordinary loss of ¥26,824 million in the fiscal year ended 31 March 2021.

Extraordinary gains

Extraordinary gains for the fiscal year ended 31 March 2022 increased by ¥4,023 million, or 20.7 per cent, to ¥23,489 million, compared to ¥19,466 million in the fiscal year ended 31 March 2021, primarily due to the gain on sale of property, plant and equipment of ¥14.4 billion.

Extraordinary losses

Extraordinary losses for the fiscal year ended 31 March 2022 decreased by ¥16,901 million, or 35.0 per cent, to ¥31,455 million, compared to ¥48,356 million in the fiscal year ended 31 March 2021, primarily due to the reaction from the recording of impairment loss of ¥26.8 billion in the previous year, despite the recording of impairment losses of ¥25.1 billion at Izukyu Corporation and other companies.

Profit (loss) before income taxes

As a result of the above, profit before income taxes for the fiscal year ended 31 March 2022 was ¥27,032 million, compared to a loss before income taxes of ¥55,715 million in the fiscal year ended 31 March 2021.

Profit (loss)

As a result of the above, profit for the fiscal year ended 31 March 2022 was ¥10,203 million, compared to a loss of ¥58,276 million in the fiscal year ended 31 March 2021.

Profit (loss) attributable to owners of parent

Profit attributable to owners of parent for the fiscal year ended 31 March 2022 was ¥8,782 million, compared to a loss attributable to owners of parent of ¥56,229 million in the fiscal year ended 31 March 2021.

Operating Result by Segment

From the fiscal year ended 31 March 2022, the Group applies the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of 31 March 2020) and related measures and to reflect this change, it has changed its accounting method for calculating profit and loss on a business segment basis. As a result of the change, operating revenue decreased ¥51 million and segment loss increased ¥24 million in the transportation business segment, operating revenue declined ¥12,153 million and segment profit increased ¥96 million in the real estate business segment, operating revenue fell ¥141,487 million and segment profit rose ¥546 million in the life service business segment, and operating revenue decreased ¥674 million and segment loss increased ¥5 million in the hotel and resort business segment for the fiscal year ended 31 March 2022, compared to the levels calculated using the traditional method. See Note 3 “Changes in Accounting Policies” in the consolidated financial statement for the fiscal year ended 31 March 2022 herein.

Transportation

In the transportation business segment, Tokyu Railways worked towards continuously providing social value in line with the times by promoting business structure reforms to reduce costs and increase productivity, pursue safety and security, make environmentally friendly efforts and improve comfort in urban transportation. In January 2022, the Company applied to the Minister for approval to increase its fares, which was granted in April 2022, in order to continue to maintain sound management of its railway business, while minimising the costs borne by its customers.

The number of passengers carried in the railway operations business of Tokyu Railways increased 11.3 per cent year on year, reflecting an increase of 6.1 per cent in the number of commuters carried and a 19.0 per cent increase in the number of non-commuters carried, as a result of, among other factors, a recovery from a decline in the number of users of both services attributable to the state of emergency declared in the fiscal year ended 31 March 2021. There was also an increase in the number of passengers carried for Izukyu Corporation by 5.3 per cent for the fiscal year ended 31 March 2022 compared to the previous fiscal year.

In the bus operations business, the number of passengers carried by Tokyu Bus Corporation increased 10.5 per cent for the fiscal year ended 31 March 2022, compared to the previous fiscal year.

As a result of the above, operating revenue for the transportation business segment increased ¥14,584 million, or 9.6 per cent, to ¥166,557 million for the fiscal year ended 31 March 2022, compared to ¥151,972 million in the previous fiscal year. Segment loss for the fiscal year ended 31 March 2022 was ¥3,937 million, a decrease of ¥22,077 million, or 84.9 per cent, compared to ¥26,014 million for the previous fiscal year.

Real estate

In the real estate business segment, the Group formulated the Shibuya urban development strategy “Greater SHIBUYA 2.0” in response to the changes to behavioural patterns such as consumption and mobility and growing interest in environmental issues in the area around Shibuya station and the greater Shibuya area. In addition, it continued progress on its other urban development plans in Shibuya, as well as Kabukicho in Tokyo. Also, constructions began in Shin Tsunashima for a condominium which is directly connected to Shin Tsunashima Station on the Tokyu Shin Yokohama Line, which opened in March 2023.

In its overseas business, the Group continued progress in its construction projects in Bihn Duong New City, Vietnam, as well as Sriracha county Thailand.

Operating revenue for the real estate business segment increased by ¥25,629 million, or 13.0 per cent, to ¥223,263 million for the fiscal year ended 31 March 2022, compared to ¥197,634 million in the previous fiscal year, primarily reflecting an increase in revenue from the real estate leasing business following the relaxation of COVID-19 restriction measures, as well as the sales of large-scale properties in the real estate sales business. Segment profit for the fiscal year ended 31 March 2022 increased by ¥16,252 million, or 56.1 per cent, to ¥45,230 million, compared to ¥28,978 million for the previous fiscal year.

Life service

In the life service business segment, the Group promoted structural reforms to respond to market changes and developing new business formats to meet diversifying customers' needs. In the department store business, Tokyu Department Store Co., Ltd. completed the grand opening of the Shibuya Tokyu Food Show in July 2021, a food market with three large-scale food sales areas spanning east and west of Shibuya station. In the ICT and media business, Tokyu Security Corporation expanded its "Kids Security Mimamorume", a service that emails parents with information on their child's arrival and departure from school, to include approximately 150 schools in the Kawasaki city area. In addition, Tokyu Wellness Corporation, a senior housing business, launched a new fee-based nursing home referral service "Sumairu" in October 2021 to meet the needs of customers in the aging population in areas living along the Tokyu Railways lines.

Operating revenue for the life service business segment decreased by ¥100,851 million, or 16.7 per cent, to ¥502,747 million for the fiscal year ended 31 March 2022, compared to ¥603,598 million in the previous fiscal year. This was primarily due to the negative impact of the application of the Revenue Recognition Accounting Standard and related measures, although there was a recovery in the number of customers compared to the previous fiscal year, chiefly reflecting a reactionary rise in demand following the lifting of the state of emergency declared in the previous fiscal year. Segment profit was ¥6,600 million for the fiscal year ended 31 March 2022, compared to a segment loss of ¥3,867 million for the previous fiscal year.

Hotel and resort

In the hotel and resort business segment, the Group's business continued to be impacted by the COVID-19 pandemic. Tokyu Hotels Co., Ltd. worked to reduce costs by negotiating rent reduction and by withdrawing from unprofitable outlets, as well as reducing personnel costs by promoting the use of smaller number of staff in outlet operations or by bringing room and building cleaning operations in-house through multi-tasking by employees. The Group also created new profit-earning opportunities through the use of shared offices in guest rooms, participation in the "Tsugi Tsugi" fixed-rate circular resettlement service and the introduction of a smartphone web check-in service at all directly managed outlets.

As a result of the above, occupancy rate rose to 44.1 per cent for the fiscal year ended 31 March 2022, an increase of 13.1 percentage points from the same period in the previous fiscal year. Operating revenue increased by ¥5,652 million, or 14.9 per cent to ¥43,523 million for the fiscal year ended 31 March 2022, compared to ¥37,871 million in the previous fiscal year. Segment loss decreased by ¥14,487 million, or 46.4 per cent, to ¥16,736 million for the fiscal year ended 31 March 2022, compared to ¥31,224 million for the previous fiscal year.

Financial Condition

Consolidated Balance Sheet as of 31 March 2023 compared to Consolidated Balance Sheet as of 31 March 2022

Total assets as of 31 March 2023 increased by ¥134,829 million, or 5.4 per cent, to ¥2,614,012 million, compared to ¥2,479,182 million as of 31 March 2022, primarily due to the acquisition of fixed assets.

Total liabilities as of 31 March 2023 increased by ¥108,399 million, or 6.3 per cent, to ¥1,834,639 million, compared to ¥1,726,240 million as of 31 March 2022, primarily due to an increase in interest-bearing debt.

Total net assets as of 31 March 2023 increased by ¥26,430 million, or 3.5 per cent, to ¥779,372 million, compared to ¥752,942 million as of 31 March 2022, primarily due to an increase in profit attributable to owners of parent.

Consolidated Balance Sheet as of 31 March 2022 compared to Consolidated Balance Sheet as of 31 March 2021

Total assets as of 31 March 2022 increased by ¥3,121 million, or 0.1 per cent, to ¥2,479,182 million, compared to ¥2,476,061 million as of 31 March 2021, primarily due to an increase in trade notes and accounts receivable.

Total liabilities as of 31 March 2022 increased by ¥2,718 million, or 0.2 per cent, to ¥1,726,240 million, compared to ¥1,723,522 million as of 31 March 2021, primarily due to an increase in bonds payable.

Total net assets as of 31 March 2022 increased by ¥403 million, or 0.1 per cent, to ¥752,942 million, compared to ¥752,538 million as of 31 March 2021, primarily due to the posting of profit attributable to owners of parent.

Liquidity and Capital Resources

Cash Flows for the fiscal year ended 31 March 2023 compared to the Cash Flows for the fiscal year ended 31 March 2022

Net cash provided by operating activities amounted to ¥95,404 million for the fiscal year ended 31 March 2023, after adjustments of depreciation and amortization of ¥82,973 million and income taxes paid of ¥18,858 million made to profit before income taxes of ¥41,385 million. Net cash provided by operating activities increased ¥9,826 million for the fiscal year ended 31 March 2023 compared to the previous fiscal year, mainly due to an increase in profit before income taxes.

Net cash used in investing activities totalled ¥154,431 million for the fiscal year ended 31 March 2023, which was mainly attributable to payments for purchases of property, plant and equipment and intangible assets of ¥152,345 million. Net cash used in investing activities increased ¥75,620 million for the fiscal year ended 31 March 2023 compared to the previous fiscal year owing to factors including an increase in payments for purchases of property, plant and equipment and intangible assets.

Net cash provided by financing activities was ¥74,608 million for the fiscal year ended 31 March 2023, mainly due to an increase in borrowings and the issuance of bonds.

As a result, cash and cash equivalents was ¥68,516 million as of 31 March 2023, an increase of ¥16,880 million from the end of the previous fiscal year.

Cash Flows for the fiscal year ended 31 March 2022 compared to the Cash Flows for the fiscal year ended 31 March 2021

Net cash provided by operating activities reached ¥85,577 million for the fiscal year ended 31 March 2022, after adjustments of depreciation and amortization of ¥84,191 million and impairment losses of ¥25,129 million made to profit before income taxes of ¥27,032 million. Net cash provided by operating activities decreased ¥312 million for the fiscal year ended 31 March 2022 compared to the previous fiscal year, mainly due to a decline in the decrease in trade notes and accounts receivable, despite the posting of profit before income taxes.

Net cash used in investing activities totalled ¥78,810 million for the fiscal year ended 31 March 2022, which was mainly attributable to payments for purchases of property, plant and equipment and intangible assets of ¥110,397 million. Net cash used in investing activities declined ¥36,384 million for the fiscal year ended 31 March 2022 compared to the previous fiscal year owing to factors including an increase in proceeds from sale of property, plant and equipment.

Net cash used in financing activities was ¥1,374 million for the fiscal year ended 31 March 2022, mainly due to dividends paid and purchase of treasury stock, which more than offset an increase in interest-bearing debt (the sum of short-term borrowings, commercial papers, current portion of bonds payable, bonds payable and long-term borrowings).

As a result, cash and cash equivalents was ¥51,635 million as of 31 March 2022, an increase of ¥6,338 million from the end of the previous fiscal year.

Funding

The Group has set out a financial strategy from a long-term perspective which focuses on ensuring soundness. As the Group's business relies on the ownership, operation and management of large-scale facilities, in addition to the promotion of long-term projects, the proper management of interest-bearing debt is important.

For the fiscal year ended 31 March 2023, the Group made investments of ¥157,677 million. As a result, interest-bearing debt for the fiscal year ended 31 March 2023 was ¥1,287,519 million, an increase of ¥91,762 million compared to the previous fiscal year. TOKYU EBITDA was ¥144.6 billion and interest-bearing debt to TOKYU EBITDA was 8.9 times.

With regard to working capital funding, the Group has established a procurement framework for short-term bonds (commercial papers) and a cash management system, which it will actively use to reduce procurement costs, and has established a crisis-response commitment line, which enables it to respond to unforeseen circumstances.

Capital Expenditure

The following table gives information with respect to the Group's capital expenditure on a consolidated basis for the periods indicated.

	Fiscal year ended 31 March		
	2021	2022	2023
	<i>(Millions of yen)</i>		
Capital expenditure ⁽¹⁾	¥106,385	¥117,451	¥157,677

Note:

(1) Capital expenditure = Increase in property, plant and equipment and intangible assets.

The Group's capital expenditure is generally funded by internally generated funds and borrowings from financial institutions. The Group's capital expenditure for the three fiscal years ended 31 March 2021, 2022 and 2023 was for the purposes of promoting large-scale projects and increasing business assets, primarily related to its real estate business segment, and improving facilities and enhancing services. The capital expenditure also includes investments in software and other intangible assets.

BUSINESS

Overview

The Group is engaged in the operation of passenger railway services in the south-west of Tokyo and in the Kanagawa prefecture of Japan, as well as the operation of real estate business, retail outlets and other retail services, and hotels and resorts. Focusing on the areas served by the Group's railway network, the Group is engaged in urban and community development from a long-term perspective and developing businesses that are closely linked to the lives of its customers. The year 2022 was the 100th anniversary of the Company's establishment.

The Group's business is divided into the following business segments: (i) transportation, (ii) real estate, (iii) life service and (iv) hotel and resort. The transportation business segment is principally engaged in the operation of the Group's railway network, as well as in the operation of scheduled and chartered bus services and the operation of airports. The real estate business segment is principally engaged in real estate sales, real estate leasing, real estate management and real estate brokerage businesses. The life service business segment is principally engaged in the operation of department stores and other retail outlets, the operation of cable television network and internet connection services and the operation of advertising agency services. The hotel and resort business segment is principally engaged in the operation of 44 hotels in Japan, the operation of time-share resort business in 17 properties in Japan, the operation of linen supply services and the operation of five golf courses in Japan.

For the fiscal year ended 31 March 2023, the Group's operating revenues, operating profit and profit attributable to owners of the parent amounted to ¥931,293 million, ¥44,603 million and ¥25,995 million, respectively. As of 31 March 2023, the Company had 129 consolidated subsidiaries and 38 affiliated companies accounted for by the equity method.

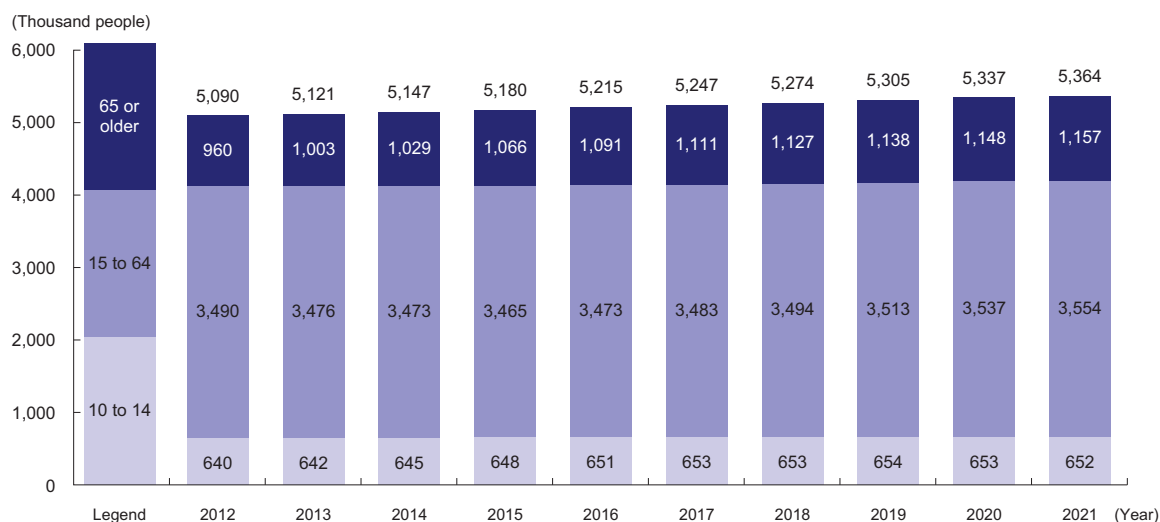
The Shares are listed on the Prime Market of the Tokyo Stock Exchange with the stock code 9005. The Company's registered office is located at 5-6, Nampeidai-cho, Shibuya-ku, Tokyo 150-8511, Japan.

Areas Served by Tokyu Railways Lines

The Group's operations are primarily centred around the communities and geographical areas served by the Group's railway network and, as such, the railway network continues to represent the main geographical focus area for the Group's operations. The Group operates nine railway lines (see “—Operations—Transportation business segment”) in the south-west of Tokyo and in the Kanagawa prefecture of Japan and the Group's other business operations are concentrated along this railway network. The Group defines the major areas served by its railway lines as 17 cities and wards¹ (the “Tokyu Area”). The Tokyu Area has an area of 492 square kilometres and a population (including foreign residents) of approximately 5.52 million as of 1 January 2021 (source: the Basic Resident Register administered by the Ministry of Internal Affairs and Communications). Both the area and the population of the Tokyu Area account for 15 per cent of the total for Tokyo and the Kanagawa, Saitama and Chiba prefectures as of 1 January 2021 (source: the Basic Resident Register administered by the Ministry of Internal Affairs and Communications).

The table below shows the composition of the population (including only Japanese nationals) of the Tokyu Area by age group from 2012 to 2021. During the period from 2012 to 2021, in the Tokyu Area, the overall population has increased from 5,090 thousands to 5,364 thousands and the population of young children (zero to 14 years old) and the productive-age population (15 to 64 years old) have been slowly increasing.

¹ Note: 17 cities and wards are as follows: Tokyo: Shibuya-ku, Meguro-ku, Setagaya-ku, Ota-ku and Shinagawa-ku
Yokohama City, Kanagawa Prefecture: Naka-ku, Nishi-ku, Kohoku-ku, Midori-ku, Tsuzuki-ku and Kanagawa-ku
Kawasaki City, Kanagawa Prefecture: Miyamae-ku, Nakahara-ku and Takatsu-ku
Yamato City, Kanagawa Prefecture: all areas



Notes:

- (1) Source: “The Population Summary of the Basic Resident Register” published by the Ministry of Internal Affairs and Communications.
- (2) Years 2012 to 2013 are as of 31 March for each year. 2014 to 2020 are as of 1 January for each year.

While it was originally predicted that the population living in areas along the Tokyu Area would peak in 2020, the latest data indicates that the overall population of the Tokyu Area is forecasted to continue growing until 2035 (source: “Regional Population Projections for Japan: 2015-2045” published by the National Institute of Population and Social Security Research on 25 December 2018 (the “Regional Population Projections for Japan”). Meanwhile, the ratio of elderly people (65 years old or older) to the total population in the Tokyu Area is forecast to increase to 31 per cent in 2045 from 21 per cent in 2020 (source: the Regional Population Projections for Japan).

For the fiscal year ended 31 March 2021, taxable income per capita in the Tokyu Areas was 1.5 times the national average (source: “Personal Income Indicators 2020” published by Zenrin Marketing Solutions Co., Ltd. on 30 March 2020). For the year ended 31 December 2021, the estimated amount of consumer spending in the Tokyu Areas was estimated to be ¥8,427.5 billion (calculated by multiplying the average consumption expenditures of all households in 5 wards of Tokyo, Yokohama City and Kawasaki City for the year ended 31 December 2021 (source: “The 2021 Annual Report on the Family Income and Expenditure Survey” published by the Ministry of Internal Affairs and Communications on 30 August 2022) and the number of households in the 17 cities and wards that constitute the Tokyu Areas as of 1 January 2021 (source: “The Population Summary of the Basic Resident Register” published by the Ministry of Internal Affairs and Communications)).

History

The Company was founded in 1922 as Meguro-Kamata Electric Railway Company to provide railway transportation services in the suburbs of Tokyo. The Company opened its first railway line in 1923 connecting Meguro station and Kamata station. The Company’s railway network gradually extended through the building of new railway lines, as well as mergers and acquisitions with other local, private railway companies. The Company changed its name to Tokyo-Yokohama Electric Railway Company in 1939. In 1942, the Company merged with Keihin Electric Railway Company (currently, Keikyu Corporation) and Odakyu Electric Railway Co., Ltd. and changed its name to TOKYU CORPORATION. In 1948, the Group completed a reorganisation through which Keio Teito Electric Railway (currently, Keio Corporation), Keikyu Corporation, and Odakyu Electric Railway Co., Ltd. were spun-off. In 1953, work began on the Tokyu Tama-Den-en-toshi real estate project, a large-scale comprehensive regional development project and the Den-en-toshi Line was completed in 1966. In 2019, the Company transferred its railway business to Tokyu Railways Co., Ltd., a wholly-owned subsidiary of the Company.

Management Strategy

Group slogan

The Group has adopted the slogan “Toward a Beautiful Age – Tokyu Group”, as the Group’s universal value standard, and by developing a variety of businesses closely linked to the lives of its customers, including the transportation, real estate, life service and hotel and resort businesses, the Group is constantly proposing new ways of living to benefit its customers and in order to contribute to solving social issues through urban and community development from a long-term perspective.

Sustainable management policy

Pursuant to the Group's slogan, the Group has identified the following material themes for its sustainable management:

- safety and security – provision of public services that are the safest in Japan and easy to use, and living environments that offer peace of mind;
- decarbonation and recycling-based society – realisation of a recycling-based and decarbonised society in harmony with the global environment;
- human resources development – promotion of human resources development by contributing to society through education, culture, and environmental preservation activities;
- urban and community development – realisation of cities that are each unique and attractive in terms of all of 'work', 'live' and 'play';
- quality of living environment – realisation of life in which each person can maintain their good health and pursue individual happiness; and
- corporate governance and compliance – achievement of the best possible corporate governance directly linked to society and the global business environment.

The Group aims to address these material themes for its sustainable management through its long-term recycling business model where the Group reinvests the value gained through urban and community development into the areas in which it operates. In order to develop the areas in which the Group operates in a sustainable manner, the Group is working to enhance the value of the areas by using its strengths to create "ENSEN" (location and regions along the railway lines) with a series of unique and attractive communities. The Group's such strengths include its trust and co-operation know-how built up along its railway lines, its capability to develop towns where people want to continue living by integrating its transportation, development and lifestyle services, and its capability to develop areas that are not standalone facilities from long-term viewpoints.

Long-Term Management Initiative (Growth Strategy for 2030)

The Group considers digitalisation, demographic changes and other social changes are accelerating, and its business environment is undergoing significant changes like never before, including the actualisation of climate change risks. In this environment, the Group formulated a long-term management initiative in September 2019 to speed up efforts to optimise group management and clearly indicate the Group's visions for the future and the direction in which the Group will go. The Group has set out the following growth strategies for 2030 for each segment:

Transportation business segment

- pursuing safety in the Group's railway business, achieving both high-order public-spiritedness and profitability; and
- creating next-generation transportation infrastructure businesses, including the airport operation business and the MaaS business.

Real estate business segment

- promoting urban and community development that is unique to the Group; and
- evolving from the real estate business to urban management by using IT and exhibiting the total power of the Group through co-operation with a range of business segments.

Life service business segment

- enhancing the competitiveness of each individual business; pursuing synergy with the real estate business;
- providing functions for improving the values of the areas served by the Group's railway lines and the lives of people in the areas;
- conversion of the business structure and improvement of profitability through co-operation among the Group and alliances with companies outside the Group; and
- provision of new experiences to customers and improving productivity by introducing new technologies.

Hotel and resort business segment

- hotel business brand improvement appealing to the global market and the next generation;

- cultivating new business domains; and
- value chain and supply chain rebuilding in response to a changing environment.

Three-Year Medium-Term Management Plan

The Group is currently implementing its Three-Year Medium-Term Management Plan covering three fiscal years ending 31 March 2024.

The Three-Year Medium-Term Management Plan was formulated in May 2021 considering the following changes in the Group's operating environment:

- decrease in people traveling and meeting due to the COVID-19 pandemic;
- accelerated transition of work and life styles;
- regional disparities in population decrease and declining birth rate and aging population;
- rapid development of digital technology; and
- shift to a decarbonised society at the global level.

The basic policy of the Three-Year Medium-Term Management Plan is transformation, and by responding to the changes in the business environment accelerated by the COVID-19 pandemic and promoting structural reforms, to restore the scale of earnings and position the current period as a turning point for new growth.

To achieve this transformation, the Group has set out the following four key strategies:

Strengthen the business structure of the transportation infrastructure business

In its transportation business, the Group considers the number of passengers carried will not return to the previous level even after the COVID-19 pandemic and it is necessary to change from earnings structure focusing on commuters and to create demand for intraregional travel. In recognition of this current situation, the Group intends to further pursue safety and security, by conducting maintenance of good facility condition and accident prevention, improvement of recovery capacity after accidents and universal services such as reducing of gaps between platforms and train floors and placing more barrier-free facilities, in order to achieve both public benefit and profitability at high levels. In addition, the Group intends to reform its operations using technology to strengthen the business structure, including expansion of one-man driving, rationalisation of service schedule according to demand and optimisation of maintenance operating using data. Further, the Group intends to increase convenience of customers, such as by opening the Tokyu Shin-Yokohama Line and introducing paid seating services, and to increase resistance of its transportation business to changes in demand, including by improving earnings structures of its bus and airport businesses.

Supporting new values in the real estate business

In its real estate business, the Group considers property selection and the trend of the survival of the fittest among areas will continue to grow with changes in work styles and demand conditions, and it is necessary to re-examine the uses and sizes demanded and to develop growth areas with a focus on asset replacement and fund efficiency. In recognition of this current situation, the Group intends to implement its unique urban development that will create social values, which will play a central role in the Group's profit generation, including the implementation of Kabukicho 1-chome district development plan, which provides an urban entertainment complex function and creates new appeal to customers, and evolving its urban development to urban management by making efforts to create autonomous and decentralised cities in the Tokyu Area through promoting the development of facilities that become the centre of the regional economic sphere, solving issues through public- and private-sector partnerships and developing unique communities and enhancing shared offices and small offices, and by improving housing-related businesses and revitalising the Tokyu Areas through planning products with a focus on proximity between work and home and telecommuting and promoting the appeal of the Tokyu Areas. The Group also intends to raise profitability to drive profit growth, by improving its asset recycling building business through establishing a business with a focus on fund efficiency and using pipelines with the REITs affiliated with the Group. In addition, the Group intends to further promote its overseas urban developments, including the implementation of projects in Vietnam and Thailand.

Evolving into business and services that respond to new lifestyles

In its life service business, the Group considers physical and digital services will be seamless as changes in lifestyles accelerate, and it is necessary to focus on areas where the Group can exert its strengths and to grow services that meet customers' needs and current demand. In recognition of this current situation, the Group intends to further provide values through lifestyle infrastructure businesses, including promoting opening of Tokyu Stores, improving e-commerce and increasing operation efficiency using digital technologies, to meet in-home demands of the customers, and implementing selective strategic investments in the ICT business through participation in the business of 5G base

station sharing and raising competitiveness using mesh Wi-Fi and FTTH. The Group also intends to upgrade its services in the life service business to meet customer needs and current demand, including by developing a “concierge” system through establishing profound relationships with the Tokyu Area customers and improving proposal skills, providing one-stop services that accompany the future lives of customers in the face of a super-ageing society, growing shares in new markets by responding to rapid changes in working styles through providing corporate membership office-sharing business focusing on increasing rate of use and number of customers. In addition, the Group intends to increase profitability of individual businesses in its life service business by examining value provided and income/expenditure structure and redefining the significance and roles of each business in view of current trends and restructuring businesses and services.

Promoting structural reform in each business

With respect to its businesses that have been facing issues since before the COVID-19 pandemic, the Group intends to promote structural reforms and redevelop strategies. In its hotel and resort business, the Group considers competition is intensifying in addition to uncertainty about the future resulting from the COVID-19 pandemic, and the Group intends to implement structural reforms of its hotel business, including increasing its profitability through driving multi-purposing of guest rooms to meet demand for use as offices and long-term use, reforming restaurant models by making restaurant tenants, using IT and streamlining personnel by assigning multiple jobs, and reorganising hotel networks by ending the operation of some of its hotels, changing customer channels according to changes in its operating environment, minimising fixed costs, and reorganising production systems at linen and supply factories. In its department store business, the Group intends to reform store structures, such as implementing hybrid operation at more stores and reducing self-operated sales floor to raise the efficiency of sales floor operation, and close unprofitable stores, as well as to make back-office, services and sales promotion more efficient by shifting to digital operations. Furthermore, the Group intends to improve its overall management of the members of the Group through optimising operating systems, for example by integrating real estate operation and management services into Tokyu Property Management Co., Ltd., strengthening HR management by relocating approximately 1,000 employees within the Group to accommodate changes in the Group’s business structures and ranges, and restructuring the Group’s business portfolio by concentrating functions or merging/closing businesses, optimising asset management, and raising the efficiency of head office divisions.

Future Vision

The Group believes that it is necessary to change from the conventional function-sharing urban structures, where people live in the suburbs and work in the city centre using railway, to self-contained and dispersed urban structures, where the functions of work, living, and play are strategically placed in the city centre, the suburbs of the city centre, and the outer suburbs, demand is created for inter-community movement maximising the local resources of the community, and economic activities are revitalised, including increasing the resident and non-resident populations. The Group’s vision for the future is to develop urban and communities that combine self-contained and dispersed urban structures with digital platforms that support people’s lifestyles, which at the same time realising a decarbonised, recycling-based society.

Operations

The Group is engaged in the operation of passenger railway services in the south-west of Tokyo and in the Kanagawa prefecture of Japan, as well as the operation of real estate business, retail outlets and other retail services and hotels and resorts principally. Focusing on the areas served by the Group’s railway network (see “—Areas Served by Tokyu Railways Lines”), the Group is engaged in urban and community development from a long-term perspective and developing businesses that are closely linked to the lives of its customers.

The Group’s business is divided into the following business segments: (i) transportation, (ii) real estate, (iii) life service and (iv) hotel and resort.

The following tables set out the Group's operating revenues (before inter-segment elimination) and the percentage to aggregate operating revenues (before inter-segment elimination) for the periods indicated, according to the segment to which they relate:

	Fiscal year ended 31 March					
	2021		2022		2023	
	Operating revenues	Percentage to aggregate operating revenues	Operating revenues	Percentage to aggregate operating revenues	Operating revenues	Percentage to aggregate operating revenues
(Millions of yen or percentage)						
Transportation	¥151,972	15.3%	¥166,557	17.8%	¥184,054	18.5%
Real Estate	197,634	19.9	223,263	23.9	220,420	22.2
Life Service	603,598	60.9	502,747	53.7	517,225	52.1
Hotel and Resort	37,871	3.8	43,523	4.6	70,800	7.1
Aggregate operating revenues	991,076	100.0%	936,091	100.0%	992,500	100.0%
Eliminations	(55,149)	—	(56,978)	—	(61,207)	—
Total consolidated operating revenues . . .	<u>¥935,927</u>	<u>—</u>	<u>¥879,112</u>	<u>—</u>	<u>¥931,293</u>	<u>—</u>

Note:

- (1) From the fiscal year ended 31 March 2022, the Group has begun applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of 31 March 2020) and related measures and, to reflect this change, it has changed its accounting method for calculating profit and loss on a business segment basis. As a result of the change, operating revenue decreased ¥51 million in the transportation business, operating revenue declined ¥12,153 million in the real estate business, operating revenue fell ¥141,487 million in the life service business, and operating revenue decreased ¥674 million in the hotel and resort business for the fiscal year ended 31 March 2022, compared to the levels calculated using the traditional method. See Note 3 “Changes in Accounting Policies” in the consolidated financial statement for the fiscal year ended 31 March 2022.

The following table sets out the operating profit (loss) of the Group for the periods indicated, divided according to the segment to which they relate:

	Fiscal year ended 31 March		
	2021	2022	2023
(Millions of yen)			
Transportation	¥(26,014)	¥ (3,937)	¥ 8,538
Real Estate	28,978	45,230	28,844
Life Service	(3,867)	6,600	11,078
Hotel and Resort	(31,224)	(16,736)	(4,119)
Adjustments	469	386	261
Total	<u>¥(31,658)</u>	<u>¥ 31,544</u>	<u>¥44,603</u>

Note:

- (1) From the fiscal year ended 31 March 2022, the Group applies the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of 31 March 2020) and related measures and, to reflect this change, it has changed its accounting method for calculating profit and loss on a business segment basis. As a result of the change, segment loss increased ¥24 million in the transportation business, segment profit increased ¥96 million in the real estate business, segment profit rose ¥546 million in the life service business, and segment loss increased ¥5 million in the hotel and resort business for the fiscal year ended 31 March 2022, compared to the levels calculated using the traditional method. See Note 3 “Changes in Accounting Policies” in the consolidated financial statement for the fiscal year ended 31 March 2022.

Transportation business segment

The transportation business segment is principally engaged in the operation of the Group's railway network, as well as in the operation of scheduled and chartered bus services and the operation of airports.

The following table sets out a breakdown of operating revenue (before inter-segment elimination) in the transportation business segment according to the type of business for the periods indicated:

	Fiscal year ended 31 March		
	2021	2022	2023
	(Billions of yen)		
Operating revenue	¥151.9	¥166.5	¥184.0
Tokyu Railways	111.8	121.7	134.8
Tokyu Bus + Tokyu Transses	20.3	23.2	25.4
Others	19.7	21.5	23.7

The following table sets out a breakdown of operating profit (loss) in the transportation business segment according to the type of business for the periods indicated:

	Fiscal year ended 31 March		
	2021	2022	2023
	(Billions of yen)		
Operating profit (loss)	¥(26.0)	¥(3.9)	¥ 8.5
Tokyu Railways	(15.9)	(0.8)	7.6
Tokyu Bus + Tokyu Transses	(5.3)	(1.1)	0.8
Others	(4.7)	(2.0)	(0.0)

Railway operations

The Group's operations are primarily centred around the communities and geographical areas served by the Group's railway network and, as such, the railway network continues to represent the main geographical focus area for the Group's operations.

Railway passenger transportation plays an important role in urban areas in Japan. In the 23 wards of Tokyo, the transport mode share of railway transportation railway is approximately 50 per cent (source: "Basic Policy on Regional Public Transportation in Tokyo" published by the Tokyo Metropolitan Government in March 2022). For the fiscal year ended 31 March 2022, the Group was the leading operator among the eight major private railway companies in the Kanto area² in terms of number of passengers carried, while having a relatively short aggregate operating track distance compared to the other private railways companies.

The railway business is the mainstay business of the Group and is principally operated by its consolidated subsidiaries, including Tokyu Railways Co., Ltd., Izukyu Corporation and Uedadentetsu Co., Ltd. The Group operates nine railway lines in the south-west of Tokyo and eastern Kanagawa prefecture of Japan: the Toyoko Line, the Meguro Line, the Tokyu Shin-Yokohama Line, the Den-en-toshi Line, the Oimachi Line, the Ikegami Line, the Tokyu Tamagawa Line, the Setagaya Line (a streetcar line) and the Kodomonokuni Line, with an aggregate operating track distance of 110.7 kilometres, and which are mainly used by passengers commuting to and from Tokyo. The Group also owns and operates 99 stations. In the fiscal year ended 31 March 2023, the number of passengers carried by the Group's railway network in the Tokyo Areas was 988,883 thousand, at an average revenue of approximately 371 million per day.

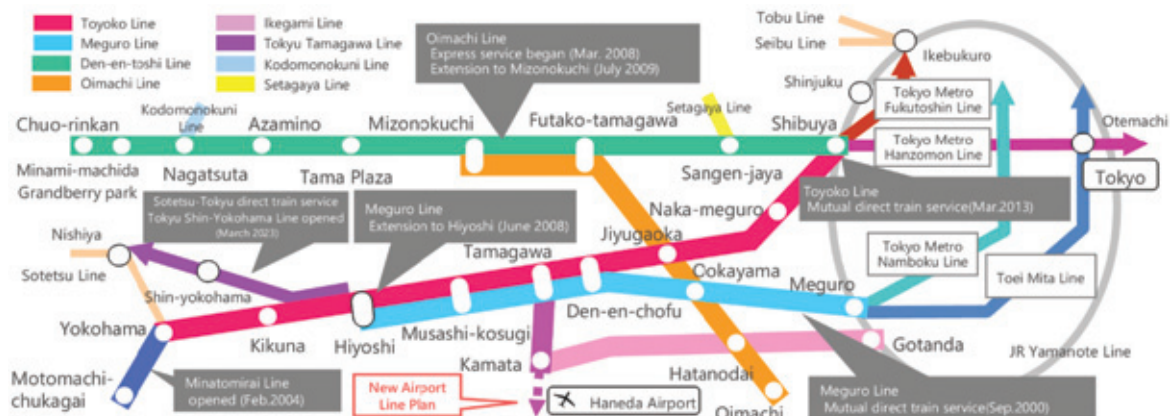
The Group's rail network covers Tokyo and most adjacent densely populated areas, including the major city of Yokohama, which have heavy commuter traffic to and from the central Tokyo area. The passengers on the Tokyo metropolitan area network are predominantly commuters.

In addition to operating through its own facilities, the Group has mutual direct railway services that are operated in conjunction with other railway companies on some lines, which enable the Group's passengers to reach their destinations with fewer transfers and in a shorter time. The Group currently operates mutual services with 7 other

² Note: The eight major private railway companies in the Kanto Area are as follows: Tokyu Railways Co., Ltd., TOBU RAILWAY CO., LTD., SEIBU RAILWAY Co., Ltd., Keisei Electric Railway Co., Ltd., Keio Corporation, Odakyu Electric Railway Co., Ltd., Keikyu Corporation and Sotetsu Holdings, Inc.

railway companies. As a consequence of operating direct services, the Group's trains run on the tracks of these other railway companies and the Group permits other companies to use some of its track and station facilities.

The map below shows the Group's main railway lines and connections to services operated by the other railway companies in the Tokyu Areas.



The following tables set out certain operational data in the Group's railway business in the Tokyu Areas for the periods indicated:

Fiscal year ended 31 March

	2019	2020	2021	2022	2023
Days operated (days)	365	366	365	365	365
Length operated (kilometres)	104.9	104.9	104.9	104.9	110.7
Passenger car distance travelled (thousands of kilometres)	151,463	152,342	152,926	148,044	148,247
Number of passengers (thousands of passengers)	1,189,316	1,187,263	805,783	897,002	988,883
Of which, ordinary tickets (thousands of passengers)	470,648	464,980	327,165	389,396	445,985
Of which, commuter passes (thousands of passengers)	718,668	722,283	478,618	507,606	542,898
Revenue from passenger transportation (millions of yen)	141,385	140,778	97,278	107,743	120,341
Of which, ordinary tickets (millions of yen)	76,827	75,862	52,781	63,266	73,422
Of which, commuter passes (millions of yen)	64,558	64,916	44,497	44,477	46,919
Other revenue from railway business (millions of yen)	15,021	16,011	15,141	14,565	15,056
Total revenue (millions of yen)	156,406	156,789	112,419	122,308	135,397
Average revenue per day (millions of yen)	429	428	308	335	371
Car-load factor (per cent) ⁽¹⁾	51.2	50.8	33.1	38.1	42.2

Note:

(1) Car-load factor is calculated as follows: $\frac{\text{Number of Passengers}}{\text{Distance traveled by Passenger Car}} \times \frac{\text{Average passenger kilometres}}{\text{Average car load}} \times 100$

The following table sets forth a summary of the Group's main railway lines:

Name	Between (stations)	Distance (Operating kilometres)	Number of stations
<i>Tokyu Railways</i>			
Toyoko Line	Shibuya and Yokohama	24.2	21
Meguro Line	Meguro and Hiyoshi	11.9	13
Tokyu Shin-Yokohama Line	Hiyoshi and Shin-Yokohama	5.8	3
Den-en-toshi Line	Shibuya and Chuo Rinkan	31.5	27
Oimachi Line	Oimachi and Mizonokuchi	12.4	16
Ikegami Line	Gotanda and Kamata	10.9	15
Tokyu Tamagawa Line	Tamagawa and Kamata	5.6	7
Kodomonokuni Line	Nagatsuta and Kodomonokuni	3.4	3
Setagaya Line	Sangenjaya and Shimotakaido	5.0	10
<i>Uedadentetsu Co., Ltd.</i>			
Bessho Line	Ueda and Bessho Onsen	11.6	15
<i>Izuky Corporation</i>			
Izukyuko Line	Ito and Izuky Shimoda	45.7	15 ⁽¹⁾

Note:

(1) In addition to the above, one station is shared with another railway company.

The following table sets out the passenger volume by lines operated by the Tokyu Railways:

	Fiscal year ended 31 March		
	2021	2022	2023
	(thousands people)		
Toyoko Line	300,458	337,285	373,899
Meguro Line	95,657	103,831	115,291
Den-en-toshi Line	317,911	356,924	393,927
Oimachi Line	125,474	139,035	151,792
Ikegami Line	64,340	69,016	74,132
Tokyu Tamagawa Line	41,863	44,532	47,274

Fares

The principal revenue source for railway operations is fares from passengers and the Group charges fares generally according to the distance travelled. Pursuant to the Railway Business Act, the upper limits of the fares applicable for railway services must be approved by the Minister and advance notification is necessary in order to raise or reduce fares within such upper limits. The Group offers various forms of discounts to target different segments of the market, the most prominent of which are commuter passes. See “—Regulations” for regulations relating to fares chargeable by the Group in respect of its railway services. In April 2022, the Group obtained approval for fare revisions from the Minister and the Group increased the upper limits of its fares by an average of 12.9 per cent effective from 18 March 2023.

Other activities

In addition to the revenue from train ticket sales, the Group’s revenue derived from its railway operations includes advertising revenues and leasing payments from tenants of shops and operators of other facilities located within stations operated by the Group. The Group regards its stations as important assets and seeks to use them to create synergies between the transportation business and its other Group operations.

Rolling stock

As of 31 March 2023, Tokyu Railways Co., Ltd., Izukyu Corporation and Uedadentetsu Co., Ltd. owned or leased the following rolling stock, categorised by type:

	Number of units
<i>Tokyu Railways</i>	
Electric railcars	693
Controlled-electric railcars	611
Overhead aerial inspection cars	1
Power trains	1
Track inspection cars	1
Generator cars	1
Total	1,308
<i>Uedadentetsu Co., Ltd.</i>	
Electric railcars	5
Controlled-electric railcars	5
Total	10
<i>Izukyu Corporation</i>	
Electric railcars	46
Controlled-electric railcars	27
Total	73

Safety

The Group places paramount importance on the safety of its railway and other transportation operations and implements a number of safety measures. In particular, in the fiscal year ended 31 March 2020, Tokyu Railways Co., Ltd. completed the installation of platform screen doors and fixed platform barriers equipped with sensors at 100 per cent of its stations (excluding the Setagaya Line and the Kodomonokuni Line).

Recent improvement works

The Group opened the operation of the Tokyu Shin-Yokohama Line on 18 March 2023, which connects Hiyoshi station and Shin-Yokohama station. The Tokyu Shin-Yokohama Line is connected to the Sotetsu Shin-Yokohama Line at Shin-Yokohama station. The opening of the Tokyu Shin-Yokohama Line created the direct connection of the central part of the Kanagawa prefecture and the western part of Yokohama City with the central part of Tokyo, and improved access from the Group's railway network to the Shinkansen (Japan's high-speed intercity rail systems).

In October 2022, Ota Ward and Tokyu Railways Co., Ltd. established Haneda Airport Line Co., Ltd., a joint public-private venture, to prepare for the future development of a new airport line that connects Kamata station and Keikyū Kamata station, which is expected to provide a direct access from the Group's railway network to Haneda Airport through the Keikyū Airport Line.

Bus operations

The Group operates scheduled passenger bus services on local routes in the south-west of Tokyo and the Kanagawa prefecture. The Group also has smaller, regional scheduled and charter bus operations in Hokkaido.

As with railway operations, the level of bus fares and routes for scheduled passenger bus services are subject to approval by the Minister, and identical fares are set for all carriers within a given region (See "—Regulations").

The Group also operates scheduled passenger bus services on local routes in Vietnam.

Airport operations

Sendai International Airport Co., Ltd., a subsidiary of the Company, is engaged in the operation of Sendai International Airport, providing services, including maintenance of the runways and receipt of landing fees. The Group is also involved in the operation of Mt. Fuji Shizuoka Airport, seven airports in Hokkaido, including New Chitose Airport, and Hiroshima International Airport through the Company's affiliates.

Real estate business segment

The real estate business segment is principally engaged in real estate sales, real estate leasing, real estate management and real estate brokerage businesses.

The following table sets out a breakdown of operating revenue (before inter-segment elimination) in the real estate business segment according to the type of business for the periods indicated:

	Fiscal year ended 31 March		
	2021	2022	2023⁽¹⁾
	(Billions of yen)		
Operating revenue	¥197.6	¥223.2	¥220.4
Real estate sales	33.8	57.2	41.1
Real estate sales of the Company	28.7	49.2	34.5
Real estate leasing	106.7	110.3	117.3
Real estate leasing of the Company	93.2	96.7	100.6
Real estate management	29.0	31.5	29.8
Others	28.0	24.1	32.0

Note:

- (1) From the fiscal year ended 31 March 2023, operating revenue from the Company's subsidiaries' real estate sales business and real estate leasing business, which were previously included in "Others", and operating revenue from the Company's real estate sales business and real estate leasing business have been consolidated into "Real estate sales" and "Real estate leasing", respectively. Operating revenue from the Group's businesses related to real estate operation and management, including real estate management and real estate agency, that were previously included in "Others" have been consolidated into a new independent item "Real estate management". "Others" include, among others, operating revenue from the Group's hotel management contract business. Operating revenue for the years ended 31 March 2021 and 2022 have been reclassified to the new categories for comparison purposes.

The following table sets out a breakdown of operating profit (loss) in the real estate business segment according to the type of business for the periods indicated:

	Fiscal year ended 31 March		
	2021	2022	2023
	(Billions of yen)		
Operating profit	¥28.9	¥45.2	¥28.8
Real estate sales	7.4	21.6	6.7
Real estate sales of the Company	6.8	19.5	5.4
Real estate leasing	19.4	21.9	19.4
Real estate leasing of the Company	16.1	18.4	15.8
Real estate management	2.3	4.4	3.5
Others	(0.3)	(2.8)	(0.8)

Note:

- (1) From the fiscal year ended 31 March 2023, operating profit from the Company's subsidiaries' real estate sales business and real estate leasing business, which were previously included in "Others", and operating profit from the Company's real estate sales business and real estate leasing business have been consolidated into "Real estate sales" and "Real estate leasing", respectively. Operating profit from the Group's businesses related to real estate operation and management, including real estate management and real estate agency, that were previously included in "Others" have been consolidated into a new independent item "Real estate management". "Others" include, among others, operating profit from the Group's hotel management contract business. Operating profit for the years ended 31 March 2021 and 2022 have been reclassified to the new categories for comparison purposes.

Revenues from operations of the real estate sales business often fluctuate from year to year, depending on the timing of completion of condominiums.

Real estate sales business

Principal operations of the Group's real estate sales business include land development, housing construction and marketing and real estate consulting. The Group is engaged in residential land development and marketing, and construction and marketing of detached houses and medium- to high-rise condominiums and resort housing. The Group is also engaged in land development and construction and marketing of detached houses in Vietnam.

Real estate leasing business

In the Group's real estate leasing business, the Company leases its own properties principally in the areas along the railway network which the Group operates in Tokyo and the Kanagawa prefecture.

The average vacancy rates of the Company's office buildings were 1.4 per cent, 1.5 per cent and 0.4 per cent as of 31 March 2021, 2022 and 2023, respectively.

The following table provides details of the Company's principal buildings as of 31 March 2023:

Name	Location	Completion	Primary use	Total floor area (m ²)
Shibuya Hikarie ⁽¹⁾⁽³⁾	Shibuya, Tokyo	2012	Offices, commerce	144,500
SHIBUYA STREAM ⁽¹⁾⁽³⁾	Shibuya, Tokyo	2018	Offices, commerce, hotel	119,500
SHIBUYA SCRAMBLE SQUARE Phase 1 (East building) ⁽¹⁾⁽³⁾	Shibuya, Tokyo	2019	Offices, commerce	181,800
Minami-machida Grandberry Park	Minami-machida, Tokyo	2019	Commerce	150,700
Cerulean Tower ⁽²⁾⁽³⁾	Shibuya, Tokyo	2001	Offices, hotel	104,100
Futako Tamagawa Rise ⁽¹⁾⁽³⁾	Futako Tamagawa, Tokyo	Phase 1: 2010 Phase 2: 2015	Offices, commerce, hotel	293,100
Tokyu Capitol Tower ⁽³⁾	Nagatacho, Tokyo	2010	Offices, hotel	87,400
Queen's Square Yokohama ⁽¹⁾⁽³⁾	Yokohama, Kanagawa	1997	Offices, commerce, hotel	496,300
Aoyama Oval Building ⁽¹⁾	Shibuya, Tokyo	1988	Offices	28,600
Tama Plaza Terrace	Yokohama, Kanagawa	2010	Commerce	180,900
SHIBUYA CAST ⁽¹⁾⁽²⁾⁽³⁾	Shibuya, Tokyo	2017	Offices, commerce	34,900
Tokyu Bancho Building ⁽¹⁾	Ichigaya, Tokyo	2011	Offices	16,700
Setagaya Business Square ⁽¹⁾⁽²⁾⁽³⁾	Yoga, Tokyo	1993	Offices, commerce	94,300
Aobadai Tokyu Square	Yokohama, Kanagawa	2000	Commerce	53,900

Notes:

- (1) Property sectionally owned or co-owned with other companies.
- (2) Property belonging to the Company's consolidated special purpose company.
- (3) Total area of property, including areas used for other purposes.

The following table shows some of the major projects that the Group has recently developed or that are under development by the Group:

Project name	Location	Completion date	Floor area (m ²)	Use
Tokyu Kabukicho Tower	Shinjuku, Tokyo	April 2023	Approx. 87,400	Hotel, theatre, cinema, shops, parking facilities, etc.
Shibuya 2-chome-17 District Urban Redevelopment Project Type 1	Shibuya, Tokyo	First half of year ending 31 March 2025 (planned)	Approx. 44,560	Offices, shops, parking facilities, etc.
SHIBUYA SCRAMBLE SQUARE Phase II (Central, West Bldg)	Shibuya, Tokyo	Year ending 31 March 2028 (planned)	Approx. 276,000 (including Phase I)	Offices, shops, parking facilities, etc.
Shin-tsunashima station District Urban Redevelopment Project Type 1	Yokohama, Kanagawa	October 2023 (planned)	Approx. 37,560	Apartments, commercial and public facilities, shops, parking facilities, etc.
Yokohama Station Kita Nishiguchi Tsuruya District Urban Redevelopment Project Type 1	Yokohama, Kanagawa	First half of year ending 31 March 2025 (planned)	Approx. 79,330	Apartment, shops, hotels, hotel-like condos, parking facilities, etc.
Shibuya Upper West Project ⁽¹⁾	Shibuya, Tokyo	Year ending 31 March 2028 (planned)	Approx. 117,000	Shops, hotel, apartments, etc.

Note:

- (1) Joint operation with a real estate development and investment company established by LVMH Group and Tokyu Department Store Co., Ltd.

Real estate management business

The Group is engaged in providing (i) building management services, such as the management of building facilities, cleaning and security services, and (ii) condominium management services, such as administration and facilities management. The Group is also engaged in providing brokerage services of houses and condominiums.

Life service business segment

The life service business segment is principally engaged in the operation of department stores and other retail outlets, the operation of cable television network and internet connection services and the operation of advertising agency services. The Group divides the types of services provided into two groups, “MACHINAKA” services which include services and facilities available to the users outside their homes, and “IENAKA” services which includes services available to users inside their homes. The following tables set out the outlines of the services provided by the Group in the life service business segment for each service group as of 31 March 2023:

“MACHINAKA” Services (available for users outside their homes)

Service	Main Operating Companies	Overview
Department stores	<ul style="list-style-type: none"> ● Tokyu Department Store Co., Ltd. 	<ul style="list-style-type: none"> ● Operating department stores and small-sized specialty stores mainly in the Shibuya area and along the Tokyu Railways lines
Shopping centres	<ul style="list-style-type: none"> ● Tokyu Malls Development Corporation ● SHIBUYA 109 Entertainment Corporation 	<ul style="list-style-type: none"> ● Operating different commercial facilities mainly along the Tokyu Railways lines
Supermarkets	<ul style="list-style-type: none"> ● Tokyu Store Chain Co., Ltd. 	<ul style="list-style-type: none"> ● Operating supermarkets mainly along the Tokyu Railways lines
Cinema complex	<ul style="list-style-type: none"> ● Tokyu Recreation Co., Ltd. 	<ul style="list-style-type: none"> ● Operating 109 Cinema complexes nationwide ● Plan and operate film festivals
Childcare (after-school day-care, preschool childcare)	<ul style="list-style-type: none"> ● Tokyu Kids basecamp Co., Ltd. 	<ul style="list-style-type: none"> ● Develop private after-school day-care and preschool childcare primarily in areas along Tokyu Railways lines ● Operate children’s houses, after-school children’s clubs, as commissioned by local governments
Sports facilities	<ul style="list-style-type: none"> ● Tokyu Sports Systems Kabushiki Kaisha 	<ul style="list-style-type: none"> ● Operate Atrio Due gyms, as well as swimming, golf, tennis and football schools, etc.
Travel agency (Tokyu Travel Salon) . .	<ul style="list-style-type: none"> ● Tokyu Corporation 	<ul style="list-style-type: none"> ● Develop JTB-brand travel agencies near and inside stations of the Tokyu Railways lines
Transit and Outdoor Advertising Media	<ul style="list-style-type: none"> ● Tokyu Corporation ● Tokyu Agency 	<ul style="list-style-type: none"> ● Utilise transit advertising media in areas served by the Tokyu Railways lines, as well as Tokyu bus routes ● Distribute free magazine “SALUS” in areas served by Tokyu Railways lines ● Operate outdoor advertising media in an area around Shibuya station, which has one of the largest concentrations of outdoor advertising media in Japan and sells them as “TOKYU OOH”

“IENAKA” Services (available for users at home)

Service	Company	Overview	Number of customers/users As of 31 March 2022
CATV	<ul style="list-style-type: none"> its communications Inc. CABLE TELEVISION SHINAGAWA INC. 	<ul style="list-style-type: none"> Provide local information, including multi-channel broadcasting, internet connections, telephone services, etc. Broadcast local community information, such as local government news and disaster prevention information in co-operation with the government 	Number of households: TV: 1,170,000 Internet: 310,000 Telephone: 220,000
Electricity & gas	<ul style="list-style-type: none"> Tokyu Power Supply Co., Ltd. 	<ul style="list-style-type: none"> Provide electricity and gas services to households together with life services provided by the Tokyu Group Promoting actions to protect the environment such as supporting the Setagaya Line’s operations using 100 per cent renewable energy and EV support plan 	Number of households Electricity service: 220,000 Gas service: 160,000
Home Convenience	<ul style="list-style-type: none"> Tokyu Corporation 	<ul style="list-style-type: none"> Tokyu Bell delivers food items and daily necessities and provides services such as housecleaning to customers living in areas along the Tokyu Railways lines 	EC service provided by the Group: 2 services “IENAKA” services provided by the Group: 84 services
Security	<ul style="list-style-type: none"> Tokyu Security Co., Ltd. 	<ul style="list-style-type: none"> Provide security services to homes and commercial facilities served by Tokyu Railways lines and stations Provide child monitoring services, which send information to users when children pass stations on Tokyu Railway lines, get on Tokyu buses and pass primary school gates 	Home security: 84,000 users Children monitoring service: 97,000 users
TOKYU POINT	<ul style="list-style-type: none"> Tokyu Corporation Tokyu Card, Inc. 	<ul style="list-style-type: none"> Issue TOKYU CARD, loyalty points cards with credit card facilities 	Number of members: 2.86 million

Service	Company	Overview	Number of customers/users As of 31 March 2022
TOKYU ROYAL CLUB	• Tokyu Corporation	• Club membership with offers of different services depending on the use of Tokyu Group products, services and facilities • Distribute “Fino”, a magazine for club members	Number of members: 76,000

The following table sets out a breakdown of operating revenue (before inter-segment elimination) from the operation of the retail outlets and the operation of the ICT/media-related services according to the subsidiaries operating services for the periods indicated:

	Fiscal year ended 31 March		
	2021	2022	2023
	(Billions of yen)		
Operating revenue (Retail)	¥413.2	¥330.8	¥332.8
Tokyu Department Store, etc. ⁽¹⁾	152.7	79.2	82.7
Tokyu Store chain	215.6	204.1	209.9
Others	44.8	47.3	40.2
Operating revenue (ICT and Media)	¥190.3	¥171.9	¥184.3
Tokyu Recreation	21.6	22.3	27.8
Its communications	27.4	26.7	26.4
Tokyu Agency	75.6	52.9	44.1
Others	65.6	69.8	85.9

Note:

(1) Tokyu Department Store, etc. includes Tokyu Department Store Co., Ltd., as well as Tokyu Corporation, Nagano Tokyu Department Store Co., Ltd. and Kitanagano Shopping Center Co., Ltd.

The following table sets out a breakdown of operating profit (loss) from the operation of the retail outlets and the operation of the ICT/media-related services according to the subsidiaries operating services for the periods indicated:

	Fiscal year ended 31 March		
	2021	2022	2023
	(Billions of yen)		
Operating profit (loss) (Retail)	¥(3.8)	¥ 1.2	¥ 4.3
Tokyu Department Store, etc. ⁽¹⁾	(6.3)	(2.9)	(0.0)
Tokyu Store chain	4.8	4.2	3.8
Others	(2.3)	(0.0)	0.6
Operating profit (ICT and Media)	¥(0.0)	¥ 5.3	¥ 6.7
Tokyu Recreation	(1.2)	(0.6)	0.8
Its communications	3.2	3.2	3.2
Tokyu Agency	(0.3)	1.3	1.5
Others	(1.7)	1.4	1.0

Note:

- (1) Tokyu Department Store, etc. includes Tokyu Department Store Co., Ltd., as well as Tokyu Corporation, Nagano Tokyu Department Store Co., Ltd. and Kitanagano Shopping Center Co., Ltd.

Hotel and resort business segment

The hotel and resort business segment is principally engaged in the operation of hotels in Japan, the operation of time-share resort business in 17 properties in Japan, the operation of linen supply services and the operation of five golf courses in Japan.

Hotel operations

As of 31 March 2022, the Group operated three hotel brands through 44 hotels under the brand names “Tokyu Hotel”, “Excel Hotel Tokyu” and “Tokyu REI Hotel”, and the total number of rooms in the hotels operated by Tokyu Hotel chain, Excel Hotel Tokyu and Tokyu REI Hotel chain were 3,947 rooms, 2,991 rooms and 4,883 rooms, respectively, including franchise hotels and hotels operated under management contract arrangements.

From April 2023, “Tokyu Vacations”, membership-based staycation resorts, and “DISTINCTIVE SELECTION”, hotels with features beyond the existing brands, have been added to the Group’s hotel brands.

The table below sets forth the number of hotels, the numbers of available rooms, occupancy rates, average daily rates (“ADR”) and revenues per available room (“RevPAR”) of the hotels operated by the Group as of and for the periods indicated:

	As of/For the fiscal years ended 31 March				
	2019	2020	2021	2022	2023
Hotels	44	45	44	43	44
Guest rooms	12,054	12,413	12,011	11,821	11,989
Occupancy rate (per cent)	83.1%	76.6%	31.0%	43.0%	69.9%
ADR (yen)	—	—	¥12,794	¥11,350	¥14,245
RevPAR (yen)	—	—	¥ 3,968	¥ 4,882	¥ 9,955

Competition

The Group competes with other passenger railway companies in the areas served by the Group’s railway network. For example, the Toyoko Line, which is one of the Group’s main railway services connecting Shibuya station and Yokohama station, competes with the Shonan-Shinjuku Line operated by East Japan Railway Company. While entry into the railway business is generally limited by high entry costs associated with purchasing the necessary land, rolling stock, other facilities and the laying of tracks, competition may intensify through the extension of existing railway lines by competitors or furtherance of connections among existing lines, as well as route-sharing by its competitors. In addition, the Group’s railway services are having to meet challenges from other modes of transportation, including privately owned cars, shuttle buses and coaches, the carrying capacity of which may intensify through openings of new motorways in the areas served by the Group’s railway network. The Group continues to work to improve its competitive position, through measures such as enhancing passenger convenience.

In the long term, the competitive position of the Group may be further defined by the overall quality of the services it provides, in terms of how attractive the areas covered by its railway line are against the other areas. If the value of the areas along the Group’s railway network increases, the Group may expect a flow of new residents, which will increase the number of passengers, as well as revenue for department and other retail outlets and services and hotels and resorts it operates.

The Group’s real estate business competes primarily with nationwide real estate developers and real estate companies that have strength in the development of residential properties, offices and commercial properties. The Group’s retail outlets, including principally its department stores and supermarkets, compete not only with those operated by its competitors, but also with other forms of retail organisations such as suburban large-scale commercial complexes operated by general merchandise stores, outlet malls, specialised chain stores, convenience stores, numerous other small retail stores in Japan and internet shopping websites. The Group’s other businesses generally compete with other providers of similar services or products, which may be more specialised or have greater financial resources or a wider customer base than similar operations of the Group.

Regulations

Railway Business Act

The railway industry in Japan is subject to extensive regulation pursuant to statutes, ordinances and other regulations. The principal statute governing the railway industry is the Railway Business Act, to which all railway companies are subject. The Railway Business Act subjects all railway companies, both passenger and freight, to comprehensive regulation by the MLIT.

Railway companies are required to obtain prior permission of the Minister to operate each of their railway lines, and must submit notification at least one year in advance of terminating a passenger railway service on any portion of their railway lines. In addition to complying with regulations concerning the safety of transportation and safety and maintenance of infrastructure and equipment, railway companies are required to obtain approval from and report to the Minister various matters relating to their railway operations, such as any significant changes to planned railway services and occurrence of major accidents. Construction of new railway lines, certain improvements to existing railway facilities and introduction of new models of rolling stock require approval of or confirmation by the Minister. Certain aspects of the approval, confirmation or notification process have been simplified, however, for companies (including Tokyu Railways Co., Ltd.) that have been recognised by the Minister as having a prescribed level of technical skill.

Railway companies are required under the Railway Business Act to obtain approval from the Minister when establishing and changing the upper limits of the fares. Upon prior notification to the Minister, railway companies are allowed to establish and revise fares and surcharges but, in the case of fares, within approved upper limits.

Under the Railway Business Act, the Minister must confirm that the upper limits of the fares will not exceed the aggregate amount of proper costs incurred pursuant to the efficient management of the railway company's operations and proper profits to the railway company. The process for determining the upper limits of the fares is known as the "total-cost method" (*sokatsu-genka hou*).

The Minister is authorised to issue orders to railway companies to change their fares or surcharges in situations where unfair discrimination against particular passengers or unfair competition with other railway companies may arise. The Minister has not issued any such order to Tokyu Railways Co., Ltd. to date.

Real Estate Brokerage Act

The Group's real estate business involving property sales and brokerage of real estate transactions is subject to the Real Estate Brokerage Act of Japan (Act No. 176 of 1952, as amended) (the "Real Estate Brokerage Act"). Under the Real Estate Brokerage Act, any person who intends to engage in the business of the sale and purchase of buildings and building lots or the brokerage of sale and purchase or leasing thereof referred to thereby as a real estate broker, must firstly obtain a license from the Minister or the governor of the relevant municipal government. The Real Estate Brokerage Act also requires real estate brokers to employ, or otherwise enlist the services of, a certain number of qualified and registered real estate transaction specialists (persons to whom a real estate transaction specialist identification card has been issued).

The Real Estate Brokerage Act imposes various obligations on real estate brokers in connection with their business. For instance, real estate brokers must ensure that their real estate transaction specialists deliver to property purchasers, lessees and/or certain relevant parties documents setting forth important matters relating to the property and provide sufficient explanations to these parties before entering into real estate contracts. In addition, the Real Estate Brokerage Act places limits on the size of deposits that may be collected from a purchaser and on liquidated damages payable to real estate brokers and also provides restrictions on advertisements relating to the business of real estate brokers.

Building Standards Act

The Group's real estate business involving the construction, repair and remodelling of buildings is generally subject to the Building Standards Act of Japan (Act No. 201 of 1950, as amended) (the "Building Standards Act"). Under the Building Standards Act, any entity that constructs, substantially repairs or remodels, whether by itself or through a third-party contractor, any building that is larger than a certain size or that is located in certain designated areas must obtain a certificate of prior confirmation for the planned construction, repair or remodelling as well as a certificate of completion thereof from an inspector appointed by the local authorities. Such certificates confirm that the building, repair or remodelling conforms to the standards prescribed by the Building Standards Act and relevant regulations. In addition, the local authorities may order the suspension of construction or the demolition, reconstruction, remodelling or repair of any building, or may prohibit or limit the use of any building if the building does not conform to the relevant building standards. Such standards include those relating to the use, height and structure of buildings, including the seismic design, the building-to-land area ratio, and fire prevention, security and sanitation requirements.

Other Regulations

The Group's transportation business is also subject to various laws and regulations, including those regulating safety, access for the disabled, energy conservation and environmental matters, and those relating to the safety of the operations of buses such as the Road Transportation Act of Japan (Act No. 183 of 1951, as amended).

The Group's real estate business is also subject to various laws and regulations, including the Civil Code, the Housing Quality Security Promotion Act, the Act on Land and Building Leases of Japan (Act No. 90 of 1991, as amended) and the City Planning Act of Japan (Act No. 100 of 1968, as amended).

The Group's life service business and hotel and resort business are subject to various laws and regulations, including retail outlets-related regulation such as the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment of Japan (Act No. 91 of 1998, as amended), and hotel and resort-related regulation such as the Hotel Business Act of Japan (Act No. 138 of 1948, as amended).

The Group is also subject to other corporate, commercial or other laws and regulations, including those relating to corporate governance and corrupt business practices.

Sustainability

Under the Group slogan of "Toward a Beautiful Age", the Group is committed to creating a beautiful living environment for our future and continuous solution of social issues through businesses by addressing the 17 goals and 169 targets of the Sustainable Development Goals ("SDGs") and material sustainability themes identified by the Group, with sustainable management as its basic management policy (see "—Management Strategy").

The Group has set SDG No. 11 "Sustainable Cities and Communities" as the core goal to achieve through its business activities, and in March 2022, the Group has adopted "Environmental Vision 2030" to further pursue a decarbonisation and recycling-based society. Key initiatives under "Environmental Vision 2030" are as follows:

Decarbonised society

Engaging in activities aimed at a level that will restrict global warming to 1.5°C while contributing to the decarbonisation of the towns in which the Group operates, the Group is aiming to achieve the following targets:

- with respect to the Group's business activities, reduce CO₂ emissions by 46.2 per cent by 2030 (compared with the levels in the fiscal year ended 31 March 2020);
- with respect to the Group's business activities, reduce CO₂ emissions to effectively zero by 2050 with the renewable energy ratio of 100 per cent;
- with respect to the business activities of the Group's supply chain, reduce CO₂ emissions by 30 per cent by 2030 (compared with the levels in the fiscal year ended 31 March 2020); and
- with respect to the decarbonisation of the towns in which the Group operates, achieve advances in urban decarbonisation with services that help customers decarbonise, energy infrastructure management, co-ordination with local governments and other activities.

Recycling-based society

Towards realising a zero-waste society, leveraging the many customer contact points, a characteristic of the Group's business, to join and expand the circle of resource recycling and the circular economy, the Group is aiming to achieve the following targets:

- with respect to the Group's business activities, reduce waste volume by 10 per cent by 2030 (compared with the levels in the fiscal year ended 31 March 2020 on a revenue unit basis); and
- with respect to the Group's business activities, reduce water usage by 10 per cent by 2030 (compared with the levels in the fiscal year ended 31 March 2020 on a revenue unit basis).

Further, in connection with the pursuit of both a decarbonised society and a recycling-based society, the Groups is aiming to achieve the following targets by 2030 with respect to the activities in the towns in which it operates:

- provision by the Group of a menu of at least 100 services to reduce environmental impact; and
- increase people taking actions on the SDGs at least by 30 per cent (compared with the levels in the fiscal year ended 31 March 2022).

Properties

The following table sets forth the carrying values of the Group's property, plant and equipment (excluding construction in progress) by segments as of 31 March 2023:

Segment	Building and structures, net	Rolling stock and machinery, net	Land	Others, net	Total
	(Millions of yen)				
Transportation	¥383,785	¥74,284	¥138,204	¥ 5,307	¥ 601,581
Real Estate	334,068	2,201	429,415	4,424	770,109
Life Service	62,665	4,467	91,816	11,006	169,955
Hotel and Resort	23,458	551	48,134	1,535	73,680
Subtotal	803,977	81,504	707,571	22,274	1,615,327
Corporate	8,207	349	15,449	1,154	25,160
Total	¥812,185	¥81,853	¥723,020	¥23,429	¥1,640,488

Insurance

The Group maintains a range of insurance policies which the Company believes are comparable with other companies with similar operations in Japan. The insurance policies cover certain liability risks, including personal injury, death and property damage. In addition, the Group maintains earthquake coverage for certain of its buildings.

Legal Proceedings

The Group is from time to time involved in various legal proceedings during the ordinary course of its business.

On 28 February 2023, the Tokyo District Public Prosecutors Office filed criminal charges, subsequent to accusations filed by the Fair Trade Commission, against Tokyu Agency, a subsidiary of the Company, and one former executive of Tokyu Agency. The criminal charges relate to alleged bid-rigging (antitrust law violations) in respect of consignment contracts for test event planning, and other services ordered by Tokyo Organising Committee and related to the Tokyo 2020 Olympics and Paralympics Games. Tokyu Agency has been indicted by the Tokyo District Public Prosecutors Office and has been suspended from tender nomination for projects by some government agencies and local governments. In addition to the possibility of criminal convictions resulting in penalties it is possible that the Fair Trade Commission may impose a cease and desist order and surcharge payment on Tokyu Agency, and/or that the Tokyo Organising Committee may claim damages from Tokyu Agency.

Save as disclosed in this section (“—Legal Proceedings”), no member of the Group is currently involved in any governmental, legal or arbitral proceedings (including any proceedings that are pending or threatened) which could have a material effect on its business, results of operations or financial condition.

MANAGEMENT AND EMPLOYEES

Management

The Company's articles of incorporation provide for a Board of Directors consisting of not more than 20 members and provide for not more than five Audit and Supervisory Board Members. All Directors and Audit and Supervisory Board Members are elected by the Company's shareholders at a general meeting of shareholders. The term of office for Directors expires at the close of the ordinary general meeting of shareholders held relating to the last fiscal period to end within one year after such Director's election, and the term of office for Audit and Supervisory Board Members expires at the close of the ordinary general meetings of shareholders held relating to the last fiscal year to end within four years after such Audit and Supervisory Board Member's election, but Directors and Audit and Supervisory Board Members may serve any number of consecutive terms. The Company currently has 12 Directors, including four external Directors, and four Audit and Supervisory Board Members, including two external members.

The Company has introduced an executive officer system in order to have a more revitalised board by separating decision making and supervision functions from execution function. Executive officers are responsible for managing the Company's business operations. The Board of Directors oversees the executive officers and sets fundamental strategies. By its resolution, the Company's Board of Directors may elect, from among its members, a Chairman of the Board (*torishimariyaku kaicho*), a President (*torishimariyaku shacho*), along with one or more Managing Directors. The Board of Directors also elects one or more Representative Directors from among its members. Each of the Representative Directors has the authority to represent the Company in conducting its affairs.

The Company has entered into a liability limitation agreement with each external Director and external Audit and Supervisory Board Member which limits the maximum amount of their liability to the Company arising in connection with a failure to execute their duties in good faith and without gross negligence to the minimum amount stipulated by applicable laws and regulations.

The Audit and Supervisory Board Members are not required to be certified public accountants. The Audit and Supervisory Board Members may not at the same time be Directors, accounting advisors, managers or any other type of employees of the Company or any of the subsidiaries or corporate executive officers of any of the Company's subsidiaries, and at least one-half of them must be persons who satisfy the requirements for an Outside Audit and Supervisory Board Member under the Companies Act. Each Audit and Supervisory Board Member has a statutory duty to supervise the administration by the Directors of its affairs, to examine the financial statements and business reports to be submitted to the shareholders by a Representative Director and to prepare an audit report. They are obligated to participate in meetings of the Board of Directors and, if necessary, to express their opinion at such meetings, but are not entitled to vote.

The Audit and Supervisory Board Members form the Audit and Supervisory Board. The Audit and Supervisory Board has a statutory duty to prepare an audit report based on the audit reports issued by the individual Audit and Supervisory Board Members each year. An Audit and Supervisory Board Member may note his opinion in the audit report if the opinion expressed in his audit report is different from the opinion expressed in the audit report issued by the Company's Audit and Supervisory Board. The Audit and Supervisory Board must establish the audit principles, the method of examination by the Audit and Supervisory Board Members of the Company's affairs and financial position and any other matters relating to the performance of the Audit and Supervisory Board Members' duties. The Audit and Supervisory Board is required to elect from among its members at least one standing Audit and Supervisory Board Member.

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 Director to the general meetings of shareholders and preparing audit reports. Currently, the Company's independent auditor is Ernst & Young ShinNihon LLC.

The names and titles of the Directors and the Audit and Supervisory Board Members as of the date of this Offering Circular are as follows:

Name	Title
Hirofumi Nomoto	Chairman of the Board and Representative Director
Isao Watanabe ⁽¹⁾	Director and Vice Chairman of the Board
Kazuo Takahashi ⁽²⁾	President and Representative Director
Hirohisa Fujiwara	Director and Senior Managing Executive Officer
Toshiyuki Takahashi	Director and Senior Managing Executive Officer
Setsu Hamana	Director and Managing Executive Officer
Masahiro Horie ⁽²⁾	Director and Managing Executive Officer
Kiyoshi Kanazashi	Director
Kunio Shimada	Outside Director and Independent Officer
Reiko Kanise	Outside Director and Independent Officer
Midori Miyazaki	Outside Director and Independent Officer
Hiroshi Shimizu	Outside Director and Independent Officer
Takehiko Shimamoto	Full-time Audit and Supervisory Board Member
Naohisa Akimoto	Full-time Audit and Supervisory Board Member
Shigeo Tsuyuki	Outside Audit and Supervisory Board Member and Independent Officer
Shuzo Sumi	Outside Audit and Supervisory Board Member and Independent Officer

Notes:

- (1) Isao Watanabe will resign due to the expiry of the term of office at the ordinary general meeting of shareholders scheduled to be held on 29 June 2023.
- (2) The Company announced on 11 May 2023 changes to its Representative Directors whereby Kazuo Takahashi will be appointed as Vice Chairman of the Board and Masahiro Horie will be appointed as President, subject to approval at the ordinary general meeting of shareholders scheduled to be held on 29 June 2023.

The names and titles of the Executive Officers as of the date of this Offering Circular are as follows:

Name	Title
Toshiyuki Hoshino	Senior Managing Executive Officer
Toshiyuki Ichiki	Senior Managing Executive Officer
Ryosuke Toura	Managing Executive Officer
Hidetoshi Tajima	Managing Executive Officer
Takuya Iwai	Executive Officer
Takanori Nishimura	Executive Officer
Kazuhiro Hiramoto	Executive Officer
Akinori Kanayama	Executive Officer
Takashi Yamakawa	Executive Officer
Tomoo Kimura	Executive Officer
Kyosuke Toda	Executive Officer
Toshitake Ashizawa	Executive Officer

Note:

- (1) The Company announced on 26 May 2023 changes to its executive officers. The names and titles of the Executive Officers as of 1 July 2023 are as follows:

Name	Title
Hidetoshi Tajima	Managing Executive Officer
Ryosuke Toura	Managing Executive Officer
Toshitake Ashizawa	Managing Executive Officer
Takuya Iwai	Managing Executive Officer
Tomoo Kimura	Executive Officer
Akinori Kanayama	Executive Officer
Kyosuke Toda	Executive Officer
Kazuhiro Hiramoto	Executive Officer
Takashi Yamakawa	Executive Officer
Takanori Nishimura	Executive Officer
Kazuyuki Tada	Executive Officer
Yoshinori Ogata	Executive Officer

The Company's Directors may be contacted through its head office at 5-6, Nampeidai-cho, Shibuya-ku, Tokyo 150-8511, Japan.

Executive Compensation

The aggregate remuneration paid to the Company's Directors (excluding Outside Directors) by the Company was ¥348 million for the fiscal year ended 31 March 2023. The aggregate remuneration paid to the Company's Audit and Supervisory Board Member (excluding Outside Audit and Supervisory Board Members) by the Company in their capacities as such was ¥54 million for the fiscal year ended 31 March 2023. The aggregate remuneration paid to the Company's Outside Directors and Outside Audit and Supervisory Board Members in their capacities as such was ¥56 million for the fiscal year ended 31 March 2023.

Employees

The total number of full-time employees of the Group as of 31 March 2023 was 23,763. The Company believes that its labour relations are good.

Stock Acquisition Rights

Employee Shareholding Employee Stock Ownership Plan

In May 2021, the Company introduced an employee incentive plan, the Employee Shareholding Ownership Plan (the "Incentive Plan"), with the aim of increasing corporate value over the medium to long term and expanding benefits. The Incentive Plan has been set out with the objective of expanding the savings system (expansion of the welfare system) to promote asset building among employees using the Company's shares.

The Incentive Plan is an incentive plan for all employees who are member of the Tokyu Group Employee Shareholding Association (the "Shareholding Association"). Under the plan, the Company has established a trust which acquires the number of Shares expected to be acquired by the Shareholding Association over a certain period of time during a pre-determined acquisition period. The trust then sells the Company shares to the Shareholding Association on a certain date each month. At the end of the trust, if there is a gain from the trust due to an increase in the share price, money is distributed in proportion to the contribution ratio of the beneficiary employees. If there is a loss on sale due to a fall in the share price and a debt remains in relation to the trust assets, the Company repays the bank in a lump sum in accordance with the guarantee clause in the loan agreement, so there is no additional burden on the employees. The Company's shares acquired by the Employee Shareholding Association Trust Account are not included in the number of treasury shares.

As of 31 March 2023, the total number of Shares held by the trust, which were to be transferred to the Shareholding Association over the duration of the trust pursuant to the terms of the Incentive Plan was 3,050 thousand Shares.

Board Incentive Plan

The Company has set up a share compensation system for the Company's Directors and executive officers (excluding Outside Directors and Directors residing overseas) ("Eligible Directors") intending to provide incentives to improve business results and promote further value sharing with its shareholders. In introducing this share compensation system, the Company has adopted a mechanism known as the "Board Incentive Plan Trust".

The Board Incentive Plan Trust is a system under which Shares are acquired by the Trust and money equivalent to the realisable value of the Shares are, in principle, delivered and paid to the Eligible Directors at the time of their retirement from office, in proportion to the position held by the Eligible Director. The Shares acquired by the Trust are no included in the number of treasury shares.

The period covered by the plan after its continuation is five fiscal years, from the fiscal year ended 31 March 2023 to the fiscal year ending 31 March 2027.

As of 31 March 2023, the total number of Shares to be transferred to the Board Incentive Plan Trust was 255 thousand Shares.

SUBSIDIARIES AND AFFILIATES

As of 31 March 2023, the Company had 129 consolidated subsidiaries and 38 affiliates. The following table shows certain information with regard to the Company's principal consolidated subsidiaries and affiliates as of 31 March 2023:

Name	Location	Business Segment	Issued Capital as of 31 March 2023	Percentage of voting rights owned, directly or indirectly, by the Company ⁽¹⁾
			<i>(Millions of yen, unless otherwise stated)</i>	<i>(Per cent)</i>
Subsidiaries				
Tokyu Railways Co., Ltd.	Tokyo, Japan	Transportation	100	100.0
Izukyū Corporation	Shizuoka, Japan	Transportation	90	100.0 (100.0)
Uedadentetsu Co., Ltd.	Nagano, Japan	Transportation	10	100.0 (100.0)
Jotetsu Corporation	Hokkaido, Japan	Transportation, Real estate	200	69.8
ABASHIRI KOTSU, Inc.	Hokkaido, Japan	Transportation	50	100.0
Tokyu Bus Corporation	Tokyo, Japan	Transportation, Real estate	100	100.0
Sendai International Airport Co., Ltd.	Miyagi, Japan	Transportation	100	43.0 (1.0)
Tokyu Techno System Co., Ltd.	Kanagawa, Japan	Transportation	480	100.0
Tokyu Finance & Accounting Co., Ltd.	Tokyo, Japan	Transportation	100	100.0
Izukyū Holdings Co., Ltd.	Shizuoka, Japan	Transportation	100	100.0
Tokyu Property Management Co., Ltd.	Tokyo, Japan	Real estate	100	100.0
Tokyu Architects&Engineers Inc.	Tokyo, Japan	Real estate	100	70.0
Tokyu Geox Co., Ltd.	Tokyo, Japan	Real estate	50	89.6
Kabushiki Kaisha Izukyū Community	Shizuoka, Japan	Real estate	10	100.0 (100.0)
CT Realty Yugen Kaisha	Tokyo, Japan	Real estate	3	[100.0] —
Shibuya Miyashitacho Realty Kabushiki Kaisha	Tokyo, Japan	Real estate	100	73.0
Shibuya Scramble Square Corporation	Tokyo, Japan	Real estate	10	64.1
Yanchep Sun City Pty Ltd	Australia	Real estate	55,200 thousand Australian dollars	100.0
St Andrews Private Estate Pty Ltd	Australia	Real estate	16,000 thousand Australian dollars	100.0
Becamex Tokyu Co., Ltd.	Vietnam	Real estate	8,600,000 million Vietnam Dong	65.0
OASIS REAL ESTATE INVESTMENT PTE. LTD.	Singapore	Real estate	63,020 thousand U.S. dollars	80.0
Tokyu Department Store Co., Ltd.	Tokyo, Japan	Life service	100	100.0
Nagano Tokyu Department Store Co., Ltd.	Nagano, Japan	Life service	100	100.0
Central Foods Co., Ltd.	Tokyo, Japan	Life service	100	100.0 (100.0)
Shibuya Chikagai Co., Ltd.	Tokyo, Japan	Life service	100	100.0
Tokyu Store Chain Co., Ltd.	Tokyo, Japan	Life service	100	100.0
Tokyu Malls Development Corporation	Tokyo, Japan	Life service	100	100.0
SHIBUYA 109 Entertainment Corporation	Tokyo, Japan	Life service	326	100.0
Tokyu Card, Inc.	Tokyo, Japan	Life service	300	100.0

Name	Location	Business Segment	Issued Capital as of 31 March 2023	Percentage of voting rights owned, directly or indirectly, by the Company ⁽¹⁾
			<i>(Millions of yen, unless otherwise stated)</i>	<i>(Per cent)</i>
its Communications Inc.	Tokyo, Japan	Life service	5,294	100.0
Tokyu Agency Inc.	Tokyo, Japan	Life service	100	99.0 (2.4)
Tokyu Sports System Kabushiki Kaisha	Tokyo, Japan	Life service	100	100.0
Tokyu Recreation Co., Ltd.	Tokyo, Japan	Life service	7,028	100.0
Tokyu Insurance Consulting Co., Ltd.	Tokyo, Japan	Life service	405	60.0
Tokyu Security Co., Ltd.	Tokyo, Japan	Life service	100	100.0
Tokyu Gourmet Front Co., Ltd.	Tokyo, Japan	Life service	100	100.0
Tokyu Power Supply Co., Ltd.	Tokyo, Japan	Life service	2,550	66.7
Tokyu Hotels Co., Ltd.	Tokyo, Japan	Hotel and Resort	100	100.0
Three Hundred Club Co., Ltd.	Tokyo, Japan	Hotel and Resort	79	99.2
Tokyu Linen Supply Co., Ltd.	Tokyo, Japan	Hotel and Resort	50	100.0
TH Properties Co., Ltd.	Tokyo, Japan	Hotel and Resort	100	100.0
Kabushiki Kaisha THM	Tokyo, Japan	Hotel and Resort	100	100.0
Equity-method affiliates:				
Mt. Fuji Shizuoka Airport Co., Ltd. ...	Shizuoka, Japan	Transportation	496	30.0
Hiroshima International Airport Co., Ltd.	Hiroshima, Japan	Transportation	9,250	30.0
Tokyu Fudosan Holdings Corporation	Tokyo, Japan	Real estate	77,562	[0.1] 16.1 (0.2)
Tokyu Land Corporation	Tokyo, Japan	Real estate	57,551	[100.0] —
Kabushiki Kaisha Nihon Jyujyohou Koryu Center	Kanagawa, Japan	Real estate	98	35.2
Tokyu Community Corp.	Tokyo, Japan	Real estate	1,653	[100.0] —
Tokyu Livable, Inc.	Tokyo, Japan	Real estate	1,396	[100.0] —
Tokyu Construction Co., Ltd.	Tokyo, Japan	Real estate	16,354	<7.1> 15.1 (0.6)
Tokyu Renewal Co., Ltd.	Tokyo, Japan	Real estate	100	[90.5] 9.5
SeikiTokyu Kogyo Co., Ltd.	Tokyo, Japan	Real estate	2,000	[24.5] 4.4 (0.2)
HTK INVESTMENT CORPORATION	Vietnam	Real estate	1,200,000 million Vietnam Dong	24.5
Yokohama Cable Vision Inc.	Kanagawa, Japan	Life service	320	49.0
YOU Communications Corporation ...	Kanagawa, Japan	Life service	2,726	20.2 (20.2)

Note:

(1) Each figure in “()” indicates a percentage of voting rights owned indirectly by the Company, included in the aggregate percentage of voting rights owned by the Company. Each figure in “[]” indicates a percentage of voting rights owned by close or consenting parties, not included in the aggregate percentage of voting rights owned by the Company. Each figure in “< >” indicates a percentage of voting rights owned by the Company through trust contributions, not included in the aggregate percentage of voting rights owned by the Company.

JAPANESE FOREIGN EXCHANGE REGULATIONS

General

The Foreign Exchange Regulations govern certain aspects, in particular, relating to the acquisition and holding of the Shares by “exchange non-residents” and by “foreign investors” (as these terms are defined below). However, in general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents for the purchase or sale of Shares 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 Regulations 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 that are 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 are exchange non-residents;
- (ii) corporations or other entities that are organised under the laws of foreign countries or whose principal offices are located outside Japan (for this purpose, branches of such corporations or other entities located within Japan are included in this (ii)) (excluding partnerships falling within (iv));
- (iii) corporations of which 50 per cent or more of the total voting rights are held, directly or indirectly, by individuals and/or entities falling within (i) and/or (ii) above;
- (iv) partnerships engaging in investment activities formed under the Civil Code of Japan (Act No. 89 of 1896, as amended), investment limited partnerships formed under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended), or any similar partnerships under the laws of foreign countries, where either (a) 50 per cent or more of the total contributions to such entities are made by exchange non-residents or certain other foreign investors prescribed under the Foreign Exchange Regulations or (b) a majority of the managing partner or general partners of such partnerships are exchange non-residents or certain other foreign investors prescribed under the Foreign Exchange Regulations; or
- (v) corporations or other entities of which a majority of either (i) Directors or other officers (including those who have the same degree or more control over such corporations or such other entities as Directors or other officers) or (ii) Directors or other officers (including those who have the same degree or more control over such corporations or such other entities as Directors or other officers) having the power of representation are individuals who are exchange non-residents.

Acquisition of Shares

In general, the acquisition by an exchange non-resident of shares of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance 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, financial instruments business operator 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.

Prior Notification Requirements on Inward Direct Investment in Shares of Listed Corporations

If a foreign investor acquires shares or voting rights 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 of its existing holdings of the shares or voting rights, and any shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain related entities of such foreign investor), directly or indirectly holds 1 per cent or more of (i) the total issued shares or (ii) the total voting rights of the relevant corporation, then such acquisition constitutes an “inward direct investment” (the “Inward Direct Investment”). In general, any foreign investor intending to make an Inward Direct Investment by acquisition of shares or voting rights of a corporation engaging in certain business sectors designated by the Foreign Exchange Regulations (*Shitei-Gyoshu*) (including those in which the Company is engaging) (the “Designated Business Sectors”), must, except where any of certain exemptions applies, file a prior notification of the acquisition with the Ministers. The proposed acquisition may not be consummated until 30 days have passed from the date of filing, although this period will be shortened unless such Ministers deem it necessary to review the proposed acquisition, and may be shortened to five business days, if the proposed acquisition is determined not to raise concerns from the perspective of national security or certain other factors. On the other hand, if the Ministers deem it necessary to continue to review the proposed acquisition, they may extend such period up to five months. The Ministers may also 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.

Exemption for Prior Notification Requirements

Under the Foreign Exchange Regulations, in the case of an acquisition of shares or voting rights, any foreign investors which fall under the definition of foreign financial institutions (the “Foreign Financial Institutions”), will be exempted from the prior notification requirements mentioned above without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they comply with the following exemption conditions (the “Common Exemption Conditions”).

In general, “Common Exemption Conditions” are set out in the relevant public notices as follows:

- (i) foreign investors or their related persons (as defined in the Foreign Exchange Regulations) are not to become Directors or Audit and Supervisory Board Members of the investee corporation or its certain related corporations;
- (ii) foreign investors will not propose by themselves or through other shareholders to the general meeting of shareholders the transfer or other disposition or discontinuation of the investee corporation’s business activities in the Designated Business Sectors; and
- (iii) foreign investors will not access non-public information about the investee corporation’s or its certain related corporations’ technology in relation to business activities in the Designated Business Sectors.

Under the Foreign Exchange Regulations, any foreign investors (other than the Foreign Financial Institutions), excluding disqualified investors such as those with a record of sanctions for violation of the FEFTA and state-owned enterprises (except those who are accredited by the authorities) (“Eligible Foreign Investors”), will also be exempted from the prior notification requirements mentioned above without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they comply with the Common Exemption Conditions, unless the investment proposed to be conducted by them constitutes the Inward Direct Investment in a corporation engaging in certain types of Designated Business Sector designated as being a substantial threat to national security. On the other hand, Eligible Foreign Investors which intend to invest in a corporation engaging in certain types of Designated Business Sectors further set out in the relevant public notice as being a substantial threat to national security (in which the Company’s business sectors are currently included) (the “Core Sectors”), will be exempted from the prior notification requirements, on condition that they comply with the following additional exemption conditions (the “Exemption Conditions on Core Sectors”), as well as the Common Exemption Conditions, unless and until such investment results in holdings, in combination with any of its existing holdings of the shares or voting rights, and any shares or voting rights managed by such Eligible Foreign Investor under discretionary investment management agreements (including those held or managed by certain related entities of such Eligible Foreign Investor), directly or indirectly, of 10 per cent or more of (i) the total issued shares or (ii) the total voting rights of the relevant corporation.

In general, “Exemption Conditions on Core Sectors” are set out in the relevant public notices as follows:

- (i) regarding business activities in the Core Sectors, foreign investors will not, or will not cause its representative to, attend the investee corporation’s or its certain related corporations’ Board of Directors, executive board or other committees that make important decisions on these activities; and
- (ii) regarding business activities in the Core Sectors, foreign investors will not make proposals, by themselves or through persons designated by them, in writing or electronic form, to (a) the investee corporation’s or its certain related corporations’ Board of Directors, executive board or other committees

that make important decisions on these activities or (b) the members of such board or committees, requiring responses and/or actions by certain deadlines.

Consent at the General Meeting of Shareholders

In addition to the acquisition of shares or voting rights mentioned above, if a foreign investor who directly or indirectly holds 1 per cent or more of the total voting rights of a Japanese corporation that is listed on a Japanese stock exchange and engages in the Designated Business Sectors, such as the Company, intends to consent, at the general meeting of shareholders, to certain proposals having material influence on the management of such corporation such as (i) election of such foreign investor or its related persons (as defined in the Foreign Exchange Regulations) as Directors or Audit and Supervisory Board Members of the relevant corporation or (ii) transfer or discontinuation of its business, such consent also constitutes an Inward Direct Investment, and in certain circumstances, such foreign investor must file a prior notification with the Ministers. In such cases, the exemptions from the prior notification requirements described above are not available.

Post Investment Reports

Further to the prior notifications, under the Foreign Exchange Regulations, foreign investors conducting Inward Direct Investments may be required to submit post investment reports to the Ministers within 45 days from the transaction settlement date, even if such Inward Direct Investments are not subject to the prior notification requirements or are exempted from such requirements. For instance, post investment reports with respect to the acquisition of shares or voting rights of corporations engaging in Designated Business Sectors which are not in the Core Sectors, where the prior notification requirement for such acquisition has been exempted, will generally be required when the ratio of the total number of shares or voting rights held directly or indirectly by foreign investors in combination with any of its existing holdings of the shares or voting rights and shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain related entities of such foreign investor) after the acquisition to the number of (i) the total issued shares or (ii) the total voting rights of the relevant corporation reaches:

- (i) 1 per cent or more to less than 3 per cent for the first time;
- (ii) 3 per cent or more to less than 10 per cent for the first time; or
- (iii) 10 per cent or more for each transaction.

The Foreign Financial Institutions are only required to file post investment reports for (iii) above.

Dividends and Proceeds from Sales of Shares

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of Shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad. However, under the Foreign Exchange Regulations, certain procedures may be required for the transfer of funds out of Japan or may be prohibited, depending on the location of the recipient, the purpose of such fund transfer and other factors.

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.

The Shares are subject to the Japanese book-entry transfer system for listed shares of Japanese companies under the Book-Entry Act. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialised, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholders have an account at JASDEC, the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Act. "Account management institutions" are financial instruments business operators (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 (the "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 against the Company shareholders' rights to which shareholders as at a given record date are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends), a shareholder must have its name and address registered in the Company's register of shareholders, except in limited circumstances. Under the Japanese book-entry transfer system, such registration is generally made upon the Company's receipt of necessary information from JASDEC through an "all shareholders notice" (*sou-kabunushi tsuchi*). Shareholders are required to file their names and addresses with the Company, generally through the account management institution and JASDEC. On the other hand, in order to assert shareholders' rights to which shareholders are entitled regardless of record dates, such as minority shareholders' rights, including the right to propose a matter to be considered at a general meeting of shareholders but excluding shareholders' rights to request the Company to purchase or sell Shares constituting less than one unit upon a shareholder's request, JASDEC shall issue to the Company a notice of certain information (*kobetsukabunushi tsuchi*), which information includes the name and address of such shareholder. Under the Book-Entry Act, a shareholder must exercise its shareholder's right within four weeks after issue of the notice above.

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. Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

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 a joint stock corporation to its shareholders, including dividends take the form of distributions of Surplus (as defined in "—Restriction on Distributions of Surplus"). The Company may make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distributions of Surplus".

Distributions of Surplus are required in principle to be authorised by a resolution of a general meeting of shareholders, but may also be made pursuant to a resolution of the Board of Directors but only if all the requirements described in (a) through (d) 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 Company appoints an independent auditor and forms an Audit and Supervisory Board under the Companies Act;
- (c) 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
- (d) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

At present, the requirement described in (a) above is not met. Nevertheless the Company may make distributions of Surplus in cash as an interim dividend (the "interim dividend") to its shareholders by resolutions of the Board of Directors once per fiscal year under the Company's Articles of Incorporation and the Companies Act.

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 business day immediately prior to the record date.

Restriction on Distributions of Surplus

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

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

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

In the above formula:

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

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

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

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

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

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

Capital and Reserves

When the Company issues new Shares, the entire amount of money or other assets paid or contributed by subscribers for such Shares is required to be accounted for as stated capital, although the Company may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by a 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 the Board of Directors. When a stock split is to be made, so long as the only class 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 Japanese book-entry transfer

system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of the 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.

Consolidation of Shares

The Company may at any time consolidate the issued Shares into a smaller number of Shares by a special resolution of the general meeting of shareholders. When a consolidation is to be made, the Company must give public notice at least two weeks (or, in certain circumstances where any fractions of Shares are left as a result of consolidation, 20 days) prior to the effective date of the consolidation. The Company must disclose the reason for the consolidation at the general meeting of shareholders.

Under the Japanese book-entry transfer system, on the effective date of the consolidation, the numbers of Shares recorded in all accounts held by holders of Shares at account management institutions or JASDEC will be decreased in accordance with the applicable ratio.

Unit Share System

The Company's Articles of Incorporation provide that 100 Shares constitute one "unit". The 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 the 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 Japanese book-entry transfer 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 Japanese book-entry transfer system, such requests must be made to the Company through the relevant account management institutions and JASDEC. Such purchase or sale of Shares will be effected, in general, at the last trading price of the Shares on the relevant stock exchange on the day such request is made (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter). The request of such purchase or sale may not be withdrawn without the Company's consent.

General Meetings of Shareholders

The ordinary general meeting of shareholders of the Company is held in June each year pursuant to the Company's Articles of Incorporation. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. The place, time, purpose and certain other matters relating to the general meeting of shareholders, including the information contained in the reference materials, must be uploaded onto a website at least three weeks prior to the date set for the meeting, and notice of the URL of the website to be used and certain other matters relating to such meeting must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or one per cent of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting (provided that the Company is able to limit the number of proposals with respect to the matters proposed by each shareholder to 10). 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. The Company's Articles of Incorporation currently do not include any such provisions.

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 Audit and Supervisory Board Members 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 principle, 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) repurchase of Shares by the Company from a specific shareholder other than any of the Company's subsidiaries;
- (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 Audit and Supervisory Board Members;
- (vi) exemption from a portion of liability of the Company's Directors, Audit and Supervisory Board Members 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 (except for such amendments that may be made without the approval of shareholders under the Companies Act, such as (i) an increase of the number of authorised shares by the same ratio as that of a stock split, (ii) a reduction of the number of Shares per unit of Shares and (iii) termination of the unit share system);
- (x) transfer of the whole or a substantial part of the Company's business;
- (xi) transfer of the whole or a part of the Company's equity interests in any of the Company's subsidiaries which meets certain requirements;
- (xii) taking over of the whole of the business of another company;
- (xiii) dissolution or merger or consolidation;
- (xiv) corporate split;
- (xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or a share exchange (*kabushiki-kokan*); and
- (xvi) a partial share exchange (*kabushiki-kofu*) for the purpose of making another corporation a subsidiary.

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 (xvi) 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.

Issue of Additional Shares and Pre-emptive Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued, or existing Shares held by the Company as treasury stock may be sold, at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of new Shares or sale of existing Shares held by the Company as treasury stock at a "specially favourable" price mentioned in "—Voting Rights". The Board of Directors may, however, determine that shareholders be given subscription rights regarding a particular issuance of new Shares or sale of existing Shares held by the Company as treasury stock, in which case such rights 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.

In the case of an issuance of Shares or a sale of existing Shares held by the Company as treasury stock or an issuance of stock acquisition rights (*shinkabu yoyakuken*) whereby any subscriber (including its subsidiaries and other companies set forth in ordinances of the Ministry of Justice) will hold more than 50 per cent of the voting rights of all shareholders, and if shareholders who hold one-tenth or more of the voting rights of all shareholders object to such issuance or sale, an approval by a resolution of a general meeting of shareholders is generally required before the payment date pursuant to the Companies Act. In addition, in the case of an issuance of shares, a sale of existing shares held as treasury stock or an issuance of stock acquisition rights by a listed company such as the Company by way of an allotment to a third party which would dilute the outstanding voting shares by 25 per cent or more or cause change of the controlling shareholder, in addition to resolution of the Board of Directors, an approval by a resolution of a general meeting of shareholders or otherwise, or an affirmative opinion by a person independent of such company's management is generally required pursuant to the rules of the Japanese stock exchanges.

Stock Acquisition Rights

The Company may issue stock acquisition rights. 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" or, in certain circumstances, may be required to obtain an approval of the shareholders or an affirmative opinion by an independent person as described above.

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 Japanese book-entry transfer 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 Shares

The Company may acquire Shares (i) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (ii) from any of the Company's subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the

Shares are first traded on such stock exchange thereafter) and (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted, the price of the Shares under the agreement with respect to such tender offer on such day.

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

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

Request by Controlling Shareholder to Sell All Shares

A shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as may be provided in the Company’s Articles of Incorporation) or more of the Company’s voting rights has the right to request, subject to approval by the Company’s Board of Directors, that the other shareholders and (if the controlling shareholder so determines) all holders of stock acquisition rights of the Company (in each case, other than the Company and, if the controlling shareholder so determines, the controlling shareholder’s wholly owned subsidiaries) sell to the controlling shareholder all Shares and all stock acquisition rights, as the case may be, held by them (*kabushiki tou uriwatashi seikyu*). If the approval is granted by resolution of the Company’s Board of Directors, the Company will be required to give public notice thereof to all holders and registered pledgees of Shares (and stock acquisition rights, as the case may be) not later than 20 days prior to the effective date of such sales, as proposed by the controlling shareholder.

Disposal of Shares by the Company

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails to arrive for five consecutive years or more at its 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 Shares continuously for five years or more at its 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 Shareholdings

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 such company’s total issued shares of capital stock. Any report so filed will be made available for public inspection. Reports are required to be filed through the EDINET system, which is an electronic disclosure system operated by the Financial Services Agency.

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon exercise of the Stock Acquisition Rights incorporated in the Bonds who are 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 tax treaties or arrangements or in the interpretation thereof after that date.

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

Bonds

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

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

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

Shares

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

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20 per cent, subject to any applicable income tax treaty. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the Shares) to any corporate or individual shareholders (including those shareholders who are non-resident individuals or non-Japanese corporations), except for any individual shareholder who holds 3 per cent or more of the total issued shares of the relevant Japanese corporation, the said 20 per cent withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent of the original applicable tax rate) will be added to the withholding tax rates until December 31, 2037. The withholding tax under Japanese tax law mentioned above may be exempted or reduced under an applicable tax treaty between Japan and the country of tax residence of a non-resident Holder.

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

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

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 12 June 2023 in respect of the Bonds (the “Subscription Agreement”) between the Company on the one hand and Nomura International plc, Daiwa Capital Markets Europe Limited, UBS AG London Branch and J.P. Morgan Securities plc (together, the “Joint Lead Managers”) and Morgan Stanley & Co. International plc, Goldman Sachs International and Mizuho International plc (together with the Joint Lead Managers, the “Managers”) on the other, the Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of each Series of Bonds as indicated in the table below at the issue price of 100.0 per cent of the principal amount of such Series of Bonds (the “Issue Price”), and to offer the Bonds at the offer price as stated on the cover page of this Offering Circular (the “Offer Price”).

	Principal Amount of the 2028 Bonds	Principal Amount of the 2030 Bonds
Joint Lead Managers		
Nomura International plc	¥15,300,000,000	¥15,300,000,000
Daiwa Capital Markets Europe Limited	7,200,000,000	7,200,000,000
UBS AG London Branch	2,400,000,000	2,400,000,000
J.P. Morgan Securities plc	2,400,000,000	2,400,000,000
Co-Managers		
Morgan Stanley & Co. International plc	900,000,000	900,000,000
Goldman Sachs International	900,000,000	900,000,000
Mizuho International plc	900,000,000	900,000,000
Total	¥30,000,000,000	¥30,000,000,000

No selling concession or combined management and underwriting commission will be payable by the Company in respect of the offering of the Bonds. The difference between the Issue Price and the Offer Price will be distributed among the Managers. 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

In connection with the issue and offering of the Bonds, the Company has agreed not to, and not to direct any entities or any persons acting at the direction of the Company to, (i) issue, offer, pledge, lend, sell, contract to sell, sell 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 represent the right to receive, Shares or any other capital stock of the Company; (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale; (iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depository receipt facility; or (iv) publicly announce any intention to do any of the above, in each case, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date without the prior written consent of Nomura International plc and Daiwa Capital Markets Europe Limited (on behalf of the Managers), 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 by the Company), (b) the issue or transfer of Shares by the Company upon exercise of stock acquisition rights issued and outstanding as at the date of the Subscription Agreement and referred to in the Offering Circular, (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder’s holding, when added to the Shares held by such holder, constitute one full unit of Shares, (d) the issue of Shares by the Company as a result of any stock split, (e) the grant and issue of stock options or stock acquisition rights exercisable for Shares to its and the Group’s Directors, officers, Audit and Supervisory Board Members or employees pursuant to the Company’s stock option plans, (f) the sale by the Company of Shares held by unidentified shareholders and (g) any other issue or sale of Shares required by applicable Japanese laws and regulations.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds or the Shares, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company, the Bonds or the Shares where action for such purpose is required. Accordingly, neither the Bonds nor any Shares may be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds or the Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Neither the Company nor the Managers represents that the Bonds or the Shares may at any time lawfully be re-sold in compliance with any other applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assume any responsibility for facilitating such sales.

United States

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act.

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

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and

- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

In addition, each Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and 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 the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- (ii) 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 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.

Hong Kong

Each Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “Securities and Futures Ordinance”) and any rules made under the Securities and Futures Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (“C(WUMP)O”) or which do not constitute an offer to the public within the meaning of C(WUMP)O; and

it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, the Bonds have not been offered or sold, or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither this Offering Circular nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (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 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 subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (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 of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Any reference to the "SFA" is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Other relationships

In connection with the offering, the Managers may for their own account enter into asset swaps, credit derivatives or other derivatives relating to the Bonds and/or components of the Bonds and/or the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions including facilitating short sales of the Shares by investors who are allocated Bonds. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Bonds). As a result of such transactions, 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.

GENERAL INFORMATION

- (1) The Company has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Company dated 12 June 2023.
- (2) The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Securities Identification Number (ISIN) and the Common Code for the 2028 Bonds are XS2635167450 and 263516745, respectively, and the ISIN and the Common Code for the 2030 Bonds are XS2635167963 and 263516796, respectively. The LEI of the Company is 3538005PGNIBTZYXAE45.
- (3) The Securities Identification Code for the Shares is 9005.
- (4) Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) with a minimum of 150 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the relevant Global Certificate is exchanged for definitive certificates, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that such Global Certificate is exchanged for definitive certificates, an announcement of such exchange will 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.
- (5) There has been no significant change in the financial or trading position of the Group and no material adverse change in the financial position or prospects of the Group since 31 March 2023.
- (6) There are no, nor have there been any, governmental, legal, arbitral, administrative or other proceedings involving the Company or any other member of the Group that had or may have had, during the 12 months immediately preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Company or Group and, so far as the Company is aware, there are no such proceedings pending or threatened.
- (7) Copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Trustee and the Agents during normal business hours, or electronically upon request to the Trustee, so long as any of the Bonds is outstanding.
- (8) The consolidated financial statements of the Company for each of the fiscal years ended 31 March 2022 (together with comparable information as of and for the fiscal year ended 31 March 2021) included in this Offering Circular have been audited by Ernst & Young ShinNihon LLC, an independent auditor, as stated in their 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 takeover of the Company.
- (10) The Trustee is entitled under the Trust Deed to rely without liability to Bondholders on any certificate or report prepared by the independent auditor or any independent financial advisor, whether or not addressed to it and whether or not the same are subject to any limitation on the liability, whether by reference to a monetary cap or otherwise.

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Notice to Investors

This Offering Circular does not represent “Other Information” as described in the independent auditor’s report.

Independent Auditor's Report

The Board of Directors
Tokyu Corporation

Opinion

We have audited the accompanying consolidated financial statements of Tokyu Corporation (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current assets and development and related costs	
Description of Key Audit Matter	Auditor's Response
Because the Company and its consolidated subsidiaries (collectively, the "Group") operate diverse businesses in segments including transportation, real estate, life service, and hotel and resort, the Group has a significant amount of non-current assets. As of March 31, 2022, the outstanding balance of property, plant and equipment and intangible assets, including land, buildings and structures, leasehold interests in land, and surface rights, totaled ¥1,823,180 million, accounting for 74% of total assets. For the 100 non-current asset groups representing properties from each area and segment, the Group recorded impairment losses of ¥25,129 million for the fiscal year under review, as disclosed in "Notes to Consolidated Financial Statements, 7. CONSOLIDATED STATEMENTS OF INCOME, (6) Impairment losses." Also as described in "Notes to Consolidated Financial Statements, 2. SIGNIFICANT ACCOUNTING ESTIMATES, significant assumptions used in accounting estimates vary from segment to segment.	<p>We primarily performed the following audit procedures in examining the non-current assets impairment and development and related costs.</p> <ul style="list-style-type: none">● Analysis of assumptions about when the pandemic will subside as well as future operating revenues and other projections.• Conducted interviews and discussions with management of the Group to assess the consistency of the assumptions made about when the pandemic will subside that will affect the indications and the recognition and measurement of impairment as well as future operating revenues and other projections used in accounting estimates, with actual results prior to the spread of COVID-19 and the current state of recovery. In addition, we compared and analyzed the following information: -Transportation Business: The number of passengers mainly in the railway business (those

Effects of COVID-19

National responses to address COVID-19, such as the Japanese government's declaration of a state of emergency, local governments' requests to stay home, and entry restrictions enacted by various countries, have affected businesses of the Group broadly, as such measures prompted declines in consumption demand and service usage.

The extent and scope of the impact of COVID-19 vary greatly depending on the specific business segment and hence significant assumptions relating to impairment indicators and recognition and measurement of impairment of non-current assets, such as when the pandemic will be contained, also vary. Therefore, considerations by management are highly complex, and the corresponding estimates involve a high degree of uncertainty and complexity.

Business characteristics of the Company and its consolidated subsidiaries

The Group develop and invest continuously in order to respond quickly to changes in the business environment, including demographics, real estate demand, and consumption trends, mainly in areas along the Group's railway lines. In its continuous development and investment, the Company promotes the creation of regional platforms through urban development that combine tangibles such as railways, buses and other transportation as well as real estate development with intangibles, such as community-based life services. For this reason, the scope and the use of non-current assets may change, as in the case of development complexes where multiple segments and consolidated group companies are involved.

The asset groupings used in the non-consolidated financial statements of each group company must be reassessed in the context of consolidation for preparing the consolidated financial statements. A wide range of existing non-current assets may undergo changes in use, specifications, scheduling of reconstruction and demolition, etc., and the Group also has agreements with local governments and community organizations that require collaboration and include certain obligations.

Therefore, in light of these facts, considerations of the completeness and timeliness for identifying indications of impairment of non-current assets as well as development and related costs are highly complex.

In addition, significant accounting estimates underlying the calculation of the amount used for recognition and measurement of impairment and development and related costs involve subjective judgments of management and uncertainties that are difficult to obtain objective corroboration. This includes real estate appraisal value and assumptions underlying the estimated future cash flows, such as operating revenue, construction costs, and discount rates.

with and without commuter passes) and the airport operation business

-Real Estate Business: Vacancy rates, including tenant trends, mainly in the real estate leasing business

-Life Service Business: Customer trends mainly in the department store business and the number of audiences mainly in the imaging business

-Hotel and Resort Business: Revenue per available room, occupancy rates, and domestic and international customer trends mainly in the hotel business

- Analyzed future costs and capital investment plans for each business.
- Assessed the consistency of these information with the data taken into account in the real estate appraisal.
- Completeness and timeliness of the indications of impairment and development and related costs
- Inspected relevant materials for asset grouping relating to non-current assets impairment assessment, including the Company's and its consolidated subsidiaries' impairment determination documents by property.
- Conducted interviews and discussions with managements of the Company and its consolidated subsidiaries to understand the impact of COVID-19 on the impairment indicators, as well as plans and progress of changes of use of existing non-current assets, development of real estate, investment in equipment renewal, and store closures. In addition, inspected the minutes of each meeting body, related documents, and plans approved by management, including business plans and capital investment plans, to assess the completeness and the timeliness of indications of impairment and development and related costs.
- Recognition and measurement of impairment losses
- Compared the recognition and measurement of impairment losses with data such as real estate appraisal and the basis of calculation of value in use.
- Discussed with managements the significant assumptions underlying the estimated future cash flows, including the impact of COVID-19, and assessed their consistency with the business and capital investment plans approved by management.

To take into consideration the uncertainties, made comparisons with market forecasts and available external data, analyzed trends based on past performance, and inspected related documents.

<p>As such, given the impact of COVID-19, the consideration of completeness and timeliness of the indication of, and the recognition and measurement of impairment of non-current assets as well as development and related costs is complex, while, at the same time, the measurement of amounts to be recorded involve significant management's judgment.</p> <p>Therefore, we determined such matter to be a key audit matter.</p>	<p>Also, assessed the effectiveness of management's estimation process by comparing previous year budgets and medium-term business plans with their actual results.</p> <ul style="list-style-type: none"> • Conducted a comparative analysis of real estate appraisal values, against market forecasts, available external data, and past appraisal values. • Evaluated the discount rates used, by using available external data on discount rates. <p>●Measurement of the amount of development and related costs</p> <ul style="list-style-type: none"> • Compared the development and related costs with the data for basis of construction cost estimates. • Discussed with management the basis for calculating development and related costs, compared with available external data, conducted comparative analysis with past results, and inspected relevant documents.
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Other Information

Other information comprises the information included in disclosure documents that contains audited financial statements, but does not include the financial statements and our auditor's report thereon.

We have concluded that other information did not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Audit and Supervisory Board members and the Audit and Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board members and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board members and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board members and the Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

May 10, 2023

/s/ Tomohiro Narita

Tomohiro Narita
Designated Engagement Partner
Certified Public Accountant

/s/ Seiji Yamamoto

Seiji Yamamoto
Designated Engagement Partner
Certified Public Accountant

/s/ Takashi Nakamura

Takashi Nakamura
Designated Engagement Partner
Certified Public Accountant

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Consolidated Balance Sheet

Tokyu Corporation and Consolidated Subsidiaries

As of March 31, 2022

Assets	Millions of yen	
	2022	2021
Current Assets		
Cash and deposits (Note 6 *3)	¥ 52,275	¥ 45,964
Trade notes and accounts receivable (Note 6 *1)	146,286	121,756
Contract assets	7,316	–
Merchandise and products	10,548	11,864
Land and buildings for sale (Notes 6 *3 and *6)	77,352	70,108
Work in progress	3,223	7,092
Raw materials and supplies	8,580	8,460
Other current assets	48,825	62,224
Allowance for doubtful accounts	(1,388)	(1,247)
Total current assets	353,019	326,225
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net (Notes 6 *3 and *4)	830,275	843,871
Rolling stock and machinery, net (Notes 6 *3 and *4)	82,300	74,735
Land (Notes *3, *4 and *8)	700,592	727,884
Construction in progress	150,684	135,638
Others, net (Notes 6 *3 and *4)	23,711	27,360
Total property, plant and equipment	1,787,563	1,809,491
Intangible assets (Note 6 *3)	35,617	36,941
Investments and other assets		
Investment securities (Notes 6 *2, *3 and *7)	204,855	203,685
Net defined benefit asset	9,327	6,806
Deferred tax assets	22,538	24,454
Other assets	66,561	68,991
Allowance for doubtful accounts	(300)	(533)
Total investments and other assets	302,982	303,403
Total non-current assets	2,126,163	2,149,836
Total Assets	¥2,479,182	¥2,476,061

See notes to consolidated financial statements.

Consolidated Balance Sheet

Tokyu Corporation and Consolidated Subsidiaries
As of March 31, 2022

	Millions of yen	
	2022	2021
Liabilities		
Current Liabilities		
Trade notes and accounts payable (Note 6 *3)	¥ 88,029	¥ 96,900
Short-term borrowings (Notes 6 *3 and *4)	384,876	405,932
Commercial papers	–	10,000
Current portion of bonds payable	10,000	–
Income taxes payable	13,497	6,949
Contract liabilities	39,401	–
Provision for bonuses	10,875	10,720
Advances received	18,979	28,356
Other current liabilities	102,662	129,606
Total current liabilities	668,321	688,466
Long-Term Liabilities		
Bonds payable	300,000	270,000
Long-term borrowings (Notes 6 *3 and *4)	500,880	496,262
Deferred tax liabilities	14,734	13,761
Deferred tax liabilities from land revaluation (Note 6 *8)	4,881	9,168
Allowance for loss on redemption of gift certificates	1,865	2,561
Liabilities for retirement benefit	43,122	44,492
Long-term guarantee deposits received	134,918	136,226
Other long-term liabilities	49,986	52,543
Total long-term liabilities	1,050,388	1,025,016
Special Legal Reserves		
Urban railways improvement reserve (Note 6 *5)	7,530	10,040
Total Liabilities	1,726,240	1,723,522
Net Assets		
Shareholders' Equity:		
Common stock	121,724	121,724
Capital surplus	133,683	134,095
Retained earnings	454,484	455,201
Treasury stock	(39,614)	(37,153)
Total shareholders' equity	670,278	673,868
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	16,762	20,509
Deferred gains (losses) on hedges	89	(75)
Land revaluation reserve (Note 6 *8)	5,229	8,700
Foreign currency translation adjustment	7,017	895
Remeasurements of defined benefit plans	3,589	(1,542)
Total accumulated other comprehensive income	32,689	28,486
Non-Controlling Interests	49,974	50,183
Total Net Assets	752,942	752,538
Total Liabilities and Net Assets	¥2,479,182	¥2,476,061

See notes to consolidated financial statements.

Consolidated Statement of Income

Tokyu Corporation and Consolidated Subsidiaries
For the Year Ended March 31, 2022

	Millions of yen	
	2022	2021
Operating Revenue (Note 7 *1)	¥879,112	¥935,927
Operating expenses		
Operating expenses and cost of sales related to transportation (Notes 7 *3 and *6)	639,344	747,433
Selling, general and administrative expenses (Notes 7 *2 and *3)	208,223	220,152
Total operating expenses	847,568	967,585
Operating Profit (Loss)	31,544	(31,658)
Non-operating profit		
Interest income	313	283
Dividend income	948	1,046
Share of profit of entities accounted for using equity method	5,091	4,622
Subsidies for employment adjustment (Note 7 *7)	3,265	6,027
Other non-operating profit	7,674	6,263
Total non-operating profit	17,294	18,242
Non-operating expenses		
Interest expenses	8,361	8,607
Other non-operating expenses	5,478	4,801
Total non-operating expenses	13,840	13,408
Ordinary Profit (Loss)	34,998	(26,824)
Extraordinary gains		
Gains on sale of property, plant and equipment (Note 7 *4)	14,473	303
Subsidies received for construction	1,374	13,350
Gain on reversal of urban railways improvement reserve	2,510	2,510
Gain on sale of transferable development air rights	2,800	–
Other	2,331	3,302
Total extraordinary gains	23,489	19,466
Extraordinary losses		
Tax purpose reduction entry of land contribution for construction	1,193	7,422
Loss on retirement of property, plant and equipment	2,268	5,905
Impairment losses (Note 7 *5)	25,129	26,806
Other	2,864	8,222
Total extraordinary losses	31,455	48,356
Profit (Loss) before Income Taxes	27,032	(55,715)
Income taxes – current	16,600	9,526
Income taxes – deferred	228	(6,965)
Total income taxes	16,829	2,560
Profit (Loss)	10,203	(58,276)
Profit (loss) attributable to non-controlling interests	1,420	(2,046)
Profit (loss) attributable to owners of parent	¥ 8,782	¥ (56,229)

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyu Corporation and Consolidated Subsidiaries
For the Year Ended March 31, 2022

	Millions of yen	
	2022	2021
Profit (Loss)	¥10,203	¥(58,276)
Other comprehensive income		
Net unrealized gains (losses) on investment securities	(3,005)	8,808
Deferred gains (losses) on hedges	–	0
Foreign currency translation adjustment	5,704	(2,133)
Remeasurements of defined benefit plans, net of tax	4,930	5,707
Share of other comprehensive income of entities accounted for using equity method	2,121	822
Total other comprehensive income (Note 8)	9,751	13,204
Comprehensive Income (Loss)	¥19,955	¥(45,072)
Total comprehensive income (loss) attributable to:		
Comprehensive income (loss) attributable to owners of parent	¥16,456	¥(42,159)
Comprehensive income (loss) attributable to non-controlling interests	3,499	(2,912)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyu Corporation and Consolidated Subsidiaries
For the Year Ended March 31, 2022

	Millions of yen				
	2022				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	¥121,724	¥134,095	¥455,201	¥(37,153)	673,868
Cumulative effects of changes in accounting policies			(5,409)		(5,409)
Restated balance as of the beginning of the year	121,724	134,095	449,792	(37,153)	668,458
Changes during the year					
Cash dividends paid			(7,561)		(7,561)
Profit attributable to owners of parent for the period			8,782		8,782
Reversal of revaluation reserve for land			3,470		3,470
Purchases of treasury stock				(4,521)	(4,521)
Disposal of treasury stock		(170)		2,059	1,889
Changes in ownership interests in subsidiaries that do not result in change in control in ownership interest in subsidiaries		(240)			(240)
Changes other than those to shareholders' equity, net					
Total changes during the year	¥-	¥(411)	¥4,691	¥(2,461)	¥1,819
Balance at the end of the year	¥121,724	¥133,683	¥454,484	¥(39,614)	¥670,278

Millions of yen								
2022								
Accumulated other comprehensive income								
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehen- sive income	Non- controlling interests	Total net assets
Balance at the beginning of the year	¥ 20,509	¥ (75)	¥ 8,700	¥ 895	¥ (1,542)	¥ 28,486	¥ 50,183	¥ 752,538
Cumulative effects of changes in accounting policies								(5,409)
Restated balance as of the beginning of the year	20,509	(75)	8,700	895	(1,542)	28,486	50,183	747,129
Changes during the year								
Cash dividends paid								(7,561)
Profit attributable to owners of parent for the period								8,782
Reversal of revaluation reserve for land								3,470
Purchases of treasury stock								(4,521)
Disposal of treasury stock								1,889
Changes in ownership interests in subsidiaries that do not result in change in control								(240)
Changes other than those to shareholders' equity, net	(3,747)	165	(3,470)	6,122	5,132	4,202	(209)	3,993
Total changes during the year	¥ (3,747)	¥ 165	¥ (3,470)	¥ 6,122	¥ 5,132	¥ 4,202	¥ (209)	¥ 5,812
Balance at the end of the year	¥ 16,762	¥ 89	¥ 5,229	¥ 7,017	¥ 3,589	¥ 32,689	¥ 49,974	¥ 752,942

	Millions of yen				
	2021				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of year	¥121,724	¥134,023	¥ 524,423	¥(37,291)	¥ 742,880
Cumulative effects of changes in accounting policies					-
Restated balance as of the beginning of the year	121,724	134,023	524,423	(37,291)	742,880
Changes during the year					
Cash dividends paid			(12,697)		(12,697)
Loss attributable to owners of parent for the period			(56,229)		(56,229)
Reversal of revaluation reserve for land			(293)		(293)
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock		(0)		145	144
Changes in ownership interests in subsidiaries that do not result in change in control		71			71
Changes other than those to shareholders' equity, net					
Total changes during the year	¥-	¥71	¥(69,221)	¥138	¥(69,012)
Balance at the end of the year	¥121,724	¥134,095	¥ 455,201	¥(37,153)	¥ 673,868

Millions of yen								
2021								
Accumulated other comprehensive income								
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehen- sive income	Non- controlling interests	Total net assets
Balance at the beginning of year	¥ 9,983	¥ (41)	¥ 8,406	¥ 3,371	¥(7,598)	¥ 14,122	¥52,611	¥809,614
Cumulative effects of changes in accounting policies								-
Restated balance as of the beginning of the year	9,983	(41)	8,406	3,371	(7,598)	14,122	52,611	809,614
Changes during the year								
Cash dividends paid								(12,697)
Loss attributable to owners of parent for the period								(56,229)
Reversal of revaluation reserve for land								(293)
Purchases of treasury stock								(7)
Disposal of treasury stock								144
Changes in ownership interests in subsidiaries that do not result in change in control								71
Changes other than those to shareholders' equity, net	10,526	(34)	293	(2,476)	6,055	14,364	(2,427)	11,936
Total changes during the year	¥10,526	¥(34)	¥293	¥(2,476)	¥6,055	14,364	¥(2,427)	¥(57,075)
Balance at the end of the year	¥20,509	¥(75)	¥8,700	¥895	(1,542)	¥28,486	¥50,183	¥752,538

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tokyu Corporation and Consolidated Subsidiaries
For the Year Ended March 31, 2022

	Millions of yen	
	2022	2021
Cash Flows from Operating Activities		
Profit (loss) before income taxes	¥ 27,032	¥ (55,715)
Depreciation and amortization	84,191	88,308
Amortization of goodwill	–	0
Impairment losses	25,129	26,806
Gain on sale of transferable development air rights	(2,800)	–
Retirement benefit expenses	3,040	1,988
Increase (decrease) in urban railways improvement reserve	(2,510)	(2,510)
Subsidies received for construction	(1,374)	(13,350)
Tax purpose reduction entry of land contribution for construction	1,193	7,422
Loss (gain) on sale of property, plant and equipment	(14,270)	(124)
Loss on retirement of property, plant and equipment	8,804	19,386
Share of (profit) loss of entities accounted for using equity method	(5,091)	(4,622)
Loss (gain) on sale of investment securities	(1,094)	(512)
Decrease (increase) in trade notes and accounts receivable	(27,560)	32,343
Decrease (increase) in inventories	6,638	3,851
Decrease (increase) in contract assets	(1,097)	–
Increase (decrease) in trade notes and accounts payable	(8,440)	(6,186)
Increase (decrease) in contract liabilities	341	–
Increase (decrease) in advances received	(1,425)	(2,333)
Increase (decrease) in guarantee deposits received	(1,314)	(1,279)
Increase (decrease) in accrued consumption taxes	(6,494)	9,296
Increase (decrease) in other current liabilities	(2,242)	(2,268)
Interest and dividend income	(1,261)	(1,329)
Interest expenses	8,361	8,607
Other	10,786	799
Subtotal	98,543	108,577
Interest and dividends received	4,023	3,876
Interest paid	(8,366)	(8,662)
Income taxes (paid) refund	(8,622)	(17,900)
Net Cash Provided by (Used in) Operating Activities	¥ 85,577	¥ 85,890

	Millions of yen	
	2022	2021
Cash Flows from Investing Activities		
Payments for purchases of property, plant and equipment and intangible assets	¥(110,397)	¥(113,229)
Proceeds from sale of property, plant and equipment	30,379	1,002
Payments for retirement of property, plant and equipment	(6,313)	(1,767)
Proceeds from sale of transferable development air rights	2,800	–
Payments for acquisition of investment securities	(4,089)	(14,391)
Proceeds from sale of investment securities	3,704	1,534
Proceeds from subsidies received for construction	5,432	8,369
Proceeds from liquidation of non-consolidated subsidiaries	–	1,350
Other	(327)	1,937
Net Cash Provided by (Used in) Investing Activities	(78,810)	(115,195)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(10,744)	57,066
Proceeds from long-term borrowings	59,594	32,389
Repayment of long-term borrowings	(66,011)	(42,830)
Proceeds from issuance of commercial papers	164,000	335,000
Redemption of commercial papers	(174,000)	(375,000)
Proceeds from bond issuance	39,762	59,660
Payments for redemption of bonds	–	(35,090)
Repayment of finance lease obligations	(4,488)	(3,190)
Purchase of treasury stock	(4,529)	(12)
Cash dividends paid	(7,561)	(12,697)
Proceeds from share issuance to non-controlling interests	1,578	1,397
Dividends paid to non-controlling interests	(562)	(786)
Proceeds from sale and leaseback transactions	341	1,609
Other	1,246	(330)
Net Cash Provided by (Used in) Financing Activities	(1,374)	17,184
Effect of Exchange Rate Changes on Cash and Cash Equivalents	945	(106)
Increase (Decrease) in Cash and Cash Equivalents	6,338	(12,226)
Cash and Cash Equivalents at Beginning of Period	45,297	57,524
Cash and Cash Equivalents at End of Period (Note 10)	¥ 51,635	¥ 45,297

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokyu Corporation and Consolidated Subsidiaries

1. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of presentation

The accompanying consolidated financial statements of Tokyu Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and are compiled from the consolidated financial statements in Japanese prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the financial statements for previous years have been reclassified to conform to the presentation in the current year.

In the presentation of the accompanying consolidated financial statements, amounts of less than one million yen have been rounded down to the nearest million yen, except for per share information. As a result, the totals in yen do not necessarily agree with the sum of the individual amounts.

(2) Scope of consolidation

Number of consolidated subsidiaries: 129 companies

Tokyu Laviere Co., Ltd. and Shinjuku Tokyu Hotels Co., Ltd. were newly included in the scope of consolidation due to their establishment.

Izukyū Bussan Co., Ltd., Izu Kanko Hotel Co., Ltd., Minatomirai Tokyu Square Co., Ltd., and TOKYU STATION RETAIL SERVICE CO., LTD. were excluded from the scope of consolidation due to mergers with consolidated subsidiaries, and Halal Food Service Co., Ltd., TR・FOODS CO., LTD., and Kagoshima Tokyu REI Hotel Co., Ltd. were excluded from the scope of consolidation due to company liquidation.

The Company’s non-consolidated subsidiaries are Izu Higashi-kaigan Tetsudo Seibi Kabushiki Kaisha and two other companies. Those subsidiaries are excluded from the scope of consolidation because they are small in size, and neither of the sums of the amounts of each subsidiary’s total assets, operating revenue, profit (loss), and retained earnings proportionate to the Company’s equity interest has a material impact on the consolidated financial statements.

(3) Application of the equity method

Izu Higashi-kaigan Tetsudo Seibi Kabushiki Kaisha is the only non-consolidated subsidiary accounted for using the equity method. The Company’s affiliates accounted for using the equity method are Tokyu Fudosan Holdings Corporation, Tokyu Construction Co., Ltd. and 26 other companies.

Due to establishment, Danh Khoi TK Joint Stock Company was newly included in the scope of application of the equity method.

Two non-consolidated subsidiaries and six affiliates are excluded from the scope of application of the equity method because they have an insignificant impact on profit (loss) and retained earnings, and they are collectively immaterial. The Company’s non-consolidated subsidiaries not accounted for using the equity method are General Incorporated Association Kids Coach Association and one other company, while its affiliates not accounted for using the equity method are Cradle Kounou Co. Ltd. and five other companies.

(4) Fiscal years of consolidated subsidiaries

Consolidated subsidiaries whose fiscal year end differs from the consolidated balance sheet date are as follows:

(A) Companies with a fiscal year ending December 31

Tokyu Recreation Co., Ltd.
Hiroshima Tokyu Recreation Co., Ltd.
Kumamoto Tokyu Recreation Co., Ltd.
TR・SERVICE CO., LTD.
TST Entertainment Co., Ltd.
Tokyu Linen Supply Co., Ltd.
Tokyu Geox Co., Ltd.
Shibuya Miyashitacho Realty Co., Ltd.
Mauna Lani Resort (Operations), Inc.
Yanchep Sun City Pty Ltd
St. Andrews Private Estate Pty Ltd
Becamex Tokyu Co., Ltd.
Becamex Tokyu Bus Co., Ltd.
Saha Tokyu Corporation Co., Ltd.
Tokyu Business Consulting Shanghai CO., LTD.
Tokyu Malls Development (Hong Kong) Limited
TOKYU DEVELOPMENT CO., LTD.
BTMJR Investment Limited Company
H9BC Investment Company Limited

Companies with a fiscal year ending January 31

Tokyu Bunkamura, Inc.
Tokyu Department Store Co., Ltd.
Shibuya Chikagai Co., Ltd.
Nagano Tokyu Department Store Co., Ltd.
Kita Nagano Shopping Center Co., Ltd.
Tokyu Time Co., Ltd.
Tokyu Business Support Co., Ltd.
Central Foods Co., Ltd.

Companies with a fiscal year ending February 28

Tokyu Store Chain Co., Ltd., Toko Foods Co., Ltd.
Toko Flora Co., Ltd., Toko Service Co., Ltd.
CT Realty Limited

(B) A company with a fiscal year ending June 30

GK New Perspective One

(A) The Group prepares the consolidated financial statements based on the respective financial statements of Tokyu Geox Co., Ltd. and 31 other consolidated subsidiaries. Any material transactions that occurred between their fiscal year end and the consolidated balance sheet date are adjusted for consolidation purposes.

- (B) For GK New Perspective One, the pro forma financial statements as of the consolidated balance sheet date are used as a basis for preparing the consolidated financial statements.

(5) Accounting policies

a. Valuation basis and methods for major assets

(i) Securities (including investments and other assets)

Held-to-maturity bonds

Stated at amortized cost (using the straight-line method)

Available-for-sale securities

Securities other than shares and other without a market price

Stated at fair value (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined mainly using the moving-average method)

Shares and other without a market price

Stated at cost mainly using the moving-average method

As for investments in silent partnerships (available-for-sale securities), the Company's share of profit or loss of the silent partnerships is accounted for as "Non-operating profit" or "Non-operating expenses" and the carrying amount of "Investment securities" is increased or decreased accordingly.

(ii) Derivatives

Stated at fair value

(iii) Inventories

Land and buildings for sale are mainly stated at cost using the weighted average method by district and the specific identification method. Other inventories are stated at cost using the specific identification method, the weighted average method, the last purchase price method, the first-in, first-out method, the retail method, or the moving-average method, depending on which industry sector inventories are related to. In any case, their carrying amounts are subject to write-down due to decreased profitability.

b. Depreciation methods for significant depreciable assets

- (i) Property, plant and equipment (excluding leased assets) of the Company are mainly depreciated using the declining-balance method. In addition, some of the Company's leased facilities and property, plant and equipment held by certain consolidated subsidiaries are depreciated using the straight-line method in addition to the declining-balance method.

However, buildings (except for facilities attached to buildings) acquired by the Company and its consolidated subsidiaries in Japan on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

For buildings and structures, the principal useful lives are 2 to 75 years.

- (ii) Intangible assets (excluding leased assets) are amortized using the straight-line method. Software for internal use is amortized over a period of five years during which it is expected to be available for internal use.

- (iii) Leased assets under finance lease transactions that transfer ownership are depreciated using the same method as that applied to non-current assets owned by the Company.

Leased assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method with the lease term being the useful life and the residual value being zero.

- c. Accounting for significant deferred assets

Bond issuance costs and stock issuance costs are expensed in full as incurred.

- d. Recognition criteria for significant allowances and provisions

- (i) Allowance for doubtful accounts

To provide for potential credit losses on trade notes and accounts receivable, loan receivables, and other receivables, allowance for doubtful accounts is recorded at an amount calculated on the basis of a historical credit loss ratio for general receivables, and at an estimated uncollectible amount determined on the basis of individual assessments of collectability for specific receivables such as those with probability of default.

- (ii) Provision for bonuses

To provide for the payment of bonuses to employees and employees concurrently serving as officers, provision for bonuses is recorded based on the estimated amount of bonuses to be paid.

- (iii) Allowance for loss on redemption of gift certificates

To provide for losses that may be incurred if gift certificates are redeemed after the liability is derecognized, an estimated future redeemable amount is recorded based on past experience.

- e. Recognition criteria for significant revenues and expenses

The following are the nature of major performance obligations in the Company and its consolidated subsidiaries' mainstay businesses relating to revenue from contracts with customers and the timing when performance obligations are typically satisfied (when revenue is typically recognized).

- (i) Transportation Business

In the Transportation Business, the Company's consolidated subsidiaries mainly engage in passenger transport through railway and bus operations. For passenger transportation, the Group is obligated to transport customers and recognizes revenue upon completion of the service. However, for commuter passes, the Group recognizes revenue in accordance with the passage of time from the effective date to expiration date. The Group is also engaged in the railway carriage business such as designing and manufacturing equipment for railway carriages, contracting for renewal, repair, and periodic inspections, and undertaking design and construction of railway-related electronic work. In the railway carriage business, the Group is obligated to provide services such as designing and manufacturing equipment, conducting periodic inspections, and designing and undertaking construction work based on contracts with customers. The Group recognizes revenue upon completion of these services. However, for certain construction work of the railway carriage business for which the Group enters into a construction agreement, the Group recognizes revenue over time based on the degree of completion.

- (ii) Real Estate Business

In the Real Estate Business, the Company is mainly engaged in real estate sales and real estate leasing. In the real estate sales business, the Company is engaged in the development and sale of residential land as well as the construction and sale of houses and others. The Group is obligated to deliver the relevant properties based on real estate sales contracts with customers, and recognizes

revenue at the time the properties are delivered to customers. In the real estate leasing business, the Company leases office buildings and others, and recognizes revenue over the leasing period in accordance with ASBJ Statement No. 13 *Accounting Standard for Lease Transactions*. In addition, the Company operates hotels and its consolidated subsidiaries are engaged in real estate management and construction businesses. In the hotel management, the Company operates the hotels housed in building complexes. The Company is mainly obligated to provide lodging accommodations to customers, and recognizes revenue when customers stay at the hotels. In the property management business, the Group is obligated to provide comprehensive management of buildings, and recognizes revenue as services are rendered. In the construction business, the Group is primarily obligated to manage construction, recognizing revenue upon completion of services. For certain construction work where the Group enters into a construction agreement, the Group recognizes revenue based on the degree of completion.

(iii) Life Service Business

In the Life Service Business, the Company's consolidated subsidiaries are mainly engaged in the following: the department store operations, chain store and other retailing operations, the imaging operations running a cinema complex, the CATV operations providing cable television services and internet connection services, and the advertising operations providing advertising agency services. In the department store and retailing operations, the Group is obligated to deliver goods to customers, and recognizes revenue when the goods are delivered to them. The Group also leases commercial space to tenants, and recognizes revenue over the leasing period under ASBJ Statement No. 13 *Accounting Standard for Lease Transactions*. In the imaging, CATV and advertising operations, the Group is obligated to provide such services, and recognizes revenue upon completion of services or as services are rendered. In addition, in the electricity retailing operations, a consolidated subsidiary of the Company is obligated to provide electric power to their customers, and recognizes revenue as the power is provided.

(iv) Hotel and Resort Business

In the Hotel and Resort Business, the Company's consolidated subsidiaries operate hotels. The Group is obligated to provide lodging accommodations to customers, and recognizes revenue when customers stay at the hotels.

f. Accounting for retirement benefits

(i) Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the straight-line basis is used to attribute the estimated amount of retirement benefits to periods of services up to the end of the fiscal year ended March 31, 2022.

(ii) Method of accounting for actuarial gains and losses and past service costs

Actuarial gains and losses are amortized primarily using the straight-line method over a certain number of years (15 years) within the average remaining service period of employees at the time of recognition from the fiscal year following the respective fiscal year of recognition.

Past service costs are mainly amortized using the straight-line method over a certain number of years (15 years) within the average remaining service period of employees at the time of recognition.

g. Criteria for translating significant foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date. Translation differences are accounted for as profit or loss.

Meanwhile, assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, whereas their revenue and expenses are translated into Japanese yen at the average exchange rate for the fiscal year. Translation differences are included in foreign currency translation adjustment and non-controlling interests in the net assets.

h. Special legal reserves

Urban railways improvement reserve is reversed per the provisions of Article 8 of the Act on Special Measures concerning Promotion of Construction of Specified Urban Railways.

i. Accounting for subsidies received for construction in the railway operations

Tokyu Railways Co., Ltd., Izukyu Corporation, and Uedadentetsu Co., Ltd., which are consolidated subsidiaries of the Company, account for subsidies received for construction by deducting the amount equivalent to relevant subsidies received for construction directly from the cost of non-current assets acquired upon completion of construction.

In the consolidated statement of income, subsidies received for construction is recorded in extraordinary gains, while the amount directly deducted from the cost of non-current assets acquired is recorded as tax purpose reduction entry of land contribution for construction in extraordinary losses.

Of the construction costs that have been received as subsidies, the portion related to the temporary structure that had been already removed was recorded as operating expenses (non-current asset retirement expenses and other expenses).

j. Accounting for significant hedge transactions

(i) Method of hedge accounting

The Group adopts deferred hedge accounting. Note that the exceptional treatment (*tokurei-shori*) is adopted for interest rate swaps that meet the requirements for the exceptional treatment, whereas the integrated treatment (the exceptional treatment and the appropriation treatment (*furiate-shori*) combined) is adopted for cross-currency interest swaps that meet the requirements for the integrated treatment. In addition, the appropriation treatment is adopted for forward exchange contracts that meet the requirements for the appropriation treatment.

(ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps and cross-currency interest swaps

Hedged items: Borrowings and foreign currency-denominated borrowings

(iii) Hedging policy

The Company has established rules in its operational policies that stipulate transaction authority. Fluctuation risks associated with interest rate and foreign currency are hedged in accordance with the rules. Consolidated subsidiaries also set internal rules to use derivative transactions to avoid the fluctuation risks associated with interest rate and foreign currency arising mainly from business activities.

(iv) Method for assessing hedge effectiveness

The hedge effectiveness is assessed by the ratio of the change in the amount of cash flows of hedging instruments to that of hedged items for each of the period that has already passed.

k. Amortization method and period for goodwill

Goodwill is amortized over a period of five years using the straight-line method. However, goodwill that is immaterial in amount is immediately amortized in full.

l. Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash and are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING ESTIMATES

(1) Impairment of non-current assets

- a. Amounts recognized in the consolidated financial statements for the fiscal year ended March 31, 2022 and 2021

	Millions of yen	
	2022	2021
Property, plant and equipment, and intangible assets	¥ 1,823,181	¥ 1,846,432
Impairment losses	25,129	26,806

- b. Other information that contributes to the understanding of users of consolidated financial statements

(i) Calculation method

In calculating impairment losses, the Group groups assets by the smallest unit that generates cash flows largely independent from the cash flows generated by other assets or asset groups. As a result, the Group recognizes impairment losses for the non-current asset groups whose market values have significantly declined from their carrying amounts due to continued declines in land prices and the non-current asset groups that have continued to record losses from operating activities. More specifically, when the sum of undiscounted future cash flows is less than their carrying amount, the Group reduces the carrying amount to the recoverable amount and then recognizes the reduction as impairment losses under extraordinary losses.

(ii) Key assumptions

The recoverable amounts of these asset groups are calculated based on net selling price or value in use.

The net selling price is calculated based on the fair value of land and other assets or by the capitalization method. Value in use is calculated by discounting future cash flows primarily at a rate of 4.0% to 5.0%.

Key assumptions used in calculating future cash flows include the numbers of passengers and travelers in the Transportation Business; tenant trends such as vacancy rates in the Real Estate Business; tenant trends and the number of customers for the Life Service Business; and Revenue per Available Room (RevPAR) and occupancy rates for the Hotel and Resort Business.

The Group assumes that the pandemic will subside gradually although its impact will linger to some degree beyond the fiscal year ending March 31, 2023.

(iii) Impacts on consolidated financial statements for the next fiscal year

Key assumptions used in estimating future cash flows are highly uncertain and may differ from forecasts. If the recoverable amount decreases in the event of actual results deviating from forecasts based on key assumptions or a decline in market prices, the Group may face a risk of impairment losses in the next fiscal year.

(2) Recoverability of deferred tax assets

- a. Amounts recognized in the consolidated financial statements for the fiscal year ended March 31, 2022 and 2021

	Millions of yen	
	2022	2021
Deferred tax assets, net	¥ 7,803	¥ 10,692
Income taxes – deferred	228	(6,965)

(The amounts before netting of deferred tax liabilities were ¥71,314 million as of March 31, 2022 and ¥70,184 million as of March 31, 2021.)

- b. Other information that contributes to the understanding of users of consolidated financial statements

(i) Calculation method

The recoverability of deferred tax assets is determined for deductible temporary differences and tax loss carryforwards based on taxable income and tax planning that reflect the Company's future earning capacity. Taxable income estimates are based on the budget for the next fiscal year and the Medium-term Management Plan.

(ii) Key assumptions

Deferred tax assets are attributable mainly to the Company and its subsidiaries that belong to the Transportation Business segment. The Group assumes that as of March 31, 2022 it would fail to fully meet its key assumptions incorporated in the budget for the next fiscal year and the Medium-term Management Plan, including when the pandemic will subside and the number of passengers carried in the Transportation Business, which constitute a basis for the Group's taxable income estimates, and that the business conditions will gradually recover in stages over time in and after the fiscal year ending March 31, 2023 although the Group's business was yet to return to normal at the end of the fiscal year ended March 31, 2022.

(iii) Impacts on consolidated financial statements for the next fiscal year

Key assumptions, including when the pandemic will subside, are highly uncertain. If actual results deviate from forecasts due, for example, to a delay in the timing of an end to the COVID-19 pandemic or a decrease in the number of passengers carried in the Transportation Business, the Group may face a risk of having a significant impact on the assessment of the recoverability of deferred tax assets due to a change in taxable income estimates.

3. CHANGES IN ACCOUNTING POLICIES

(1) Adoption of the Accounting Standard for Revenue Recognition

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") and other related accounting standards have been applied from the beginning of the fiscal year ended March 31, 2022. Accordingly, revenue is recognized at the time when control over goods or services that the Group promises to provide is transferred to customers and in the amount that it expects to receive in exchange for such goods or services.

Major changes attributable to the application of the Revenue Recognition Accounting Standard and related measures are as follows.

a. Revenue recognition for agent transactions

Previously, the total consideration received from customers in transactions in which the purchased goods from suppliers were considered delivered to the Group at the time they are sold to customers, advertising

media transactions and transactions involving drop-shipping had been recognized as revenue. Currently, for transactions in which the Company and its consolidated subsidiaries provide goods or services to customers as an agent, the Group recognizes the net amount calculated by deducting the amount paid to the suppliers of the merchandise or providers of the services from the amount received from customers as revenue.

b. Revenue recognition for point programs

The Company offers customers a loyalty program in which customers are provided with points that can be used to receive discounts on their future purchases. It had been recognizing the face value of points as revenue when points are redeemed. Currently, the Group is separating the transaction value into the products portion and the points portion according to percentages of the item's standalone selling price, and recognizes the points portion of the transaction value at the time of point redemption as revenue.

c. Revenue recognition for commuter passes

The Group had previously prorated the amount of revenue that it recognized from commuter passes according to the type of commuter pass on a monthly basis, starting from the selling date of the commuter passes. Now, given that a commuter pass entitles the pass holder to unlimited use within a specific section during the period when the pass is valid, it recognizes revenue when the validity period ends.

In applying the Revenue Recognition Accounting Standard and other related accounting standards, the Group followed the provisional measures stated in paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, it adjusted retained earnings as of the beginning of the fiscal year ended March 31, 2022 to reflect the cumulative effect of the retrospective application of the new accounting policies to the time prior to the beginning of the fiscal year ended March 31, 2022. However, the Group applied the method prescribed in paragraph 86, subparagraph (1) of the Revenue Recognition Accounting Standard in its accounting treatment based on the terms of its contracts and all revisions regarding contracts made before the beginning of the fiscal year ended March 31, 2022. The cumulative effect of this adjustment was then reflected in the balance of retained earnings as of the beginning of the fiscal year ended March 31, 2022.

The Group decided to include trade notes and accounts receivable, which had been presented as current assets in the consolidated balance sheet for the previous fiscal year, in trade notes and accounts receivable and contract assets starting from the fiscal year ended March 31, 2022. For the same reason, it decided to include advances received, which had been presented in current liabilities, in advances received and contract liabilities, starting from the fiscal year ended March 31, 2022. However, in accordance with the transitional measures prescribed in paragraph 89-2 of the Revenue Recognition Accounting Standard, the Group did not reclassify amounts for the previous fiscal year to reflect the new presentation method.

As a result of this change, operating revenue and operating expenses for the fiscal year ended March 31, 2022 decreased ¥154,366 million and ¥154,980 million, respectively, compared with operating revenue and operating expenses before the application of the Revenue Recognition Accounting Standard and other related accounting standards. The decreases resulted in an increase of ¥613 million in operating profit as well as rises in both ordinary profit and profit before income taxes of ¥587 million, respectively. Because net assets at the beginning of the fiscal year ended March 31, 2022 reflect the cumulative effect of the retrospective application of the new accounting policy, retained earnings at the beginning of the period in the consolidated statement of changes in net assets decreased ¥5,409 million.

The effect on per share information is described in the Notes of "25. PER SHARE INFORMATION."

The Group does not disclose any notes on revenue recognition for the previous fiscal year pursuant to the transitional measures prescribed in paragraph 89-3 of the Revenue Recognition Accounting Standard.

(2) Application of Accounting Standard for Fair Value Measurement

The Group decided to apply the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") and other standards from the beginning of the fiscal year ended March 31, 2022. Accordingly it decided to continue to adopt the new accounting policies specified in the Fair Value Accounting Standard and other standards in accordance with the transitional measures prescribed in the paragraph 19 of the Fair Value Measurement Accounting Standard and the paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). As a result, corporate and other bonds and derivative transactions, which were reflected in the consolidated balance

sheet at cost because they were previously considered financial instruments whose fair values are deemed extremely difficult to determine, are and will be reflected in the consolidated balance sheet at fair value calculated using unobservable inputs based on the best information available, even when it is not possible to obtain observable inputs.

In addition, in the Notes to “12. FINANCIAL INSTRUMENTS,” the Company has decided to provide notes on items such as the breakdown of the fair values of financial instruments by the level of the fair value hierarchy. However, pursuant to the transitional measures prescribed in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), the Group has not provided such notes for the previous fiscal year.

4. RECLASSIFICATIONS

Consolidated Statement of Income

- a. “Subsidies for employment adjustment” presented separately under “Extraordinary gains” in the previous fiscal year is included in “Other” in the current fiscal year as it has become immaterial in terms of amount. To reflect this change in presentation, the Company has reclassified its consolidated financial statements for the previous fiscal year.

As a result, “Subsidies for employment adjustment” of ¥1,275 million and “Other” of ¥2,027 million presented under “Extraordinary gains” in the consolidated statement of income for the previous fiscal year have been reclassified into “Other” of ¥3,302 million.

- b. “Losses related to the spread of COVID-19” presented separately under “Extraordinary losses” in the previous fiscal year is included in “Other” in the current fiscal year as it has become immaterial in terms of amount. To reflect this change in presentation, the Company has reclassified its consolidated financial statements for the previous fiscal year.

As a result, “Losses related to the spread of COVID-19” of ¥3,617 million and “Other” of ¥4,604 million, which were presented in “Extraordinary losses” in the consolidated statement of income for the previous fiscal year, have been reclassified as “Other” of ¥8,222 million.

5. ADDITIONAL INFORMATION

Employee Stock Ownership Plan (ESOP) Trust

In May 2021, the Company introduced the Employee Stock Ownership Plan Trust (“ESOP Trust”) as an employee incentive plan aiming to raise the Company’s medium- to long-term corporate value and enhance its employee welfare benefits.

- a. Overview of the ESOP Trust

The ESOP Trust is a trust-type employee incentive plan that adopts the scheme of employee ownership associations, using employee stock ownership plans in the United States as a reference, for the purpose of improving employees’ savings plan (welfare program) to promote their asset accumulation using the Company’s shares.

The Company has set up a trust with the employees participating in the Tokyu Group Employees’ Ownership Association (“Ownership Association”) who have satisfied certain requirements as beneficiaries. During a predetermined acquisition period, the trust acquires the number of the Company’s shares that are expected to be acquired by the Ownership Association for a certain period in the future. Subsequently, the trust will sell the Company’s shares on a certain date every month to the Ownership Association. If there is trust income from a rise in the share price at the time of trust termination, cash will be distributed to employees who are beneficiaries according to their contribution ratio and other conditions. If the assets in trust remain in debt as a result of a loss on sale due to a fall in the share price, the Company will make good the debt in a lump sum to the bank based on the guarantee clause in the loan agreement. Therefore, employees will not bear any additional burden.

- b. The Company's shares remaining in the trust

The Company records its shares remaining in the trust as treasury stock under net assets at the carrying amount (excluding incidental expenses) of the trust. The carrying amount and number of shares of such treasury stock amounted to ¥3,291 million and 2,224 thousand shares as of March 31, 2022.

- c. Carrying amount of borrowings recorded using the gross amount method

¥3,325 million as of March 31, 2022

6. NOTES RELATED TO CONSOLIDATED BALANCE SHEET

- (1) *1 The amounts of trade notes and accounts receivable arising from contracts with customers as of March 31, 2022 were as follows:

	Millions of yen	
	2022	
Trade notes receivable	¥	3,988
Trade accounts receivable		142,298

- (2) The amounts of accumulated depreciation of property, plant and equipment as of March 31, 2022 and 2021 were as follows:

	Millions of yen	
	2022	2021
	¥ 1,318,734	¥ 1,275,045

- (3) Contingent liabilities

- a. Debt guarantees that the Company provided to companies and other entities outside the Group as of March 31, 2022 and 2021 were as follows:

	Millions of yen	
	2022	2021
Borrowings from financial institutions and other sources		
Guarantees for residential mortgage loans	¥ 712	¥ 39
Guarantee for mortgage loans for employees	–	4
Others	10	10
Total	¥ 722	¥ 53

- b. Contingent liabilities related to debt assumption agreements for bonds payable as of March 31, 2022 and 2021 were as follows:

	Millions of yen	
	2022	2021
The 62nd Unsecured Straight Bond	¥ –	¥ 10,000

(4) *2 Notes related to non-consolidated subsidiaries and affiliates

The amounts related to non-consolidated subsidiaries and affiliates included in the following line item as of March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
Investment securities	¥	139,566	¥	134,230

(5) *3 Pledged assets and secured borrowings

Assets pledged as collateral as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022		2021					
Land and buildings for sale	¥	171	¥	[–]	¥	116	¥	[–]
Buildings and structures		386,457		[350,458]		381,461		[345,616]
Rolling stock and machinery		70,807		[70,647]		60,951		[60,773]
Land		126,555		[67,326]		130,756		[71,618]
Investment securities (Note 1)		12,339		[–]		11,130		[–]
Others		14,166		[12,979]		14,340		[13,435]
Total	¥	610,497	¥	[501,412]	¥	598,756	¥	[491,444]

Notes: 1. Investment securities are pledged as collateral of third party's liabilities to back short-term borrowings (¥1,850 million and ¥21,901 million as of March 31, 2022 and 2021, respectively) and long-term borrowings (¥313,385 million and ¥302,542 million as of March 31, 2022 and 2021, respectively) of the investees.

2. In addition to the above, the following assets, which were eliminated in the consolidation process, were pledged as collateral as of March 31, 2022 and 2021:

	Millions of yen			
	2022		2021	
Stocks of subsidiaries	¥	357	¥	357

Secured borrowings as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022		2021					
Short-term borrowings	¥	15,920	¥	[3,602]	¥	19,004	¥	[5,914]
Long-term borrowings		39,301		[6,837]		44,222		[10,440]
Others		3,237		[–]		2,800		[–]
Total	¥	58,458	¥	[10,440]	¥	66,026	¥	[16,354]

The amounts in square brackets in the table above indicate railway foundation mortgages, tram way foundation mortgages, road traffic business foundation mortgages, and the borrowings secured by them.

(6) * 4 Non-recourse borrowings

Non-recourse borrowings as of March 31, 2022 and 2021 were as follows:

Note that the following amounts are included in the amounts shown in “(5) Pledged assets and secured borrowings” above.

	Millions of yen			
	2022		2021	
Short-term borrowings	¥	7,700	¥	7,700
Long-term borrowings		31,860		33,160

Assets corresponding to non-recourse borrowings as of March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
Buildings and structures	¥	32,549	¥	32,133
Rolling stock and machinery		159		178
Land		53,990		53,883
Others		763		490
Total	¥	87,462	¥	86,685

Note: In addition to the above, the following assets, which were eliminated in the consolidation process, were pledged as collateral as of March 31, 2022 and 2021:

	Millions of yen			
	2022		2021	
Stocks of subsidiaries	¥	357	¥	357

(7) *5 Urban railways improvement reserve that is deemed to be used within one year was ¥2,510 million as of March 31, 2022 and 2021, respectively

(8) Accumulated subsidies received for construction directly deducted from the cost of non-current assets were ¥220,586 million and ¥219,692 million as of March 31, 2022 and 2021, respectively

(9) *6 Transfer from non-current assets to land and buildings for sale due to a change in holding purpose was ¥9,805 million and ¥25,306 million as of March 31, 2022 and 2021, respectively

(10) *7 Securities lending as of March 31, 2022 and 2021

	Millions of yen			
	2022		2021	
Investment securities	¥	1,383	¥	1,266

(11) *8 Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act Partially Amending the Act on Revaluation of Land (Act No. 19 of March 31, 2001), Izukyu Corporation and Jotetsu Corporation, the Company’s consolidated subsidiaries, and Tokyu Land Corporation, the Company’s entity accounted for using the equity method, revaluated land for business use and recorded land revaluation reserve, of which the Company recorded its equity share as land revaluation reserve in the net assets.

The revaluation methods, the dates of revaluation, and the differences between the carrying amount after the revaluation and the fair value were as follows:

a. Izukyu Corporation

- Revaluation method

In principle, the method stipulated in Article 2, paragraph (5) of the Order for Enforcement of the Act on Revaluation of Land (Government Ordinance No. 119, March 31, 1998) was used for the calculation, and the method prescribed in Article 2, paragraph (3) of the same Enforcement Order was used for a portion of land.

- Date of revaluation: March 31, 2000
- The difference is not stated because the fair value of the revaluated land exceeded the carrying amount after the revaluation as of March 31, 2022.

The carrying amount after the revaluation is ¥2,935 million higher than the fair value as of March 31, 2021.

b. Jotetsu Corporation

- Revaluation method

The amount was calculated by making reasonable adjustments to the assessed value of non-current assets stipulated in Article 2, paragraph (3) of the Order for Enforcement of the Act on Revaluation of Land (Government Ordinance No. 119, March 31, 1998).

- Date of revaluation: March 31, 2002
- The differences are not stated because the fair values of the revaluated land exceeded the carrying amounts after the revaluation as of March 31, 2022 and 2021.

c. Tokyu Land Corporation

- Revaluation method

In principle, the method stipulated in Article 2, paragraph (5) of the Order for Enforcement of the Act on Revaluation of Land (Government Ordinance No. 119, March 31, 1998) was used for the calculation, and the method prescribed in Article 2, paragraphs (2), (3), and (4) of the same Enforcement Order was used for a portion of land.

- Date of revaluation: March 31, 2000
- Date of revaluation (revaluation due to merger of subsidiaries): March 31, 2001
- The differences are not stated because the fair values of the revaluated land exceeded the carrying amounts after the revaluation as of March 31, 2022 and 2021.

(12) The undrawn balance of loan commitments at the Company's consolidated subsidiary was as follows:

Tokyu Card, Inc.

	Millions of yen			
	2022		2021	
Total loan commitments	¥	51,405	¥	51,742
Drawn balance of loan commitments		832		889
Undrawn balance of loan commitments	¥	50,573	¥	50,852

The above loan commitments are cash advance facilities granted through credit cards and are not necessarily drawn in full.

7. NOTES RELATED TO CONSOLIDATED STATEMENT OF INCOME

(1) *1 Revenue from contracts with customers

Operating revenue is not classified into revenues from contracts with customers and other revenues. The amount of revenues from contracts with customers is presented in "22. REVENUE RECOGNITION, (1) Disaggregation of revenue."

- (2) Retirement benefit expenses and major items of provisions for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
Provision of allowance for doubtful accounts	¥	592	¥	606
Provision for bonuses		10,875		10,720
Retirement benefit expenses	¥	9,341	¥	8,289

- (3) *2 Major items of selling, general and administrative expenses and their amounts for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
Personnel expenses	¥	88,369	¥	94,001
Other overhead expenses		101,604		106,097
Taxes and dues		5,802		5,619
Depreciation		12,447		14,434
Amortization of goodwill	¥	–	¥	0

- (4) *3 Total amounts of research and development expenses included in operating expenses for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
	¥	343	¥	388

- (5) *4 Details of gains on sale of property, plant and equipment for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen				
	2022		2021		
Kyobashi, Chuo-ku, Tokyo (land)	¥	14,195	Aobadai, Meguro-ku, Tokyo (land, buildings and structures)	¥	189
Tsuruma, Machida, Tokyo (land)		77	Kamimaruko, Ueda, Nagano (land)		30
Others		200	Others		82
Total	¥	14,473	Total	¥	303

- (6) *5 Impairment losses

In calculating impairment losses, the Group grouped assets by the smallest unit that generates cash flows largely independent from the cash flows generated by other assets or asset groups. As a result, for the non-current asset groups whose market values have significantly declined from their carrying amounts due to continued declines in land prices and the non-current asset groups that have continued to record losses from operating activities, the Group reduced the carrying amount to the recoverable amount and then recognized the reduced amount as impairment losses under extraordinary losses.

Details of impairment losses for the fiscal year ended March 31, 2022

Area	Major purpose of use	Types	Segments	Millions of yen	
				Impairment losses	
Greater Tokyo	Mainly stores 75 items in total	Buildings and structures	Transportation Business	¥	5,041
			Real Estate Business		
			Life Service Business		
			Hotel and Resort Business		
Chubu and Hokuriku	Mainly railways 13 items in total	Land and buildings	Transportation Business		18,594
			Real Estate Business		
			Life Service Business		
			Hotel and Resort Business		
Kinki	Mainly stores 6 items in total	Buildings and structures	Life Service Business		1,137
			Hotel and Resort Business		
Other areas	Mainly stores 6 items in total	Buildings and structures	Life Service Business		355
			Hotel and Resort Business		
Total	100 items	–	–	¥	25,129

Breakdown of impairment losses by area for the fiscal year ended March 31, 2022

Area	Millions of yen				
	Land	Buildings and structures	Others	Total	
Greater Tokyo	¥	–	¥ 3,992	¥ 1,049	¥ 5,041
Chubu and Hokuriku		12,868	4,939	787	18,594
Kinki		–	567	570	1,137
Other areas		–	251	103	355
Total	¥	12,868	¥ 9,751	¥ 2,510	¥ 25,129

Details of impairment losses for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Area	Major purpose of use	Types	Segments	Millions of yen	
				Impairment losses	
Greater Tokyo	Mainly stores 102 items in total	Land and buildings	Transportation Business	¥	16,789
			Real Estate Business		
			Life Service Business		
			Hotel and Resort Business		
			Corporate		
Chubu and Hokuriku	Mainly stores 22 items in total	Land and buildings	Transportation Business		7,658
			Real Estate Business		
			Life Service Business		
			Hotel and Resort Business		
			Corporate		
Kinki	Mainly stores 7 items in total	Buildings and structures	Real Estate Business		734
			Life Service Business		
			Hotel and Resort Business		
			Corporate		
			Transportation Business		
Other areas	Mainly stores 15 items in total	Land and buildings	Real Estate Business		1,623
			Life Service Business		
			Hotel and Resort Business		
			Corporate		
			Transportation Business		
Total	146 items	–	–	¥	26,806

Breakdown of impairment losses by area for the fiscal year ended March 31, 2021

Area	Millions of yen			
	Land	Buildings and structures	Others	Total
Greater Tokyo	¥ 155	¥ 10,741	¥ 5,892	¥ 16,789
Chubu and Hokuriku	1,073	4,582	2,002	7,658
Kinki	–	489	244	734
Other areas	6	1,069	547	1,623
Total	¥ 1,235	¥ 16,883	¥ 8,687	¥ 26,806

The recoverable amounts of these asset groups were measured at net selling price or value in use.

When the recoverable amount is measured at net selling price, it is measured at fair value of land and other assets or by the capitalization method. When the recoverable amount is measured at value in use, it is calculated by discounting future cash flows primarily at a rate of 4.0% to 5.0% for the fiscal years ended March 31, 2022 and 2021.

(7) *6 Amount of inventories held for ordinary sale written down due to decreased profitability

	Millions of yen	
	2022	2021
Operating expenses and cost of sales related to transportation	¥ (25)	¥ 310

(8) *7 Subsidies for employment adjustment

Subsidies for employment adjustment relating to COVID-19 was recorded under non-operating profit for the fiscal years ended March 31, 2022 and 2021.

8. NOTES RELATED TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reclassification adjustments and tax effects relating to other comprehensive income for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen	
	2022	2021
Net unrealized gains (losses) on investment securities:		
Amount arising during the period	¥ (4,102)	¥ 12,235
Reclassification adjustments	(220)	(103)
Before tax effect adjustment	(4,322)	12,131
Tax effect	1,317	(3,323)
Net unrealized gains (losses) on investment securities	(3,005)	8,808
Deferred gains (losses) on hedges:		
Amount arising during the period	–	0
Reclassification adjustments	–	–
Before tax effect adjustment	–	0
Tax effect	–	(0)
Deferred gains (losses) on hedges	–	0
Foreign currency translation adjustment:		
Amount arising during the period	5,704	(2,133)
Reclassification adjustments	–	–
Before tax effect adjustment	5,704	(2,133)
Tax effect	–	–
Foreign currency translation adjustment	5,704	(2,133)
Remeasurements of defined benefit plans:		
Amount arising during the period	3,908	5,856
Reclassification adjustments	3,006	1,991
Before tax effect adjustment	6,915	7,848
Tax effect	(1,984)	(2,140)
Remeasurements of defined benefit plans, net of tax	4,930	5,707
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	1,901	721
Reclassification adjustments	220	100
Share of other comprehensive income of entities accounted for using equity method	2,121	822
Total other comprehensive income	¥ 9,751	¥ 13,204

9. NOTES RELATED TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2022

(1) Class and total number of issued shares and class and number of shares of treasury stock

	Thousands of shares			
	2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Issued shares:				
Common stock	624,869	–	–	624,869
Total	624,869	–	–	624,869
Treasury stock				
Common stock (Notes 1, 2, 3 and 4)	20,776	3,055	1,299	22,532
Total	20,776	3,055	1,299	22,532

- Notes: 1. The number of shares as of April 1, 2021 includes 310 thousand shares of the Company held by the Board Incentive Plan (BIP) Trust account.
2. The number of shares as of March 31, 2022 includes 2,529 thousand shares of the Company held by the Employee Stock Ownership Plan (ESOP) Trust account and the BIP Trust account.
3. The breakdown of the reasons for the increase in the number of shares of treasury stock is as follows:
- | | |
|--|-----------------------|
| i. Purchases of shares by the ESOP Trust account: | 3,050 thousand shares |
| ii. Purchase of fractional shares: | 4 thousand shares |
| iii. Acquisition of fractional shares resulting from share exchange: | 0 thousand shares |
4. The breakdown of the reasons for the decrease in the number of shares of treasury stock is as follows:
- | | |
|--|---------------------|
| i. Sale of shares by the ESOP Trust account: | 826 thousand shares |
| ii. Delivery of shares of treasury stock through share exchange: | 467 thousand shares |
| iii. Delivery of shares to the BIP Trust account: | 5 thousand shares |
| iv. Request for additional purchase of fractional shares: | 0 thousand shares |

(2) Share acquisition rights and treasury stock acquisition rights

No items to report.

(3) Dividends

a. Amount of dividends paid

Resolution	Class of stock	Millions of yen	Yen	Record date	Effective date
		Total amount of dividends	Dividend per share		
Annual General Meeting of Shareholders held on June 29, 2021	Common stock	(Note 1) 3,023	5.0	March 31, 2021	June 30, 2021
Board of Directors' meeting held on November 9, 2021	Common stock	(Note 2) 4,538	7.5	September 30, 2021	December 2, 2021

- Notes: 1. The total amount of dividends includes dividends of ¥1 million paid to the BIP Trust account.
2. The total amount of dividends includes dividends of ¥22 million paid to the ESOP Trust account and the BIP Trust account.
- b. Dividends with a record date in the current fiscal year, but an effective date in the following fiscal year

Resolution	Class of stock	Millions of yen		Yen	Record date	Effective date
		Total amount of dividends	Source of dividends	Dividend per share		
Annual General Meeting of Shareholders held on June 29, 2022	Common stock	(Note) 4,538	Retained earnings	7.5	March 31, 2022	June 30, 2022

Note: The total amount of dividends includes dividends of ¥18 million paid to the ESOP Trust account and the BIP Trust account.

For the fiscal year ended March 31, 2021

- (1) Class and total number of issued shares and class and number of shares of treasury stock

	Thousands of shares			
	2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Issued shares:				
Common stock	624,869	–	–	624,869
Total	624,869	–	–	624,869
Treasury stock				
Common stock (Notes 1, 2, 3 and 4)	20,858	4	86	20,776
Total	20,858	4	86	20,776

Notes: 1. The number of shares as of April 1, 2020 includes 395 thousand shares of the Company held by the Employee Stock Ownership Plan (ESOP) Trust account and the Board Incentive Plan (BIP) Trust account.

2. The number of shares as of March 31, 2021 includes 310 thousand shares of the Company held by the BIP Trust account.

3. The reason for the increase in the number of shares of treasury stock is as follows:

i. Purchase of fractional shares: 4 thousand shares

4. The breakdown of the reasons for the decrease in the number of shares of treasury stock is as follows:

i. Sale of shares by the ESOP Trust account: 85 thousand shares

ii. Request for additional purchase of fractional shares: 0 thousand shares

- (2) Share acquisition rights and treasury stock acquisition rights

No items to report.

(3) Dividends

a. Amount of dividends paid

Resolution	Class of stock	Millions of yen	Yen	Record date	Effective date
		Total amount of dividends	Dividend per share		
Annual General Meeting of Shareholders held on June 26, 2020	Common stock	(Note 1) 6,651	11.0	March 31, 2020	June 29, 2020
Board of Directors' meeting held on November 10, 2020	Common stock	(Note 2) 6,046	10.0	September 30, 2020	December 3, 2020

Notes: 1. The total amount of dividends includes dividends of ¥4 million paid to the ESOP Trust account and the BIP Trust account.

2. The total amount of dividends includes dividends of ¥3 million paid to the BIP Trust account.

b. Dividends with a record date in the current fiscal year, but an effective date in the following fiscal year

Resolution	Class of stock	Millions of yen	Yen	Record date	Effective date	
		Total amount of dividends	Source of dividends			Dividend per share
Annual General Meeting of Shareholders held on June 29, 2021	Common stock	(Note) 3,023	Retained earnings	5.0	March 31, 2021	June 30, 2021

Note: The total amount of dividends includes dividends of ¥1 million paid to the BIP Trust account.

10. NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

(1) The reconciliation of the ending balance of cash and cash equivalents with the amount of the line item presented on the consolidated balance sheet was as follows:

	Millions of yen	
	2022	2021
Cash and deposits	52,275	45,964
Time deposits with original maturities exceeding three months	(639)	(666)
Cash and cash equivalents	¥ 51,635	¥ 45,297

11. LEASE TRANSACTIONS

(1) Finance lease transactions (as lessee)

a. Finance lease transactions that transfer ownership

(i) Composition of leased assets

Property, plant and equipment

They consist mainly of interior equipment of stores (buildings and structures) in the Life Service Business segment.

(ii) Method of depreciation of leased assets

The depreciation method of leased assets is as described in “Notes to Consolidated Financial Statements, 1. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, (5) Accounting policies, b. Depreciation methods for significant depreciable assets.”

b. Finance lease transactions that do not transfer ownership

(i) Composition of leased assets

Property, plant and equipment

They consist mainly of communication equipment (tools, furniture and fixtures) in the Life Service Business segment.

(ii) Method of depreciation of leased assets

The depreciation method of leased assets is as described in “Notes to Consolidated Financial Statements, 1. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, (5) Accounting policies, b. Depreciation methods for significant depreciable assets.”

(2) Operating lease transactions (as lessee)

Future minimum lease payments under non-cancelable operating leases as of March 31, 2022 and 2021

	Millions of yen	
	2022	2021
Due in 1 year or less	¥ 11,465	¥ 11,722
Due after 1 year	51,381	52,540
Total	¥ 62,846	¥ 64,263

(3) Finance lease transactions (as lessor)

a. Details of investments in leases as of March 31, 2022 and 2021 (current assets)

	Millions of yen	
	2022	2021
Lease payments receivable component	¥ 2,861	¥ 3,163
Estimated residual value component	58	51
Unearned interest income	(1,301)	(1,514)
Investments in leases	1,619	1,700

- b. Scheduled collections of lease receivables and lease payments receivable component of investments in leases as of March 31, 2022 and 2021

Millions of yen							
2022							
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Lease receivables	¥	4	¥ 4	¥ 3	– ¥	– ¥	13
Investments in leases		298	296	296	295	295	1,379
							2,861

Millions of yen							
2021							
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Lease receivables	¥	4	¥ 4	4 ¥	3 ¥	– ¥	17
Investments in leases		302	297	295	295	295	1,675
							3,163

(4) Operating lease transactions (as lessor)

Future minimum lease payments under non-cancelable operating leases as of March 31, 2022 and 2021

Millions of yen			
		2022	2021
Due in 1 year or less	¥	26,951	¥ 27,076
Due after 1 year		71,959	78,289
Total	¥	98,911	¥ 105,366

12. FINANCIAL INSTRUMENTS

(1) Status of financial instruments

a. Policies on financial instruments

The Company and its consolidated subsidiaries have raised necessary funds mainly by way of borrowing from financial institutions and issuing bonds in light of its capital expenditure plan for the Transportation and other business segments. The Group invests only excess funds in principal guaranteed financial instruments or equivalent instruments, uses derivatives to avoid risks described below, and does not engage in speculative transactions.

b. Nature and risks of financial instruments

Trade notes and accounts receivable, or trade receivables, are exposed to the credit risk of customers. In addition, some trade receivables denominated in foreign currencies are exposed to the risk of exchange rate fluctuations.

Marketable securities and investment securities are primarily the stocks of companies that the Group has business relationships with, and thus, are exposed to the risk of market price fluctuations.

Trade notes and accounts payable, or trade payables, are mostly due in one year or less. In addition, some trade payables denominated in foreign currencies are exposed to the risk of exchange rate fluctuations.

Funds raised by way of borrowing from financial institutions or issuing bonds are used primarily for capital expenditures or as working capital with the longest maturity period of 27 years from the balance sheet date. Although some of these funds are exposed to the risk of interest rate or exchange rate fluctuations, the Group has hedged them against the risk with derivative transactions (i.e., interest rate swap or interest rate and currency swap transactions).

Derivatives transactions include interest rate swaps to hedge against the risk of fluctuations in interest rates payable on borrowings, interest rate and currency swaps to hedge against the risk of fluctuations in interest rates and exchange rates payable on borrowings denominated in foreign currencies, and earthquake derivatives to hedge against the risk of earnings fluctuations due to earthquakes. For details of hedging instruments and hedged items, hedging policy, and methods for the assessment of the hedge effectiveness associated with the hedge accounting, please refer to the aforementioned “Notes to Consolidated Financial Statements, 1. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, (5) Accounting policies, j. Accounting for significant hedge transactions.”

c. Risk management system for financial instruments

(i) Management of credit risk (risk related to non-performance by counterparties)

In accordance with internal rules, each department of the Company manages due dates and outstanding balances of receivables associated with their business operations by counterparty in order to early identify and mitigate concerns about collection due to deterioration of financial conditions of counterparties and other factors. The Company’s consolidated subsidiaries also manage their receivables in the similar manner.

Held-to-maturity bonds are held for operational purposes and their credit risk is immaterial.

The Group recognizes that the credit risk of derivative transactions is minimal because the counterparties to such transactions are limited to financial institutions.

(ii) Management of market risk (risk of exchange rate and interest rate fluctuations)

The Company and some of its consolidated subsidiaries use interest rate and currency swaps to reduce the risk of fluctuations in interest rates and foreign exchange rates payable on borrowings denominated in foreign currencies.

The Company and some of its consolidated subsidiaries use interest rate swaps to reduce the risk of fluctuations in interest rates payable on borrowings.

For investment securities, the Group regularly assesses their fair values and the financial conditions of the issuers (business partners).

For the execution and management of derivative transactions, the Group has established standards in its business execution rules that stipulate transaction authority. Based on these rules, the Finance Group of the Company executes, manages, and reports on derivative transactions. At the Company’s consolidated subsidiaries, the department in charge of finance executes and manages derivative transactions with approval for each transaction by the officer in charge.

(iii) Management of liquidity risk in financing (risk of being unable to make payments on due dates)

The Company manages liquidity risk by such means as the preparation of a monthly cash flow plan by the Finance Group based on reports from each department. Consolidated subsidiaries of the Company also manage their receivables in the similar manner.

d. Supplementary explanation on fair values of financial instruments

Variable factors are incorporated in the measurement of fair values, and therefore, measured values may vary depending on assumptions adopted. The contract or other amounts provided in “Notes to Consolidated Financial Statements, 14. DERIVATIVE TRANSACTIONS” in themselves do not necessarily represent market risks for derivative transactions.

(2) Fair values of financial instruments

The carrying amounts on the consolidated balance sheet, fair values, and their differences as of March 31, 2022 were as follows.

	Millions of yen					
	2022					
	Carrying amount		Fair value		Difference	
(1) Marketable securities and investment securities						
Held-to-maturity bonds (*3)	¥	10	¥	10	¥	0
Stocks of affiliates		116,336		89,851		(26,485)
Available-for-sale securities		53,105		53,105		–
Total assets	¥	169,452	¥	142,966	¥	(26,485)
(1) Bonds payable (*3)		310,000		308,329		(1,670)
(2) Long-term borrowings (*4)		540,060		553,059		12,998
Total liabilities	¥	850,060	¥	861,388	¥	11,328
Derivatives transactions (*5)		262		262		–

(*1) Cash and deposits, trade notes and accounts receivable, trade notes and accounts payable, and short-term borrowings are not stated because their fair values approximate their carrying amounts as they are cash and are settled in a short period of time.

(*2) Shares and other without a market price, and investments in partnerships and other similar entities that are recognized in the consolidated balance sheet at a net amount equivalent to the Company's equity interest (hereafter, "investments in partnerships and other") are not included in "(1) Marketable securities and investment securities." The carrying amounts of such financial instruments on the consolidated balance sheet as of March 31, 2022 were as follows.

Category	Millions of yen	
	2022	
Shares and other without a market price	¥	35,362
Investments in partnerships and other		51

(*3) The current portion is included.

(*4) The current portion is included.

(*5) Receivables and payables arising from derivative transactions are presented in net amount. The amounts in parentheses indicate payables net of receivables.

Note: Matters related to marketable securities and investment securities and derivative transactions

(1) Marketable securities and investment securities

For matters concerning securities by purpose of holding, please refer to "Notes to Consolidated Financial Statements, 13. SECURITIES."

(2) Derivatives transactions

For matters concerning derivative transactions, please refer to "Notes to Consolidated Financial Statements, 14. DERIVATIVE TRANSACTIONS."

The carrying amounts on the consolidated balance sheet, fair values, and their differences as of March 31, 2021 were as follows.

	Millions of yen					
	2021					
	Carrying amount		Fair value		Difference	
(1) Marketable securities and investment securities						
Held-to-maturity bonds	¥	10	¥	10	¥	0
Stocks of affiliates		112,191		86,829		(25,361)
Available-for-sale securities		53,279		53,279		–
Total assets	¥	165,481	¥	140,119	¥	(25,361)
(1) Bonds payable		270,000		274,868		4,868
(2) Long-term borrowings (*3)		546,054		564,067		18,013
Total liabilities	¥	816,054	¥	838,936	¥	22,882
Derivatives transactions		–		–		–

(*1) Cash and deposits, trade notes and accounts receivable, trade notes and accounts payable, short-term borrowings, and commercial papers are not stated because their fair values approximate their carrying amounts as they are cash and are settled in a short period of time.

(*2) The carrying amounts on the consolidated balance sheet of financial instruments for which fair value is deemed extremely difficult to determine as of March 31, 2021 were as follows:

Category	Millions of yen	
	2021	
Unlisted stocks (Note 1)	¥	34,198
Others (Note 1)		4,005
Earthquake derivative transactions (Note 2)		291

Notes: 1. These securities are not included in “(1) Marketable securities and investment securities” because they do not have market prices, their future cash flows cannot be estimated, and therefore it is deemed extremely difficult to determine their fair values.

2. Earthquake derivatives are not included in “Derivatives transactions” because they do not have market prices, their future cash flows cannot be estimated, and therefore it is deemed extremely difficult to determine their fair values.

(*3) The current portion is included.

(3) Amounts scheduled to be redeemed after the consolidated balance sheet date for monetary receivables and securities with maturity dates as of March 31, 2022 and 2021

	Millions of yen							
	2022							
	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years	
Deposits	¥	47,559	¥	–	¥	–	¥	–
Trade notes and accounts receivable		143,006		3,280		–		–
Marketable securities and investment securities								
Held-to-maturity bonds								
Corporate bonds		10		–		–		–
Total	¥	190,576	¥	3,280	¥	–	¥	–

	Millions of yen			
	2021			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	¥ 39,933	¥ –	¥ –	¥ –
Trade notes and accounts receivable	118,245	3,511	–	–
Marketable securities and investment securities				
Held-to-maturity bonds				
Corporate bonds	–	10	–	–
Total	¥ 158,178	¥ 3,521	¥ –	¥ –

- (4) Scheduled repayments of bonds payable and long-term borrowings after the consolidated balance sheet date as of March 31, 2022 and 2021

	Millions of yen					
	2022					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds payable	¥ 10,000	¥ 25,000	¥ 20,000	¥ 20,000	¥ 20,000	¥ 215,000
Long-term borrowings	39,180	39,002	33,998	35,376	39,365	353,138
Total	¥ 49,180	¥ 64,002	¥ 53,998	¥ 55,376	¥ 59,365	¥ 568,138

	Millions of yen					
	2021					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bond payable	¥ –	¥ 10,000	¥ 25,000	¥ 10,000	¥ 20,000	¥ 205,000
Long-term borrowings	49,791	39,171	36,042	30,636	35,285	355,127
Total	¥ 49,791	¥ 49,171	¥ 61,042	¥ 40,636	¥ 55,285	¥ 560,127

- (5) Breakdown of financial instruments by level of the fair value hierarchy

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair values.

Level 1: Fair values measured based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair values measured using unobservable inputs

When using multiple inputs with a material impact on the measurement of fair value, the Group classifies the fair value into the level with the lowest priority in the fair value measurement among the levels to which each of those inputs belongs.

- a. Financial assets and liabilities that are recognized at fair value in the consolidated balance sheet as of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	¥ 38,498	¥ –	¥ –	¥ 38,498
Bonds				
Corporate bonds	–	4,919	–	4,919
Others	9,687	–	–	9,687
Total assets	¥ 48,186	¥ 4,919	¥ –	¥ 53,105
Derivatives transactions	–	–	262	262

- b. Financial assets and liabilities that are not recognized at fair value in the consolidated balance sheet as of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity bonds				
Corporate bonds	¥ –	¥ 10	¥ –	¥ 10
Stocks of affiliates	89,851	–	–	89,851
Total assets	¥ 89,851	¥ 10	¥ –	¥ 89,861
Bonds payable	–	308,329	–	308,329
Long-term borrowings	–	553,059	–	553,059
Total liabilities	¥ –	¥ 861,388	¥ –	¥ 861,388

Note: Description of valuation techniques and inputs used for fair value measurements

Marketable securities and investment securities

Securities such as stocks and corporate bonds are valued using their quoted market prices. The fair value of listed stocks and equivalent securities is classified as Level 1 because they are traded in active markets. The fair value of corporate bonds is classified as Level 2 because they are traded less frequently in markets, and therefore, their market prices are not deemed quoted prices in active markets.

Derivative transactions

The fair value of earthquake derivatives is classified as Level 3 because they are measured using quoted market prices of the instruments obtained from counterparty financial institutions. Interest rate swaps qualifying for the exceptional treatment (*tokurei-shori*) or interest rate and currency swaps qualifying for the integrated treatment (the exceptional treatment and the appropriation treatment (*furiate-shori*) combined) are accounted for together with hedged items. Their fair values, therefore, are included and presented as part of long-term borrowings, which is the underlying hedged item for each derivative transaction (see “Long-term borrowings” below).

Bonds payable

The fair value of bonds payable issued by the Company is classified as Level 2 as it is measured based on quoted prices in their key markets.

Long-term borrowings

The fair value of long-term borrowings is classified as Level 2 as it is measured using the discounted cash flow method based on the sum of the principal*, remaining maturities, and an interest rate reflecting credit risk for the borrowing.

* For long-term borrowings hedged by interest rate swaps qualifying for the exceptional treatment (*tokurei-shori*) and interest rate and currency swaps qualifying for the integrated treatment (the exceptional treatment and the appropriation treatment (*furiate-shori*) combined) (see “14. DERIVATIVE TRANSACTIONS”), the total amount of principal and interest is the amount based on the corresponding interest rate swaps and interest rate and currency swap rates

13. SECURITIES

(1) Held-to-maturity bonds as of March 31, 2022 and 2021

		Millions of yen					
		2022					
	Type	Carrying amount		Fair value		Difference	
Securities whose fair value exceeds their carrying amount	Corporate bonds	¥	10	¥	10	¥	0
	Subtotal		10		10		0
Securities whose fair value does not exceed their carrying amount	Corporate bonds		–		–		–
	Subtotal		–		–		–
Total		¥	10	¥	10	¥	0

		Millions of yen					
		2021					
	Type	Carrying amount		Fair value		Difference	
Securities whose fair value exceeds their carrying amount	Corporate bonds	¥	10	¥	10	¥	0
	Subtotal		10		10		0
Securities whose fair value does not exceed their carrying amount	Corporate bonds		–		–		–
	Subtotal		–		–		–
Total		¥	10	¥	10	¥	0

(2) Available-for-sale securities as of March 31, 2022 and 2021

		Millions of yen					
		2022					
Type		Carrying amount		Cost		Difference	
Securities whose carrying amount exceeds their cost	Stocks	¥	34,974	¥	16,813	¥	18,160
	Bonds						
	Corporate bonds		–		–		–
	Others		9,687		5,181		4,506
	Subtotal		44,661		21,994		22,667
Securities whose carrying amount does not exceed their cost	Stocks		3,524		4,861		(1,336)
	Bonds						
	Corporate bonds		4,919		5,060		(140)
	Others		–		–		–
	Subtotal		8,444		9,921		(1,477)
Total		¥	53,105	¥	31,915	¥	21,190

Note: Shares and other without a market price, and investments in partnerships and other similar entities that are recognized in the consolidated balance sheet at a net amount equivalent to the Company' equity interest (the carrying amount on the consolidated balance sheet: ¥12,206 million) are not included in "Available-for-sale securities" above.

		Millions of yen					
		2021					
Type		Carrying amount		Cost		Difference	
Securities whose carrying amount exceeds their cost	Stocks	¥	38,386	¥	15,298	¥	23,087
	Others		8,864		5,181		3,683
	Subtotal		47,250		20,480		26,770
Securities whose carrying amount does not exceed their cost	Stocks		6,028		7,286		(1,257)
	Others		–		–		–
	Subtotal		6,028		7,286		(1,257)
Total		¥	53,279	¥	27,766	¥	25,512

Note: Unlisted stocks and other without a market price (the carrying amount on the consolidated balance sheet: ¥16,164 million) are not included in "Available-for-sale securities" above because it is deemed extremely difficult to determine their fair value.

(3) Available-for-sale securities sold during the fiscal year ended March 31, 2022 and 2021

		Millions of yen					
		2022					
Type		Selling price		Total gain on sale		Total loss on sale	
Stocks		¥	1,315	¥	327	¥	68
Total		¥	1,315	¥	327	¥	68

		Millions of yen					
		2021					
Type		Selling price		Total gain on sale		Total loss on sale	
Stocks	¥	1,534	¥	433	¥	0	
Total	¥	1,534	¥	433	¥	0	

(4) Securities for which impairment losses were recognized

During the fiscal year ended March 31, 2022, the Group recognized impairment loss of ¥4 million for stocks other than those without a market price.

The Group recognizes impairment losses for all securities whose fair value on the consolidated balance sheet date has declined 50% or more from the acquisition cost, while it recognizes impairment losses at an amount deemed necessary for securities whose fair value on the consolidated balance sheet date has declined about 30% to 50% from the acquisition cost by taking into account their recoverability and other factors.

In addition, the Group recognized impairment losses of ¥185 million (¥185 million for stocks classified as available-for-sale securities) for shares and other without a market price.

In the event the real value of securities declined significantly due to deteriorated financial conditions, the Group determines whether it needs to recognize impairment loss by assessing the recoverability of respective securities.

During the fiscal year ended March 31, 2021, the Group recognized impairment losses of ¥40 million for stocks classified as available-for-sale securities with fair value.

The Group recognizes impairment losses for all securities whose fair value on the consolidated balance sheet date has declined 50% or more from the acquisition cost, while it recognizes impairment losses at an amount deemed necessary for securities whose fair value on the consolidated balance sheet date has declined about 30% to 50% from the acquisition cost by taking into account their recoverability and other factors.

14. DERIVATIVE TRANSACTIONS

(1) Derivatives to which hedge accounting is not applied for the fiscal years ended March 31, 2022 and 2021

		Millions of yen							
		2022							
Category	Type of derivative transactions	Contract amount		Of which, settled after 1 year	Fair value	Valuation gain (loss)			
Off-market transactions	Earthquake derivative transactions	¥	10,000	¥	–	¥	262	¥	(29)
	Buying								
	Total	¥	10,000	¥	–	¥	262	¥	(29)

		Millions of yen			
		2021			
Category	Type of derivative transactions	Contract amount	Of which, settled after 1 year	Fair value	Valuation gain (loss)
Off-market transactions	Earthquake derivative transactions	¥ 10,000	¥ 10,000	¥ -	¥ -
	Buying				
	Total	¥ 10,000	¥ 10,000	¥ -	¥ -

Note: The fair value of earthquake derivatives is not measured because they do not have market prices, their future cash flows cannot be estimated, and therefore it is deemed extremely difficult to determine their fair value.

(2) Derivatives transactions to which hedge accounting is applied for the fiscal years ended March 31, 2022 and 2021

a. Currency related

No items to report.

b. Interest related

		Millions of yen			
		2022			
Method of hedge accounting	Type of derivative transactions	Main hedged items	Contract amount	Of which, settled after 1 year	Fair value
Exceptional treatment for interest rate swaps	Interest rate swaps Received at floating interest rate/paid at fixed interest rate	Long-term borrowings	¥ 30,240	¥ 20,240	¥ (*)
Integrated treatment (exceptional treatment and appropriation treatment combined) for interest rate and currency swaps	Interest rate and currency swap transactions Received at floating interest rate/paid at fixed interest rate		527	-	(*)
	Received in JPY/paid in USD	Long-term borrowings			
	Received at floating interest rate/paid at fixed interest rate		1,637	1,637	(*)
	Received in VND/paid in USD				
	Total		¥ 32,405	¥ 21,878	¥ -

Note: Interest rate swaps qualifying for the exceptional treatment (*tokurei-shori*) or interest rate and currency swaps qualifying for the integrated treatment (the exceptional treatment and the appropriation treatment (*furiate-shori*) combined) are accounted for together with hedged items. Their fair values, therefore, are included and presented as part of long-term borrowings, which is a hedged item for each derivative transaction.

		Millions of yen			
		2021			
Method of hedge accounting	Type of derivative transactions	Main hedged items	Contract amount	Of which, settled after 1 year	Fair value
Exceptional treatment for interest rate swaps	Interest rate swaps				
	Received at floating interest rate/paid at fixed interest rate	Long-term borrowings	¥ 40,268	¥ 30,268	¥ (*)
Integrated treatment (exceptional treatment and appropriation treatment combined) for interest rate and currency swaps	Interest rate and currency swap transactions				
	Received at floating interest rate/paid at fixed interest rate		13,239	527	(*)
	Received in JPY/paid in USD	Long-term borrowings			
	Received at floating interest rate/paid at fixed interest rate		1,452	1,452	(*)
	Received in VND/paid in USD				
Total			¥ 54,960	¥ 32,248	¥ -

Note: Interest rate swaps qualifying for the exceptional treatment (*tokurei-shori*) or interest rate and currency swaps qualifying for the integrated treatment (the exceptional treatment and the appropriation treatment (*furiate-shori*) combined) are accounted for together with hedged items. Their fair values, therefore, are included and presented as part of long-term borrowings, which is a hedged item for each derivative transaction.

15. RETIREMENT BENEFITS

(1) Overview of retirement benefit plans adopted

To provide for the payment of retirement benefits to employees, the Company and its consolidated subsidiaries have adopted the defined benefit pension plans and defined contribution pension plans. The defined benefit pension plans consist of lump-sum payment plans and defined benefit corporate pension plans. The defined contribution plans include defined contribution pension plans and the Smaller Enterprise Retirement Allowance Mutual Aid Scheme. In addition, the Company and some of its consolidated subsidiaries have established retirement benefit trusts.

In the lump-sum payment plans and the defined benefit corporate pension plans adopted by certain consolidated subsidiaries, the simplified method is used to calculate net liabilities for retirement benefit, assets for retirement benefit, and retirement benefit expenses.

The Group, upon the retirement of employees, may pay premium retirement benefits which are not subject to retirement benefit obligations through actuarial calculations in accordance with retirement benefit accounting.

(2) Defined benefit plan

- a. Reconciliation of opening and ending balances of retirement benefit obligations (excluding those for plans using simplified method) for the fiscal years ended March 31, 2022 and 2021

	Millions of yen			
		2022		2021
Retirement benefit obligations at beginning of period	¥	71,778	¥	73,106
Service cost		3,355		3,435
Interest cost		377		388
Actuarial gains and losses		(1,282)		(544)
Past service cost		(443)		–
Retirement benefits paid		(4,057)		(4,607)
Amount transferred due to change from simplified method to principle method		2		–
Amount expensed due to change from simplified method to principle method		34		–
Retirement benefit obligations at end of period	¥	69,764	¥	71,778

- b. Reconciliation of opening and ending balances of plan assets (excluding those for plans using simplified method) for the fiscal years ended March 31, 2022 and 2021

	Millions of yen			
		2022		2021
Plan assets at beginning of period	¥	38,724	¥	34,461
Expected return on plan assets		155		161
Actuarial gains and losses		2,186		5,315
Contributions from employer		1,158		1,363
Retirement benefits paid		(1,568)		(2,577)
Plan assets at end of period	¥	40,656	¥	38,724

- c. Reconciliation of opening and ending balances of liabilities (assets) for retirement benefit for plans using simplified method for the fiscal years ended March 31, 2022 and 2021

	Millions of yen			
		2022		2021
Liabilities (assets) for retirement benefit at beginning of period	¥	4,631	¥	4,629
Retirement benefit expenses		492		444
Retirement benefits paid		(380)		(382)
Contributions to plans		(53)		(59)
Amount transferred due to change from simplified method to principle method		(2)		–
Others		(0)		(0)
Liabilities (assets) for retirement benefit at end of period	¥	4,687	¥	4,631

- d. Reconciliation of retirement benefit obligations and plan assets at end of period with liabilities for retirement benefit and assets for retirement benefit on the consolidated balance sheet as of March 31, 2022 and 2021

	Millions of yen			
	2022		2021	
Funded retirement benefit obligations	¥	46,105	¥	47,220
Plan assets		(41,946)		(39,986)
		4,158		7,234
Unfunded retirement benefit obligations		29,636		30,451
Liabilities (assets) for retirement benefit on the consolidated balance sheet		33,795		37,685
Defined benefit liability		43,122		44,492
Defined benefit asset		(9,327)		(6,806)
Liabilities (assets) for retirement benefit on the consolidated balance sheet	¥	33,795	¥	37,685

Note: The plans using the simplified method are included.

- e. Components of retirement benefit expenses for the fiscal years ended March 31, 2022 and 2021

	Millions of yen			
	2022		2021	
Service cost	¥	3,355	¥	3,435
Interest cost		377		388
Expected return on plan assets		(155)		(161)
Amortization of actuarial gains and losses		2,918		1,835
Amortization of past service cost		84		153
Amount expensed due to change from simplified method to principle method		34		–
Retirement benefit expenses using the simplified method		492		444
Retirement benefit expenses on defined benefit plans		7,107		6,096
Other		44		22
Total	¥	7,151	¥	6,118

Note: “Other” represents premium retirement benefits at certain consolidated subsidiaries of ¥44 million and ¥22 million presented in extraordinary losses for the fiscal years ended March 31, 2022 and 2021, respectively.

- f. Remeasurements of defined benefit plans

Components of items recorded in remeasurements of defined benefit plans (before tax effect) for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
Actuarial gains and losses	¥	6,387	¥	7,695
Past service cost		527		153
Total	¥	6,915	¥	7,848

g. Accumulated remeasurements of defined benefit plans

Items recorded in accumulated remeasurements of defined benefit plans (before deducting tax effect) as of March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
Unrecognized actuarial gains and losses	¥	4,888	¥	(1,499)
Unrecognized past service cost		154		(373)
Total	¥	5,042	¥	(1,872)

h. Plan assets

(i) Major components of plan assets

Plan assets by major category as a percentage of total plan assets are as follows:

	2022	2021
Stocks	70%	66%
Bonds	11%	14%
General account	10%	10%
Others	9%	10%
Total	100%	100%

Note: The retirement benefit trust set up for the lump-sum payment plans and corporate pension plans represents 72% and 71% of the total plan assets as of March 31, 2022 and 2021, respectively.

(ii) Determination procedure of long-term expected rate of return on plan assets

In determining the long-term expected rate of return on plan assets, the Group considers the current and projected asset allocations as well as the current and future expected long-term rates of return on diverse assets that constitute the plan assets.

i. Actuarial assumptions

Major actuarial assumptions for the fiscal years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Discount rate	Mainly 0.7%	Mainly 0.7%
Long-term expected rate of return on plan assets	Mainly 1.5%	Mainly 1.5%
Projected salary increase	Mainly 3.0%	Mainly 3.0%

(3) Defined contribution plans

The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2022 and 2021 were ¥2,234 million and ¥2,193 million, respectively.

16. STOCK OPTIONS

No items to report.

17. INCOME TAXES

(1) Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021

	Millions of yen	
	2022	2021
Deferred tax assets		
Tax loss carryforwards (Note 2)	¥ 41,364	¥ 30,844
Liabilities for retirement benefit	38,261	39,583
Impairment loss	28,520	25,715
Non-current assets	7,253	7,344
Unrealized gains	6,668	7,045
Provision for bonuses	3,673	3,618
Asset retirement obligations	2,355	2,361
Contract liabilities	2,275	–
Depreciation and amortization	1,346	2,248
Others	20,623	20,820
Subtotal of deferred tax assets	152,343	139,582
Valuation allowance for tax loss carryforwards (Note 2)	(31,536)	(23,020)
Valuation allowance for deductible temporary differences	(50,786)	(46,378)
Subtotal of valuation allowance (Note 1)	(82,323)	(69,398)
Total net deferred tax assets	70,020	70,184
Deferred tax liabilities		
Gain on valuation of land and buildings	(27,833)	(27,964)
Gain on contribution of securities to retirement benefit trust	(13,323)	(13,232)
Reserve for tax purpose reduction entry of non-current assets	(7,840)	(4,846)
Net unrealized gains (losses) on investment securities	(6,777)	(8,151)
Others	(6,442)	(5,297)
Total deferred tax liabilities	(62,217)	(59,491)
Deferred tax assets (liabilities), net	7,803	10,692
Deferred tax liabilities from land revaluation		
Deferred tax liabilities from land revaluation	(4,881)	(9,168)

Notes:1. The material changes in the amount (of valuation allowance) deducted from the deferred tax assets arose mainly from an increase in valuation allowances for tax loss carryforwards and impairment losses.

2. Tax loss carryforwards and resulting deferred tax assets by expiration period as of March 31, 2022 and 2021

Millions of yen

		2022						
		Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax loss carryforwards (a)	¥	866	¥ 806	¥ 320	¥ 1,297	¥ 696	¥ 37,377	¥ 41,364
Valuation allowance		(542)	(801)	(296)	(600)	(671)	(28,624)	(31,536)
Deferred tax assets (b)		324	5	24	696	25	8,752	9,828

(a) Tax loss carryforwards were calculated by applying the effective statutory tax rate.

(b) Deferred tax assets of ¥9,828 million were recognized for tax loss carryforwards of ¥41,364 million (calculated by applying the effective statutory tax rate). No valuation allowance was recognized for the portion of the tax loss carryforwards expected to be recoverable using the estimated future taxable income.

Millions of yen

		2021						
		Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax loss carryforwards (a)	¥	1,288	¥ 875	¥ 805	¥ 333	¥ 1,722	¥ 25,820	¥ 30,844
Valuation allowance		(925)	(551)	(804)	(331)	(1,223)	(19,183)	(23,020)
Deferred tax assets (b)		362	324	0	2	498	6,636	7,824

(a) Tax loss carryforwards were calculated by applying the effective statutory tax rate.

(b) Deferred tax assets of ¥7,824 million were recognized for tax loss carryforwards of ¥30,844 million (calculated by applying the effective statutory tax rate). No valuation allowance was recognized for the portion of the tax loss carryforwards expected to be recoverable using the estimated future taxable income.

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	2022	2021
Effective statutory tax rate	30.6 %	– %
Adjustments:		
Non-deductible items including entertainment expenses	0.4	–
Non-taxable dividend income	(2.6)	–
Corporate inhabitant tax on per capita basis	1.6	–
Changes in valuation allowance	34.8	–
Investment (gain) loss from equity method	(5.8)	–
Effect of elimination of dividend income	3.9	–
Others	(0.7)	–
Effective tax rate after applying tax effect accounting	62.3	–

Note: Reconciliation for the fiscal year ended March 31, 2021 is not presented because the Company recorded loss before income taxes.

18. BUSINESS COMBINATIONS

The following business combination under common control took place during the fiscal year ended March 31, 2022.

(1) Overview of transaction

a. Name of the combined entity and business description

Name of company: Nagano Tokyu Department Store Co., Ltd., a consolidated subsidiary of the Company

Business description: Department store operations

b. Date of business combination

June 1, 2021 (effective date)

April 30, 2021 (deemed date of acquisition)

c. Legal form of the business combination

Nagano Tokyu Department Store Co., Ltd. becomes a wholly owned subsidiary through a share exchange

d. Name of company after combination

The name of the combined company is not changed.

e. Outline of transaction including purpose of transaction

The Company and its subsidiary, Nagano Tokyu Department Store Co., Ltd. decided to implement a share exchange that would make the Company a wholly owning parent company in the share exchange and Nagano Tokyu Department Store Co., Ltd. the wholly owned subsidiary in the share exchange effective on June 1, 2021, at the meetings of the Board of Directors of both companies held on March 16, 2021. The companies signed a share exchange agreement on the same day. Nagano Tokyu Department Store Co., Ltd. received approval for the share exchange agreement at the Annual General Meeting of Shareholders held on April 21, 2021. Subsequently, the share exchange was executed as of the effective date, and Nagano Tokyu Department Store Co., Ltd. became a wholly owned subsidiary of the Company.

This establishment of a wholly owned subsidiary aims to raise the corporate value of Nagano Tokyu Department Store Co., Ltd. and the Tokyu Group as a whole through a variety of benefits, including the creation of further group synergies, the improvement of management flexibility enabled by becoming an unlisted company, allowing for flexible decision-making that is not bound by short-term stock market valuation, and an increase in management efficiency by reducing expenses through the delisting.

The Company and its wholly owned subsidiary, Tokyu Department Store Co., Ltd. decided at meetings of the Board of Directors of both companies held on March 16, 2021 that the Company would acquire all shares of Nagano Tokyu Department Store Co., Ltd. held by Tokyu Department Store Co., Ltd. in advance of the share exchange and signed a share transfer agreement on the same day.

(2) Outline of the accounting treatment

Based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), it is treated as a transaction under common control.

(3) Matters related to additional acquisition of subsidiary's shares

a. Acquisition cost and type of consideration

Type of consideration: Common stock of the Company ¥656 million

Acquisition cost ¥656 million

b. Share exchange rate by class of shares

Company name	Tokyu Corporation (wholly owning parent company resulting from the share exchange)	Nagano Tokyu Department Store Co., Ltd. (wholly owned subsidiary company resulting from the share exchange)
Share exchange rate	1	1.14

c. Calculation method of exchange rate

The Company and Nagano Tokyu Department Store Co., Ltd. determined the above exchange rate based on the results of calculations provided by the respective third-party appraisers.

d. Number of shares delivered

Number of shares delivered: 467,311 shares

(4) Matters concerning change in the Company's ownership interest arising from transactions with non-controlling interests

a. Major causes of change in capital surplus

Additional acquisition of shares of a subsidiary

b. Amount of capital surplus increased resulting from transactions with non-controlling interests

¥313 million

19. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations recognized on the consolidated balance sheet were as follows:

(1) Overview of asset retirement obligations

Asset retirement obligations include the cost of restoring the store sites to their original condition under the real estate lease contracts of stores, and the costs for removing asbestos contained in railway carriages.

(2) Calculation method of asset retirement obligations

The Company calculated asset retirement obligations by assuming the expected period of use as 0 to 78 years after taking the useful lives of property, plant and equipment into consideration and applying the discount rate of 0.0% to 2.5%.

(3) Changes in total amount of asset retirement obligations

	Millions of yen			
		2022		2021
Balance at beginning of period	¥	7,349	¥	6,380
Increase due to acquisition of property, plant and equipment		609		933
Adjustments due to passage of time		58		62
Decrease due to fulfillment of asset retirement obligations		(984)		(157)
Increase (decrease) due to change in estimate		229		135
Other increase (decrease)		(29)		(4)
Balance at end of period	¥	7,232	¥	7,349

(4) Change in estimate of asset retirement obligations

The Group changed its estimates of asset retirement obligations which were recorded as the cost of restoring the store sites to the original condition under the real estate lease contracts for the fiscal years ended March 31, 2022 and 2021 as the Group obtains new information such as store closings and contract modification.

20. RENTAL PROPERTIES

The Company and some of its consolidated subsidiaries own rental office buildings, rental commercial facilities, and rental housing in areas along the railway lines the Group companies operate in Tokyo and Kanagawa prefectures and other regions. Rental income on the rental properties for the fiscal year ended March 31, 2021 was ¥43,104 million (Rental revenue was mainly included in operating revenues, whereas major rental expenses were mainly included in operating expenses and cost of sales related to transportation). Gains on sale of property, plant and equipment were ¥189 million recorded in extraordinary gains, while impairment losses were ¥1,630 million recorded in extraordinary losses. Rental income on the rental properties for the fiscal year ended March 31, 2022 was ¥42,039 million (Rental revenue was mainly included in operating revenues, whereas major rental expenses were mainly included in operating expenses and cost of sales related to transportation). Gains on sale of property, plant and equipment was ¥47 million recorded in extraordinary gains, while impairment losses were ¥385 million recorded in extraordinary losses.

The carrying amounts of rental properties recorded on the consolidated balance sheet, changes during the period, and fair values as of March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022		2021	
Carrying amount:				
Balance at beginning of period	¥	577,726	¥	605,049
Changes during the period		(17,396)		(27,323)
Balance at end of period		560,330		577,726
Fair value at end of period	¥	1,066,665	¥	1,095,847

- Notes:
1. The carrying amounts on the consolidated balance sheet represent cost less accumulated depreciation.
 2. Major decreases during the fiscal year ended March 31, 2021 are attributable to Tokyu Yotsuya Building (¥10,045 million), Yaesu Center Building (¥6,077 million) and Daikanyama zaHOUSE (¥3,445 million). Major decreases during the fiscal year ended March 31, 2022 are attributable to reclassification to real estate for sale (¥8,187 million) and Minami-machida Grandberry Park (¥2,235 million).
 3. Fair value at end of period is mainly calculated by the Company based on the Japanese Real Estate Appraisal Standards (including those adjusted using official indices). For some important properties, the fair value is based on real estate appraisals conducted by real estate appraisers.
 4. Properties under development are not included in the table above because their fair values are difficult to determine since they are in the process of development. The carrying amounts of properties under development on the consolidated balance sheet as of March 31, 2022 and 2021 were ¥22,092 million and ¥21,644 million, respectively.

21. PUBLIC FACILITY OPERATION BUSINESS

a. Overview of right to operate public facilities

The public facility operation business engaged by Sendai International Airport Co., Ltd., a consolidated subsidiary as an operator was as follows:

Description of the public facilities	Qualified Project for Sendai Airport Operation Operation of (1) basic airport facilities, (2) aviation security facilities, (3) roads, (4) parking facilities, (5) airport land, and (6) facilities incidental to the above facilities at Sendai Airport
Method of payment of consideration for right to operate as stipulated in the project agreement	The consideration for operating rights is paid in full upon the acquisition of operating rights
Period over which operating rights are valid	30 years starting from December 1, 2015 to November 30, 2045
Remaining period over which operating rights are valid	From April 1, 2022 to November 30, 2045

b. Amortization method for right to operate the public facilities

The right to operate the public facilities is amortized using the straight-line method over the period (30 years) over which the operating rights were granted.

c. Renewal investment

(i) Major renewal investments and the schedule

The following renewal investments are expected to be made in phases from April 1, 2022 throughout the period over which the operating rights were granted.

- Renewal of runways and taxiways (road surfacing)
- Aeronautical lighting and electrical equipment renewal construction

(ii) Method of recording assets related to renewal investments

When renewal investments are made, the amount of expenditures related to the portion of such renewal investments that are capital expenditures is recorded as assets.

(iii) Method of depreciating assets subject to renewal investments

Renewal investments in the projects related to the operating rights of the public facilities are depreciated using the straight-line method over the economic useful life of the renewal investments. If the physical useful life of such renewal investments exceeds the remaining period over which the operating rights are valid, the remaining right to operate period is applied.

(iv) Description and amount of portion of renewal investments expected to be made in the next fiscal year and thereafter that constitutes capital expenditures

From the next fiscal year onward, the Group plans to make the necessary renewal investments in turn during the period over which the operating rights is valid.

Details of the scheduled renewal investments were as follows:

- Investments for the purpose of maintaining the functionality of runways, taxiways, and aeronautical lighting facilities

For the next fiscal year, the Group expects to spend about ¥438 million in renewal investments that fall under capital expenditures.

22. REVENUE RECOGNITION

(1) Disaggregation of revenue for the fiscal year ended March 31, 2022

	Millions of yen									
	2022									
	Reportable segment							Total		
Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business							
Tokyu Railways and others (railway operations)	¥	119,276	¥	–	¥	–	¥	–	¥	119,276
Tokyu Bus and Tokyu Transses (bus operations)		22,979		–		–		–		22,979
Others of the Transportation Business		20,670		–		–		–		20,670
The Company (real estate sales)		–		49,244		–		–		49,244
The Company (real estate leasing)		–		72,755		–		–		72,755
Others of the Real Estate Business		–		65,182		–		–		65,182
Tokyu Department Store (department store operations)		–		–		72,308		–		72,308
Tokyu Store Chain (Chain store operations)		–		–		204,061		–		204,061
Retail and others		–		–		51,594		–		51,594
Tokyu Recreation (Imaging operations)		–		–		21,920		–		21,920
its communications (CATV operations)		–		–		26,017		–		26,017
Tokyu Agency (advertising operations)		–		–		52,289		–		52,289
Others of ICT and Media		–		–		61,176		–		61,176
Tokyu Hotels and others (Note 2) (Domestic hotel operations)		–		–		–		28,675		28,675
Others of the Hotel and Resort Business		–		–		–		10,959		10,959
Total	¥	162,927	¥	187,183	¥	489,368	¥	39,634	¥	879,112
Revenue from contracts with customers		160,932		121,015		457,715		39,116		778,778
Other revenues (Note 1)		1,994		66,167		31,653		518		100,333

Notes: 1. “Other revenues” includes rental revenue and others in accordance with “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007).

2. “Tokyu Hotels and others” includes the Company, GK New Perspective One, and T.H. Properties Co., Ltd., which hold assets, as well as Tokyu Hotels Co., Ltd.

(2) Information that serves as a basis for understanding the revenues

a. Transportation Business

For commuter passes for passenger transportation in the railways and bus operations, revenues are recognized with the passage of time from the effective date to the expiration date, as the Group provides

passengers with services evenly over the contract period. The consideration for commuter passes is paid in advance, and does not include a significant financing component or variable consideration.

In the railway carriages operations, for certain transactions where the Group enters into construction agreements, the Group considers that performance obligations shall be satisfied based on the construction progress over the contract period; therefore, the Group recognizes revenues based on the construction progress. Measuring progress is based on the percentage of construction costs incurred by the end of each reporting period to the total expected construction costs. For certain construction contracts, the consideration for the transaction is received in phases during the contract period regardless of the satisfaction of performance obligations. The remaining amount of consideration is received after the satisfaction of all performance obligations. The consideration does not include a significant financing component or variable consideration.

b. Real Estate Business

In the construction operations, for certain transactions where the Group enters into construction agreements, the Group considers that performance obligations shall be satisfied based on the construction progress over the contract period; therefore, the Group recognizes revenues based on the construction progress. Measuring progress is based on the percentage of construction costs incurred by the end of each reporting period to the total expected construction costs. For certain construction contracts, the consideration for the transaction is received in phases during the contract period regardless of the satisfaction of performance obligations. The remaining amount of consideration is received after the satisfaction of all performance obligations. The consideration does not include a significant financing component or variable consideration.

c. Life Service Business

For the transactions in which the goods were considered delivered at the time they are sold, advertising media transactions, and transactions involving drop-shipping, where the Company and its consolidated subsidiaries provide merchandise or services to customers as an agent, the Group recognizes the net amount calculated by subtracting the amount paid to the suppliers of the merchandise or providers of the services from the amount received from customers as revenue.

For the transactions in which the Company and its consolidated subsidiaries act as a principal or agent, merchandise and services are exchanged for consideration in a short period of time, with no significant financing component or variable consideration.

In the electric power retailing operation, revenue incurred from the date of meter readings to the end of the fiscal period is estimated in accordance with ASBJ Guidance No. 30 "Guidance on Accounting Standard for Revenue Recognition." Estimated amounts are determined by meter readings conducted in the following month, and are exchanged for consideration within a short period of time. The consideration does not include a significant financing component or variable consideration.

The Company offers a customer loyalty program in which customers are provided with points that can be used to receive discounts on purchases. The Group separates the transaction value into the products portion and the points portion according to the percentages of the item's standalone selling price to recognize the points portion of the transaction value at the time of point redemption as revenue. The Company's consolidated subsidiaries issue group gift certificates. Of the issued group gift certificates that are not been used, the portion that the Company's consolidated subsidiaries expect to be entitled to in the future is recognized as revenue in proportion to the revenue recognition of other used portions.

The Company's consolidated subsidiaries operate serviced senior housing facilities. These facilities receive a lump-sum payment at the time customers move in. The lump-sum payment is recognized as revenue over the assumed occupancy period, as the customer will enjoy the benefits as the service continues to be provided over the future occupancy period. The lump-sum payment does not include a significant financing component or variable consideration.

d. Hotel and Resort Business

The consideration for the transaction does not include a significant financing component or variable consideration, as the service is rendered in exchange for the consideration in a short period of time.

(3) Information for understanding the amounts of revenue for the current and subsequent fiscal years

a. Balances of contract assets and contract liabilities for the fiscal year ended March 31, 2022

	Millions of yen	
	Fiscal year ended March 31, 2022	
Receivables arising from contracts with customers (beginning balance)	¥	120,042
Receivables arising from contracts with customers (ending balance)		146,286
Contract assets (beginning balance)		6,219
Contract assets (ending balance)		7,316
Contact liabilities (beginning balance)		39,059
Contact liabilities (ending balance)		39,401

Contract assets are recognized primarily in construction contracts, advertising agency operations and electricity retailing operations. Contract assets relating to the construction contracts arise from the rights of the Company and its consolidated subsidiaries to consideration for work that has created assets controlled by the customer but has not yet been billed. Contract assets relating to the advertising agency operations arise from the rights of the Company and its consolidated subsidiaries to consideration for work for which goods and services have been delivered but not yet billed. Contract assets relating to the electricity retailing operations are recognized based on estimates of revenue accrued from the date of meter readings to the end of the fiscal period. Contract assets are reclassified to receivables arising from contracts with customers when the Company's and its consolidated subsidiaries' rights to an amount of consideration become unconditional.

Contract liabilities primarily relate to unearned consideration received from customers, such as unearned freight, group points, group gift certificates, and a lump-sum payment for serviced senior housing facilities. Contract liabilities are derecognized upon revenue recognition.

Revenue recognized in the fiscal year ended March 31, 2022 that was included in the balance of contract liabilities at the beginning of the period was ¥20,366 million.

b. Transaction price allocated to the remaining performance obligations

The Company and its consolidated subsidiaries apply a practical expedient for disclosing the transaction prices allocated to the remaining performance obligations. As such, the following information is not included in notes: the performance obligations relating to commuter passes in the transportation business that is part of a contract that has an original expected duration of one year or less; the performance obligations relating to comprehensive property management in the Real Estate Business that the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date; the performance obligations in the CATV operations in the Life Service Business. No material amounts of consideration arise from contracts with customers that are not included in the transaction price.

Unsatisfied performance obligations primarily relate to point programs, group gift certificates, construction contracts, real estate sales contracts, and lump-sum payments for serviced senior housing facilities. Revenues are recognized: on the basis of the actual usage for point programs or group gift certificates; on the basis of the construction progress for construction contracts; upon the delivery of the property for real estate sales contracts; over the assumed occupancy period for a lump-sum payment for serviced senior housing facilities.

Unsatisfied performance obligations related to the point program amounted to ¥2,509 million as of March 31, 2022. The revenue for points is expected to be recognized over the next three years.

Unsatisfied performance obligations related to group gift certificates amounted to ¥7,364 million as of March 31, 2022. Since gift certificates have no expiration date, the Group recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer over a certain period of time from the time of issuance.

Unsatisfied performance obligations related to construction contracts amounted to ¥14,080 million as of March 31, 2022. The Group expects to recognize approximately 80% of those within one year and 20% within more than one year but less than three years as revenue.

Unsatisfied performance obligations related to real estate sales contracts amounted to ¥37,281 million at March 31, 2022. The Group expects to recognize approximately 40% of those within one year and 60% within more than one year but less than three years as revenue.

Unfulfilled performance obligations related to lump-sum payments for serviced senior housing facilities amounted to ¥6,378 million as of March 31, 2022. The Group expects to recognize approximately 20% of those within one year, 30% within more than one year but less than three years, and 50% over three years as revenue.

23. SEGMENT INFORMATION

(1) Overview of reportable segments

Reportable segments of Tokyu Group (the Company and its consolidated subsidiaries) are constituent units of the Group, for which separate financial information is available. The Board of Directors of the Company examines these units regularly to determine the allocation of management resources and to assess segment performance.

The Tokyu Group undertakes a wide range of businesses that are closely related to the daily life of customers in geographic areas focused on Tokyu Lines' service areas.

The Group's reportable segments are four segments classified by type of service: Transportation, Real Estate, Life Service, and Hotel and Resort. The major lines of business in each reportable segment were as follows:

Transportation Business	Railway, bus, and airport operations
Real Estate Business	Sales, leasing, and management of real estate
Life Service Business	Department store operations, chain store operations, shopping center operations, CATV operations, advertising operations, and imaging operations
Hotel and Resort Business	Hotel operations and golf course operations

(2) Method for calculating operating revenue, profit and loss, assets and other amounts for reportable segments

The profit figures stated in the reportable segments are based on operating profit (loss). Inter-segment internal revenues or transfers are based on prevailing market prices.

As described in "CHANGES IN ACCOUNTING POLICIES," the Group applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related measures in preparing the consolidated financial statements from the fiscal year under review, changing its method of accounting. To reflect the change, it changed the method it uses to calculate profit and loss on a business segment basis.

As a result of the change, operating revenue decreased ¥51 million and segment loss increased ¥24 million in the Transportation Business, operating revenue declined ¥12,153 million and segment profit increased ¥96 million in the Real Estate Business, operating revenue fell ¥141,487 million and segment profit rose ¥546 million in the Life Service Business, and operating revenue decreased ¥674 million and segment loss increased ¥5 million in the Hotel and Resort Business for the fiscal year under review, compared to the levels calculated using the previous method.

- (3) Information relating to operating revenue, profit and loss, assets, and other amounts by reportable segments for the fiscal years ended March 31, 2022 and 2021

	Millions of yen						
	2022						
	Reportable segment				Total	Adjustments (Note 1)	Amount in consolidated financial statements (Note 2)
Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business				
Operating revenue							
Outside customers	¥ 162,927	¥ 187,183	¥489,368	¥ 39,634	¥ 879,112	¥ –	¥ 879,112
Inter-segment internal revenues or transfers	3,630	36,080	13,379	3,889	56,978	(56,978)	–
Total	¥ 166,557	¥ 223,263	¥502,747	¥ 43,523	¥ 936,091	¥(56,978)	¥ 879,112
Segment profit (loss)	(3,937)	45,230	6,600	(16,736)	31,157	386	31,544
Segment assets	740,413	1,076,651	425,471	100,359	2,342,895	136,286	2,479,182
Other items							
Depreciation and amortization	40,048	24,821	15,870	3,335	84,075	(109)	83,965
Amortization of goodwill	–	–	–	–	–	–	–
Investments in equity method affiliates	–	–	–	–	–	139,543	139,543
Increase in property, plant and equipment and intangible assets	49,246	35,038	32,559	2,029	118,873	(1,422)	117,451

Notes: 1. Adjustments are as follows.

- (1) An adjustment of ¥386 million in segment profit (loss) represents elimination of inter-segment transactions.
- (2) An adjustment of ¥136,286 million in segment assets consists of Company-wide assets of ¥248,874 million not allocated to reportable segments and elimination of inter-segment transactions of ¥(112,587) million.
- (3) An adjustment of ¥(109) million in depreciation and amortization represents elimination of inter-segment transactions.
- (4) An adjustment of ¥139,543 million in investments in equity method affiliates represents Company-wide assets not allocated to reportable segments.
- (5) An adjustment of ¥(1,422) million in increase in property, plant and equipment and intangible assets consists of Company-wide assets of ¥2,311 million not allocated to reportable segments and elimination of inter-segment transactions of negative ¥3,734 million.

2. Segment profit (loss) is adjusted with the operating profit (loss) stated in the consolidated financial statements.

	Millions of yen						
	2021						
	Reportable segment				Total	Adjustments (Note 1)	Amount in consolidated financial statements (Note 2)
Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business				
Operating revenue							
Outside customers	¥ 148,551	¥ 160,640	¥589,115	¥ 37,619	¥ 935,927	¥ –	¥ 935,927
Inter-segment internal revenues or transfers	3,420	36,993	14,483	252	55,149	(55,149)	–
Total	¥ 151,972	¥ 197,634	¥603,598	¥ 37,871	¥ 991,076	¥(55,149)	¥ 935,927
Segment profit (loss)	(26,014)	28,978	(3,867)	(31,224)	(32,128)	469	(31,658)
Segment assets	740,518	1,073,179	402,547	140,708	2,356,954	119,107	2,476,061
Other items							
Depreciation and amortization	40,739	24,261	17,525	4,577	87,103	(134)	86,969
Amortization of goodwill	–	–	0	–	0	–	0
Investments in equity method affiliates	–	–	–	–	–	134,230	134,230
Increase in property, plant and equipment and intangible assets	35,477	50,002	24,587	6,239	116,306	(9,921)	106,385

Notes: 1. Adjustments are as follows.

- (1) An adjustment of ¥469 million in segment profit (loss) represents elimination of inter-segment transactions.
 - (2) An adjustment of ¥119,107 million in segment assets consists of Company-wide assets of ¥221,664 million not allocated to reportable segments and elimination of inter-segment transactions of ¥(102,556) million.
 - (3) An adjustment of ¥(134) million in depreciation and amortization represents elimination of inter-segment transactions.
 - (4) An adjustment of ¥134,230 million in investments in equity method affiliates represents Company-wide assets not allocated to reportable segments.
 - (5) An adjustment of ¥(9,921) million in increase in property, plant and equipment and intangible assets consists of Company-wide assets of ¥1,518 million not allocated to reportable segments and elimination of inter-segment transactions of ¥(11,440) million.
2. Segment profit (loss) is adjusted with the operating profit (loss) stated in the consolidated financial statements.

(4) Related information

a. Information by product and service

This information is not presented for the fiscal years ended March 31, 2022 and 2021 because the product and service categories are the same as the reportable segment categories.

b. Information by geographic area

(i) Operating revenue

This information is not presented for the fiscal years ended March 31, 2022 and 2021 because operating revenues from outside customers in Japan account for more than 90% of the operating revenues shown in the consolidated statement of income.

(ii) Property, plant and equipment

This information is not presented for the fiscal years ended March 31, 2022 and 2021 because the amount of property, plant and equipment located in Japan account for more than 90% of the amount of property, plant and equipment shown in the consolidated balance sheet.

c. Information by major customer

This information is not presented for the fiscal years ended March 31, 2022 and 2021 because no operating revenues from outside customers in Japan accounted for 10% or more of the operating revenues shown in the consolidated statement of income.

d. Information related to impairment losses on non-current assets by reportable segment for the fiscal years ended March 31, 2022 and 2021

	Millions of yen					
	2022					
	Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business	Elimination /Corporate	Total
Impairment losses	¥ 18,363	¥ 1,461	¥ 1,810	¥ 3,494	¥ -	¥ 25,129

	Millions of yen					
	2021					
	Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business	Elimination /Corporate	Total
Impairment losses	¥ 521	¥ 6,408	¥ 11,001	¥ 8,822	¥ 51	¥ 26,806

Note: The amount under "Elimination/Corporate" is the impairment losses related to Company-wide assets that are not allocated to reportable segment.

- e. Information related to the amount of amortization and unamortized balance of goodwill by reportable segment for the fiscal years ended March 31, 2022 and 2021

No items to report for the fiscal year ended March 31, 2022.

		Millions of yen									
		2021									
		Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business	Elimination/Corporate	Total				
Goodwill	Amortization for the year	¥	–	¥	–	¥	0	¥	–	¥	0
	Balance at March 31, 2021		–		–		–		–		–

- f. Information related to gain on negative goodwill by reportable segment

No items to report for the fiscal years ended March 31, 2022 and 2021.

24. RELATED PARTY INFORMATION

(1) Related party transactions

- a. Transactions between the company submitting the consolidated financial statements and its related parties

(i) Non-consolidated subsidiaries and affiliates of the company filing the consolidated financial statements

2022										
Type	Name of company or individual	Location	Share capital or investments in capital	Description of business or occupation	Ratio of voting rights holding (held) (%)	Relationship with the related party	Summary of transaction	Transaction amount	Account	Balance at end of period
Affiliates	Tokyu Construction Co., Ltd.	Shibuya-ku, Tokyo	¥16,354 million	Construction	(Holding) Direct: 14.5 Indirect: 0.6	Construction work orders Concurrent appointments of officers	Construction fee	¥2,174 million	Accounts payable – other	¥406 million

Notes: 1. Terms and conditions of transactions and the policy for determining them

The terms and conditions are determined through negotiation, conducted by referring to the prevailing market conditions.

2. Although the Company's ownership interest in Tokyu Construction Co., Ltd. is less than 20%, it is considered as an affiliate because the Company has significant influence over the affiliate.

3. With respect to the voting rights in Tokyu Construction Co., Ltd., apart from those presented above in holding ratio, 7,500 thousand shares of its stock (voting rights holding ratio: 7.1%) are contributed to a retirement benefit trust.

2021										
Type	Name of company or individual	Location	Share capital or investments in capital	Description of business or occupation	Ratio of voting rights holding (held) (%)	Relationship with the related party	Summary of transaction	Transaction amount	Account	Balance at end of period
Affiliates	Tokyu Construction Co., Ltd.	Shibuya-ku, Tokyo	¥16,354 million	Construction	(Holding) Direct: 14.7 Indirect: 0.6	Construction work orders Concurrent appointments of officers	Construction fee	¥3,929 million	Accounts payable – other	¥578 million

Notes: 1. Terms and conditions of transactions and the policy for determining them

The terms and conditions are determined through negotiation, conducted by referring to the prevailing market conditions.

2. Although the Company's ownership interest in Tokyu Construction Co., Ltd. is less than 20%, it is considered as an affiliate because the Company has significant influence over the affiliate.
 3. With respect to the voting rights in Tokyu Construction Co., Ltd., apart from those presented above in holding ratio, 7,500 thousand shares of its stock (voting rights holding ratio: 7.2%) are contributed to a retirement benefit trust.
- (ii) Officers and major shareholders (limited to individuals) of the company submitting the consolidated financial statements

No items to report for the fiscal years ended March 31, 2022 and 2021.

- b. Transactions between the consolidated subsidiaries of the company filing the consolidated financial statements and related parties

No items to report for the fiscal years ended March 31, 2022 and 2021.

(2) Notes on the parent company and significant affiliates

- a. Information about the parent company

No items to report for the fiscal years ended March 31, 2022 and 2021.

- b. Condensed financial information of significant affiliates for the fiscal years ended March 31, 2022 and 2021

A significant affiliate during the fiscal year ended March 31, 2022 was Tokyu Fudosan Holdings Corporation. Its condensed consolidated financial statements were as follows:

	Millions of yen	
	2022	
Total current assets	¥	1,036,951
Total non-current assets		1,597,391
Total deferred assets		-
Total current liabilities		438,774
Total long-term liabilities		1,552,270
Total net assets		643,298
Operating revenue		989,049
Profit before income taxes		55,874
Profit attributable to owners of parent		35,133

A significant affiliate during the fiscal year ended March 31, 2021 was Tokyu Fudosan Holdings Corporation. Its condensed consolidated financial statements were as follows:

	Millions of yen	
	2021	
Total current assets	¥	1,004,980
Total non-current assets		1,647,245
Total deferred assets		71
Total current liabilities		399,025
Total long-term liabilities		1,644,547
Total net assets		608,723
Operating revenue		907,735
Profit before income taxes		41,840
Profit attributable to owners of parent		21,668

25. PER SHARE INFORMATION

	Yen			
	2022		2021	
Net assets per share	¥	1,167.07	¥	1,162.66
Profit (loss) per share		14.58		(93.08)

Notes: 1. Profit per share (diluted) is not stated as there are no shares with a dilutive effect.

2. As described in “Notes to Consolidated Financial Statements, 3. CHANGES IN ACCOUNTING POLICIES,” the Company applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of March 31, 2020) in preparing the consolidated financial statements from the fiscal year ended March 31, 2022. Because of the application of the accounting standard, net assets per share decreased ¥8.58, and profit per share increased ¥0.40.

3. The basis for the calculation of net assets per share is as follows: “Number of shares of common treasury stock” includes shares in the Company held by the Employee Stock Ownership Plan (ESOP) Trust account and the Board Incentive Plan (BIP) Trust account (2,529 thousand shares as of March 31, 2022 and 310 thousand shares as of March 31, 2021).

	2022		2021	
Total net assets in consolidated balance sheet (Millions of yen)	¥	752,942	¥	752,538
Amount deducted from total net assets (Millions of yen)		49,974		50,183
[of which, non-controlling interests] (Millions of yen)		[49,974]		[50,183]
Amount of net assets attributable to common stock (Millions of yen)		702,967		702,355
Number of shares of common stock issued (Thousands of shares)		624,869		624,869
Number of number of shares of common treasury stock (Thousands of shares)		22,532		20,776
Number of shares of common stock used in the calculation of net assets per share (Thousands of shares)		602,337		604,092

4. The basis for the calculation of profit (loss) per share is as follows:

“Average number of shares of common stock outstanding during the period” excludes shares in the Company held by the Employee Stock Ownership Plan (ESOP) Trust account and the Board Incentive Plan (BIP) Trust account (2,515 thousand shares and 318 thousand shares for the fiscal years ended March 31, 2022 and 2021, respectively).

	2022	2021
Profit (loss) attributable to owners of parent (Millions of yen)	¥ 8,782	¥ (56,229)
Amount not attributable to common stockholders (Millions of yen)	-	-
Profit (loss) attributable to common stockholders of the parent (Millions of yen)	8,782	(56,229)
Average number of shares of common stock outstanding during the period (Thousands of shares)	602,244	604,087

26. SUBSEQUENT EVENTS

Issuance of unsecured bonds

The Company issued unsecured bonds, with issue dates of June 1, 2022, December 15, 2022, and December 6, 2022, respectively, under the following conditions.

The bonds were issued in accordance with a resolution by the Board of Directors meeting held on May 13, 2022, specifying details such as the total amount of bonds for subscription.

(1) 11th Series Unsecured Straight Bonds (10-year bonds)

Total amount of issue	¥15.0 billion
Issue price	¥100 per face value of ¥100
Interest rate	0.479% per annum
Issue date	June 1, 2022
Redemption date	June 1, 2032
Use of net proceeds	The proceeds from the issuance will be used for the redemption of bonds payable and the repayment of borrowings.

Financial covenants (negative pledge)

So long as any of the above bonds remains outstanding, if the Company establishes a security interest for other unsecured bonds (excluding those with security conversion clauses) already issued in Japan or to be issued in the future in Japan by the Company, after issuance of the above bonds, the Company shall also establish an equal security interest, in accordance with the Secured Bonds Trust Act, for the above bonds. Accordingly, so long as any of the above bonds remains outstanding, the above bonds may be subordinate to other receivables except unsecured bonds already issued in Japan or to be issued in the future in Japan by the Company, after issuance of the above bonds. If the Company violates this covenant, the Company shall forfeit the benefit of time on the above bonds.

(2) 12th Series Unsecured Straight Bonds (20-year bonds)

Total amount of issue	¥10.0 billion
Issue price	¥100 per face value of ¥100
Interest rate	0.959% per annum
Issue date	June 1, 2022
Redemption date	May 30, 2042
Use of net proceeds	The proceeds from the issuance will be used for the redemption of bonds payable and the repayment of borrowings.

Financial covenants (negative pledge)

So long as any of the above bonds remains outstanding, if the Company establishes a security interest for other unsecured bonds (excluding those with security conversion clauses) already issued in Japan or to be issued in the future in Japan by the Company, after issuance of the above bonds, the Company shall also establish an equal security interest, in accordance with the Secured Bonds Trust Act, for the above bonds. Accordingly, so long as any of the above bonds remains outstanding, the above bonds may be subordinate to other receivables except unsecured bonds already issued in Japan or to be issued in the future in Japan by the Company, after issuance of the above bonds. If the Company violates this covenant, the Company shall forfeit the benefit of time on the above bonds.

(3) 13th Series Unsecured Straight Bonds (5-year bonds)

Total amount of issue	¥10.0 billion
Issue price	¥100 per face value of ¥100
Interest rate	0.49% per annum
Issue date	December 15, 2022
Redemption date	December 15, 2027
Use of net proceeds	All proceeds from the issuance will be used to refinance the expenditures spent for the projects under the themes of <i>sustainability building</i> (Shinjuku Kabukicho 1-chome Redevelopment Project (Tokyu Kabukicho Tower)), <i>clean transportation</i> (e.g., the introduction of new railway carriages), <i>safe and secure railway infrastructure</i> , <i>climate change response</i> (natural disaster countermeasures for the railway business), satellite shared offices (NewWork), and <i>the Nexus concept</i> *.

* The resident-oriented suburban/urban development project in the areas served by Tokyu lines with an aim to contribute to resolving social issues and revitalizing local communities.

Financial covenants (negative pledge)

- a. (i) So long as any of the above bonds remains outstanding, if the Company establishes a security interest for other bonds already issued in Japan or to be issued in the future in Japan by the Company, after issuance of the above bonds, the Company shall also establish an equal security interest, in accordance with the Secured Bonds Trust Act, for the above bonds.
- (ii) If the security interest established under the preceding item is insufficient to secure the above bonds, the Company shall establish such security interest for the above bonds as the bond administrator deems appropriate in accordance with the Secured Bonds Trust Act.
- b. (i) So long as any of the above bonds remains outstanding, if the Company reserves the specified assets of the Company for the benefit of other bonds already issued in Japan or to be issued in the future in Japan by the Company (hereinafter, the “provision of reserved assets”), after issuance of the above bonds, the Company shall also conduct such provision of reserved assets as the bond administrator deems appropriate for the benefit of the above bonds. In this case, the Company shall enter into a special agreement to that effect with the bond administrator.

- (ii) In the case of the preceding item, the Company shall also enter into a special agreement with the bond administrator for the following (a) through (g):
 - (a) The Company shall guarantee that, with respect to the reserved assets, there will be no mortgage, pledge or any other rights or forward agreement to establish mortgage, pledge or any other rights that might adversely affect the benefit of the holders of the above bonds;
 - (b) The Company shall not assign or lease any of the reserved assets to any others without the written approval of the bond administrator;
 - (c) The Company shall immediately notify the bond administrator in writing of any significant decrease in the total value of the reserved assets, irrespective of the cause;
 - (d) The Company shall immediately add such assets as designated by the bond administrator to the reserved assets if the bond administrator deems it necessary and requests the Company to do so;
 - (e) The Company may, in the event of a decline in the outstanding balance of the above bonds or under any other unavoidable circumstances, replace all or any part of the reserved assets with such other assets as the bond administrator deems appropriate or exclude any part of the reserved assets from the reserved assets;
 - (f) The Company shall establish a security interest for the benefit of the above bonds over the reserved assets in accordance with the Secured Bonds Trust Act if the bond administrator deems it necessary and requests the Company to do so in order to preserve the rights pertaining to the above bonds; and
 - (g) In the case of (f) of this item, if the Company is unable to establish a security interest over the reserved assets, the Company shall establish such security interest for the benefit of the above bonds as the bond administrator deems appropriate in accordance with the Secured Bond Trust Act.
- (iii) In the case of Item (i) of this paragraph, the bond administrator may request the Company to take measures deemed necessary to protect the bondholders.

c. Exceptions to negative pledge and restrictions on the provision of reserved assets

The preceding two items a and b shall not apply when the Company succeeds the assets of a company dissolved in an absorption-type merger or a company splitting in an absorption-type split for which security interests are established or reserved assets are provided as a result of a merger or an absorption-type company split as stipulated in Article 2, Section 29 of the Companies Act.

If the Company violates the above items a or b of this covenant, the Company shall forfeit the benefit of time on the above bonds. However, if the Company establishes, for the benefit of the above bonds, such security interest as the bond administrator deems appropriate in accordance with the Secured Bond Trust Act, the Company will not forfeit the benefit of time even if the Company violates the above items a or item b of this covenant.

Financial covenants (other clauses)

a. Conversion into secured bonds

- (i) The Company may, at any time, upon consulting with the bond administrator, establish the security interest for the benefit of the above bonds in accordance with the Secured Bonds Trust Act.
- (ii) If the Company establishes the security interest for the benefit of the above bonds in accordance with Item a of “Financial covenants (negative pledge)” or the preceding item, the Company shall immediately complete the procedures for registration of such security interest or other necessary procedures, and give public notice of the completion in a manner analogous to that set forth in Article 41, Paragraph 4 of the Secured Bond Trust Act.

b. Reservation of specified assets

- (i) The Company may, at any time, upon consulting with the bond administrator, conduct the provision of reserved assets for the benefit of the above bonds.
- (ii) In the case of the preceding item, the provision of Item b of “Financial covenants (negative pledge)” shall apply *mutatis mutandis* pursuant thereto.

(4) 14th Series Unsecured Straight Bonds (10-year bonds)

Total amount of issue	¥10.0 billion
Issue price	¥100 per face value of ¥100
Interest rate	0.749% per annum
Issue date	December 6, 2022
Redemption date	December 6, 2032
Use of net proceeds	All proceeds from the issuance will be used for the redemption of bonds payable.

Financial covenants (negative pledge)

So long as any of the above bonds remains outstanding, if the Company establishes a security interest for other unsecured bonds (excluding those with security conversion clauses) already issued in Japan or to be issued in the future in Japan by the Company, after issuance of the above bonds, the Company shall also establish an equal security interest, in accordance with the Secured Bonds Trust Act, for the above bonds. Accordingly, so long as any of the above bonds remains outstanding, the above bonds may be subordinate to other receivables except unsecured bonds (excluding those with security conversion clauses) already issued in Japan or to be issued in the future in Japan by the Company, after issuance of the above bonds. If the Company violates this covenant, the Company shall forfeit the benefit of time on the above bonds.

Conversion into a Wholly Owned Subsidiary through Share Exchange

Transactions involving entities under common control

(1) Overview of transaction

a. Name of combined entity and business description

Company name: Tokyu Recreation Co., Ltd., a consolidated subsidiary of the Company

Business description: Management of movie theaters and other recreational facilities

b. Date of business combination

January 1, 2023

c. Legal form of business combination

Conversion into a wholly owned subsidiary through share exchange

d. Name of the company after business combination

The name of the company has not changed after the business combination.

e. Overview of transactions, including the purpose

The Company and its subsidiary, Tokyu Recreation Co., Ltd., decided to implement a share exchange that would make the Company a wholly owning parent company in the share exchange and Tokyu Recreation the wholly owned subsidiary in the share exchange, which would be effective on January 1, 2023 (the "Share Exchange"), at meetings of the Board of Directors of both companies held on September 14, 2022. The companies signed a share exchange agreement on the same day. Tokyu Recreation received approval for the share exchange agreement at its Extraordinary General Meeting of Shareholders held on November 21, 2022. Subsequently, the Company and Tokyu Recreation implemented the share exchange on the effective date, and Tokyu Recreation has become a wholly owned subsidiary.

This establishment of a wholly owned subsidiary aims to raise the corporate value of Tokyu Recreation Co., Ltd. and the overall Tokyu Group through a variety of benefits, including the creation of further group synergies, the improvement of management flexibility enabled by becoming an unlisted company, allowing for flexible decision-making that is not bound by short-term stock market valuation, and an increase in management efficiency by reducing expenses through the delisting.

(2) Outline of accounting treatment

The Company accounts for this business combination as a common control transaction under the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(3) Matters related to the acquisition of additional shares in the subsidiary

a. Acquisition cost and breakdown of consideration

Consideration: common stock of the Company	¥19,057 million
Payment of acquisition cost	¥19,057 million

b. Exchange ratio by class of shares

Company name	Tokyu Corporation (Wholly owning parent company in share exchange)	Tokyu Recreation Co., Ltd. (Wholly owned subsidiary company in share exchange)
Ratio of allotment in the Share Exchange	1	3.60
Number of shares delivered in the Share Exchange	11,732,767 shares of common stock (treasury stock) of Tokyu Corporation	

c. Exchange rate calculation method

The Company and Tokyu Recreation each requested their chosen independent appraisers to calculate the share allocation ratio for the Share Exchange (the “Share Exchange Ratio”) to ensure the fairness and adequacy of the calculation.

The Company and Tokyu Recreation carefully examined the Share Exchange Ratio based on the results of their mutual due diligence by reference to the calculations of the share exchange ratio for the Share Exchange made by the independent appraisers chosen by each company and advice from legal advisers, taking into comprehensive consideration their respective financial position, assets, and future prospects, among other factors. Based on the examinations, they held discussions and negotiations about the Share Exchange Ratio. Both companies decided that the Share Exchange Ratio is reasonable and implemented the Share Exchange.

27. CONSOLIDATED DETAILED SCHEDULES

(1) Consolidated detailed schedule of bonds payable

Company name	Issue	Issue date	Balance at April 1, 2021 (Millions of yen)	Balance at March 31, 2022 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Tokyu Corporation	Tokyu Railways Co., Ltd. 64th Series Unsecured Straight Bonds	Jun. 6, 2008	¥15,000	¥15,000	2.70	–	Jun. 6, 2023
Tokyu Corporation	Tokyu Railways Co., Ltd. 74th Series Unsecured Straight Bonds	Jun. 16, 2011	10,000	10,000	1.882	–	Jun. 16, 2026
Tokyu Corporation	Tokyu Railways Co., Ltd. 75th Series Unsecured Straight Bonds	Jun. 7, 2012	10,000	[10,000] 10,000	0.982	–	Jun. 7, 2022
Tokyu Corporation	Tokyu Railways Co., Ltd. 76th Series Unsecured Straight Bonds	Jun. 7, 2012	10,000	10,000	1.563	–	Jun. 7, 2027
Tokyu Corporation	Tokyu Railways Co., Ltd. 77th Series Unsecured Straight Bonds	Jun. 12, 2013	10,000	10,000	0.987	–	Jun. 12, 2023

Company name	Issue	Issue date	Balance at April 1, 2021 (Millions of yen)	Balance at March 31, 2022 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Tokyu Corporation	Tokyu Railways Co., Ltd. 78th Series Unsecured Straight Bonds	Jun. 12, 2013	10,000	10,000	1.528	–	Jun. 12, 2028
Tokyu Corporation	Tokyu Railways Co., Ltd. 79th Series Unsecured Straight Bonds	Apr. 28, 2014	10,000	10,000	0.709	–	Apr. 26, 2024
Tokyu Corporation	Tokyu Railways Co., Ltd. 80th Series Unsecured Straight Bonds	Apr. 28, 2014	10,000	10,000	1.211	–	Apr. 27, 2029
Tokyu Corporation	Tokyu Railways Co., Ltd. 81st Series Unsecured Straight Bonds	Jun. 3, 2015	10,000	10,000	0.535	–	Jun. 3, 2025
Tokyu Corporation	Tokyu Railways Co., Ltd. 82nd Series Unsecured Straight Bonds	Jun. 3, 2015	10,000	10,000	1.307	–	Jun. 3, 2033
Tokyu Corporation	Tokyu Railways Co., Ltd. 83rd Series Unsecured Straight Bonds	Apr. 22, 2016	10,000	10,000	0.459	–	Apr. 22, 2031
Tokyu Corporation	Tokyu Railways Co., Ltd. 84th Series Unsecured Straight Bonds	Apr. 22, 2016	10,000	10,000	0.662	–	Apr. 22, 2036
Tokyu Corporation	Tokyu Railways Co., Ltd. 85th Series Unsecured Straight Bonds	Sep. 26, 2016	10,000	10,000	0.761	–	Sep. 26, 2036
Tokyu Corporation	Tokyu Railways Co., Ltd. 86th Series Unsecured Straight Bonds	Sep. 26, 2016	10,000	10,000	0.951	–	Sep. 26, 2046
Tokyu Corporation	Tokyu Railways Co., Ltd. 87th Series Unsecured Straight Bonds	May 29, 2018	10,000	10,000	0.315	–	May 29, 2028
Tokyu Corporation	Tokyu Railways Co., Ltd. 88th Series Unsecured Straight Bonds	May 29, 2018	10,000	10,000	0.723	–	May 28, 2038
Tokyu Corporation	Tokyu Railways Co., Ltd. 89th Series Unsecured Straight Bonds	Jan. 24, 2019	10,000	10,000	0.749	–	Jan. 24, 2039
Tokyu Corporation	Tokyu Railways Co., Ltd. 90th Series Unsecured Straight Bonds	Jan. 24, 2019	10,000	10,000	1.114	–	Jan. 22, 2049
Tokyu Corporation	1st Series Unsecured Straight Bonds	Sep. 19, 2019	15,000	15,000	0.47	–	Sep. 16, 2039
Tokyu Corporation	2nd Series Unsecured Straight Bonds	Sep. 19, 2019	10,000	10,000	0.75	–	Sep. 17, 2049
Tokyu Corporation	3rd Series Unsecured Straight Bonds	Jun. 10, 2020	20,000	20,000	0.34	–	Jun. 10, 2030
Tokyu Corporation	4th Series Unsecured Straight Bonds	Jun. 10, 2020	20,000	20,000	0.70	–	Jun. 8, 2040
Tokyu Corporation	5th Series Unsecured Straight Bonds (sustainability bonds)	Dec. 10, 2020	10,000	10,000	0.11	–	Dec. 10, 2025

Company name	Issue	Issue date	Balance at April 1, 2021 (Millions of yen)	Balance at March 31, 2022 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Tokyu Corporation	6th Series Unsecured Straight Bonds (sustainability bonds)	Dec. 10, 2020	10,000	10,000	0.30	–	Dec. 10, 2030
Tokyu Corporation	7th Series Unsecured Straight Bonds	Jun. 3, 2021	–	10,000	0.001	–	Jun. 3, 2024
Tokyu Corporation	8th Series Unsecured Straight Bonds	Jun. 3, 2021	–	10,000	0.62	–	Jun. 3, 2041
Tokyu Corporation	9th Series Unsecured Straight Bonds (sustainability bonds)	Dec. 22, 2021	–	10,000	0.17	–	Dec. 22, 2026
Tokyu Corporation	10th Series Unsecured Straight Bonds (sustainability bonds)	Dec. 9, 2021	–	10,000	0.24	–	Dec. 9, 2031
Total	–	–	[¥–] ¥270,000	[¥10,000] ¥ 310,000	–	–	–

Notes: 1. The figures in square brackets above are due in one year or less and are presented under “Current portion of bonds payable” in the consolidated balance sheet.

2. The redemption schedule within five years from the consolidated balance sheet date was as follows:

Millions of yen									
Due in 1 year or less		Due after 1 year through 2 years		Due after 2 years through 3 years		Due after 3 years through 4 years		Due after 4 years through 5 years	
¥	10,000	¥	25,000	¥	20,000	¥	20,000	¥	20,000

(2) Consolidated detailed schedule of borrowings and others

Category	Millions of yen		%	Payment due
	Balance at April 1, 2021	Balance at March 31, 2022		
Short-term borrowings	¥ 356,141	¥ 345,696	0.3	–
Current portion of long-term borrowings	42,091	38,480	0.9	–
Current portion of non-recourse long-term borrowings	7,700	700	0.7	–
Current portion of finance lease obligations that transfer ownership	990	422	0.5	–
Current portion of finance lease obligations that do not transfer ownership	2,159	2,051	–	–
Long-term borrowings (excluding current portion)	463,102	469,020	0.9	2023–2041
Non-recourse long-term borrowings (excluding current portion)	33,160	31,860	0.4	2023–2026
Finance lease obligations that transfer ownership of leased property to lessees (excluding current portion)	2,928	1,067	0.5	2023–2045
Finance lease obligations that do not transfer ownership of leased property to lessees (excluding current portion)	5,190	5,056	–	2023–2031
Other interest-bearing liabilities				
Current portion of commercial papers	10,000	–	(0.1)	–
Current portion of long-term guarantee deposits received	20	20	0.0	–
Current portion of accounts payable - other	229	132	0.1	–
Accounts payable - other (excluding current portion)	182	50	0.1	2023
Total	¥ 923,897	¥ 894,556	–	–

Notes: 1. Average interest rate represents the weighted-average rate applicable to the average balances of borrowings during the period.

2. The average interest rate on finance lease obligations that do not transfer ownership of leased property to lessees is not stated because these obligations are recorded on the consolidated balance sheet in the amount before deducting the amount equivalent to interest included in the total lease payments.

3. The amount of long-term borrowings, non-recourse borrowings, lease obligations, and other interest-bearing liabilities (excluding current portion) due within five years from the consolidated balance sheet date are as follows:

	Millions of yen			
	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term borrowings	¥ 38,302	¥ 13,048	¥ 35,176	¥ 29,355
Non-recourse long-term borrowings	700	20,950	200	10,010
Finance lease obligations that transfer ownership of leased property to lessees	109	96	507	24
Finance lease obligations that do not transfer ownership of leased property to lessees	1,576	1,035	602	425
Accounts payable - other	50	–	–	–

(3) Consolidated schedule of asset retirement obligations

In accordance with Article 92-2 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, this information is not presented as the beginning and ending balances of asset retirement obligations for the fiscal year ended March 31, 2022 were one percent or less of the total beginning and ending balances of liabilities and net assets of the fiscal year ended March 31, 2022.

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Notice to Investors

The accompanying unaudited consolidated financial information of the Company as of and for the fiscal year ended 31 March 2023 (with comparative information as of and for the fiscal year ended 31 March 2022) is a summary English translation of the unaudited consolidated financial information contained in the preliminary results announcement (*kessan tanshin*) of the Company published on 11 May 2023 in Japanese under the rules of the Tokyo Stock Exchange. Such financial information has not been, and is not required to be, audited or reviewed by the Company's independent auditor and has been prepared by, and at the sole responsibility of the Company.

As of the date of this Offering Circular, the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 are not available, and the Company 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 information. As a result, there may be differences between the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular and the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023, including corrections of any inaccuracies. No supplements or amendments to this Offering Circular will be issued upon the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 becoming available.

The English translation of the unaudited consolidated financial information as of and for the fiscal year ended 31 March 2023 included in this Offering Circular omits certain disclosure required under Japanese GAAP, including some of the notes, compared to the English language audited consolidated financial statements as of and for the fiscal years ended 31 March 2022 (together with comparable information as of and for the fiscal year ended 31 March 2021) included in this Offering Circular.

Consolidated Financial Information (Unaudited)

Tokyu Corporation and Consolidated Subsidiaries

Consolidated Financial Statements and Primary Notes**Consolidated Balance Sheet (Unaudited)**

Millions of yen

	As of March 31, 2022	As of March 31, 2023
Assets		
Current Assets		
Cash and deposits	¥ 52,275	¥ 69,342
Trade notes and accounts receivable	146,286	160,746
Contract assets	7,316	12,566
Merchandise and products	10,548	9,140
Land and buildings for sale	77,352	109,622
Work in progress	3,223	3,113
Raw materials and supplies	8,580	8,789
Other current assets	48,825	50,562
Allowance for doubtful accounts	(1,388)	(1,584)
Total current assets	353,019	422,300
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net	830,275	812,185
Rolling stock and machinery, net	82,300	81,853
Land	700,592	723,020
Construction in progress	150,684	190,205
Others, net	23,711	23,429
Total property, plant and equipment	1,787,563	1,830,693
Intangible assets	35,617	38,674
Investments and other assets		
Investment securities	204,855	226,392
Net defined benefit asset	9,327	10,382
Deferred tax assets	22,538	20,071
Other assets	66,561	65,598
Allowance for doubtful accounts	(300)	(100)
Total investments and other assets	302,982	322,344
Total non-current assets	2,126,163	2,191,712
Total Assets	¥ 2,479,182	¥ 2,614,012

Millions of yen

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current Liabilities		
Trade notes and accounts payable	¥ 88,029	¥ 100,887
Short-term borrowings	384,876	423,036
Commercial papers	–	30,000
Current portion of bonds payable	10,000	25,000
Income taxes payable	13,497	5,832
Contract liabilities	39,401	43,148
Provision for bonuses	10,875	11,502
Advances received	18,979	10,159
Other current liabilities	102,662	119,489
Total current liabilities	668,321	769,056
Long-Term Liabilities		
Bonds payable	300,000	320,000
Long-term borrowings	500,880	489,483
Deferred tax liabilities	14,734	15,336
Deferred tax liabilities from land revaluation	4,881	4,881
Allowance for loss on redemption of gift certificates	1,865	1,929
Liabilities for retirement benefit	43,122	42,760
Long-term guarantee deposits received	134,918	137,754
Other long-term liabilities	49,986	48,417
Total long-term liabilities	1,050,388	1,060,563
Special Legal Reserves		
Urban railways improvement reserve	7,530	5,020
Total Liabilities	1,726,240	1,834,639
Net Assets		
Shareholders' Equity:		
Common stock	121,724	121,724
Capital surplus	133,683	123,329
Retained earnings	454,484	471,348
Treasury stock	(39,614)	(17,329)
Total shareholders' equity	670,278	699,074
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	16,762	15,698
Deferred gains (losses) on hedges	89	1,151
Land revaluation reserve	5,229	5,196
Foreign currency translation adjustment	7,017	13,968
Remeasurements of defined benefit plans	3,589	5,531
Total accumulated other comprehensive income	32,689	41,546
Non-Controlling Interests	49,974	38,751
Total Net Assets	752,942	779,372
Total Liabilities and Net Assets	¥ 2,479,182	¥ 2,614,012

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income (Unaudited)
(Consolidated Statement of Income)

Millions of yen

	For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Operating Revenue	¥879,112	¥931,293
Operating expenses		
Operating expenses and cost of sales related to transportation	639,344	668,869
Selling, general and administrative expenses	208,223	217,819
Total operating expenses	847,568	886,689
Operating Profit (Loss)	31,544	44,603
Non-operating profit		
Interest income	313	415
Dividend income	948	1,057
Share of profit of entities accounted for using equity method	5,091	9,382
Other non-operating profit	10,940	6,297
Total non-operating profit	17,294	17,153
Non-operating expenses		
Interest expenses	8,361	8,493
Other non-operating expenses	5,478	5,894
Total non-operating expenses	13,840	14,387
Ordinary Profit (Loss)	34,998	47,369
Extraordinary gains		
Gains on sale of property, plant and equipment	14,473	399
Subsidies received for construction	1,374	5,672
Gain on reversal of urban railways improvement reserve	2,510	2,510
Gain on sale of investment securities	1,162	1,489
Gain on sale of transferable development air rights	2,800	–
Other	1,169	649
Total extraordinary gains	23,489	10,720
Extraordinary losses		
Tax purpose reduction entry of land contribution for construction	1,193	4,302
Loss on retirement of property, plant and equipment	2,268	889
Impairment losses	25,129	6,544
Extra retirement payments	44	2,893
Other	2,820	2,074
Total extraordinary losses	31,455	16,704
Profit before Income Taxes	27,032	41,385
Income taxes – current	16,600	12,325
Income taxes – deferred	228	1,999
Total income taxes	16,829	14,324
Profit	10,203	27,061
Profit attributable to non-controlling interests	1,420	1,065
Profit attributable to owners of parent	¥ 8,782	¥ 25,995

(Consolidated Statement of Comprehensive Income)

Millions of yen

	For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Profit	¥10,203	¥27,061
Other comprehensive income		
Net unrealized gains (losses) on investment securities	(3,005)	(396)
Deferred gains (losses) on hedges	–	(0)
Foreign currency translation adjustment	5,704	5,563
Remeasurements of defined benefit plans, net of tax	4,930	1,893
Share of other comprehensive income of entities accounted for using equity method	2,121	3,984
Total other comprehensive income	9,751	11,045
Comprehensive Income	¥19,955	¥38,106
Total comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥16,456	¥34,885
Comprehensive income attributable to non-controlling interests	¥ 3,499	¥ 3,220

(3) Consolidated Statement of Changes in Net Assets (Unaudited)

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	¥ 121,724	¥ 134,095	¥ 455,201	¥ (37,153)	¥ 673,868
Cumulative effects of changes in accounting policies			(5,409)		(5,409)
Restated balance as of the beginning of the year	121,724	134,095	449,792	(37,153)	668,458
Changes during the year					
Cash dividends paid			(7,561)		(7,561)
Profit attributable to owners of parent for the year			8,782		8,782
Reversal of revaluation reserve for land			3,470		3,470
Purchases of treasury stock				(4,521)	(4,521)
Disposal of treasury stock		(170)		2,059	1,889
Changes in ownership interests in subsidiaries that do not result in change in control in ownership interest in subsidiaries		(240)			(240)
Change in scope of equity method					–
Other					–
Changes other than those to shareholders' equity, net					
Total changes during the year	–	(411)	4,691	(2,461)	1,819
Balance at the end of the year	¥ 121,724	¥ 133,683	¥ 454,484	¥ (39,614)	¥ 670,278

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	¥ 20,509	¥ (75)	¥ 8,700	¥ 895	¥ (1,542)	¥ 28,486	¥ 50,183	¥ 752,538
Cumulative effects of changes in accounting policies								(5,409)
Restated balance as of the beginning of the year	20,509	(75)	8,700	895	(1,542)	28,486	50,183	747,129
Changes during the year								
Cash dividends paid								(7,561)
Profit attributable to owners of parent for the year								8,782
Reversal of revaluation reserve for land								3,470
Purchases of treasury stock								(4,521)
Disposal of treasury stock								1,889
Changes in ownership interests in subsidiaries that do not result in change in control in ownership interest in subsidiaries								(240)
Change in scope of equity method								–
Other								–
Changes other than those to shareholders' equity, net	(3,747)	165	(3,470)	6,122	5,132	4,202	(209)	3,993
Total changes during the year	(3,747)	165	(3,470)	6,122	5,132	4,202	(209)	5,812
Balance at the end of the year	¥ 16,762	¥ 89	¥ 5,229	¥ 7,017	¥ 3,589	¥ 32,689	¥ 49,974	¥ 752,942

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	¥ 121,724	¥ 133,683	¥ 454,484	¥ (39,614)	¥ 670,278
Cumulative effects of changes in accounting policies					-
Restated balance as of the beginning of the year	121,724	133,683	454,484	(39,614)	670,278
Changes during the year					
Cash dividends paid			(9,076)		(9,076)
Profit attributable to owners of parent for the year			25,995		25,995
Reversal of revaluation reserve for land			32		32
Purchases of treasury stock				(132)	(132)
Disposal of treasury stock		(1,292)		22,423	21,130
Changes in ownership interests in subsidiaries that do not result in change in control in ownership interest in subsidiaries		(9,060)			(9,060)
Change in scope of equity method			(87)		(87)
Other		(0)		(5)	(6)
Changes other than those to shareholders' equity, net					
Total changes during the year	¥ -	¥ (10,354)	¥ 16,864	¥ 22,285	¥ 28,796
Balance at the end of the year	¥ 121,724	¥ 123,329	¥ 471,348	¥ (17,329)	¥ 699,074

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	¥ 16,762	¥ 89	¥ 5,229	¥ 7,017	¥ 3,589	¥ 32,689	¥ 49,974	¥ 752,942
Cumulative effects of changes in accounting policies								-
Restated balance as of the beginning of the year	16,762	89	5,229	7,017	3,589	32,689	49,974	752,942
Changes during the year								
Cash dividends paid								(9,076)
Profit attributable to owners of parent for the year								25,995
Reversal of revaluation reserve for land								32
Purchases of treasury stock								(132)
Disposal of treasury stock								21,130
Changes in ownership interests in subsidiaries that do not result in change in control in ownership interest in subsidiaries								(9,060)
Change in scope of equity method								(87)
Other								(6)
Changes other than those to shareholders' equity, net	(1,064)	1,061	(32)	6,950	1,941	8,857	(11,223)	(2,365)
Total changes during the year	¥ (1,064)	¥ 1,061	¥ (32)	¥ 6,950	¥ 1,941	¥ 8,857	¥ (11,223)	¥ 26,430
Balance at the end of the year	¥ 15,698	¥ 1,151	¥ 5,196	¥ 13,968	¥ 5,531	¥ 41,546	¥ 38,751	¥ 779,372

Consolidated Statement of Cash Flows (Unaudited)

Millions of yen

	For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Cash Flows from Operating Activities		
Profit before income taxes	¥ 27,032	¥ 41,385
Depreciation and amortization	84,191	82,973
Amortization of goodwill	-	7
Impairment losses	25,129	6,544
Gain on sale of transferable development air rights	(2,800)	-
Retirement benefit expenses	3,040	1,437
Increase (decrease) in urban railways improvement reserve	(2,510)	(2,510)
Subsidies received for construction	(1,374)	(5,672)
Tax purpose reduction entry of land contribution for construction	1,193	4,302
Loss (gain) on sale of property, plant and equipment	(14,270)	(364)
Loss on retirement of property, plant and equipment	8,804	7,183
Share of (profit) loss of entities accounted for using equity method	(5,091)	(9,382)
Loss (gain) on sale of investment securities	(1,094)	(1,489)
Decrease (increase) in trade notes and accounts receivable	(27,560)	(13,534)
Decrease (increase) in inventories	6,638	(28,893)
Decrease (increase) in contract assets	(1,097)	(5,250)
Increase (decrease) in trade notes and accounts payable	(8,440)	12,603
Increase (decrease) in contract liabilities	341	3,552
Increase (decrease) in advances received	(1,425)	661
Increase (decrease) in guarantee deposits received	(1,314)	2,823
Increase (decrease) in accrued consumption taxes	(6,494)	1,843
Increase (decrease) in other current liabilities	(2,242)	8,135
Interest and dividend income	(1,261)	(1,472)
Interest expenses	8,361	8,493
Other	10,786	5,028
Subtotal	98,543	118,404
Interest and dividends received	4,023	4,308
Interest paid	(8,366)	(8,450)
Income taxes (paid) refund	(8,622)	(18,858)
Net Cash Provided by (Used in) Operating Activities	¥ 85,577	¥ 95,404

Millions of yen

	For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Cash Flows from Investing Activities		
Payments for purchases of property, plant and equipment and intangible assets	¥ (110,397)	¥ (152,345)
Proceeds from sale of property, plant and equipment	30,379	2,559
Payments for retirement of property, plant and equipment	(6,313)	(2,340)
Proceeds from sale of transferable development air rights	2,800	-
Payments for acquisition of investment securities	(4,089)	(2,866)
Proceeds from sale of investment securities	3,704	2,638
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(8,950)
Proceeds from subsidies received for construction	5,432	6,211
Other	(327)	662
Net Cash Provided by (Used in) Investing Activities	(78,810)	(154,431)
Cash Flows from Financing Activities		
Increase (decrease) in short-term borrowings, net	(10,744)	37,607
Proceeds from long-term borrowings	59,594	29,970
Repayment of long-term borrowings	(66,011)	(41,890)
Proceeds from issuance of commercial papers	164,000	55,000
Redemption of commercial papers	(174,000)	(25,000)
Proceeds from bond issuance	39,762	44,716
Payments for redemption of bonds	-	(10,000)
Repayment of finance lease obligations	(4,488)	(2,377)
Purchase of treasury stock	(4,529)	(17)
Cash dividends paid	(7,561)	(9,076)
Proceeds from share issuance to non-controlling interests	1,578	1,553
Dividends paid to non-controlling interests	(562)	(1,168)
Proceeds from sale and leaseback transactions	341	-
Other	1,246	(4,706)
Net Cash Provided by (Used in) Financing Activities	(1,374)	74,608
Effect of Exchange Rate Changes on Cash and Cash Equivalents	945	1,299
Increase (Decrease) in Cash and Cash Equivalents	6,338	16,880
Cash and Cash Equivalents at Beginning of Period	45,297	51,635
Cash and Cash Equivalents at End of Period	¥ 51,635	¥ 68,516

Notes to Consolidated Financial Information (Unaudited)

(Notes Regarding the Premise of a Going Concern)

No items to report.

(Changes in Accounting Policies)

Tokyu Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Guidance No. 31, June 17, 2021; hereinafter the “Fair Value Measurement Accounting Standard Implementation Guidance”) at the beginning of the fiscal year ended March 31, 2023. The Group will prospectively apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance in accordance with transitional measures stipulated in paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application has no effect on consolidated financial information.

(Additional Information)

(Approach to Incorporating the Effects of the COVID-19 Pandemic when Making Accounting Estimates)

With regard to COVID-19, the Group does not expect any direct impact, such as from restrictions on activities, and assumes that the trend toward improvement will also continue for behavioral changes. The Group estimates future cash flows in the impairment accounting of non-current assets, collectability of deferred tax assets and the like based on those assumptions.

(Segment Information)

1. Overview of reportable segments

Reportable segments of Tokyu Group (the Company and its consolidated subsidiaries) are constituent units of the Group, for which separate financial information is available. The Board of Directors of the Company examines these units regularly to determine the allocation of management resources and to assess segment performance.

The Tokyu Group undertakes a wide range of businesses that are closely related to the daily life of customers in geographic areas focused on Tokyu Lines’ service areas.

The Group’s reportable segments are four segments classified by type of service: Transportation, Real Estate, Life Service, and Hotel and Resort. The major lines of business in each reportable segment were as follows:

Transportation Business	Railway, bus, and airport operations
Real Estate Business	Sales, leasing, and management of real estate
Life Service Business	Department store operations, chain store operations, shopping center operations, CATV operations, advertising operations, and imaging operations
Hotel and Resort Business	Hotel operations and golf course operations

2. Method for calculating operating revenue, profit and loss, assets and other amounts for reportable segments

The profit figures stated in the reportable segments are based on operating profit (loss).

Inter-segment internal revenues or transfers are based on prevailing market prices.

3. Information relating to operating revenue, profit and loss, assets, and other amounts by reportable segments

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Millions of yen

	Reportable segment				Total	Adjustments (Note 1)	Amount in consolidated financial information (Note 2)
	Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business			
Operating revenue							
Outside customers	¥ 162,927	¥ 187,183	¥ 489,368	¥ 39,634	¥ 879,112	¥ –	¥ 879,112
Inter-segment internal revenues or transfers	3,630	36,080	13,379	3,889	56,978	(56,978)	–
Total	¥ 166,557	¥ 223,263	¥ 502,747	¥ 43,523	¥ 936,091	¥ (56,978)	¥ 879,112
Segment profit (loss)	(3,937)	45,230	6,600	(16,736)	31,157	386	31,544
Segment assets	740,413	1,076,651	425,471	100,359	2,342,895	136,286	2,479,182
Other items							
Depreciation and amortization	40,048	24,821	15,870	3,335	84,075	(109)	83,965
Amortization of goodwill	–	–	–	–	–	–	–
Investments in equity method affiliates	–	–	–	–	–	139,543	139,543
Increase in property, plant and equipment and intangible assets	49,246	35,038	32,559	2,029	118,873	(1,422)	117,451

Notes

1. Adjustments are as follows.

- (1) An adjustment of ¥386 million in segment profit (loss) represents elimination of inter-segment transactions.
- (2) An adjustment of ¥136,286 million in segment assets consists of Company-wide assets of ¥248,874 million not allocated to reportable segments and elimination of inter-segment transactions of ¥(112,587) million.
- (3) An adjustment of ¥(109) million in depreciation and amortization represents elimination of inter-segment transactions.
- (4) An adjustment of ¥139,543 million in investments in equity method affiliates represents Company-wide assets not allocated to reportable segments.
- (5) An adjustment of ¥(1,422) million in increase in property, plant and equipment and intangible assets consists of Company-wide assets of ¥2,311 million not allocated to reportable segments and elimination of inter-segment transactions of ¥(3,734) million.

2. Segment profit (loss) is adjusted with the operating profit (loss) stated in the consolidated financial information.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Millions of yen

	Reportable segment				Total	Adjustments (Note 1)	Amount in consolidated financial information (Note 2)
	Transportation Business	Real Estate Business	Life Service Business	Hotel and Resort Business			
Operating revenue							
Outside customers	¥ 180,452	¥ 184,075	¥ 501,199	¥ 65,565	¥ 931,293	¥ –	¥ 931,293
Inter-segment internal revenues or transfers	3,601	36,345	16,025	5,235	61,207	(61,207)	–
Total	¥ 184,054	¥ 220,420	¥ 517,225	¥ 70,800	¥ 992,500	¥ (61,207)	¥ 931,293
Segment profit (loss)	8,538	28,844	11,078	(4,119)	44,342	261	44,603
Segment assets	734,538	1,170,029	468,459	109,226	2,482,253	131,758	2,614,012
Other items							
Depreciation and amortization	39,320	24,799	15,841	3,097	83,059	(91)	82,967
Amortization of goodwill	–	7	–	–	7	–	7
Investments in equity method affiliates	–	–	–	–	–	162,640	162,640
Increase in property, plant and equipment and intangible assets	44,876	82,708	21,949	10,110	159,645	(1,968)	157,677

Notes

1. Adjustments are as follows.

- (1) An adjustment of ¥261 million in segment profit (loss) represents elimination of inter-segment transactions.
- (2) An adjustment of ¥131,758 million in segment assets consists of Company-wide assets of ¥260,414 million not allocated to reportable segments and elimination of inter-segment transactions of ¥(128,655) million.
- (3) An adjustment of ¥(91) million in depreciation and amortization represents elimination of inter-segment transactions.
- (4) An adjustment of ¥162,640 million in investments in equity method affiliates represents Company-wide assets not allocated to reportable segments.
- (5) An adjustment of ¥(1,968) million in increase in property, plant and equipment and intangible assets consists of Company-wide assets of ¥2,293 million not allocated to reportable segments and elimination of inter-segment transactions of ¥(4,261) million.

2. Segment profit (loss) is adjusted with the operating profit (loss) stated in the consolidated financial information.

(Per Share Information)

(Yen)

	For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	¥1,167.07	¥1,204.93
Profit per share	¥14.58	¥42.94

Notes

1. Profit per share (diluted) is not stated as there are no shares with a dilutive effect.

2. The basis for the calculation of profit per share is as follows: The “average number of shares of common stock outstanding during the year excludes shares in the Company held by the Employee Stock Ownership Plan (ESOP) Trust account and the Board Incentive Plan (BIP) Trust account.

	For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Profit per share:		
Profit attributable to owners of parent (Millions of yen)	8,782	25,995
Amount not attributable to common stockholders (Millions of yen)	–	–
Profit attributable to common stockholders of the parent (Millions of yen)	8,782	25,995
Average number of shares of common stock outstanding during the year (Thousands of shares)	602,244	605,416

(Subsequent Events)

No items to report.

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