

Tokyu Corporation

Earnings Reports for the 2nd quarter of year ending March, 2023

(April 1, 2022 – September 30, 2022)

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product and service launches, and pricing and product initiatives of competitors.

SUMMARY OF FINANCIAL STATEMENTS [Japanese Accounting Standards] (Consolidated) For the First Half of the Fiscal Year Ending March 31, 2023

Tokyu Corporation

November 14, 2022

Stock Code: 9005	Listed exchanges: Tokyo Stock Exchange	
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President: Kazuo Takahashi	Accounting and IR Group	
Planned date for submission of quarterly financial reports: November 14, 2022	Telephone: 81-3-3477-6168	
Scheduled date of commencement of dividend payment: December 2, 2022		
Supplementary documents for quarterly results: YES		
Quarterly results briefing (for institutional investor and analysts): YES		

* Amounts of less than ¥1 million have been rounded down.

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)

*(Figures in percentages denote the year-on-year change)
Million yen*

1) Consolidated Operating Results

	Six months ended September 30, 2022		Six months ended September 30, 2021	
		Change (%)		Change (%)
Operating revenue.....	434,693	-1.9	443,052	2.1
Operating profit.....	21,823	-12.5	24,941	-
Recurring profit.....	24,725	-7.1	26,611	-
Profit attributable to owners of parent	18,480	-23.6	24,185	-
Net income per share (¥).....	30.67		40.15	
Net income per share (diluted) (¥).....	-		-	

Note: Comprehensive Income: Six months ended September 30, 2022: ¥34,274 million [10.1%]
Six months ended September 30, 2021: ¥31,138 million [-%]

2) Consolidated Financial Position

	As of September 30, 2022		As of March 31, 2022	
Total assets	2,518,724		2,479,182	
Net assets	783,411		752,942	
Equity ratio (%).....	29.0		28.4	

Reference: Shareholders' equity: First Half ended September 30, 2022: ¥729,423 million
FY ended March 31, 2022: ¥702,967 million

2. Dividends

	FY ending March 31, 2023 (forecast)	FY ending March 31, 2023	FY ended March 31, 2022
Dividend per share – end of first quarter (¥)		-	-
Dividend per share – end of first half (¥)		7.50	7.50
Dividend per share – end of third quarter (¥)	-		-
Dividend per share – end of term (¥)	7.50		7.50
Dividend per share – annual (¥)	15.00		15.00

Note: Revisions to dividend forecasts published most recently: No

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

*(Figures in percentages denote the year-on-year change)
Million yen*

	Full year	
		Change (%)
Operating revenue	937,000	6.6
Operating profit	40,000	26.8
Recurring profit	39,600	13.1
Profit attributable to owners of parent.....	22,000	150.5
Net income per share (¥).....	36.52	

Note: Revision to consolidated business performance forecasts published most recently: Yes

*** Notes**

- (1) Changes in important subsidiaries during the consolidated quarter (cumulative) under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement of revisions
- 1) Changes in accounting policies with revision of accounting standards, etc.: Yes
 - 2) Changes in accounting policies other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No

(Note) For details, please see the statement under the heading of "2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Change in Accounting Policies)" in the accompanying materials.

- (4) Number of shares issued (common stock)
- 1) Number of shares issued at the end of the term (including treasury stock) (shares)
As of September 30, 2022: 624,869,876 As of March 31, 2022: 624,869,876
 - 2) Number of shares of treasury stock at the end of the term (shares)
As of September 30, 2022: 22,056,286 As of March 31, 2022: 22,532,735
 - 3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)
Six months ended September 30, 2022: 602,572,697
Six months ended September 30, 2021: 602,330,380

(Note) The number of shares of treasury stock includes shares of the Company held by a group of shareholding employees in trust and compensation for Directors in trust, as follows:
As of September 30, 2022: 2,050,700 shares As of March 31, 2022: 2,529,200 shares

* The summary of financial statements is not subject to audit.

* Explanations about the proper use of financial forecasts and other important notes

(Notes on forecast results)

The forecast results presented above are based on information available on the date of this announcement and assumptions considered reasonable.

Actual results may differ materially from the forecasts depending on a number of factors.

For details on the forecast results, please see the statement under the heading of "1. Qualitative Information on Consolidated Financial Results, etc. for the First Half of FY2022, (3) Explanation about the future outlook, including forecast for consolidated earnings" in the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

The "Summary of Results for the First Half of FY2022" will be disclosed on Timely Disclosure network (TDnet) and our IR website today (November 14, 2022).

(Method of acquiring closing of accounts briefing materials)

Tokyu Corporation will hold a results briefing for institutional investors and analysts on November 15, 2022.

The materials used in that briefing will be promptly published on the Timely Disclosure network (TDnet) and our IR website on the same day.

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1. Qualitative Information on Consolidated Financial Results, etc. for the First Half of FY2022

(1) Explanation about Consolidated Financial Results

During the first half under review, the Japanese economy showed signs of a gradual recovery, attributable to the easing of movement restrictions associated with the COVID-19 pandemic.

Since July, when the pandemic began to expand once again, the national and local governments lifted moving restrictions, and social economic activities have been promoted in tandem with efforts to prevent further expansion of the infection. The Company expects the outlook for the economy to remain unclear, however, primarily due to surges in raw material prices caused by the weakening yen, the impact of the risk of fluctuations in the financial and capital market and other factors.

Operating revenue for the first half under review decreased 1.9% year in year, to ¥434,693 million, partly due to the absence of the sale of a large-scale property that occurred in the previous fiscal year, despite a recovery in the number of customers, particularly in the Transportation Business and the Hotel and Resort Business. Operating profit and recurring profit stood at ¥21,823 million (down 12.5% year on year) and ¥24,725 million (down 7.1%), respectively. Profit attributable to owners of parent was ¥18,480 million (down 23.6%) due to the absence of the posting of a gain on sale of fixed assets in the previous fiscal year.

Operating results on a segmental basis are as follows. The results for individual segments include inter-segment internal revenues or transfers where applicable. The Company presents operating profit for each reported segment as segment profit in this document.

(i) Transportation

In the Transportation Business segment, the number of passengers carried by Tokyu Railways climbed 11.5% from the previous year, reflecting a 7.2% increase in the number of commuters carried and a 17.5% rise in the number of non-commuters carried chiefly due to the easing of restrictions on movement.

As a result, operating revenue for the segment increased 10.9% year on year, to ¥88,237 million, with an operating profit of ¥4,955 million for the segment (compared with operating loss of ¥360 million in the same period of the previous fiscal year).

(Operation results of Tokyu Railway's railway operations)

Categories		Units	First half of the previous fiscal year	First half of the fiscal year under review
			April 1, 2021 to September 30, 2021	April 1, 2022 to September 30, 2022
Number of operating days		Days	183	183
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	74,260	73,989
Number of passengers carried	Non-commuter	Thousand passengers	184,345	216,521
	Commuter	Thousand passengers	255,833	274,248
	Total	Thousand passengers	440,178	490,769
Passenger revenue	Non-commuter	Million yen	29,884	35,349
	Commuter	Million yen	22,329	23,537
	Total	Million yen	52,213	58,886
Miscellaneous income from railway operations		Million yen	7,145	7,141
Total revenues		Million yen	59,358	66,027
Average passenger revenue per day		Million yen	285	322
Operating efficiency		%	37.2	42.0

(Note) Calculation method of the operating efficiency

$$\text{Operating efficiency} = \frac{\text{Number of passengers carried}}{\text{Operating distance of passenger trains}} \times \frac{\text{Average service distance}}{\text{Average transportation capacity}} \times 100$$

(ii) Real Estate

In the Real Estate segment, operating revenue decreased 24.6% year on year, to ¥93,684 million, and operating profit declined to ¥14,887 million (down 53.6% year on year), reflecting the absence of the sale of a large-scale property that occurred in the previous fiscal year and a decline in the number of properties delivered in the first half under review in the Company's real estate sales business.

(iii) Life Service

In the Life Service Business, operating revenue grew 1.2% year on year, to ¥250,557 million, mainly reflecting growth in reaction to the temporary closing of or reduced business hours at certain stores operated by Tokyu Department Store Co., Ltd., Tokyu Recreation Co., Ltd., etc. in the previous fiscal year. Operating profit increased to ¥4,346 million (up 89.1% year on year).

(iv) Hotel and Resort

In the Hotel and Resort Business, the occupancy rate rose to 66.0% (up 30.0 percentage points year on year), reflecting a recovery in the number of customers in hotels operated by Tokyu Hotels Co., Ltd. in hotel operations mainly due to easing of movement restrictions in Japan. As a result, operating revenue for the segment increased 58.4% year on year, to ¥31,051 million, with an operating loss of ¥2,566 million for the segment (compared with operating loss of ¥9,219 million in the same period of the previous fiscal year).

(2) Explanation about Consolidated Financial Position**Assets**

Total assets rose ¥39,541 million from the end of the previous fiscal year, to ¥2,518,724 million at the end of the second quarter under review, primarily due to an increase in the Company's tangible fixed assets.

Liabilities

Liabilities increased ¥9,072 million year on year, to ¥1,735,313 million, largely due to interest-bearing debt* growing ¥33,839 million year on year, to ¥1,229,596 million, which more than offset a decrease in accounts payable related to capital expenditures, etc.

Net assets

Net assets rose ¥30,468 million from the end of the previous fiscal year, to ¥783,411 million. This was primarily attributable to the posting of profit attributable to owners of parent.

* Interest-bearing debt: the sum of debt, corporate bonds, and commercial papers

(3) Explanation about the Future Outlook, Including Forecast for Consolidated Earnings

The Company has revised the full-year earnings forecasts announced on May 13, 2022, taking into account factors such as results for the first half under review. Forecast for recurring profit has been changed to ¥39.6 billion (up 11.5% from the previous forecast). The forecasts for operating revenue, operating profit and profit attributable to owners of parent for the fiscal year under review have not changed, while the forecasts for each segment have changed based on trends in the first half.

For details, please see the Summary of Results for the First Half of FY2022 disclosed separately.

* The forecast results presented above are based on information available as of the date of this announcement and assumptions considered reasonable. Actual results may differ materially from forecasts depending on a number of factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

Million yen

Item	As of March 31, 2022	As of September 30, 2022
Assets		
Current Assets		
Cash and deposits	52,275	61,959
Trade notes & accounts receivable	146,286	141,267
Contract assets	7,316	11,118
Merchandise and products	10,548	9,739
Land and buildings for sale	77,352	87,515
Work in progress	3,223	5,763
Raw materials and supplies	8,580	8,758
Others	48,825	44,952
Allowance for doubtful accounts	-1,388	-898
Total current assets	353,019	370,176
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	830,275	816,878
Rolling stock & machinery (net)	82,300	81,091
Land	700,592	707,713
Construction in progress	150,684	174,557
Others (net)	23,711	22,816
Total tangible fixed assets	1,787,563	1,803,056
Intangible fixed assets	35,617	36,429
Investments & others		
Investment securities	204,855	213,978
Net defined benefit asset	9,327	9,249
Deferred tax assets	22,538	21,425
Others	66,561	65,105
Allowance for doubtful accounts	-300	-697
Total investments and others	302,982	309,062
Total fixed assets	2,126,163	2,148,548
Total Assets	2,479,182	2,518,724

Million yen

Item	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current Liabilities		
Trade notes & accounts payable	88,029	84,904
Short-term debt	384,876	420,123
Current portion of corporate bonds	10,000	25,000
Accrued income taxes	13,497	7,125
Contract liabilities	39,401	45,027
Provision	11,143	11,374
Advances received	18,979	19,085
Others	102,393	83,625
Total current liabilities	668,321	696,267
Long-Term Liabilities		
Corporate bonds	300,000	300,000
Long-term debt	500,880	484,472
Provision	2,438	2,342
Net defined benefit liability	43,122	42,688
Long-term deposits from tenants and club members	134,918	136,176
Deferred tax liabilities	14,734	14,715
Deferred tax liabilities from revaluation	4,881	4,881
Others	49,413	47,494
Total long-term liabilities	1,050,388	1,032,771
Special Legal Reserves		
Urban railways improvement reserve	7,530	6,275
Total Liabilities	1,726,240	1,735,313
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	133,683	133,704
Retained income	454,484	468,338
Treasury stock	-39,614	-38,910
Total shareholders' equity	670,278	684,858
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	16,762	16,739
Net unrealized gains (losses) on hedging instruments	89	541
Land revaluation reserve	5,229	5,229
Foreign currency translation adjustment account	7,017	17,955
Remeasurements of defined benefit plans	3,589	4,097
Total accumulated other comprehensive income	32,689	44,564
Non-Controlling Interests	49,974	53,987
Total Net Assets	752,942	783,411
Total Liabilities and Net Assets	2,479,182	2,518,724

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statements of Comprehensive Income**(Quarterly Consolidated Statements of Income)***Million yen*

Item	April 1, 2021 to September 30, 2021	April 1, 2022 to September 30, 2022
Operating Revenue	443,052	434,693
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	315,371	307,355
SG&A expenses	102,740	105,514
Total cost of operating revenue	418,111	412,869
Operating Profit	24,941	21,823
Non-operating profit		
Interest income	555	190
Dividend income	590	705
Investment gains from equity method	1,316	4,629
Others	5,621	4,246
Total non-operating profit	8,084	9,773
Non-operating expenses		
Interest expenses	4,262	4,248
Others	2,151	2,623
Total non-operating expenses	6,413	6,871
Recurring Profit	26,611	24,725
Extraordinary gains		
Gains on sale of fixed assets	14,352	351
Subsidies received for construction	604	1,555
Gain on reversal of Urban Railways Improvement Reserve	1,255	1,255
Gain on sales of investment securities	213	1,093
Others	185	139
Total extraordinary gains	16,611	4,394
Extraordinary losses		
Reduction entry of land contribution for construction	535	1,128
Loss on retirement of fixed assets	1,854	391
Others	924	941
Total extraordinary losses	3,314	2,461
Income before Income Taxes	39,908	26,658
Corporate income taxes	14,857	7,551
Net Income	25,050	19,106
Profit attributable to non-controlling interests	865	626
Profit attributable to owners of parent	24,185	18,480

(Quarterly Consolidated Statements of Comprehensive Income)*Million yen*

Item	April 1, 2021 to September 30, 2021	April 1, 2022 to September 30, 2022
Net Income	25,050	19,106
Other comprehensive income		
Net unrealized gains (losses) on investment securities	15	-96
Net unrealized gains (losses) on hedging instruments	0	-0
Foreign currency translation adjustment account	3,453	9,240
Remeasurements of defined benefit plans, net of tax	1,359	461
Share of other comprehensive income of associates accounted for using equity method	1,259	5,562
Total other comprehensive income	6,088	15,167
Comprehensive Income	31,138	34,274
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	28,998	30,355
Comprehensive income attributable to non-controlling interests	2,140	3,918

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding the Premise of a Going Concern)

There is no applicable item.

(Notes If There Is a Considerable Change to Shareholders' Equity)

There is no applicable item.

(Changes in Accounting Policies)

The Company adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") at the beginning of the first quarter. Moving forward, the Company will 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 quarterly consolidated financial statements.

(Additional Information)

(Approach to Incorporating the Effects of the COVID-19 Pandemic when Making Accounting Estimates)

There are no significant changes in assumptions, such as when the COVID-19 pandemic will come to an end as discussed in the significant accounting estimates in the annual securities report for the previous consolidated fiscal year.

(Establishment of a Wholly Owned Subsidiary through Share Exchange)

1. Purpose of establishing a wholly-owned subsidiary through share exchange

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 Co., Ltd. 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.

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. Overview of the Share Exchange

(1) Date of the Share Exchange (effective date)

January 1, 2023 (scheduled)

Note: The Company will implement the Share Exchange without approval by resolution of the General Meeting of Shareholders through the procedure for a simplified share exchange pursuant to the provisions of the main paragraph (2) of Article 796 of the Companies Act.

The common shares of Tokyu Recreation Co., Ltd. are scheduled to be delisted from the Standard market of the Tokyo Stock Exchange on December 29, 2022 (the final trading day will be December 28, 2022) in advance of the effective date of the Share Exchange.

(2) Description of allotment in the Share Exchange

	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 issued in the Share Exchange	Common shares of Tokyu Corporation: 11,733,548 (tentative)	

Notes 1. Ratio of allotment in the share exchange

The Company will allocate 3.60 shares of its common stock in exchange for each share of Tokyu Recreation Co., Ltd.; provided, however, that shares of Tokyu Recreation Co., Ltd. held by the Company immediately before the acquisition of all shares outstanding of Tokyu Recreation Co., Ltd. ("Record Time") will not be allotted in the share exchange.

2. Number of shares of the Company issued in the Share Exchange

The total number of shares of the Company issued and allotted in the Share Exchange may be revised at a later time for reasons such as the purchase or retirement of treasury shares by Tokyu Recreation Co., Ltd.

Prior to the effective date of the share exchange, the Company plans to cancel all treasury shares held immediately before the Record Time in accordance with the resolution of its Board of Directors.

(3) Method of calculation of share exchange ratio

To ensure fairness and appropriateness of the share exchange ratio, each of the Company and Tokyu Recreation Co., Ltd. requested a separate independent third-party valuation institution to calculate the ratio to be used in the share exchange (the "Share Exchange Ratio").

The Company and Tokyu Recreation Co., Ltd. held discussions and negotiations on the ratio to be used in the share exchange several times in a prudent manner with reference to results of calculation of the Share Exchange Ratio by the third-party valuation institution appointed by each party, the results of due diligence conducted regarding the other party, and advice from legal advisors as a guide and by comprehensively taking into account factors such as financial and asset status and business prospects of both parties. As a result, the Company determined to conduct the Share Exchange based on the judgment that the Share Exchange Ratio would be appropriate.

3. Matters concerning the company that will be the wholly-owned subsidiary

(1) Trade name

Tokyu Recreation Co., Ltd.

(2) Location

24-4, Sakuragaoka-cho, Shibuya-ku, Tokyo

(3) Title/name of representative

Shinzo Kanno, President & Representative Director

(4) Capital

7,028 million yen

(5) Business contents

Management of movie theaters and other entertainment facilities

4. Outline of accounting principles

The Share Exchange is expected to fall under the category of transactions under common control in the Accounting Standard for Business Combinations.

(Segment Information)

I. April 1, 2021 to September 30, 2021

1. Information on operating revenue and operating profits or losses by reported segment

Million yen

	Reported segment				Total	Adjustments (Note) 1	Amount posted in the consolidated statement of income (Note) 2
	Transportation	Real Estate	Life Service	Hotel and Resort			
Operating revenue							
Outside customers	77,798	106,654	240,914	17,684	443,052	–	443,052
Inter-segment internal revenues or transfers	1,796	17,615	6,640	1,914	27,966	-27,966	–
Total	79,595	124,269	247,555	19,598	471,019	-27,966	443,052
Segment profit (loss)	-360	32,069	2,298	-9,219	24,788	152	24,941

Notes

1. An adjustment of ¥152 million in segment profit (loss) represents the deduction of intersegment transactions.
2. Segment profit (loss) has been adjusted with operating profit recorded in the consolidated quarterly statements of income.

II. April 1, 2022 to September 30, 2022

1. Information on operating revenue and operating profits or losses by reported segment

Million yen

	Reported segment				Total	Adjustments (Note) 1	Amount posted in the consolidated statement of income (Note) 2
	Transportation	Real Estate	Life Service	Hotel and Resort			
Operating revenue							
Outside customers	86,432	76,203	242,970	29,087	434,693	–	434,693
Inter-segment internal revenues or transfers	1,804	17,481	7,586	1,964	28,837	-28,837	–
Total	88,237	93,684	250,557	31,051	463,530	-28,837	434,693
Segment profit (loss)	4,955	14,887	4,346	-2,566	21,623	200	21,823

Notes

1. An adjustment of ¥200 million in segment profit (loss) represents the deduction of intersegment transactions.
2. Segment profit (loss) has been adjusted with operating profit recorded in the consolidated quarterly statements of income.