

Tokyu Corporation

Consolidated Financial Statements First Quarter of the Fiscal Year Ending March 31, 2021

(April 1, 2020 – June 30, 2020)

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 Quarter of Fiscal Year Ending March 31, 2021

Tokyu Corporation

August 12, 2020

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange First Section
URL	https://www.tokyu.co.jp/	Inquiries:	Katsumi Oda, Senior Manager, Accounting and IR Group
President	Kazuo Takahashi	Telephone:	81-3-3477-6168
Planned date for submission of quarterly financial reports:	August 12, 2020		
Scheduled date of commencement of dividend payment:	—		
Supplementary documents for quarterly results	YES		
Quarterly results briefing (for institutional investor and analysts)	NO		

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 (April 1, 2020 to June 30, 2020)

(Figures in percentages denote the year-on-year change)

1) Consolidated Operating Results

Million yen

	Three months ended June 30, 2020		Three months ended June 30, 2019	
	Change (%)		Change (%)	
Operating revenue.....	209,755	-25.1	280,116	2.4
Operating profit.....	-15,716	—	23,156	6.5
Recurring profit.....	-18,161	—	23,460	11.6
Profit attributable to owners of parent	-20,141	—	16,380	20.9
Net income per share (¥).....	-33.34		26.94	
Net income per share (diluted) (¥).....	—		—	

Note: Comprehensive Income: Three months ended June 30, 2020: ¥-21,757 million [-%]
Three months ended June 30, 2019: ¥17,209 million [44.1%]

2) Consolidated Financial Position

Million yen

	As of June 30, 2020	As of March 31, 2020
Total assets	2,506,530	2,537,196
Net assets	781,090	809,614
Equity ratio (%).....	29.1	29.8

Reference: Shareholders' equity: First quarter ended June 30, 2020: ¥729,487 million
FY ended March 31, 2020: ¥757,003 million

2. Dividends

	FY ending March 31, 2021 (forecast)	FY ending March 31, 2021	FY ending March 31, 2020
Dividend per share – end of first quarter (¥)		—	—
Dividend per share – end of first half (¥)	11.00		12.00
Dividend per share – end of third quarter (¥)	—		—
Dividend per share – end of term (¥)	12.00		11.00
Dividend per share – annual (¥)	23.00		23.00

Notes: (1) Revisions to dividend forecasts published most recently: No
(2) The interim dividend of ¥ 12.0 for the fiscal year ended March 31, 2020 includes a commemorative dividend of ¥ 2.0.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

The consolidated business forecast for the fiscal year ending March 2021 is undecided because it is difficult to reasonably calculate the impact of the COVID-19 coronavirus pandemic on business performance at this stage. We will promptly announce the forecast when it becomes possible to disclose it.

*** 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.: No
 - 2) Changes in accounting policies other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No
- (4) Number of shares issued (common stock)
- 1) Number of shares issued at the end of the term (including treasury stock) (shares)
As of June 30, 2020: 624,869,876 As of March 31, 2020: 624,869,876
 - 2) Number of treasury stock at the end of the term (shares)
As of June 30, 2020: 20,773,181 As of March 31, 2020: 20,858,041
 - 3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)
Three months ended June 30, 2020: 604,070,477
Three months ended June 30, 2019: 608,004,253

(Note)The number 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 June 30, 2020: 310,500 shares As of March 31, 2020: 395,600 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.

The consolidated financial forecast for the Fiscal Year Ending March 31, 2021 has not been decided because it is difficult to calculate a reasonable financial forecast.

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 Quarters of FY2020, (3) Explanation about the future outlook, including forecast for consolidated earnings" on the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

The "Summary of Results for the First Quarter of FY2020" will be disclosed on TDnet (Timely Disclosure network) and our IR website today (August 12, 2020).

○ Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Financial Results, etc. for the First Quarter Ended June 30, 2020

(1) Explanation about Consolidated Financial Results

During the first quarter of the consolidated fiscal year under review, the Japanese economy faced an extremely challenging situation, with restrictions on social and economic activities due to the spread of COVID-19. Businesses operated by the Company and its consolidated subsidiaries were seriously affected as a result of restraints on outings and movements, weak consumer demand and decreased use of services, among other factors.

In the first quarter of the consolidated fiscal year under review, revenues from operations were affected in all segments given the decline in demand caused by the spread of COVID-19. Operating revenue decreased 25.1% year on year, to ¥209,755 million, resulting in an operating loss of ¥15,716 million (compared to operating income of ¥23,156 million in the same period of the previous fiscal year), recurring loss of ¥18,161 million (compared to recurring profit of ¥23,460 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥20,141 million (compared to profit attributable to owners of parent of ¥16,380 million in the same period of 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.

Starting from the third quarter of the previous fiscal year, the classifications of operating expenses in each reported segment changed. The year-on-year comparisons below use figures from the previous fiscal year that have been reclassified. For details, refer to (Segment Information) in (3) Notes to Quarterly Consolidated Financial Statements of 2. Quarterly Consolidated Financial Statements and Primary Notes.

(i) Transportation

In the Transportation Business, the number of passengers carried in the railway operations of Tokyu Railways (numbers in the first quarter of the previous fiscal year are the operating results of Tokyu Corporation's railway business) plunged 45.4% overall, reflecting a 38.6% drop in the number of commuters carried and a 55.8% fall in the number of non-commuters carried, both of which were attributable to decreased usage due to the spread of COVID-19.

As a result, operating revenue for the segment decreased 42.6% year on year, to ¥30,043 million, resulting in an operating loss of ¥9,826 million for the segment (as opposed to operating profit of ¥10,300 million in the same period of the previous fiscal year), despite cost reduction initiatives taken by Tokyu Railways.

(Operation results of Tokyu Railway's railway operations)

Categories		Units	First quarter of the previous fiscal year	First quarter of the fiscal year under review
			April 1, 2019 to June 30, 2019	April 1, 2020 to June 30, 2020
Number of operating days		Days	91	91
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	37,806	38,175
Number of passengers carried	Non-commuter	Thousand passengers	120,762	53,354
	Commuter	Thousand passengers	185,907	114,216
	Total	Thousand passengers	306,669	167,570
Passenger revenue	Non-commuter	Million yen	19,758	8,558
	Commuter	Million yen	16,489	11,043
	Total	Million yen	36,247	19,601
Miscellaneous income from railway operations		Million yen	3,571	3,516
Total revenues		Million yen	39,818	23,117
Average passenger revenue per day		Million yen	398	215
Operating efficiency		%	53.0	28.0

(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 Business, operating revenue decreased 1.4% year on year, to ¥44,668 million despite higher sales in the Company's real estate leasing business resulting from year-round operations of Shibuya Scramble Square and Minamimachida Grandberry Park, both of which opened in the previous year. Operating profit decreased to ¥7,513 million (down 12.8% year on year), chiefly reflecting the suspension of facility operations attributable to the declaration of a state of emergency.

(iii) Life Service

In the Life Service Business, operating revenue decreased 16.0% year on year, to ¥144,268 million, and operating loss came to ¥2,795 million (as opposed to operating profit of ¥3,311 million in the same period of the previous fiscal year), mainly reflecting the avoidance of nonessential outings due to the spread of COVID-19 and the suspension of operations and reduction of operating hours implemented by respective facilities in the wake of the declaration of a state of emergency.

(iv) Hotel and Resort

In the Hotel and Resort Business, the occupancy rate plummeted to 13.3% (down 70.6 points from the year earlier), reflecting the COVID-19 pandemic-related temporary closing of facilities in most hotels of Tokyu Hotels Co., Ltd. in hotel operations. Consequently, operating revenue plunged 79.7% year on year, to ¥5,236 million, resulting in operating loss of ¥10,765 million (compared to operating profit of ¥883 million in the same period of the previous fiscal year).

(2) Explanation about Consolidated Financial Position

Assets

Total assets at the end of the first quarter of the consolidated fiscal year under review decreased ¥30,665 million from the end of the previous fiscal year, to ¥2,506,530 million, primarily due to a decline notes and accounts receivable - trade.

Liabilities

Liabilities decreased ¥2,141 million year on year, to ¥1,725,439 million, largely because of a decrease in notes and accounts payable – trade, despite growth in interest-bearing debt* of ¥66,796 million year on year, to ¥1,217,807 million.

Net assets

Net assets rose ¥28,523 million from the end of the previous fiscal year, to ¥781,090 million. This was primarily attributable to the posting of a loss 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

Restrictions imposed to prevent the spread of COVID-19 are being relaxed through the government lifting of the state of emergency and cancellation of requests for voluntary restraint on movement across prefectures, resulting in the gradual reopening of social and economic activities.

With respect to the recent situation of the Company and its consolidated subsidiaries, the number of passengers carried by the Tokyu Line, which decreased 45.4% year on year during the first quarter of the consolidated fiscal year under review, is on a continuous recovery trend after the lifting of the state of emergency, showing a year-on-year decline of approximately 30% in and after July. The Group's facilities including shopping centers, department stores and movie theaters, whose operations stopped temporarily, are reopening gradually with shortened operating hours. In the Hotel and Resort Business, the Group's hotels started to resume operations that were suspended step by step, starting from June 1, 2020, and the number of reservations for resort hotels in particular is increasing after the lifting of requests for voluntary travel across prefectures.

On the other hand, ongoing uncertainty remains over how soon the spread of COVID-19 will be under control as well as recovery will be achieved as the number of people with the infection is rising again in Japan, while new lifestyles are being established to balance the prevention of the spread of infection and the facilitation of social and economic activities.

In this situation, given the difficulties in reasonably projecting future revenue trends, the Company continues to leave details undetermined with respect to earnings forecasts for the fiscal year ending March 31, 2021. Going forward, it will make announcements promptly once such forecasts can be calculated.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

Million yen

Item	As of March 31, 2020	As of June 30, 2020
Assets		
Current Assets		
Cash and deposits	59,389	55,070
Trade notes & accounts receivable	154,176	122,720
Merchandise and products	13,717	13,286
Land and buildings for sale	49,251	48,707
Work in progress	7,044	8,227
Raw materials and supplies	8,265	8,660
Others	55,297	57,957
Allowance for doubtful accounts	(1,195)	(1,240)
Total current assets	345,947	313,388
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	884,032	881,793
Rolling stock & machinery (net)	78,666	79,776
Land	732,209	728,867
Construction in progress	147,573	150,826
Others (net)	33,024	32,174
Total tangible fixed assets	1,875,506	1,873,438
Intangible fixed assets	40,468	39,612
Investments & others		
Investment securities	176,218	178,693
Net defined benefit asset	4,494	4,493
Deferred tax assets	23,846	25,467
Others	71,441	72,234
Allowance for doubtful accounts	(727)	(796)
Total investments & others	275,273	280,091
Total fixed assets	2,191,248	2,193,141
Total Assets	2,537,196	2,506,530

Million yen

Item	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current Liabilities		
Trade notes & accounts payable	103,082	78,300
Short-term debt	331,817	377,888
Commercial papers	50,000	55,000
Current portion of corporate bonds	35,090	15,090
Accrued income taxes	14,066	1,815
Provision	13,193	8,863
Advances received	46,772	46,998
Others	131,099	104,097
Total current liabilities	725,122	688,054
Long-Term Liabilities		
Corporate bonds	210,000	250,000
Long-term debt	524,102	519,828
Provision	2,912	2,903
Net defined benefit liability	47,768	47,995
Long-term deposits from tenants and club members	138,055	137,783
Deferred tax liabilities	14,079	13,957
Deferred tax liabilities from revaluation	9,168	9,168
Others	43,823	43,825
Total long-term liabilities	989,909	1,025,462
Special Legal Reserves		
Urban railways improvement reserve	12,550	11,922
Total Liabilities	1,727,581	1,725,439
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	134,023	134,023
Retained income	524,423	497,629
Treasury stock	(37,291)	(37,148)
Total shareholders' equity	742,880	716,230
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities, net of taxes	9,983	10,844
Net unrealized gains (losses) on hedging instruments, net of taxes	(41)	92
Land revaluation reserve	8,406	8,406
Foreign currency translation adjustment account	3,371	1,107
Remeasurements of defined benefit plans	(7,598)	(7,193)
Total accumulated other comprehensive income	14,122	13,257
Non-Controlling Interests	52,611	51,602
Total Net Assets	809,614	781,090
Total Liabilities and Net Assets	2,537,196	2,506,530

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

Item	April 1, 2019 to June 30, 2019	April 1, 2020 to June 30, 2020
Operating Revenue	280,116	209,755
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	203,219	175,457
SG&A expenses	53,740	50,013
Total cost of operating revenue	256,960	225,471
Operating Profit (Loss)	23,156	(15,716)
Non-operating profit		
Interest income	86	70
Dividend income	498	450
Investment gains from equity method	1,582	-
Dividend income of insurance	784	729
Compensation income	-	1,379
Others	814	719
Total non-operating profit	3,765	3,350
Non-operating expenses		
Interest expenses	2,289	2,165
Investment losses from equity method	-	2,101
Others	1,172	1,528
Total non-operating expenses	3,461	5,795
Recurring Profit (Loss)	23,460	(18,161)
Extraordinary gains		
Gains on sale of fixed assets	15	18
Subsidies received for construction	231	169
Gain on reversal of Urban Railways Improvement Reserve	627	627
Others	115	268
Total extraordinary gains	989	1,084
Extraordinary losses		
Reduction entry of land contribution for construction	146	123
Loss on retirement of fixed assets	213	54
Losses related to the spread of COVID-19	-	* 2,736
Others	118	249
Total extraordinary losses	477	3,164
Income (Loss) before Income Taxes	23,972	(20,241)
Corporate income taxes	7,196	62
Net Income (Loss)	16,776	(20,303)
Profit (loss) attributable to non-controlling interests	395	(161)
Profit (loss) attributable to owners of parent	16,380	(20,141)

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

Item	April 1, 2019 to June 30, 2019	April 1, 2020 to June 30, 2020
Net Income (Loss)	16,776	(20,303)
Other comprehensive income		
Net unrealized gains (losses) on investment securities	(370)	495
Net unrealized gains (losses) on hedging instruments	(0)	(0)
Foreign currency translation adjustment account	76	(2,209)
Remeasurements of defined benefit plans, net of tax	564	373
Share of other comprehensive income of associates accounted for using equity method	163	(113)
Total other comprehensive income	432	(1,453)
Comprehensive Income (Loss)	17,209	(21,757)
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	16,769	(21,006)
Comprehensive income (loss) attributable to non-controlling interests	439	(751)

(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.

(Matters Related to Consolidated Quarterly Statements of Income)

* Losses related to the spread of COVID-19

Some hotels and commercial facilities of the Group were closed temporarily following the declaration of a state of emergency issued by the government and stay-at-home requests made by local authorities amid the spread of COVID-19. The Company decided that fixed expenses (personnel expenses, rents, and depreciation) incurred due to such temporary closings were contingent and therefore posted them as extraordinary losses.

(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 "(Additional Information) Approach to Incorporating the Effects of the COVID-19 Pandemic When Making Accounting Estimates" in the annual securities report for the previous consolidated fiscal year.

(Change in Presentation)

The Company transferred its railway operations (including the railway business) to its wholly owned subsidiary, Tokyu Railways Co., Ltd. ("Tokyu Railways"; the trade name was changed from *Tokyu Dentetsu Bunkatsu Junbi Kabushiki Kaisha* on September 2, 2019), through a company split on October 1, 2019.

Following the reorganization of the Group, in the third quarter of the previous fiscal year, operating expenses linked to each business under the Regulation on Accounting in the Railway Industry (Ministry of Transport Ordinance No. 7, February 20, 1987) were reclassified into operating expenses related to the Group management of the Company as the operating holding company and those related to Tokyu Railways, which operates the railway business. As a result, part of the operating expenses that were presented as operating expenses & cost of sales (Transportation, etc.) are classified into SG&A expenses in the third quarter of the previous fiscal year after the examination of the accrual of the expenses.

Consequently, operating expenses of ¥1,604 million included in operating expenses & cost of sales (Transportation, etc.) in the quarterly consolidated statements of income for the first quarter of the previous fiscal year have been reclassified into SG&A expenses.

(Segment Information)

I. April 1, 2019 to June 30, 2019

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	51,929	34,816	167,810	25,560	280,116	–	280,116
Inter-segment internal revenues or transfers	448	10,465	3,908	174	14,997	(14,997)	–
Total	52,378	45,282	171,718	25,734	295,114	(14,997)	280,116
Segment profit	10,300	8,616	3,311	883	23,112	44	23,156

Notes

1. An adjustment of ¥44 million in segment profit represents the deduction of intersegment transactions.
2. Segment profit has been adjusted with operating profit recorded in the consolidated quarterly statements of income.

II. April 1, 2020 to June 30, 2020

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	29,222	34,758	140,601	5,173	209,755	–	209,755
Inter-segment internal revenues or transfers	821	9,909	3,667	62	14,461	(14,461)	–
Total	30,043	44,668	144,268	5,236	224,216	(14,461)	209,755
Segment profit (loss)	(9,826)	7,513	(2,795)	(10,765)	(15,874)	158	(15,716)

Notes

1. An adjustment of ¥158 million in segment profit (loss) represents the deduction of intersegment transactions.
2. Segment profit (loss) has been adjusted with operating profit (loss) recorded in the consolidated quarterly statements of income.

2. Matters related to change, etc. in reported segment

The Company transferred its railway operations (including the railway business) to its wholly owned subsidiary, Tokyu Railways Co., Ltd. ("Tokyu Railways"; the trade name was changed from *Tokyu Dentetsu Bunkatsu Junbi Kabushiki Kaisha* on September 2, 2019), through a company split on October 1, 2019.

Following the reorganization of the Group, operating expenses linked to each business under the Regulation on Accounting in the Railway Industry (Ministry of Transport Ordinance No. 7, February 20, 1987) were reclassified into operating expenses related to the Group management of the Company as the operating holding company and those related to Tokyu Railways, which operates the railway business. The reclassification has affected the operating expenses allocated to each business.

The Company owns rental and other real estate as the operating holding company and is responsible for the development function and the asset portfolio management. To pursue the growth strategy, the Company classified asset management categories with Tokyu Railways. Due to the reclassification, depreciation and expenses incidental to assets, such as taxes, were also reviewed.

Accordingly, changes were made to some businesses in the reported segment for the consolidated financial statement.

The segment information for the first quarter of the previous fiscal year is prepared based on the classifications after the change.