

2020 ANNUAL REPORT



Management Philosophy and Policy

The Tobu Group has established the “Tobu Group Management Philosophy” and “Tobu Group Management Policy” as follows:

(1) Tobu Group Management Philosophy

The Tobu Group has set forth the concepts of “dedication,” “enterprising spirit” and “affinity,” as the corner stone for its management.

Dedication: The Tobu Group will contribute to materializing an affluent society based on the profound awareness that all of its businesses are supported by society.

Enterprising spirit: The Tobu Group will keep taking up challenges with a pioneering spirit to pave the way to a new era through constant self-improvement without complacency.

Affinity: The Tobu Group will contribute to the evolution of society by promoting its business as well as the welfare of its employees based on the concept of congeniality among people and harmony with the environment.

(2) Tobu Group Management Policy

The Tobu Group will operate diversified and composite businesses on the basis of safety and security, including “transportation,” “leisure,” “real estate” and “retail distribution” as a corporate group contributing to the development of the areas along its railway lines through businesses that closely support customers’ daily lives.

We will provide innovative and inventive services of high quality based on the customer’s viewpoint, thereby aiming to create attractive destinations full of energy along the Tobu lines, providing the residents with a comfortable lifestyle.

Tobu Group will fulfill its corporate social responsibility through achieving sustainable growth along with local communities, as a corporate group that supports customers’ lives by promoting ecofriendly management while constantly generating profit from its business operations.

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Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, including statements relating to the Company’s future policies and strategies, and estimates of future business development. As opposed to statements of historical fact, these constitute estimates or projections made by the Company’s management on the basis of facts known to them as of the time of writing, and actual results may therefore differ substantially from such statements, due to a wide variety of possible risk factors. Page 11 contains a list of the principal categories of risk to which the Company’s business operations are subject.

Message from the President



The economic situation and trends in 2020 are expected to remain uncertain as the number of foreign tourists decreases and domestic consumption rapidly declines due to the global spread of COVID-19.

In the railway business, we will improve comfort by increasing the speed of trains to city centers and the number of seats, including the introduction of the TH Liner reserved seating train—a first for our mutual through train operations with Tokyo Metro—and increasing the number of limited express trains with the timetable revision this June. We will also provide an environment conducive to commuting with small children in tow. Moreover, we will implement initiatives to promote comfort and peace of mind, including the installation of platform doors and promotion of continuous overhead crossing projects.

In addition to our housing development work up to this point, we will roll out the richly diverse Solaie l'Il series of rental condominiums and enhance our childcare facilities near stations and satellite offices to cater to various work styles. We will also enhance our terminal and major stations with station buildings and commercial facilities within stations, making them appealing station spaces that are

open to the community and improving their status as bases of activity. By preparing rich living environments along our railway lines through deeper development along railway lines, including participation in urban revitalization projects based on a long-term outlook, we will carry out efforts designed to develop railway lines to which people want to move and stay, attracting many people.

Now more than ever in this time of uncertainty for society, the Tobu Group will put every effort into supporting the daily lives of our customers, primarily through the railway business, and engaging in sustainable development of the areas along our railways in collaboration with our stakeholders. We will also strengthen our business structure to be able to withstand changes in the business environment as we aim to establish ourselves as an efficient and competitive corporate group.

Yoshizumi Nezu

President and Representative Director

A handwritten signature in black ink that reads "Yoshizumi Nezu".

Medium-Term Business Plan 2017-2020

Tobu Group Medium-Term Business Plan 2017-2020 brought to an end

The period of the Tobu Group Medium-Term Business Plan 2017-2020 was considered a time for promoting growth investments for the next growth stage anticipating the Tokyo Olympics and Paralympics and the time thereafter as well as for promoting further strengthening of existing businesses and capturing more of the rapidly growing inbound demand. The target management indicators for the period were operating income of ¥68,500 million and income attributable to owners of the parent company of ¥40,00 million. Meanwhile, the management strategy was to maintain the growth strategy and financial soundness and to further enhance shareholder return. We have promoted the business accordingly.

However, COVID-19 emerged in December 2019 and spread globally. In addition to people refraining from going out and restrictions on immigration, the Tokyo Olympics and Paralympics ended up being postponed. Moreover, restrictions on movement associated with the declaration of a state of emergency and the new lifestyle designed to prevent the spread of COVID-19 have brought substantial change to the business environment since the time the plan was established. There is still uncertainty over when there will be a recovery, so we determined that for the time being we need to focus on addressing the current harsh business environment in which we find ourselves.

On the other hand, if the impact of COVID-19 is excluded, we believe that we were able to achieve the target management indicators and reference management indicators for the most part in the fiscal 2019 financial results. Additionally, shareholder return from fiscal 2017 to fiscal 2019 exceeded the target total payout ratio of 30%, and as of the end of fiscal 2019, we were able to reach the four-year figures for growth strategy investments for the most part.

Based on these circumstances, we are ending this medium-term business plan as of fiscal 2019.

		Progress on Medium-Term Business Plan					
		Period covered by Medium-Term Business Plan					
		FY2017	FY2018	FY2019	FY2020	FY2021 and later	
Maximization of revenue through focused investment in key areas	Asakusa/Tokyo Skytree area	TOKYO mizumachi Sumida River Walk				Opening	
		Sustainable growth of Tokyo Skytree Town	Tenant turnover/ongoing events	● Launch of SKYTREE TERRACE TOURS		● Lighting upgrades	
	Nikko/Kinugawa area	Expansion of tourist content	● Opening of Tobu World Square Station ● Introducing of new pleasure boat in Lake Chuzenji	● Renewal of Akechidaira observation area	● New routes for sightseeing vessels	● Opening of Nishi-sando teahouse	
		Restored SL operations	● Launch of restored train operations		● Launch of second train restoration		● 2 trains in operation
Ikebukuro area	Promotion of redevelopment project for West Exit of Ikebukuro Station		Discussion/coordination with area stakeholders/government officials for promotion of redevelopment			Urban planning decision	
Ginza/Yaesu/Coastal area	Construction of AC Hotels by Marriott Tokyo Ginza		● Construction commenced on AC Hotels Ginza		● Opening		
Improvement of value along railway lines through further cultivation of businesses	Improvement of transportation services	Expansion of limited express/seating trains	● Launch of new Revaty limited express of operations		● Increased number of TJ Liner trains/designated seating	● TH Liner launch of operations	New limited express for sightseeing launch of operations
		URBAN PARK Line upgrades	● Urban Park Liner launch of operations		Double-track line between Mutsumi and Sakasai	● Launch of express operations on all lines ● Increased number of Urban Park Liner trains	
		Continuous overhead crossing, elevation of station building	● Elevated station building at Shingashi	● Elevated station building at Takayanagi	● Elevated station building at Satte	Promotion of continuous overhead crossing project	(Tokyo Skytree, Takenotsuka, Kasukabe)
Facility development centered on stations	Station store/building plan	● Opening of Kitasenju center zone	● Shinkoshigaya VARIE Renovation of 4F/5F	● Soka VARIE 2 renovation	● Opening of Tokiwadai Station North Exit stores	● Opening of Wakoshi South Exit station building	● Opening of Kitasenju South Exit stores
	Town development		Consideration of development of Takenotsuka, Kasukabe, Tobu-Dobutsu-Koen, etc.				Tobu-Dobutsu-Koen Station surrounding area Phase 1 Dokkyodaigakumae Station surrounding area
Provision of luxurious lifestyle services	Condominium/detached houses	● Shimizu-koen detached houses (2017-2020)	● Completion of Solaie Narimasu	● Completion of Solaie Katsushika Kosuge	● Completion of Solaie Soka Matsubara City Terrace	● Completion of Solaie Nagareyama Otaka no Mori	● Completion of Solaie City The Park/The Garden ● Completion of Solaie Gran Nagareyama Otaka no Mori
	Rental condominium		● Opening of Solaie I'll Shimoakatsuka			● Opening of Solaie I'll Nerima Kitamachi	● Opening of Soka-city Takasago rental condominium ● Opening of Shingashi Ekimae housing complex
Establishment of lifestyle services	Child-raising/senior care	● Opening of Kitasenju childcare facility	● Opening of Hikifune childcare facility	● Opening of Shin-Funabashi childcare facility ● Opening of Minami-Sakurai childcare facility		● Opening of Shin-Funabashi childcare facility	● Opening of Shin-Kashiwa childcare facility ● Opening of Iwatsuki rental housing for senior citizens
	New point service					Launch of new point service	
Expansion of the hotel business	Renovation of existing hotels Multifaceted development of hotels	● Sendai renovations	● Ginza/Narita renovations		● Wako City opening ● Sapporo rebranding	● Kawagoe opening ● Asakusa opening ● Opening of THE RITZ CARLTON NIKKO	
Inbound initiatives	Inbound	● Introduction of multilingual ticket machine	● Installation of prayer rooms ● Revamping of discount passes ● Introduction of Alipay, WeChatPay at Tobu Department Store	● Introduction of Alipay, WeChatPay at Tokyo Solamachi			

Our Current Situation

The Tobu Group consists of TOBU RAILWAY CO., LTD. and its subsidiaries and affiliates. The core business of the parent company founded in 1897 is operating a network of private railway lines that extends across Tokyo, Chiba, Saitama, Tochigi, and Gunma prefectures of the Kanto region.

The main lines, which originate in Asakusa, eastern Tokyo, extend to Saitama, Tochigi, Gunma, and Chiba prefectures, including the trunk lines (the TOBU SKYTREE Line (Isesaki Line), Nikko Line, and the TOBU URBAN PARK Line (Noda Line)) and branch lines. They can be broadly divided into the TOBU SKYTREE Line (the southern portion of the Isesaki Line) and the TOBU URBAN PARK Line (Noda Line), which primarily serve commuters and students, and the Nikko Line and northern portion of the Isesaki Line that primarily serve tourists and businesses. The Tojo Line mainly carries commuters and students. Development in areas along the line has been proceeding smoothly.

In addition to the main railway business, the Tobu Group engages in the development businesses outlined in the following paragraphs.

In our leasing business, particularly in areas alongside our railway lines, the Group is leasing a large number of sites for such purposes as stores, office buildings, houses, and warehouses. In particular, in TOKYO SKYTREE TOWN this includes the commercial facility TOKYO SOLAMACHI® and the office facility TOKYO SKYTREE EAST TOWER®.

In addition, spaces inside our station buildings are leased or utilized for business purposes, and stations and railway cars are used for advertising.

In our subdivision business, we are engaged in the sale and development of homes and land, and the independent and joint construction and sale of condominium units.

In the leisure business, the parent company directly manages the Courtyard® by Marriott® Tokyo Ginza Hotel and the Tobu Hotel Levant Tokyo in the center of Tokyo, and in developing its leisure business, the Company works in close corporation with each of its member companies.

(Group Companies)

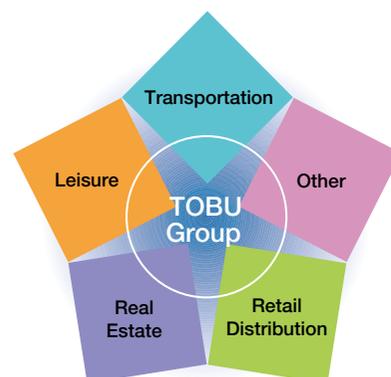
The transportation business consists of fixed-route and long-distance bus services, taxi services, freight trucking, and other services.

In addition to TOKYO SKYTREE™, we operate the Tobu Zoological Park and TOBU WORLD SQUARE. Group companies manage enterprises in such fields as travel, city and resort hotels, inns, skiing facilities, golf courses, sports clubs, ropeways, and sightseeing vessels.

We are involved in real estate leasing, real estate brokerage, and the car parking lot and bicycle parking lot businesses.

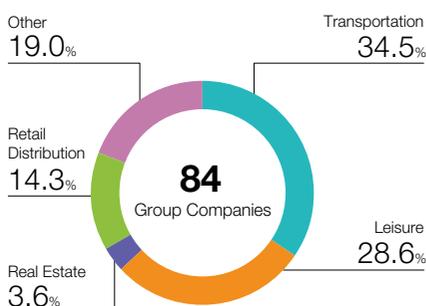
There are Tobu department stores in Ikebukuro, Funabashi, Utsunomiya, Ohtawara and Tochigi, and we own TOBU STORE CO., LTD., which operates a chain of supermarkets.

Other businesses include construction, building and facility management, construction materials supply, and heating supply systems.

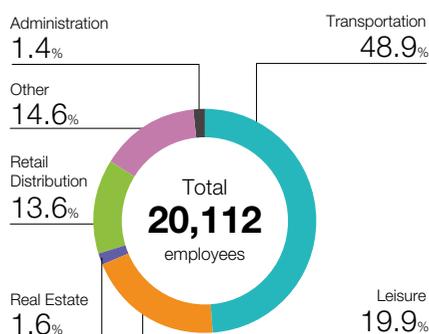


Basic Indicators

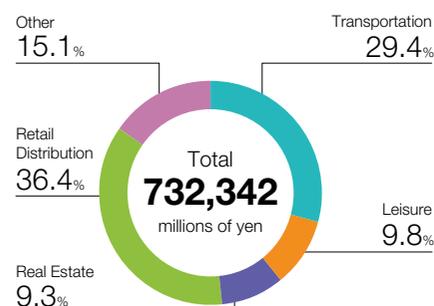
Number of Group Companies



Number of Employees



Revenue from Operations

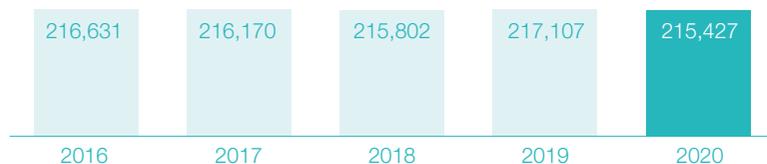


*Figures above are before elimination of inter-company transactions.

Review of Operations

Transportation

Sales by Sector (¥ million)



In our railway operations, our top priority is ensuring safety, peace of mind, and comfortable living, and we are promoting various initiatives so that more customers will choose our railway lines.

As part of our work on safety, we are promoting elevation projects and beginning to use platform doors as a measure to ensure platform safety. We also worked on bridge and transformer facility repairs to prepare for rising river waters.

In marketing, we revised the TOBU URBAN PARK Line timetable to improve speed, convenience, and comfort and launched express train service between Unga and Funabashi.



URBAN PARK Line

In the Nikko/Kinugawa area, we carried out Tobu Group Nikko Free Day to attract customers during the winter season. We also implemented measures in collaboration with areas along railway lines to further revitalize the areas. Furthermore, we provided all attendants and crew members at all stations on Tobu lines with AI interpreting devices and worked to enhance interactive information services to prepare an environment that will provide foreign tourists with peace of mind.

In the bus and taxi business, we cooperated in an auto driving technology experiment as an effort to further expand profits through the use of new technology.

In the transportation business overall, revenues from operations were ¥215,427 million (a decrease of 0.8% year on year), and operating income came to ¥37,659 million (a decrease of 8.4% year on year). This was primarily a result of people refraining from going out in order to prevent the spread of COVID-19.

Transportation (31 firms)

Railway business:

The Company; Jomo Electric Railway Co., Ltd.*

Bus and taxi business:

ASAHI Motor Corporation*, TOBU BUS CO., LTD*

Freight business:

TOBU TRANSPORTATION CO., LTD.*,

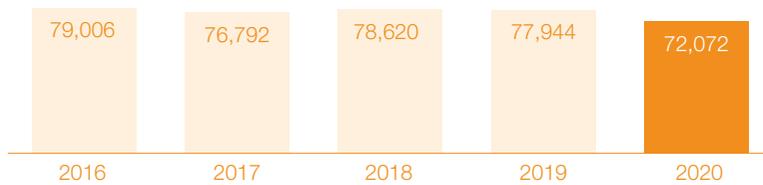
TOBU DELIVERY CO., LTD.*

25 other firms

Notes: *Consolidated Subsidiary.
TOBU RAILWAY CO., LTD. is counted multiple times in the above segment breakdown.

Leisure

Sales by Sector (¥ million)



In the SKYTREE business, TOBU TOWER SKYTREE Co., Ltd. established attractive pricing. The company also redesigned the lighting to make it more impressive and attention-grabbing by installing more lighting devices.

In the hotels business, we worked to increase revenue, primarily from accommodations, by steadily capturing foreign tourist demand in conjunction with the Rugby World Cup.

In the amusement parks and tourism business, we worked to attract customers. As part of these efforts, Tobu Zoological Park carried out collaborations with a popular anime producer and held a light and music show in collaboration with a popular singer, while TOBU WORLD SQUARE held illumination events, including lighting up exhibits in the garden.

In the leisure business overall, revenues from operations were ¥72,072 million (a decrease of 7.5% year on year), and operating income was ¥3,116 million (a decrease of 48.7% year on year). This was primarily a result of temporary closures at some facilities to prevent the spread of COVID-19.

Leisure (31 firms)

Amusement parks and tourism: Tobu Leisure Planning Co., Ltd.*

Sports: Tobu Kogyo Co., Ltd.*

Travel: TOBU TOP TOURS CO., Ltd.*

Hotels: The Company; Tobu Hotel Management Co., LTD.*

Food: Tobu Foods Service Co., Ltd.*

SKYTREE business: TOBU TOWER SKYTREE Co., Ltd.*

24 other firms



TOKYO SKYTREE Lighting ©TOKYO-SKYTREE

Notes: *Consolidated Subsidiary.
TOBU RAILWAY CO., LTD. is counted multiple times in the above segment breakdown.

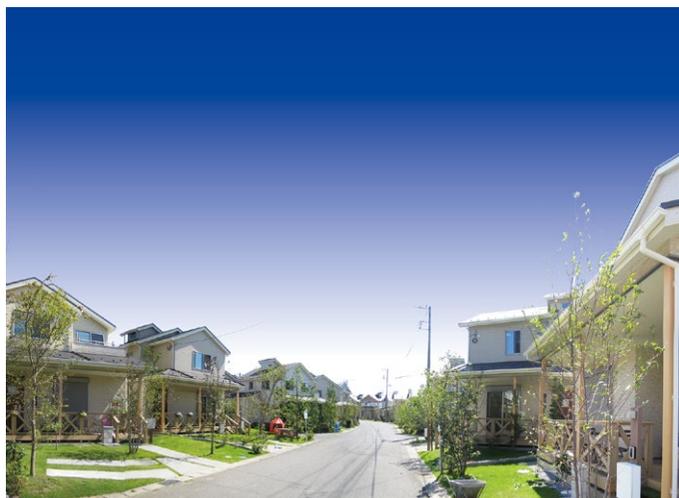
Review of Operations

| Real Estate

Sales by Sector (¥ million)



EQUiA PREMIE Wako



Solaie Shimizu-koen

In the SKYTREE TOWN business, we held events to commemorate the ringing in of the new Reiwa era as well as various seasonal events at TOKYO SOLAMACHI® together with TOKYO SKYTREE and worked to attract customers.

In the real estate leasing business, we opened EQUiA Hikifune and EQUiA Tokiwadai, which are commercial facilities inside stations. Commercial complex EQUiA PREMIE Wako, which is directly connected to Wakoshi Station, was newly opened in the aim of improving convenience for users of the station and nearby residents and securing revenue. Additionally, we opened childcare facilities near Minami-sakurai and Shin-funabashi stations to prepare a living environment more convenient for those raising children and improve the value of the railway line.

In the real estate subdivision business, we sold condominiums such as Solaie Nagareyama Otaka no Mori and Solaie Shimizu koen Urban Park Town built-for-sale houses to raise the value of properties and increase the resident populations along our lines.

In the real estate business overall, revenues from operations were ¥67,912 million (an increase of 9.6% year on year) and operating income was ¥14,468 million (an increase of 2.7% year on year).

Real estate (4 firms)

Real estate leasing: The Company; TOBU REAL ESTATE CO., LTD.*

Real estate subdivision: The Company

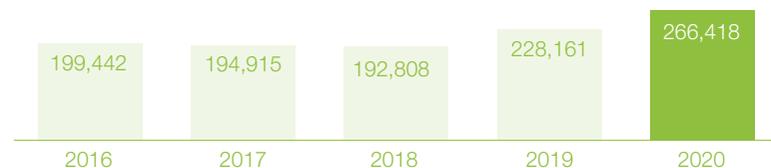
SKYTREE TOWN: The Company; TOBU TOWN SOLAMACHI CO., LTD.*

1 other firm

Notes: *Consolidated Subsidiary.
TOBU RAILWAY CO., LTD. is counted multiple times in the above segment breakdown.

Retail Distribution

Sales by Sector (¥ million)



Tobu Store with new format

In the retail distribution business, TOBU DEPARTMENT STORE CO., LTD. renovated the food sales area to meet demand for ready-made meals following the consumption tax hike and attract customers with such meals.

In the Supermarket business, TOBU STORE Co., Ltd. opened three urban mini supermarkets, starting with Tobu Store Fresh & Quick Hikifune, in an effort to increase revenue.

In the retail distribution business overall, revenues from operations were ¥266,418 million (an increase of 16.8% year on year), and operating income was ¥3,364 million (an increase of 64.2% year on year).

Retail distribution (13 firms)

Retail: TOBU DEPARTMENT STORE CO., LTD.*; TOBU UTSUNOMIYA DEPARTMENT STORE CO., LTD.*; TOBU STORE Co., Ltd.*
10 other firms

Other

In other businesses overall, revenues from operations were ¥110,513 million (an increase of 7.3% year on year), and operating income was ¥5,375 million (an increase of 6.0% year on year).

Other (17 firms)

Construction: TOBU CONSTRUCTION Co., Ltd.*; Tobu Yachida Construction Co., Ltd.*

Other businesses: Tobu Building Management Co., Ltd.*; Tobu Energy Support Co., Ltd.*

13 other firms

Notes: *Consolidated Subsidiary.
TOBU RAILWAY CO., LTD. is counted multiple times in the above segment breakdown.

Financial Review (Consolidated)

Business Performance

Revenues from operations were ¥653,874 million (an increase of 5.9% year on year). This was primarily a result of the full-year contribution of TOBU STORE Co., Ltd., which was made a wholly-owned subsidiary the previous fiscal year, despite the impact of fewer foreign tourists to Japan and people refraining from going out due to the spread of COVID-19.

Operating income was ¥62,653 million (a decrease of 6.9% year on year). This was due primarily to people refraining from going out and temporary closures of some leisure facilities to prevent the spread of COVID-19.

Recurring income was ¥58,414 million (a decrease of 7.2% year on year).

As a result of the above, net income before income taxes and minority interests was ¥54,157 million (an increase of 30.1% year on year), and income after deduction of income taxes and minority interests was ¥35,966 million (an increase of 26.2% year on year). Additionally, net income attributable to owners of the parent company after deduction of net income attributable to non-controlling interests was ¥35,530 million (an increase of 26.8% year on year).

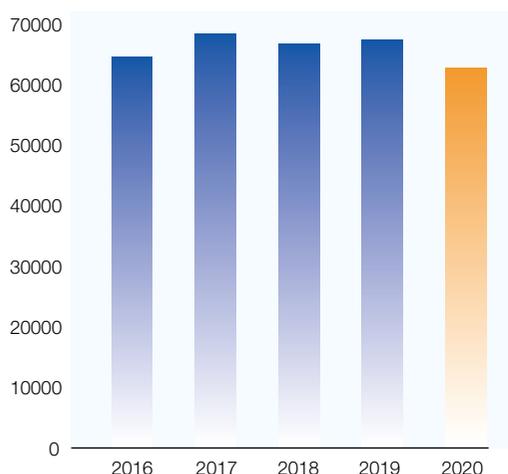
Financial Position

Total assets were ¥1,656,092 million, up ¥12,901 million compared to the end of the previous consolidated fiscal year (an increase of 0.8% year on year). This was a result of increased cash and deposits.

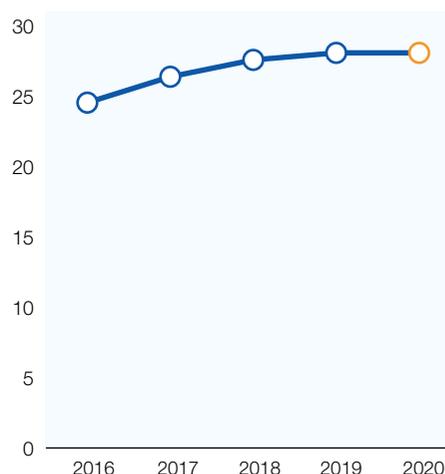
Liabilities came in at ¥1,182,122 million, up ¥8,208 million compared to the end of the previous consolidated fiscal year (an increase of 0.7% year on year) due primarily to increases in advances received.

Net assets were ¥473,969 million, up ¥4,692 million compared to the end of the previous consolidated fiscal year (an increase of 1.0% year on year) owing primarily to the recording of net income attributable to owners of the parent company.

Operating Income (Millions of yen)



Shareholders' Equity Ratio (%)



* Shareholders' Equity Ratio equals net assets attributable to shareholders' as a percentage of total assets.

Corporate Governance

Basic Approach to Corporate Governance

We believe that it is important to establish a fair and transparent management structure in order to earn the trust of our shareholders and many other stakeholders as well as to achieve sustainable growth and improve our corporate value in the medium to long term. We will continue to further enhance our Board of Directors, executive officer system, and corporate auditor system and engage in the proactive disclosure of corporate information in a timely and appropriate manner. Furthermore, we will work to strengthen corporate governance by engaging in honest corporate activity based on corporate ethics and awareness of legal compliance.

Current Status of Corporate Governance

Corporate Governance Structure

The Company's Board of Directors consists of 12 directors, of whom four are outside directors. The Board's responsibilities are, in addition to those set forth by law and in the Articles of Incorporation, to make comprehensive and strategic business decisions based on the "Rules of the Board of Directors" and for each director to exercise supervisory functions over the execution of day-to-day business operations.

The President and Representative Director chairs the Board of Directors, and ordinary meetings are held monthly, in principle. All fulltime directors attend these meetings, and the status of attendance by outside directors is provided in the business report.

Furthermore, we have introduced an executive officer system to clarify authority and responsibility for business execution. With regard to executive functions, we have developed a system where executive officers execute business operations according to the authority and responsibility established within the "Rules for Execution of Duties" under the control and supervision of the representative director. The executive officers are selected by the Board of Directors. In this way, we increase management mobility.

Election of Outside Directors

We have also appointed outside directors who play an important role in ensuring the efficiency and fairness of management. At meetings of the Board of Directors and other important meetings, our directors provide explanations of the execution of duties with outside directors in mind and reflect their objective opinions and suggestions in management of the Company. Moreover, outside directors contribute to the enhancement of corporate governance as members of the Nominating and Remuneration Committee, which is an advisory body of the Board of Directors that considers important matters related to nominations and remuneration, and play an important role in strengthening the independence and objectivity of functions of the Board of Directors. The Nominating and Remuneration Committee is comprised of two outside directors and one representative director (president), and the chair of the Committee is selected from among the outside directors. The Committee reviews the adequacy of the proposal of nomination of director candidates, as well as the adequacy of the level of remuneration, organizing the Committee's opinion on these subjects, and report to the Board of Directors. All members attend every meeting.

Management Meeting and Meeting of Executive Officers

At the Management Meeting, which is comprised of fulltime directors, managing executive officers and standing audit & supervisory board members, members deliberate and make decisions on the execution of business operations assigned by the Board of Directors and share important management-related information.

At the meeting of executive officers, which is comprised of fulltime directors, all executive officers and standing audit & supervisory board members, reports are provided every quarter to directors on the status of execution of operations and progress on the management plan, and information is shared on management to review business development plans for the next year and other matters.

Internal control system

In an effort to ensure the reliability of the internal control system, establish corporate ethics, and ensure that its officers and its employees are fully aware of compliance, the Company has been promoting compliance management. This consists primarily of setting out specific guidelines for day-to-day activities and developing training systems based on

Corporate Governance

the Tobu Group Basic Policy on Compliance and establishing a Compliance Committee that meets regularly to provide support and guidance on effective compliance.

Governance Committee

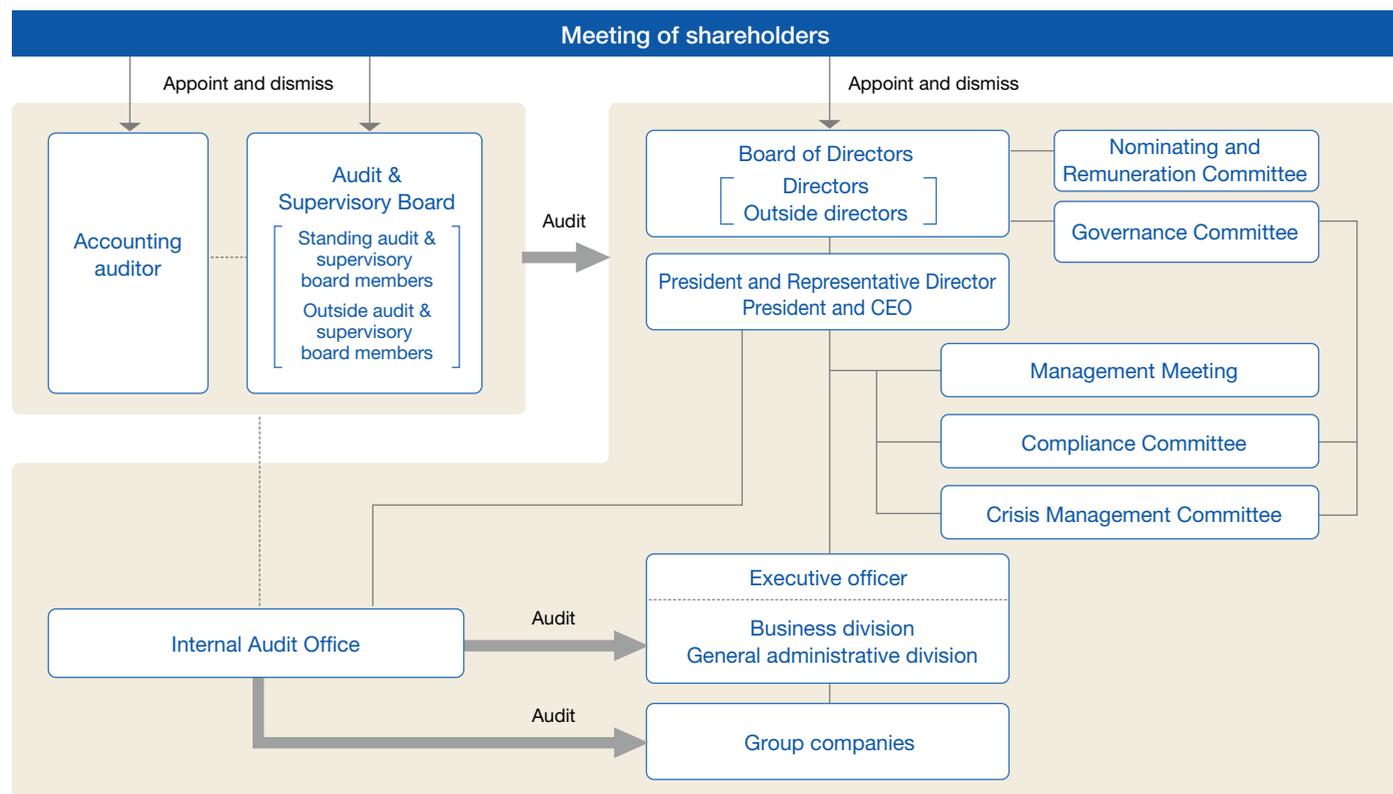
Additionally, to further increase the effectiveness of corporate governance, we have established a Governance Committee, which is chaired by the President and Representative Director and consists of representative directors, outside directors and standing audit & supervisory board members. In response to reports on and suggestions concerning activity plans and activities from the chairs of the Compliance and Crisis Management committees, it engages in deliberations and evaluations, referring matters to the Board of Directors to strengthen the supervisory functions of the Board of Directors. The Governance Committee is chaired by an outside director.

Group Company Audits

To ensure the proper operation of the Tobu Group under the Rules for Management of Group Companies, the Group business division that is specifically responsible for the management of subsidiaries and other companies manages and supports the business execution of subsidiaries and other companies.

Additionally, to strengthen and enhance the function of monitoring group companies and further increase the effectiveness of the internal control system at the group level, we have prepared an integrated system within the Group business division. It consists of ten individuals of general manager rank or lower, auditing group companies and providing guidance for improvement based on those results.

Furthermore, our Internal Audit Office conducts internal audits of those monitoring activities. Group management policies are communicated and management information is shared by holding Tobu Group Corporate Meetings and other meeting on a regular basis in the aim of improving the corporate value of the Group. In addition, to raise the levels of fairness and transparency of the Group's management, the Company conducts regular investor relations events, such as results briefings for analysts and tours of facilities in areas served by our railway stations. It also provides extensive corporate information on its website and will continue to pursue a policy of openness in communications with investors and the general public in a prompt and appropriate manner.



Risks to which the Company's Business is Subject

The following is a list of categories of material risk that could significantly impact the business performance and financial position of the Group, and consequently could have a substantial effect on the decisions of investors.

The forecasts in the text below are based on the assessment of the Tobu Group as of the date of the Ordinary General Meeting of Shareholders (June 23, 2020).

(1) Changes in the Law

In the railway business, permission to engage in railway operations must be obtained from the Ministry of Land, Infrastructure, Transport and Tourism with respect to each railway line and each category of railway-related business under Article 3 of the Railway Business Law. Under Article 16 of the Law, the initial setting and subsequent revision of fares by passenger transport operators must not exceed the upper limits approved by the Ministry. The Minister of Land, Infrastructure, Transport and Tourism conducts a review of whether or not such revisions exceed fair costs incurred as a result of efficient management and fair profits to approve them (fully-distributed cost method). Additionally, the railway operator must apply for permission to the Ministry each time it wishes to revise its fares within the approved upper limits.

The railway business accounts for a large percentage of the Group's business as a whole, so a change in the legal system and the revision of fares could have an impact on the business performance of the Company.

The business operation of the Company and other Group companies must also be in compliance with a variety of laws and regulations. A change in the relevant laws could, therefore, have a substantial effect on the business performance and/or financial position of the Group.

(2) Compliance

The Group conducts operations in compliance with the relevant laws and regulations in each business, but in the event of a violation, the resulting social sanctions and loss of credibility could have an impact on the business performance and/or financial position of the Group.

The Group has established the Tobu Group Basic Policy on Compliance and works to ensure thorough legal compliance and prevent misconduct, such as preparing a compliance manual and enhancing compliance education for all group employees. The Group also promotes the use of the whistleblowing hotline by familiarizing all employees of the Tobu Group with it in an effort to ensure compliance.

(3) Adverse demographic trends/population decline

Currently, the birthrate in Japan is declining, while the population is aging. Although there are differences depending

on the region, it is expected that the population will continue to decline along Tobu Railway lines as well due to the phenomenon. The decrease in population along railway lines and the decrease in working and mobile populations in the long term could have an impact on the business performance and/or financial position of the Group, which is engaged in business with Tobu Railway lines as the main market, primarily in the railway business.

The Group provides comfortable work and school commutes and appealing tourism transportation by improving convenience and speed, including seamless mutual through train operations. At the same time, the Group seeks to provide quality living environments and attract tourists from home and abroad. We are working to promote permanent residence and create a non-resident population by improving the value of our railway lines through these efforts.

(4) Changes in the competitive environment

The Group is engaged in a wide range of businesses in addition to the railway business. Worsening of the supply and demand situation or intensification of competition arising from significant changes in the business environment or the emergence of competing business operators could have an impact on the business performance and/or financial position of the Group.

The Group will provide optimal services to customers in a timely and flexible manner by accurately identifying changes in the business environment and customer needs and tying that into the development of new services as well as by reviewing the existing business portfolio.

(5) Natural disasters

The Group believes that ensuring safety is the most important thing for earning customer trust in each business, including the railway business, and makes every possible effort toward that end. However, in the event that it becomes difficult to ensure safety due to an unforeseen accident, natural disaster, terrorist attack, war, etc., it could impact the business performance and/or financial position of the Group. Additionally, in the event that people are prevented from or refrain from going out due to typhoons, heavy snow, extreme heat or other poor weather or the occurrence of a pandemic, the decrease in use of passenger transportation, hotels,

Risks to which the Company's Business is Subject

tourist facilities, etc. could have an impact on the business performance and/or financial position of the Group, especially the transportation and leisure businesses.

Based on the belief that safety is the foundation of all business, the Group works to establish a safety management system with the top priority of ensuring the safety of customers and employees and to strengthen and enhance the crisis management system, including establishing a business continuity plan in preparation for a large-scale natural disaster or other emergency situation. We will continue to review our safety promotion system on an ongoing basis and engage in efforts to create a culture of safety.

We are also putting utmost effort into implementing measures to prevent the spread of COVID-19 among our customers and employees, working to both prevent the spread and bring about a business recovery as soon as possible while ensuring the continuation of businesses essential for maintaining stability in the daily lives of Japanese citizens, including the railway business.

(6) Human resources

The Group requires a large work force in our railway and other businesses. As such, a sharp rise in personnel expenses or difficulty securing human resources in conjunction with the shrinking and aging population could have an impact on the business performance and/or financial position of the Group.

To secure human resources, the Group is working to ensure a comfortable work environment for continuous employment, including steady hiring, support for diverse work styles, enhancement of benefits, training, and promotion of employee health. At the same time, we will promote the utilization of new technologies such as auto driving, and work to economize and streamline the manpower required for business operations.

(7) Changes in procurement interest rates

The Tobu Group constantly invests in equipment in its business operations, and the funds required for these capital investments are raised principally through the issuing of corporate bonds or by borrowing from financial institutions. Because of these facts, an upward movement in interest rates in the future would increase the Group's interest payment burden, and this could have a substantial effect on the business performance and/or financial position of the Group.

The Group raises funds in a timely and optimal manner, taking into account medium- to long-term interest rates, by monitoring the consolidated balance of interest-bearing debt and working to diversify the means of raising funds.

(8) Sharp rises in the cost of resources

The Group uses electricity and fuel for power, primarily in the railway, bus and taxi, and freight businesses. An increase in electricity charges or fuel prices arising from a sharp rise in the cost of resources could impact the business performance and/or financial position of the Group.

The Group is working to control costs and build a sustainable society, including by reducing energy consumption and CO2 emissions through the introduction of energy-saving vehicles and equipment.

(9) Information security measures

The Group uses many information systems in various fields of business, including the railway business. A serious failure in the function of these systems due to a cyber-attack, unauthorized access, computer virus, artificial manipulation, etc. could have an impact on the business performance and/or financial position of the Group.

The Group has prepared rules in accordance with our Information Security Policy and implements improvements to information security functions and employee education. At the same time, we have established a group-wide system that enables a swift response in the event of a problem.

(10) Management of personal information

The Group manages databases containing information on individual customers in each business. In the event of an information leak, the resulting compensation for damages, loss of credibility, etc. could impact the business performance and/or financial position of the Group.

The Group exercises due care when handling information and manages it accordingly. This includes the establishment of in-house protection regulations on the acquisition and use of information, the development of a management system, and fully enforcing information management by related parties as well as strengthening the development and supervision of confidentiality when outsourcing information processing.

The above is a list of the principal categories of risk thought to apply to the business operations of the Tobu Group, but it is not intended to be an exhaustive list of all risks.

Five-Year Summary

(Years ended March 31, TOBU RAILWAY CO., LTD. and Subsidiaries)

Consolidated

	Millions of Yen				
	2016	2017	2018	2019	2020
Revenues from operations.....	¥ 574,334	¥ 568,887	¥ 569,519	¥ 617,543	¥ 653,874
Operating income.....	64,399	68,335	66,645	67,295	62,653
Profit attributable to owners of parent.....	27,277	36,137	36,025	28,024	35,530
Net assets	411,282	442,772	460,582	469,276	473,969
Total assets	1,592,475	1,597,733	1,618,274	1,643,190	1,656,092
	Yen				
Net income per share — basic	¥25.54	¥33.76	¥168.87	¥168.87	¥168.84
Net income per share — diluted	25.47	—	—	—	—

Sales by Sector

	Millions of Yen				
	2016	2017	2018	2019	2020
Transportation	¥ 216,631	¥ 216,170	¥ 215,802	¥ 217,107	¥ 215,427
Leisure.....	79,006	76,792	78,620	77,944	72,072
Real estate	54,505	55,828	53,649	61,943	67,912
Retail distribution.....	199,442	194,915	192,808	228,161	266,418
Other	91,027	94,507	96,896	103,014	110,513

Non-Consolidated

	Millions of Yen				
	2016	2017	2018	2019	2020
Revenues from operations.....	¥ 222,617	¥ 223,761	¥ 222,356	¥ 231,906	¥ 232,788
Operating income.....	47,334	50,597	50,167	51,547	47,979
Net income	22,361	28,771	23,102	30,850	27,071
Net assets	329,981	355,220	364,933	383,452	383,618
Total assets	1,472,169	1,487,353	1,512,122	1,559,584	1,560,929
	Yen				
Dividends per share of common stock.....	¥6	¥6.5	—*	¥35	¥40

* Fiscal 2017 results have been reclassified in conjunction with the partial amendments to accounting standard for tax effect accounting.

Consolidated Balance Sheet

March 31, 2019 and 2020

Assets	Millions of Yen	
	2019	2020
Current assets		
Cash and deposits	¥ 28,629	¥ 31,593
Notes and accounts receivable - trade	61,323	53,384
Short-term loans receivable.....	1,221	1,160
Securities	1,163	58
Land and buildings for sale in lots	31,347	21,673
Prepaid expenses	2,756	2,852
Other	28,053	30,858
Allowance for doubtful accounts.....	(204)	(196)
Total current assets	154,291	141,385
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	541,695	543,177
Machinery, equipment and vehicles, net.....	83,773	86,284
Land	634,281	637,388
Construction in progress	83,786	116,462
Other, net	16,569	17,408
Total property, plant and equipment	1,360,105	1,400,720
Intangible assets		
Public facilities charges	1,199	884
Other	19,476	17,023
Total intangible assets.....	20,675	17,908
Investments and other assets		
Investment securities.....	65,170	50,728
Long-term loans receivable	165	143
Claims provable in bankruptcy, claims provable in rehabilitation and other.....	964	894
Net defined benefit asset	2,762	2,817
Deferred tax assets.....	12,866	15,199
Other	27,864	27,893
Allowance for doubtful accounts.....	(1,676)	(1,599)
Total investments and other assets	108,117	96,077
Total non-current assets	1,488,899	1,514,706
Total assets	¥ 1,643,190	¥ 1,656,092

Liabilities	Millions of Yen	
	2019	2020
Current liabilities		
Notes and accounts payable - trade	¥ 44,093	¥ 47,454
Short-term loans payable.....	45,084	43,466
Current portion of long-term loans payable	69,764	54,380
Current portion of bonds	19,700	34,420
Accrued expenses	7,108	6,716
Accrued consumption taxes.....	3,020	2,727
Income taxes payable	10,790	8,361
Advances received.....	77,032	89,358
Provision for bonuses	2,970	2,773
Allowance for collection loss on gift certificates and other items.....	4,501	4,674
Asset retirement obligations.....	93	351
Other	85,505	84,606
Total current liabilities.....	369,665	379,291
Non-current liabilities		
Bonds payable	137,700	133,820
Long-term loans payable.....	504,148	511,451
Long-term accounts payable to Japan railway construction, transport and technology agency	14,160	10,327
Deferred tax liabilities	5,841	3,939
Deferred tax liabilities for land revaluation.....	50,395	50,606
Provision for directors' retirement benefits.....	919	898
Net defined benefit liability	51,186	51,732
Asset retirement obligations.....	2,720	2,654
Other.....	37,175	37,401
Total non-current liabilities	804,248	802,830
Total liabilities.....	1,173,914	1,182,122
Net assets		
Shareholders' equity		
Capital stock.....	102,135	102,135
Capital surplus.....	59,723	50,863
Retained earnings	229,476	256,511
Treasury stock	(3,450)	(4,442)
Total shareholders' equity	387,884	405,069
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities.....	21,520	11,365
Revaluation reserve for land.....	47,856	47,506
Foreign currency translation adjustment	65	58
Remeasurements of defined benefit plans	4,031	1,648
Total accumulated other comprehensive income.....	73,474	60,578
Non-controlling interests.....	7,917	8,321
Total net assets	469,276	473,969
Total liabilities and net assets.....	¥ 1,643,190	¥ 1,656,092

Consolidated Statements of Income and Comprehensive Income

Years ended March 31, 2019 and 2020

Consolidated Statement of Income	Millions of Yen	
	2019	2020
Revenues from operations	¥ 617,543	¥ 653,874
Operating expenses		
Operating expenses and cost of sales of transportation.....	433,253	467,065
Selling, general and administrative expenses.....	116,995	124,154
Total operating expenses	550,248	591,220
Operating income (loss).....	67,295	62,653
Non-operating income		
Interest income	29	30
Dividend income	1,604	1,630
Dividends income of insurance	502	495
Share of profit of entities accounted for using equity method	111	—
Other.....	2,037	1,947
Total non-operating income	4,285	4,103
Non-operating expenses		
Interest expenses	6,766	6,501
Share of loss of entities accounted for using equity method.....	—	69
Other.....	1,841	1,772
Total non-operating expenses.....	8,607	8,343
Ordinary income (loss)	62,972	58,414
Extraordinary income		
Contribution for construction.....	2,026	3,373
Gain on sales of investment securities	3,426	189
Other.....	906	732
Total extraordinary income	6,359	4,296
Extraordinary losses		
Loss on retirement of non-current assets	1,835	1,495
Loss on reduction of non-current assets.....	2,009	3,284
Impairment loss.....	21,790	2,421
Other.....	2,079	1,351
Total extraordinary losses.....	27,715	8,552
Net income before income taxes.....	41,616	54,157
Income taxes - current.....	19,647	17,210
Income taxes - deferred.....	(6,530)	981
Total income taxes	13,116	18,191
Profit (loss).....	28,499	35,966
Profit (loss) attributable to non-controlling interests	475	436
Profit attributable to owners of parent.....	28,024	35,530

Consolidated Statement of Comprehensive Income	Millions of Yen	
	2019	2020
Profit (loss).....	28,499	35,966
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,032)	(10,168)
Revaluation reserve for land.....	—	(327)
Foreign currency translation adjustment	(19)	(7)
Remeasurements of defined benefit plans, net of tax	1,035	(2,383)
Share of other comprehensive income of entities accounted for using equity method.....	103	(0)
Total other comprehensive income.....	(4,911)	(12,886)
Comprehensive income.....	23,587	23,079
Profit attributable to		
Comprehensive income attributable to owners of parent.....	23,110	22,657
Comprehensive income attributable to non-controlling interests.....	477	422

Consolidated Statement of Changes in Equity

Previous Consolidated Fiscal Year
(April 1, 2018 to March 31, 2019)

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	¥102,135	¥61,948	¥208,973	¥(3,423)	¥369,634
Changes of items during period					
Dividends of surplus.....			(7,394)		(7,394)
Profit (loss) attributable to owners of parent.....			28,024		28,024
Purchase of treasury stock.....				(32)	(32)
Disposal of treasury stock		(0)		5	4
Retirement of treasury stock		—	—	—	—
Reversal of revaluation reserve for land.....			(126)		(126)
Change in parent company equity associated with transactions with non-controlling shareholders		(2,225)			(2,225)
Net changes of items other than shareholders' equity ...					
Total changes of items during period.....	—	(2,225)	20,502	(26)	18,250
Balance as of March 31, 2019	¥102,135	¥59,723	¥229,476	¥(3,450)	¥387,884

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance as of April 1, 2018	¥27,554	¥46,820	¥85	¥2,892	¥77,352	¥13,595	¥460,582	
Changes of items during period								
Dividends of surplus.....							(7,394)	
Profit (loss) attributable to owners of parent.....							28,024	
Purchase of treasury stock.....							(32)	
Disposal of treasury stock							4	
Retirement of treasury stock							—	
Reversal of revaluation reserve for land.....							(126)	
Change in parent company equity associated with transactions with non-controlling shareholders							(2,225)	
Net changes of items other than shareholders' equity ...	(6,034)	1,035	(19)	1,139	(3,877)	(5,678)	(9,556)	
Total changes of items during period.....	(6,034)	1,035	(19)	1,139	(3,877)	(5,678)	8,693	
Balance as of March 31, 2019	¥21,520	¥47,856	¥65	¥4,031	¥73,474	¥7,917	¥469,276	

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	¥102,135	¥59,723	¥229,476	¥(3,450)	¥387,884
Changes of items during period					
Dividends of surplus.....			(7,922)		(7,922)
Profit (loss) attributable to owners of parent.....			35,530		35,530
Purchase of treasury stock.....				(10,460)	(10,460)
Disposal of treasury stock		(0)		1	1
Retirement of treasury stock		(8,871)	(595)	9,467	—
Reversal of revaluation reserve for land.....			23		23
Change in parent company equity associated with transactions with non-controlling shareholders		12			12
Net changes of items other than shareholders' equity ...					
Total changes of items during period.....	—	(8,859)	27,035	(991)	17,184
Balance as of March 31, 2020	¥102,135	¥50,863	¥256,511	¥(4,442)	¥405,069

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance as of April 1, 2019	¥21,520	¥47,856	¥65	¥4,031	¥73,474	¥7,917	¥469,276	
Changes of items during period								
Dividends of surplus.....							(7,922)	
Profit (loss) attributable to owners of parent.....							35,530	
Purchase of treasury stock.....							(10,460)	
Disposal of treasury stock							1	
Retirement of treasury stock							—	
Reversal of revaluation reserve for land.....							23	
Change in parent company equity associated with transactions with non-controlling shareholders							12	
Net changes of items other than shareholders' equity ...	(10,154)	(350)	(7)	(2,383)	(12,896)	404	(12,491)	
Total changes of items during period.....	(10,154)	(350)	(7)	(2,383)	(12,896)	404	4,692	
Balance as of March 31, 2020	¥11,365	¥47,506	¥58	¥1,648	¥60,578	¥8,321	¥473,969	

Consolidated Statement of Cash Flows

Years ended March 31, 2019 and 2020

	Millions of Yen	
	2019	2020
Cash flows from operating activities		
Net income before income taxes	¥ 41,616	¥ 54,157
Depreciation	53,477	55,442
Impairment loss	21,790	2,421
Share of (profit) loss of entities accounted for using equity method	(111)	69
Increase (decrease) in allowance for doubtful accounts	(570)	(85)
Increase (decrease) in provision for bonuses	33	(192)
Increase (decrease) in net defined benefit liability	(1,015)	(2,577)
Provision for directors' retirement benefits	93	(20)
Increase (decrease) in allowance for collection loss on gift certificates and other items	124	173
Interest and dividend income	(1,637)	(1,661)
Interest expenses	6,766	6,501
Contribution for construction	(2,402)	(3,560)
Loss on retirement of non-current assets	1,634	1,767
Loss on reduction of non-current assets	2,009	3,284
Decrease (increase) in notes and accounts receivable - trade	452	7,931
Decrease (increase) in inventories	(3,637)	7,368
Increase (decrease) in notes and accounts payable - trade	361	3,399
Other	(2,527)	(9,296)
Subtotal	116,459	125,122
Interest and dividend income received	1,627	1,662
Interest expenses paid	(6,716)	(6,460)
Income taxes (paid) refund	(23,179)	(19,188)
Cash flows from operating activities	88,191	101,136
Cash flows from investing activities		
Net decrease (increase) in short-term loans receivable	88	(4)
Payments of long-term loans receivable	(41)	(7)
Collection of long-term loans receivable	751	17
Purchase of short-term and long-term investment securities	(35)	(571)
Proceeds from sales and redemption of short-term and long-term investment securities	5,486	1,618
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(14,559)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	102
Purchase of property, plant and equipment and intangible assets	(78,999)	(93,721)
Proceeds from sales of property, plant and equipment and intangible assets	1,353	420
Proceeds from contribution received for construction	10,382	16,738
Payments for guarantee deposits	(607)	(298)
Proceeds from collection of guarantee deposits	640	469
Other	(555)	(385)
Cash flows from investing activities	(76,094)	(75,621)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,894)	(1,304)
Proceeds from long-term loans payable	77,922	62,246
Repayments of long-term loans payable	(58,387)	(70,328)
Proceeds from issuance of bonds	20,000	30,600
Payments for redemption of corporate bonds	(20,000)	(19,760)
Purchase of subsidiary treasury stock	(4,504)	—
Net decrease (increase) in treasury stock	(27)	(10,458)
Cash dividends paid	(7,390)	(7,920)
Redemption of accounts payable to Japan railway construction, transport and technology agency	(7,645)	(4,905)
Dividends paid to non-controlling interests	(5)	(6)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(5,088)	(1)
Other	(576)	(738)
Cash flows from financing activities	(8,598)	(22,577)
Effect of exchange rate change on cash and cash equivalents	(30)	(10)
Net increase (decrease) in cash and cash equivalents	3,468	2,927
Cash and cash equivalents at beginning of period	25,011	28,479
Cash and cash equivalents at end of period	¥ 28,479	¥ 31,407

Corporate Directory

Board of Directors and the Audit & Supervisory Board (As of July 1, 2020)

President and Representative Director

Yoshizumi Nezu

Representative Director

Hiroaki Miwa

Directors

Koichi Sekiguchi

Akihiro Ojira

Toshiaki Onodera

Yoshimi Yokota

Tsutomu Yamamoto

Atsushi Shigeta

Outside Directors

Mitsuyoshi Shibata

Takaharu Ando

Noriko Yagasaki

Masanori Yanagi

Standing Audit & Supervisory Board

Members

Naotaka Nakajima

Hiroya Otsuka

External Audit & Supervisory Board Members

Yuzaburo Mogi

Shuji Fukuda

Nobuhide Hayashi

Investor Information (As of March 31, 2020)

TOBU RAILWAY CO., LTD.

Registered Office:

1-2 Oshiage 1-chome, Sumida-ku,
Tokyo 131-8522, Japan
<http://www.tobu.co.jp/>

Head Office:

18-12 Oshiage 2-chome, Sumida-ku,
Tokyo 131-8522, Japan

Date of Establishment:

November 1897

Number of Employees:

3,519

Common Stock:

¥102,135 million

Number of Shareholders:

60,784

Principal Shareholders:

Name	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
The Master Trust Bank of Japan, Ltd. (trust account)	17,255	8.26
Japan Trustee Services Bank, Ltd. (trust account)	8,305	3.97
Fukoku Mutual Life Insurance Company	5,235	2.50
Mizuho Bank, Ltd.	4,653	2.22
STATE STREET BANK WEST CLIENT- TREATY 505234	4,441	2.12
Japan Trustee Services Bank, Ltd. (trust account 5)	4,292	2.05
JP MORGAN CHASE BANK 385151	3,564	1.70
Nippon Life Insurance Company	3,187	1.52
Japan Trustee Services Bank, Ltd. (trust account 7)	3,169	1.51
MUFG Bank, Ltd	2,803	1.34

Securities Traded:

Common Stock

Tokyo Stock Exchange, 1st Section

Annual Meeting of Shareholders:

The annual meeting of shareholders is normally held in June.

Transfer Agent and Registrar:

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku,

Tokyo 100-8233, Japan

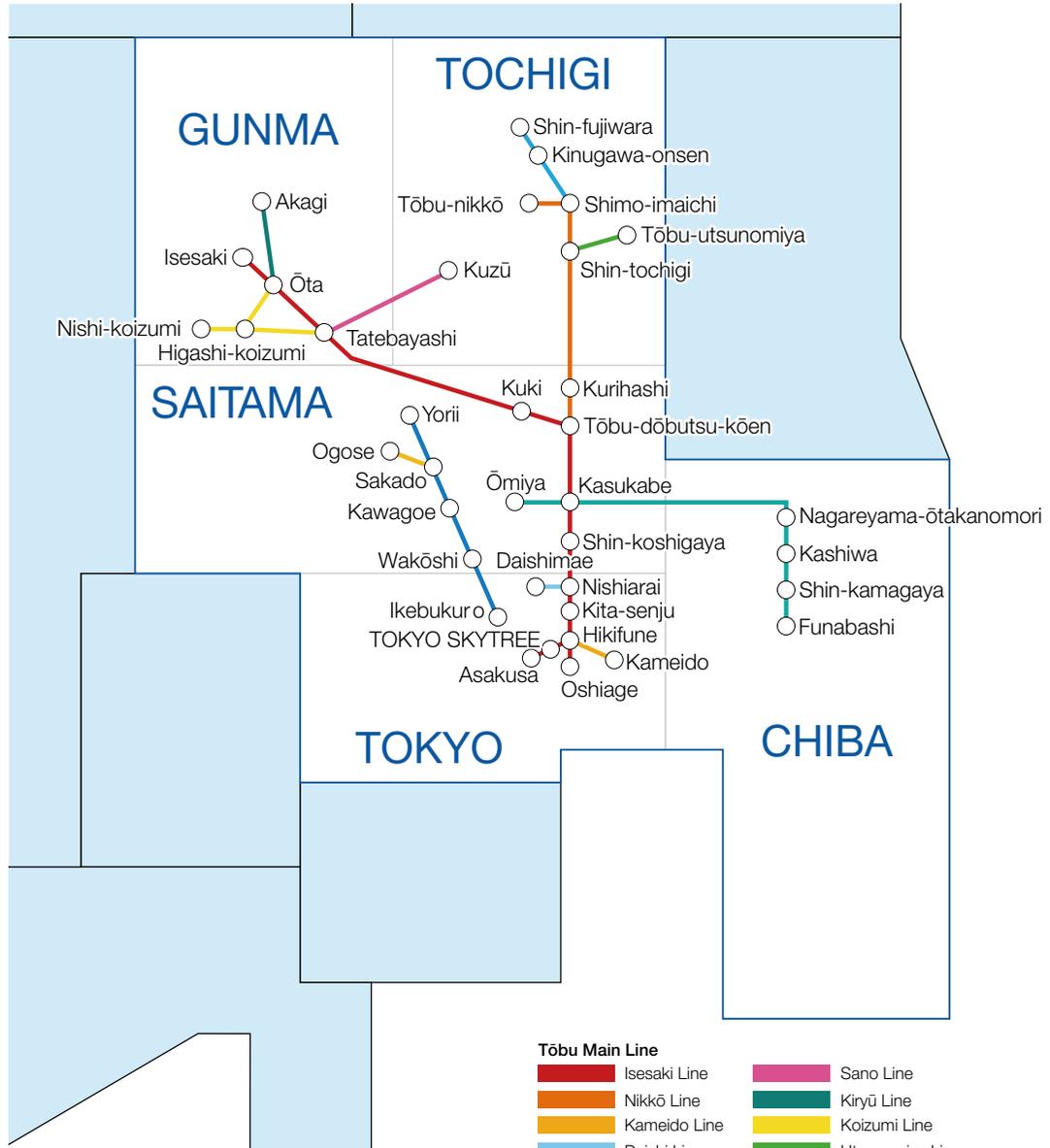
TOBU RAILWAY CO., LTD.

Head Office:

18-12 Oshiage 2-chome, Sumida-ku, Tokyo 131-8522, Japan

<https://www.tobu.co.jp/foreign/en/>

Tobu Railway Lines (major stations only)



* The Isesaki Line between Asakusa/Oshiage Station and Tōbu-dōbutsu-kōen Station is nicknamed "TOBU SKYTREE Line"
 * The Noda Line is nicknamed "TOBU URBAN PARK Line"