Results in the First Half of FY2020
Presentation for Investors

November 11, 2020

Tokyu Corporation

(9005)

https://www.tokyu.co.jp/

〇Today, I would like to explain our results in the first half of fiscal 2020 and our business result forecasts for fiscal 2020.

Contents

Forward-looking statements

All statements contained in this document other than historical facts are forward-looking statements that reflect the judgments of the management of Tokyu Corporation based on information currently available. Actual results may differ materially from the statements.

Ⅰ. Executive Summary

Impact from the split of the railway business

・ The Company is splitted the railway business in October 2019. As a result, figures by segment changed. A new classification was adopted from the beginning of FY2019. In addition, the comparable "previous year results" was also reclassified for disclosure.

・ Because the split of the railway business was a reorganization within a consolidation, the effect on the consolidated results of this term will be nothing.

・ Please refer to page 48 for details of the impact from the split of the railway business.

Introduction

Business Environment / Results / Dividends

✓ Challenging business results are expected for this year as a result of the impact of the COVID-19 coronavirus pandemic, with a net loss anticipated for the first time since FY2003. (This will be the first time that we have posted an operating loss.)

✓ In view of the above situation, we have regretfully revised our annual dividend forecast from 23 yen to 20 yen. (Although we prioritize stable dividend payouts even during the COVID-19 pandemic, our policies of maintaining a total return ratio of around 30% and increasing the size of returns to match growth in profits remain unchanged.)

✓ We will aim at balanced consolidated operating revenue and expenditure in the second half, through the intake of recovering demand and cost reductions.

Direction We Are Aiming For

✓ Tokyu's version of sustainable management, as highlighted in our Long-Term Management Initiative. Our goals of achieving sustainable growth and resolving social issues remain unchanged.

✓ In terms of individual business strategies, we will implement reforms to our revenue structure to suit the New Normal and push ahead with attempts in growth fields with a greater sense of urgency.

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○Let me start my explanation with the current state of our company.

○As we announced yesterday, we expect to post a net loss for the first time since fiscal 2003 due to adverse effects of the COVID-19 pandemic on our businesses.

○We anticipate that business conditions will remain uncertain for some time. In the meantime, we aim for balancing our consolidated operating revenue and expenditure in the second half by executing a variety of schemes and reforms amid the pandemic, and by gaining momentum for a recovery in the period from the next fiscal year.

○In light of this situation, we regretfully lowered the annual dividend forecast by 3 yen, changing our initial plan to keep the annual dividend at the level of the previous fiscal year, when we paid a commemorative dividend. We are determined to achieve business recovery, and a quick return to our shareholder return policies, which are a total return ratio of 30% and increasing the size of returns to match growth in profits.

○ In addition, we will continue with our policy of pursuing sustainable management for solving social issues adopted in our "Long-Term Management Initiative" announced last year.

○We established the Structural Reform Committee for our railway, hotel and department store businesses, where the effects of COVID-19 have been particularly serious. We are working on reforms in those businesses with a greater sense of urgency. I would also like to touch on those points in this presentation.

Main Points in the Results for 1H FY2020

[Year-on-year comparison]

- Revenues and profits fell primarily in the Railway and Hotel business segments, due to factors such as declining demand and the impact of customers refraining from going out, as a result of the spread of the COVID-19 coronavirus pandemic.
- In the Real Estate segment, despite an increase in revenue due to the year-round operation of Shibuya Scramble Square and Minami-Machida Grandberry Park (which both opened last year), both revenue and profit declined, partly due to a decline in sales of commercial facilities and other factors, as well as a reactionary decrease after revenues generated by the sale of properties last year in the Real Estate Sales business.

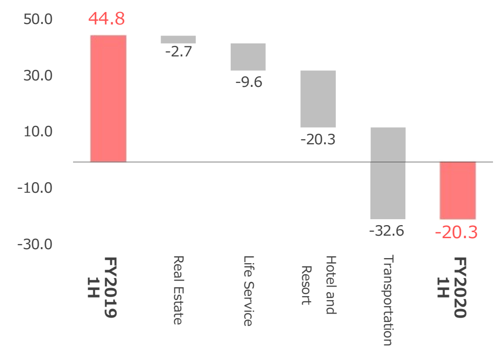
[Others]

- In terms of extraordinary losses, we posted an impairment loss of 4.1 billion yen, and losses on COVID-19 of 3.7 billion yen.

Summary

(Unit:Billion yen)	1H Results	YoY Comparison	
Operating Revenue	434.0	- 146.1	(- 25.2%)
Operating Profit	-20.3	- 65.2	–
Recurring Profit	-19.3	- 65.4	–
Profit attributable to owners of parent	-27.1	- 59.3	–

Operating Profit by Segment
(Year-on-year Comparison)



〇Now, let me explain the main points in the results for the first half of fiscal 2020, focusing on year-on-year changes.

〇Operating revenue plunged in all segments due to declines in demand caused by the spread of COVID-19. On a consolidated basis, operating profit also fell 65.2 billion yen year on year, to -20.3 billion yen. Profit declined to -32.6 billion yen in the Transportation segment and -20.3 billion yen in the Hotel segment, respectively.

〇In the Real Estate segment, revenue for the leasing business increased partly due to the effects of Shibuya Scramble Square and Minami-Machida Grandberry Park, both of which opened for business last year. However, both revenue and profit for the segment dropped, reflecting a decline in revenue from commercial facilities and the like, and a fall in reaction to condominium sales in the previous fiscal year.

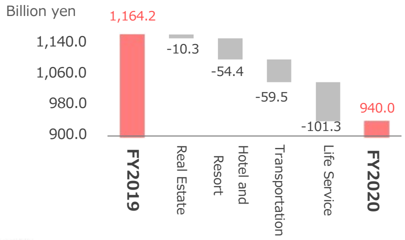
〇Profit attributable to owners of parent decreased 59.3 billion yen year on year, to -27.1 billion yen, due to impairment loss posted in the Hotel segment.

Main Points in Forecasts for FY2020

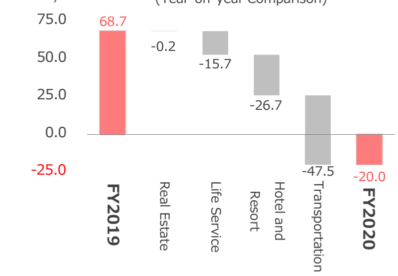
[Basic thinking]
・Assuming that the recent gradual recovery trend will continue, the decline in profit margin will be smaller in all segments.
・With the profit in the Real Estate segment forecast to be equivalent to that in the previous year, we will aim at balanced consolidated operating revenue and expenditure in the second half.
[Reducing expenses and capital investment]
Expenses: Expected to be reduced by approx. 20 billion yen annually mainly in the Railway, Retail and Hotel businesses.
Capital investment: Expected to be reduced by approx. 35 billion yen annually through selective investments mainly in the Railway business.

(Unit:Billion yen)	Full Year Forecast	YoY Comparison	
Operating Revenue	940.0	- 224.2	(- 19.3%)
Operating Profit	-20.0	- 88.7	–
Recurring Profit	-25.0	- 95.9	–
Profit attributable to owners of parent	-45.0	- 87.3	–

Operating Revenue by Segment
(Year-on-year Comparison)



Operating Profit by Segment
(Year-on-year Comparison)



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〇Let me explain the main points in our forecasts for fiscal 2020.

〇Assuming the continuation of the latest trend toward gradual recovery, we forecast operating revenue to drop 224.2 billion yen year on year, to 940 billion yen, and operating profit to fall 88.7 billion yen year on year, to -20 billion yen, respectively.

〇We anticipate a reduction in declines in the profit margin in all segments by achieving revenue recovery and advancing structural reforms, such as cost control. We predict the achievement of the level of balanced consolidated operating revenue and expenditure in the second half.

〇We forecast profit attributable to owners of parent to come to -45 billion yen, incorporating certain risks in extraordinary losses.

〇As I mentioned at the beginning, business conditions are difficult to predict at the moment. Under the current circumstances, we are determined to make Group-wide efforts to secure a business recovery in the period from the next fiscal year.

Assumptions and Thinking on Forecasts for FY2020

Assumptions for business results forecasts for main companies

Company	Assumptions
Tokyu Railways	Although numbers of passengers carried are gradually recovering, in the second half we anticipate around 20% less than in the average year
Tokyu Department Store	End of the fiscal year we anticipate sales to recover to around 80% year-on-year
Tokyu Hotels	While we expect to see a recovery in demand due to the Go To Campaign, etc., we anticipate that hotels will operate at around 30% of capacity throughout the year

Thinking with regard to funds

- ✓ We expect a recovery in business results for the balance of revenues and expenditures in the second half.
- ✓ We will continue to control and be selective with expenses and capital investments.

By doing so, **we will maintain a stable cash position on a consolidated basis by avoiding major increases in interest-bearing debt.**

〇Let me explain the current conditions and outlooks for the near future as assumptions for our business forecasts.

〇The numbers of railway passengers carried declined 20% to 30% year on year. We predict their numbers will recover modestly, but will remain around -20% for the most part until the end of fiscal 2020.

〇We expect sales for department stores to reach 80% of their level in the previous fiscal year on the whole.

〇The average occupancy rate for our hotels was 22% in the first half, reflecting extremely severe conditions. We anticipate the average occupancy rate to recover slowly to a halfway point between 30% and 40% on a full-year basis.

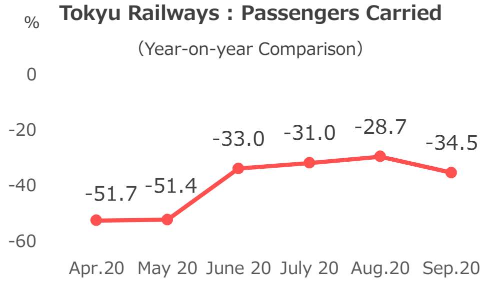
〇Lastly, we forecast interest-bearing debt to remain at the level at the end of September, considering our target of balancing revenue and expenditures in the second half and continued efforts to control investments.

[Reference] Recent Events

Since the lifting of the declaration of a state of emergency on May 25, demand has been gradually recovering with respect to the railway, department store and hotel businesses.
(September partially reflects a decline in demand due to the absence of the last-minute surge in demand before the consumption tax increase in the previous year.)

Tokyu Railways : Passengers Carried

(Year-on-year Comparison)

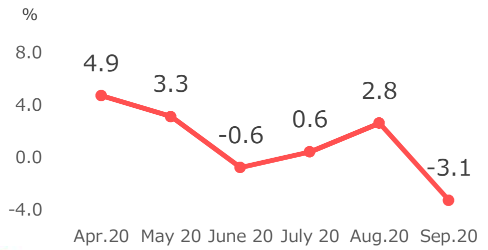


Tokyu Department Store : Sales

(existing stores : Year-on-year Comparison)

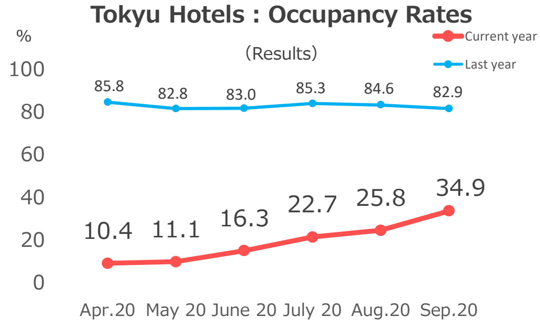
Tokyu Store Chain : Sales

(existing stores : Year-on-year Comparison)



Tokyu Hotels : Occupancy Rates

(Results)



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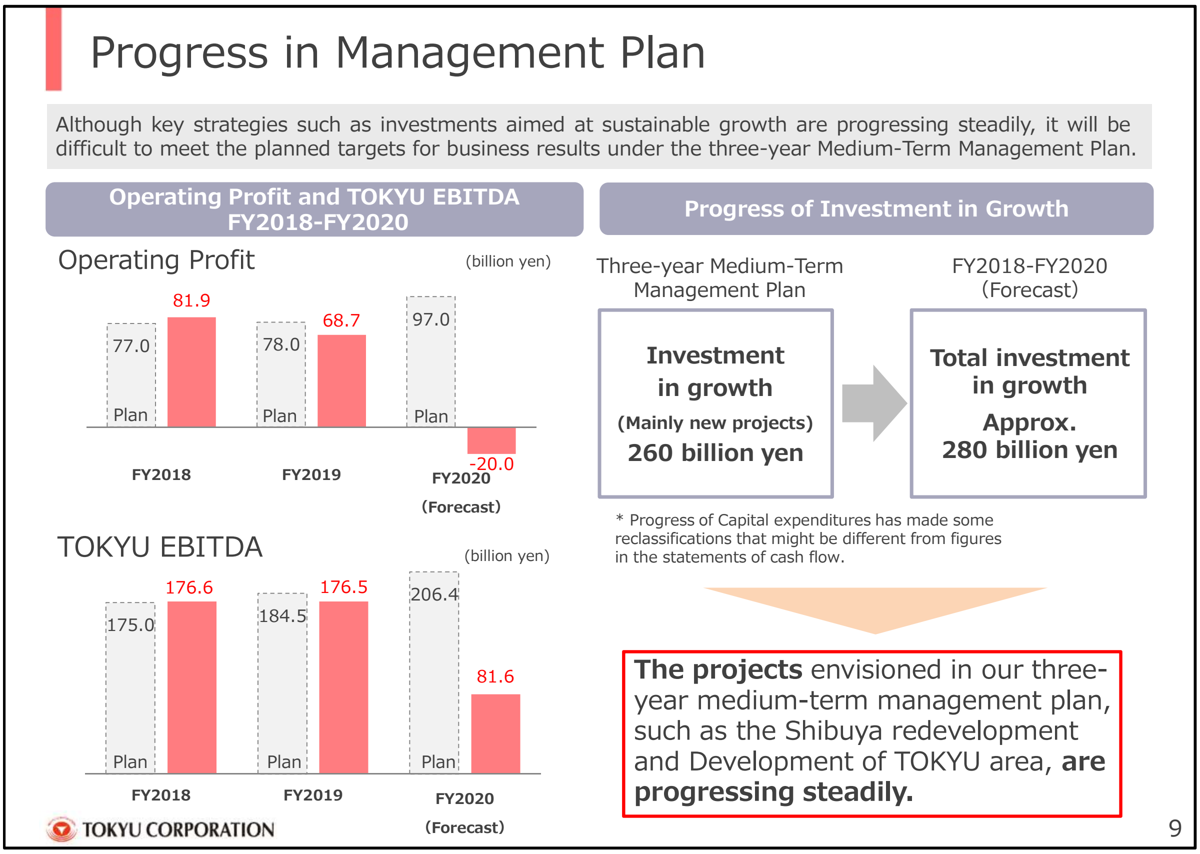
[Reference] Initiatives to ensure safety and security

As a company that provides public transportation and infrastructure services for daily life, we instituted a number of measures against COVID-19 to fulfill our social responsibility and ensure the safety and security of customers and employees.

(Tokyu Railways)
- Antiviral and antibacterial coating for in-train and station facilities

(Tokyu Department Store / Tokyu Store Chain)
- Installation of anti-droplet protective panels at cashiers
- Placement of floor markings for queuing with physical distancing

(Commercial facilities)
- Installation of disinfection solution



〇Let me return to our three-year Medium-Term Management Plan.

〇The current fiscal year is the final year for our three-year plan. However, as I explained, operating profit for the year is predicted to reach a level far below the target shown in the left column in the table.

〇Looking at investment in growth, the status of initiatives for sustainable growth is as we assumed, with steady progress in initiatives, including Shibuya redevelopment and Development of TOKYU area.

〇In the next fiscal year we will formulate our new medium-term plan. To start, we will examine our course of recovery to the levels assumed initially. We will announce the plan next spring.

Ⅱ. Recent Business Progress

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Railway Business Initiatives

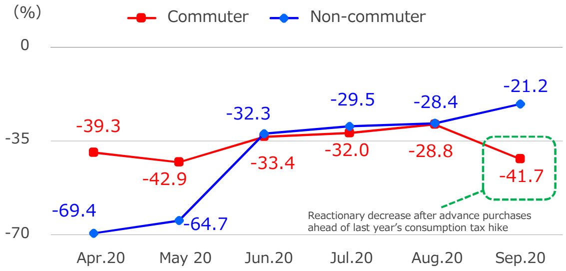
By increasing the resilience of the business structure and providing safe and secure services for the post-COVID-19 era and values appropriate to the new normal, we will achieve sustainable growth.

Trends in passengers carried

- Numbers of passengers carried have been gradually recovering since the lifting of the state of emergency
- This fiscal year, numbers of both commuters and non-commuters are **anticipated to remain at recent levels for the most part**

*Excluding special factors such as the suspension of services due to last year's typhoons and consumption tax hike

Passengers Carried (Year-on-year comparison)



Initiatives to transform our business structure

✓ **Reviewing train service**

- Earlier last train times
- Optimization of train timetables

✓ **Utilizing technology to increase sophistication of business operation**

- Expand one-man driving
- Optimize maintenance work through utilization of digital technologies

✓ **Driving growth strategies**

- Expand network and enhance services
  *Planned to open on Tokyu Shin-Yokohama Line in the second half of FY2022

We are seeking to provide services appropriate for the post-COVID-19 era based on a resilient business structure to achieve sustainable growth.

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〇In the Railway segment, recent businesses recovery has been slow. We assume that changes in working styles and behavior patterns will become established and the past styles and patterns will not return completely after the end of the pandemic, particularly among commuters.

〇Taking the current conditions into consideration, we are working to transform our business structure to secure the profits and funds of past levels and increase them while fulfilling our obligations for safe and stable transportation.

〇In particular, we are reviewing our train services to incorporate reforms announced yesterday, such as earlier last train times and train timetable optimization. At the same time, we are seeking to sophisticate our business operation through measures including the wider adoption of one-man train operations. Taking those steps, we aim to improve our break-even point.

〇As a growth strategy, we will consider service enhancement, including fare reviews based on a hard look at new lifestyles, in addition to expanding our networks including the Tokyu Shin-Yokohama Line scheduled to open for service in fiscal 2022.

Real Estate Business Initiatives (1)

(Offices) Tokyu properties have a lower vacancy rate than average levels for the same district.
(Commerce) Sales for suburban facilities are recovering at a high level, but the pace of recovery in urban center-type facilities is gradual.

Shibuya district office situation

Shibuya district office vacancy rate

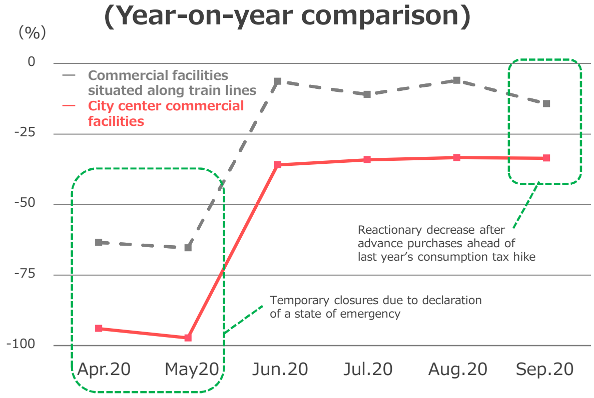
January 2020	September 2020
Shibuya district average **2.1%**	Shibuya district average **4.5%**
Tokyu properties average **0% range**	Tokyu properties average **1% range**

Shibuya ward average vacancy rate of office
Source: MIKI Tokyo Office Market Data

Although an increase in vacancy rates can be seen in **smaller and older properties** in the Shibuya district, vacancy rates for **large-scale flagship properties** remain steady due to the Shibuya redevelopment.

Commercial facilities

Sales at major commercial facilities (Year-on-year comparison)



Although **sales at facilities close to the areas where customers live are recovering to pre-COVID-19 levels** since the lifting of the state of emergency, recovery at city center facilities is gradual.

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〇Let me explain our initiatives in the Real Estate segment.

〇Looking at the office leasing business, the office vacancy rate is climbing in the Tokyo Metropolitan area, including Shibuya district. There are a particularly large number of relatively old properties in Shibuya district. In our analysis, the mobility of tenants in the area is increasing amid the pandemic.

〇Many Tokyu properties are large facilities near train stations. There is a small chance for the vacancy rate to shift greatly in the near future. We will develop businesses in Shibuya equipped with creative conditions and functions, and suburban satellite bases in light of work style changes, paying attention to market trends.

〇In the meantime, as the graph on the right side shows, sales at our commercial facilities situated along our train lines and close to areas where our customers live are moving closer to the levels before the pandemic. However, sales decreased 30% at our commercial facilities at city center. We are now taking measures to address this situation, including initiatives for bolstering our leasing operations.

Real Estate Business Initiatives (2)

Going forward, we will continue to make selective growth investments in Shibuya and the Tokyu area steadily.

Fiscal year	2021	2022	2023	2024	2025	2026	2027~

Metropolitan area development projects

Shinjuku TOKYU MILANO Redevelopment Plan

Site area: Approx. 4,800 m^2
Floor area: Approx. 87,000 m^2
No. of Floors: 48 aboveground floors, 1 penthouse, 5 basement levels
Height: Approx. 225 meters
Uses: hotel, theater, cinema complex, shops, parking facilities, etc.
Completion: FY2022 (planned)

Tokyu area development projects

Shin-tsunashima station District Urban Redevelopment Project Type 1

Site area: Approx. 3,890 m^2
Floor area: Approx. 37,560 m^2
Uses: Apartments, commercial, public facilities, parking facilities, etc.
Opening: FY2023 (planned)

Shibuya 2-Chome-17 District Urban Redevelopment Project Type 1

Site area: Approx. 3,460 m^2
Floor area: Approx. 44,560 m^2
Uses: Offices, shops, parking facilities, etc.
Opening: FY2024 (planned)

Shibuya development projects

SHIBUYA SCRAMBLE SQUARE Phase Ⅱ (Central · West Bldg.)

Site area: Approx.15,300㎡ (Including Phase Ⅰ)
Floor area: Approx.95,000㎡
Uses: shops, parking facilities, etc
Opening: FY2027 (planned)

〇Let me explain our real estate business investments.

〇We adhere to our policy of advancing growth investments from medium- and long-term perspectives by strengthening risk management more than ever.

〇In particular, we will advance efforts that contribute to our sustainable growth, including the Shinjuku TOKYU MILANO Redevelopment Plan, the first large project based on a hard look at post-pandemic Tokyo, and joint projects with other companies for developing districts such as Tsunashima and Shibuya.

Life Services Business Initiatives (1)

In view of the impact of COVID-19, we will seek to further drive structural reforms and strategic alliances.

State of each business

Tokyu Store Chain its communications Tokyu Power Supply (Electricity & gas)	Performing strongly as lifestyle infrastructure businesses
Tokyu Agency	Tied to recovery of economic activities
Tokyu Department Store	A change in consumer attitudes from before COVID-19 means that **structural reforms are required**

Structural reforms to department stores

Driving further store hybridization

Reduction of directly operated sales floors, increased efficiency of sales floor operations
→ Encouraging tenants to sign fixed leases

Expanding points of contact with customers and implementing cost reforms "without sanctuary"

- Digital shift of sales promotions
  Introduction of live commerce
- Overhaul of back-office operations
  Increasing efficiency of customer service centers, etc.
- Slimming down of head office divisions

We will drive transformations to our business structure and earnings structure in order to continue generating profits even after the closure of our flagship Toyoko Store.

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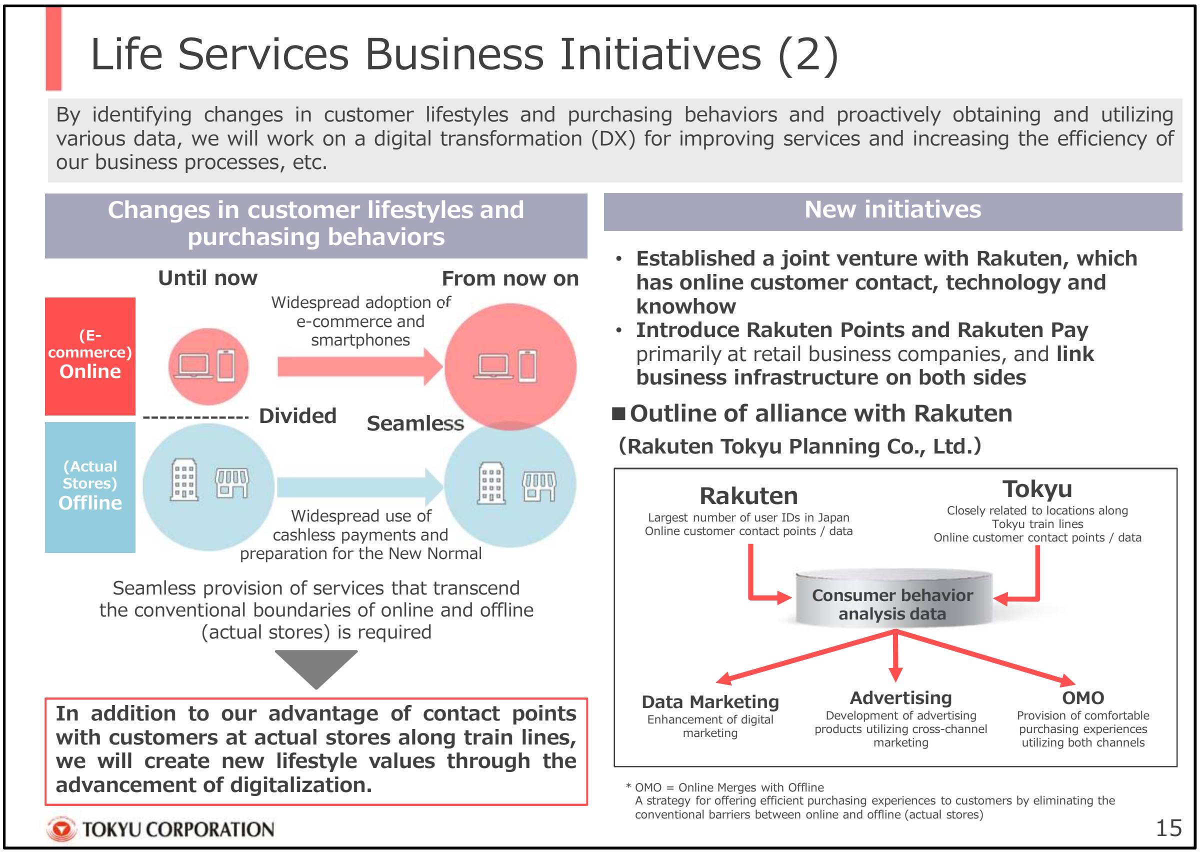
〇Looking at life services, businesses such as Tokyu Store Chain and its communications are performing strongly. Meanwhile, COVID-19 is seriously affecting Tokyu Agency and Tokyu Department Store.

〇The closure of the flagship Toyoko Store as scheduled in March 2020, particularly affected the performance of Tokyu Department Store, which has advanced efforts to hybridize stores. We are now furthering structural reforms in a bid to realize a switch to an organization suited for continuing our profits in the future.



〇Let me explain our digital transformation (DX) strategies in businesses centered on life services.

〇Diverse contact points with customers established through the operations of a variety of brick-and-mortar stores along our train lines have been an advantage for the Tokyu Group. Meanwhile, we recognize a small number of digital contact points, a high ratio of senior customers and data application as our issues.

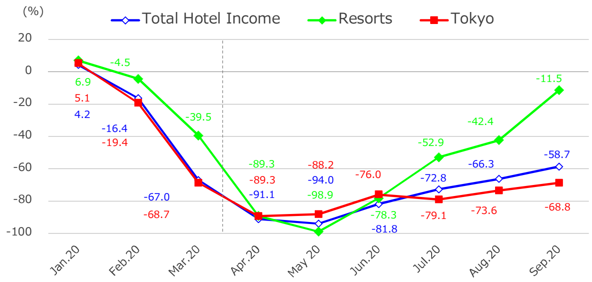
〇As a solution, we established a new company with Rakuten, Inc., which has service platforms such as Rakuten Points and Rakuten Pay, in August 2020.

〇Tokyu Store Chain already began marketing in September 2020, based on cooperation with Rakuten in the areas of points awarded for purchases and data analysis. We will generate new lifestyle values and increase our revenue through DX strategies that transcend barriers between online and offline shopping.

Hotel Business Initiatives

Through structural reform, we will improve our break-even point and evolve into a hotel chain that is resilient to the risk of downturns in the external environment.

Rate of decrease in income for all hotels (Year-on-year comparison)



Current situation

- Demand for resorts and regional hotels is recovering, partly due to the GoTo Travel campaign.
- Recovery at hotels in major cities, which had a high percentage of inbound customers, is slow, and we anticipate a gradual recovery in inbound travelers from Asia over the next three to four years.

Initiatives on structural reforms

(1) Thorough cost cutting

- Reducing personnel costs, internalization of outsourced services
- Shifting to variable rent

(2) Channel changes to match changes in the business environment

- Enhancement of drawing domestic customers: focus on younger demographics and female guests
  ⇨ Enhance collaboration with Rakuten Points, etc.

(3) Reforms to hotel and restaurant models

- Drive multi-purposing of guest rooms
  (e.g. private rooms for remote work / satellite office use, initiatives to capture demand for long-term use, etc.)
- Convert restaurants to tenant style, repurpose them for other uses
- Slim down personnel needs through DX and multi-job strategies

(4) Review of rent schemes, scrap and build

- Promote management consignment / outsourcing
- Reorganize hotel networks

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〇In the Hotel segment, some of our hotels, including those in resorts, are showing signs of business recovery. However, as the left graph shows, the occupancy rate remains low in Tokyo, a key area for the segment.

〇Under the circumstances, improving our break-even point through structural reforms recently became an urgent business. We are implementing all possible measures for reducing our expenses, including personnel costs to the hilt.

〇In addition, we have started initiatives for changing our channels in the Japanese market and applying our guest rooms, restaurants and the like for a variety of purposes.

〇From a business scheme viewpoint, we aim at transforming ourselves into a competitive hotel chain that is less susceptible to changes in external conditions by taking steps, including a switch from leasing to management consignment and outsourcing and reforms for adjusting the number of our hotels to a reasonable scale.

ESG initiatives

We will promote sustainable management by conducting businesses that contribute to the creation of social value.

Long-term environmental goal (CO_2 emissions*)

Achieving 100% procurement of electric power consumed for our businesses by renewable energies by 2050

[CO_2 from electricity usage]
2030: 30% reduction of the total CO_2 emitted by using electric power
2050: Complete elimination of CO_2 emitted by using electric power

RE 100
THE CLIMATE GROUP CDP

* The subjects are Scope 1, 2
The reference year is 2010 for the railway business Tokyu Lines, and 2015 for the real estate business and other businesses

Received Urban Landscape Grand Prize and LEED Certification

Minami-machida Grandberry Park

Main LEED ND evaluation points

- Development of a town in which people can walk around, enjoying a nature-rich atmosphere with many activities, by establishing a pedestrian network
- Landscape design featuring green infrastructure

Supporting TCFD

Supported the recommendations of TCFD* and further facilitated the disclosure of information

Identified and itemized major risks and opportunities in the railway and urban development businesses

* Task Force on Climate-related Financial Disclosures

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Planning to issue ESG bonds
(First such bonds to be issued by the Company)

Planning to issue sustainability bonds

Will promote railway and development businesses in particular, for which funds will be used for initiatives aimed at dealing with environmental and social issues

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〇Lastly, let me explain our ESG initiatives.

〇The Japanese government recently declared the achievement of a post-carbon society as its target. At Tokyu Corporation, we are working on raising the rate of renewable energy to total power consumption to 100% by 2050. We have started operating the Setagaya Line using renewable energy. We are planning to set concrete courses, including the use of such energy on other lines, to achieve the target.

〇In addition, in the first half of fiscal 2020 we announced:
・Our support for TCFD
・LEED certification awarded to Minami-machida Grandberry Park based on an international environmental certification program
・Our plan to issue ESG bonds by the end of fiscal 2020

〇ESG initiatives cover a wide range of fields. They offer values to all stakeholders centered on those along our train lines. We are considering advancing the initiatives steadily, setting policies and targets along the way.