

Tokyu Corporation

Earnings Reports for the 3rd quarter of year ending March, 2023

(April 1, 2022 – December 31, 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 Three Quarters of the Fiscal Year Ending March 31, 2023

Tokyu Corporation

February 13, 2023

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange
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Planned date for submission of quarterly financial reports:	February 13, 2023		
Scheduled date of commencement of dividend payment:	—		
Supplementary documents for quarterly results:		YES	
Quarterly results briefing (for institutional investors and analysts):		NO	

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

1. Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to December 31, 2022)

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

1) Consolidated Operating Results

Million yen

	Nine months ended December 31, 2022		Nine months ended December 31, 2021	
	Change (%)		Change (%)	
Operating revenue.....	670,505	2.4	654,491	-4.6
Operating profit.....	36,632	5.0	34,884	—
Recurring profit.....	37,900	-3.0	39,058	—
Profit attributable to owners of parent	24,246	-19.7	30,177	—
Net income per share (¥).....	40.23		50.11	
Net income per share (diluted) (¥).....	—		—	

Note: Comprehensive Income: Nine months ended December 31, 2022: ¥46,467 million [33.1%]
Nine months ended December 31, 2021: ¥34,920 million [-%]

2) Consolidated Financial Position

Million yen

	As of December 31, 2022	As of March 31, 2022
Total assets	2,554,629	2,479,182
Net assets	793,432	752,942
Equity ratio (%).....	28.8	28.4

Reference: Shareholders' equity: First three quarters ended December 31, 2022: ¥736,204 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.....	928,800	5.7
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 December 31, 2022: 624,869,876 As of March 31, 2022: 624,869,876

2) Number of treasury stock at the end of the term (shares)

As of December 31, 2022: 21,891,657 As of March 31, 2022: 22,532,735

3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)

Nine months ended December 31, 2022: 602,668,564

Nine months ended December 31, 2021: 602,234,689

(Note) Treasury stock numbers include shares of the Company held by a group of shareholding employees in trust and compensation for Directors in trust, as follows:

As of December 31, 2022: 1,884,600 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 "1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters 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 3rd quarter of year ending March, 2023" will be disclosed on the Timely Disclosure network (TDnet) and our IR website today (February 13, 2023).

○ Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters Ended December 31, 2022

(1) Explanation about Consolidated Financial Results

During the first three quarters under review, the Japanese economy showed signs of a gradual recovery, attributable to the easing of movement restrictions associated with the COVID-19 pandemic. However, the Company expects the outlook for the economy to remain unclear, primarily because of rising raw material prices and energy costs and the impact of the risk of fluctuations in the financial and capital markets.

Operating revenue for the first three quarters under review increased 2.4% year in year, to ¥670,505 million, partly due to 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 ¥36,632 million (up 5.0% year on year) and ¥37,900 million (down 3.0% year on year), respectively. Profit attributable to owners of parent was ¥24,246 million (down 19.7% year on year) 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 9.7% from the previous year, reflecting a 7.2% increase in the number of commuters carried and a 13.1% rise in the number of non-commuters carried chiefly due to an increase in opportunities to go out resulting from the easing of restrictions on movement.

As a result, operating revenue for the segment increased 8.7% year on year, to ¥135,905 million, with an operating profit of ¥9,994 million, up 249.9% year on year, for the segment.

(Operation results of Tokyu Railway's railway operations)

Categories		Units	First three quarters of the previous fiscal year	First three quarters of the fiscal year under review
			April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Number of operating days		Days	275	275
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	111,643	111,348
Number of passengers carried	Non-commuter	Thousand passengers	293,744	332,100
	Commuter	Thousand passengers	387,935	415,729
	Total	Thousand passengers	681,679	747,829
Passenger revenue	Non-commuter	Million yen	47,744	54,266
	Commuter	Million yen	33,726	35,559
	Total	Million yen	81,470	89,825
Miscellaneous income from railway operations		Million yen	10,804	10,738
Total revenues		Million yen	92,274	100,563
Average passenger revenue per day		Million yen	296	327
Operating efficiency		%	38.4	42.6

(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 12.5% year on year, to ¥148,950 million, and operating profit declined to ¥21,685 million (down 46.1% year on year), reflecting the absence of the sale of a large-scale property that occurred in the previous fiscal year.

(iii) Life Service

In the Life Service Business, operating revenue grew 2.7% year on year, to ¥378,695 million mainly reflecting growth in reaction to the temporary closing of and shorter business hours at certain stores operated mainly by Tokyu Department Store Co., Ltd. and Tokyu Recreation Co., Ltd., in the previous year. Operating profit increased to ¥7,138 million (up 96.3% year on year).

(iv) Hotel and Resort

In the Hotel and Resort Business, the occupancy rate rose to 70.2% (up 26.6 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 and restrictions on entry into Japan. As a result, operating revenue for the segment increased 55.4% year on year, to ¥51,302 million, with an operating loss of ¥2,414 million for the segment (compared with operating loss of ¥12,058 million in the same period of the previous fiscal year).

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

Total assets rose ¥75,446 million from the end of the previous fiscal year, to ¥2,554,629 million at the end of the third quarter under review, primarily due to an increase in the Company's tangible fixed assets.

Liabilities

Liabilities increased ¥34,956 million year on year, to ¥1,761,196 million, largely because of growth in interest-bearing debt (*) of ¥28,402 million year on year, to ¥1,224,159 million.

Net assets

Net assets rose ¥40,490 million from the end of the previous fiscal year, to ¥793,432 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 its full-year forecast for consolidated earnings from the one announced on November 14, 2022, taking into account factors such as results for the first three quarters under review. The forecast for operating revenue has changed to ¥928.8 billion (down 0.9% from the previous forecast). The forecasts for operating profit, recurring profit and profit attributable to owners of parent have not changed, while the forecasts for each segment have changed in consideration of the results in the first three quarters. For details, please see the Summary of Results for the First Three Quarters of the Fiscal Year Ending March 31, 2023 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 December 31, 2022
Assets		
Current Assets		
Cash and deposits	52,275	55,186
Trade notes & accounts receivable	146,286	157,412
Contract assets	7,316	15,071
Merchandise and products	10,548	10,875
Land and buildings for sale	77,352	92,726
Work in progress	3,223	5,355
Raw materials and supplies	8,580	9,137
Others	48,825	48,718
Allowance for doubtful accounts	-1,388	-969
Total current assets	353,019	393,514
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	830,275	808,706
Rolling stock & machinery (net)	82,300	78,012
Land	700,592	709,780
Construction in progress	150,684	182,919
Others (net)	23,711	22,116
Total tangible fixed assets	1,787,563	1,801,536
Intangible fixed assets	35,617	37,717
Investments & others		
Investment securities	204,855	229,986
Net defined benefit asset	9,327	9,408
Deferred tax assets	22,538	18,421
Others	66,561	64,845
Allowance for doubtful accounts	-300	-801
Total investments and others	302,982	321,860
Total fixed assets	2,126,163	2,161,115
Total Assets	2,479,182	2,554,629

Million yen

Item	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current Liabilities		
Trade notes & accounts payable	88,029	108,892
Short-term debt	384,876	388,951
Current portion of corporate bonds	10,000	25,000
Accrued income taxes	13,497	3,262
Contract liabilities	39,401	44,005
Provisions	11,143	7,584
Advances received	18,979	22,003
Others	102,393	93,917
Total current liabilities	668,321	693,617
Long-Term Liabilities		
Corporate bonds	300,000	320,000
Long-term debt	500,880	490,207
Provisions	2,438	2,273
Net defined benefit liability	43,122	43,218
Long-term deposits from tenants and club members	134,918	137,041
Deferred tax liabilities	14,734	15,009
Deferred tax liabilities from revaluation	4,881	4,881
Others	49,413	49,301
Total long-term liabilities	1,050,388	1,061,932
Special Legal Reserves		
Urban railways improvement reserve	7,530	5,647
Total Liabilities	1,726,240	1,761,196
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	133,683	133,704
Retained income	454,484	469,566
Treasury stock	-39,614	-38,687
Total shareholders' equity	670,278	686,308
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	16,762	18,514
Deferred gains or losses on hedges	89	762
Land revaluation reserve	5,229	5,229
Foreign currency translation adjustment account	7,017	21,021
Remeasurements of defined benefit plans	3,589	4,368
Total accumulated other comprehensive income	32,689	49,895
Non-Controlling Interests	49,974	57,228
Total Net Assets	752,942	793,432
Total Liabilities and Net Assets	2,479,182	2,554,629

(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 December 31, 2021	April 1, 2022 to December 31, 2022
Operating Revenue	654,491	670,505
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	465,795	473,828
SG&A expenses	153,812	160,043
Total cost of operating revenue	619,607	633,872
Operating Profit	34,884	36,632
Non-operating profit		
Interest income	702	300
Dividend income	733	840
Investment gains from equity method	4,221	5,543
Others	7,728	4,646
Total non-operating profit	13,385	11,330
Non-operating expenses		
Interest expenses	6,346	6,404
Others	2,865	3,658
Total non-operating expenses	9,211	10,062
Recurring Profit	39,058	37,900
Extraordinary gains		
Gains on sale of fixed assets	14,391	357
Subsidies received for construction	691	1,760
Gain on reversal of Urban Railways Improvement Reserve	1,882	1,882
Gain on sales of investment securities	277	1,188
Others	307	254
Total extraordinary gains	17,551	5,443
Extraordinary losses		
Reduction entry of land contribution for construction	620	1,334
Loss on retirement of fixed assets	2,129	745
Extra retirement payments	8	2,918
Others	2,303	1,137
Total extraordinary losses	5,062	6,136
Income before Income Taxes	51,547	37,207
Corporate income taxes	20,429	11,948
Net Income	31,118	25,259
Profit attributable to non-controlling interests	940	1,013
Profit attributable to owners of parent	30,177	24,246

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

Item	April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Net Income	31,118	25,259
Other comprehensive income		
Net unrealized gains (losses) on investment securities	-3,443	2,132
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment account	4,221	11,293
Remeasurements of defined benefit plans, net of tax	1,896	718
Share of other comprehensive income of associates accounted for using equity method	1,127	7,064
Total other comprehensive income	3,802	21,207
Comprehensive Income	34,920	46,467
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	32,335	41,452
Comprehensive income attributable to non-controlling interests	2,585	5,014

(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.

(Segment Information)

I. April 1, 2021 to December 31, 2021

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	122,162	143,511	358,809	30,009	654,491	–	654,491
Inter-segment internal revenues or transfers	2,810	26,765	10,036	3,005	42,617	-42,617	–
Total	124,973	170,276	368,845	33,014	697,109	-42,617	654,491
Segment profit (loss)	2,856	40,245	3,637	-12,058	34,680	204	34,884

Notes

1. An adjustment of ¥204 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 December 31, 2022

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	133,156	122,214	367,109	48,023	670,505	–	670,505
Inter-segment internal revenues or transfers	2,749	26,735	11,585	3,278	44,348	-44,348	–
Total	135,905	148,950	378,695	51,302	714,853	-44,348	670,505
Segment profit (loss)	9,994	21,685	7,138	-2,414	36,403	229	36,632

Notes

1. An adjustment of ¥229 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.

(Subsequent Events)

(Establishment of a Wholly Owned Subsidiary through Share Exchange)

Transactions involving entities under common control

1. Overview of transaction

(1) Name of combined entity and description of its business

Company name: Tokyu Recreation Co., Ltd., a consolidated subsidiary of the Company

Business: Management of movie theaters and other recreational facilities

(2) Date of business combination

January 1, 2023

(3) Legal form of business combination

Establishment of a wholly owned subsidiary through share exchange

(4) Name of the company after business combination

The name of the company has not changed after the business combination.

(5) 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 principles

The Company will account for the 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

(1) Acquisition cost and a breakdown of the consideration

Consideration: common stock of the Company	¥19,511 million
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Payment of acquisition cost:	¥19,511 million
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(2) Exchange rate 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 issued in the Share Exchange	Common shares of Tokyu Corporation (treasury shares): 11,732,767 shares	

(3) Exchange rate calculation method

The Company and Tokyu Recreation each requested their chosen independent appraisers to calculate the share allocation rate for the Share Exchange (the "Share Exchange Rate") to ensure the fairness and adequacy of the calculation.

The Company and Tokyu Recreation carefully examined the Share Exchange Rate based on the results of their mutual due diligence by reference to the calculations of the share exchange rate 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 Rate. Both companies decided that the Share Exchange Rate is reasonable and implemented the Share Exchange.