

ANNUAL REPORT 2021



TOBU RAILWAY CO., LTD.

Management Philosophy and Policy

(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



In regard to the economic situation and trends in 2020, the Group was heavily impacted by the sharp decline in foreign tourists and rapid drop in domestic consumption as well as stay-at-home measures associated with declarations of a state of emergency and voluntary event cancellations due to the global spread of COVID-19.

The business environment is expected to remain harsh in fiscal 2021, but we will put every effort into supporting the lives of our customers, primarily through the railway business, which is part of the social infrastructure, and promoting further social progress.

Although the future is uncertain in the business environment surrounding the Group, we will aim to establish a new medium-term business plan as soon as possible and promote enhancement of our management structure in fiscal 2021 by establishing business policies for promotion of business structure reform, Group business consolidation and withdrawal, and promotion of businesses that address diversification of daily life needs.

In regard to promotion of business structure reform, we will review our business management structure and promote increased efficiency and labor savings through cost reduction measures to develop a structure that allows us to secure consolidated recurring income even in a harsh business

environment that makes it difficult to secure steady revenue.

In regard to Group business consolidation and withdrawal, we will review our business portfolio and carefully investigate the management situation and challenges at Group businesses as well as the effect on future Group synergy. Afterward, we will restructure the business through consolidation and withdrawal.

As for promotion of businesses that address diversification of daily life needs, we will provide services adapted to the changes in the social environment by utilizing digital technology and leverage our railway network, which is our strength and includes cities, suburbs, and tourist areas, to accomplish the objective.

The Tobu Group will continue to provide kindness with power of connections and create areas where people want to continue to live and visit in order to realize sustainable development together with society.

Yoshizumi Nezu

President and Representative Director

Tobu Group Strategy Based on Changes in Business Environment

Promotion of sustainable business

The business environment has changed significantly due to the impact of COVID-19, but we will take the steps below to ensure business continuity into the future.

■ Promotion of business structure reform

Strengthen management structure by promoting establishment of plan to lower break even point and address needs

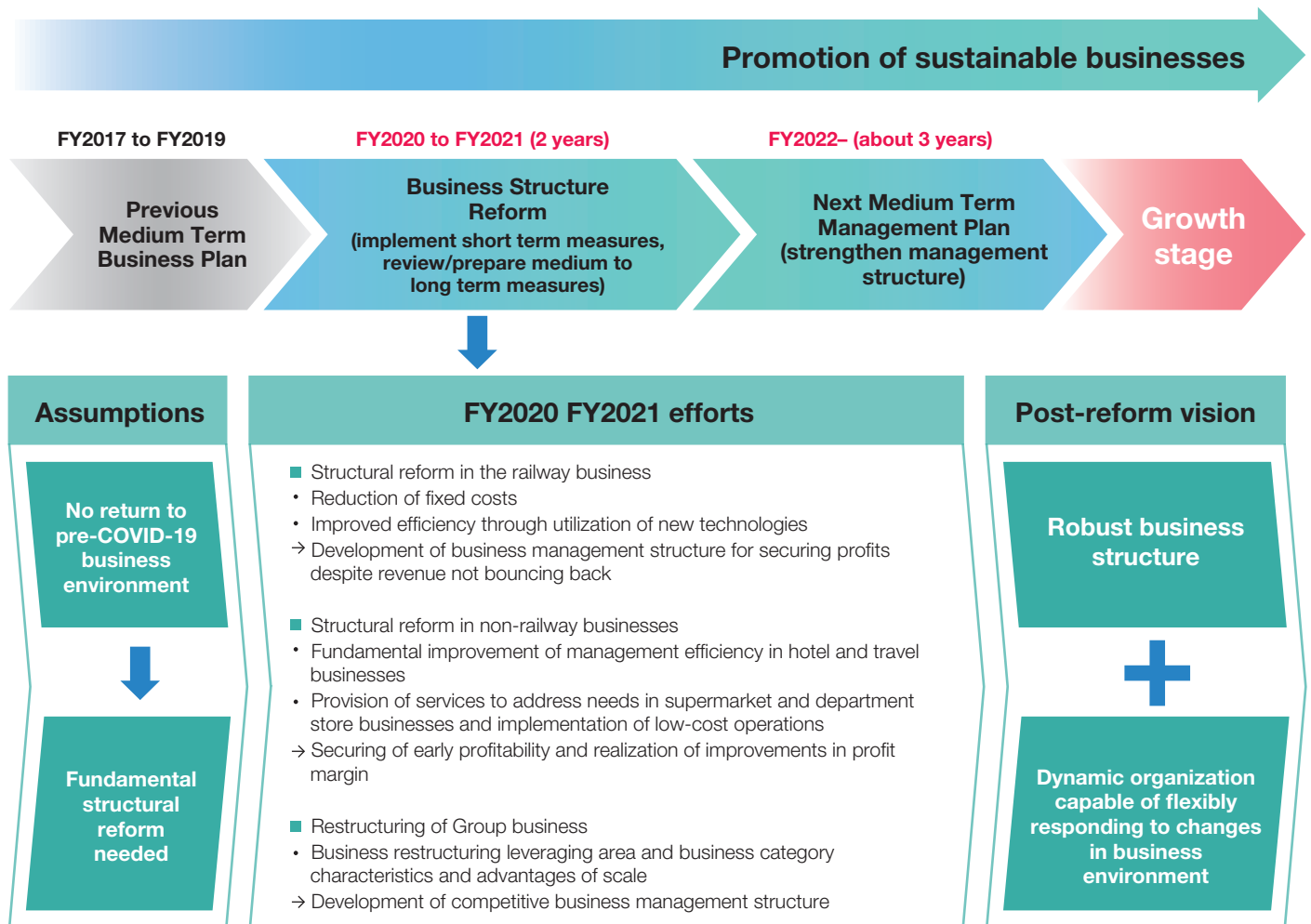
■ Group business consolidation and withdrawal

Promote establishment of strong Group management foundation by restructuring businesses after identifying management challenges

■ Promotion of businesses that address diversification of daily life needs

Provide services to address needs utilizing railway network in urban, suburban, and tourist areas

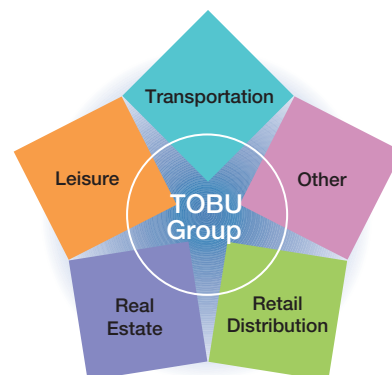
Future road map



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.

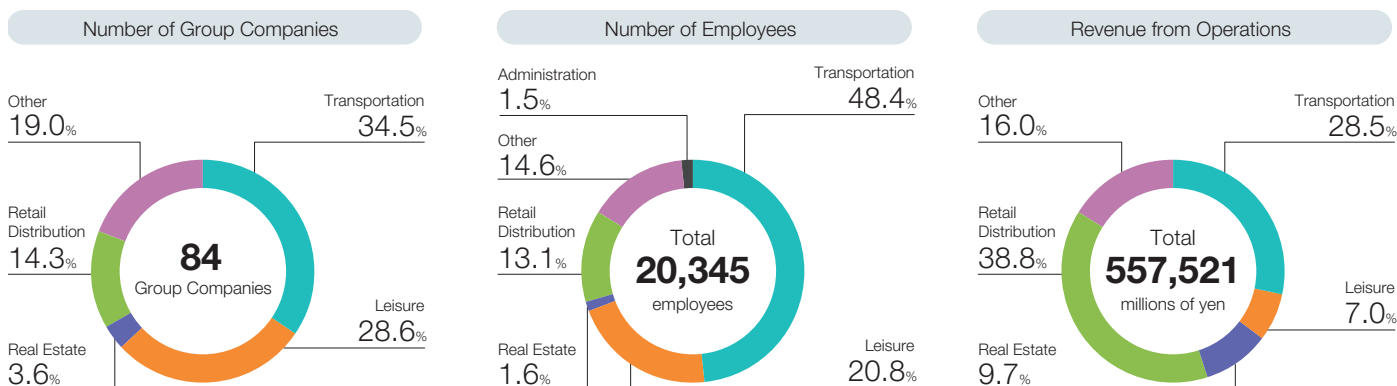
In addition to TOKYO SKYTREE™, we operate the Tobu Zoological Park and TOBU WORLD SQUARE. Group companies manage enterprises in such fields as travel, city and resort hotels, inns, skiing facilities, golf courses, sports clubs, ropeways, and sightseeing vessels.

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

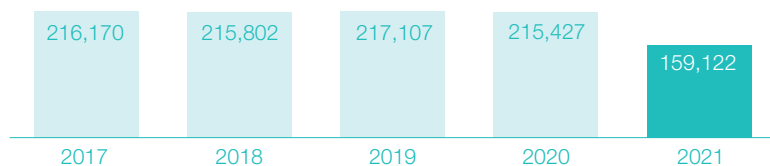


*Figures above are before elimination of inter-company transactions.

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.

In terms of safety, we promoted elevation projects and installed additional platform doors as a safety measure on platforms. We also conducted counter-terrorism drills in collaboration with police and fire departments.



TH LINER



TABETE Rescue direct sales depot

In terms of operations, we launched service of TH Liner, a train with designated seating, via mutual through train operations between the Tobu and Tokyo Metro Hibiya lines and worked to improve convenience by opening new stations. In the Nikko/Kinugawa area, we launched service of the second Taiju steam locomotive, allowing us to offer four round-trips between Shimo-imaichi Station and Kinugawa-onsen Station via two steam locomotives. In addition to providing customers with more opportunities to ride these trains, we worked on regional revitalization.

In the bus and taxi business, we launched operations of a fuel cell bus with superior environmental performance and a high safety rating that does not emit carbon dioxide or substances of environmental concern.

Overall, in the transportation business, revenue from operations fell to ¥159,122 million (a decrease of 26.1% year on year) due to a substantial decrease in revenue from commuter passengers and non-commuter passengers caused by two declarations of a state of emergency and people staying home and telecommuting in response to the spread of COVID-19. Although we worked to reduce expenditures, including reviewing our construction plans, we recorded an operating loss of ¥5,224 million (as compared to operating income of ¥37,659 million the previous year).

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.*

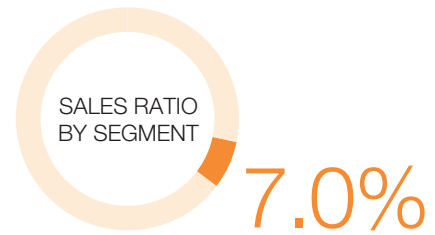
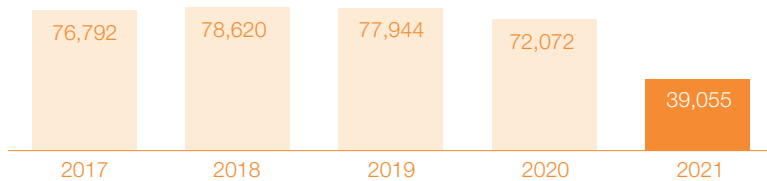
25 other firms

Notes: *Consolidated Subsidiary.

TOBU RAILWAY CO., LTD. is counted multiple times in the above segment breakdown.

Leisure

Sales by Sector (¥ million)



AC Hotel by Marriott Tokyo Ginza



ASAKUSA TOBU HOTEL

In the SKYTREE business, TOKYO SKYTREE® held a campaign offering half-price observation deck admission for a limited time and collaborative events with popular anime titles to attract customers.

In the hotels business, THE RITZ CARLTON NIKKO, Tochigi Prefecture's first luxury hotel, AC Hotel by Marriott Tokyo Ginza, the first location of the brand in Japan, and accommodation-type hotels in Wako City, Kawagoe City, and Asakusa were opened.

In the amusement parks and tourism business, Tobu Zoological Park held a collaborative event with popular anime titles and male voice actors, and TOBU WORLD SQUARE held illumination events, including exhibits in the garden, to attract customers.

In the leisure business overall, despite working to attract customers while implementing measures to prevent infection, revenues from operations dropped to ¥39,055 million (a decrease of 45.8% year on year), and we recorded an operating loss of ¥18,484 million (as compared to operating income of ¥3,116 million the previous year). This was mainly a result of the substantial decrease in domestic travel due to people staying home and the sharp decline in foreign tourists due to immigration restrictions as well as our suspension of operations following the first declaration of a state of emergency.

Leisure (32 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.*

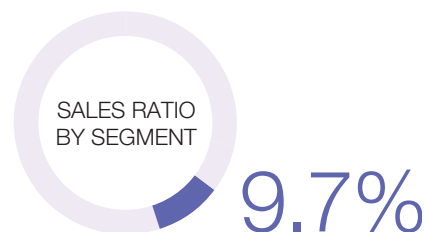
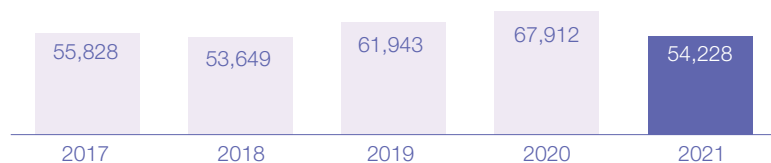
25 other firms

Notes: *Consolidated Subsidiary.

TOBU RAILWAY CO., LTD. is counted multiple times in the above segment breakdown.

Real Estate

Sales by Sector (¥ million)



Solaie Plus Work Sakado



SOLAIECITY THE PARK/THE GARDEN

In the SKYTREE TOWN business, we worked to attract customers by holding various events at TOKYO SOLAMACHI®, and carrying out large-scale renovations, including inviting famous stores from each area of Japan and outdoor fashion stores based on demand during the COVID-19 pandemic and changes in the environment.

In the real estate leasing business, we opened TOKYO mizumachi®, a commercial complex under the elevated railway, in the Asakusa/TOKYO SKYTREE area and the new Sumida River Walk pedestrian bridge beside Sumidagawa Bridge. In addition, we opened a rental condominium with workspaces to tenants along with four satellite offices for achieving close proximity between work and residence to contribute to an increase in workspaces near where people live, thereby promoting urban development for greater convenience.

In the real estate subdivision business, sales of condominiums in Soka City and detached houses in Noda City were favorable owing to increased appreciation for large-scale properties near suburban stations offering improved convenience of life in conjunction with the rise of telecommuting.

In the real estate business overall, although sales of houses built for sale were strong, revenues from operations fell to ¥54,228 million (a decrease of 20.1% year on year), and operating income was ¥13,702 million (a decrease of 5.3% year on year). This was primarily due to suspension of operations at commercial facilities and rent reductions.

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.*

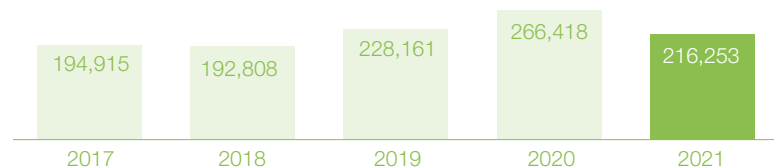
1 other firm

Notes: *Consolidated Subsidiary.

TOBU RAILWAY CO., LTD. is counted multiple times in the above segment breakdown.

Retail Distribution

Sales by Sector (¥ million)



TOBU STORE Fresh&Quick

In the retail distribution business, we implemented sales measures adapted to new lifestyles, including introducing online shopping for a local food fair at TOBU DEPARTMENT STORE CO., LTD.

In the supermarket business, TOBU STORE Co., Ltd. newly opened two supermarkets in an effort to increase revenue.

In the retail distribution business overall, revenues from operations fell to ¥216,253 million (a decrease of 18.8% year on year), and we recorded an operating loss of ¥5,384 million (as compared to operating income of ¥3,364 million the previous year). This was primarily a result of our suspension of operations at department stores due to the declaration of a state of emergency and people staying home despite the increased sales and income at supermarkets as a result of increased demand for eating at home and the opening of new stores.

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 ¥88,863 million (a decrease of 19.6% year on year), and operating income was ¥2,876 million (a decrease of 46.5% 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.

Financial Review (Consolidated)

In the supermarkets business, sales were up owing to increased demand for eating at home in conjunction with people refraining from going out. However, sales were down in all other segments, primarily the railway, hotels, and department stores businesses, due to two declarations of a state of emergency and people subsequently staying home and continuing to work from home to stop the spread of infections on top of temporary closures of some leisure and commercial facilities at the request of municipalities. As such, revenue from operations fell to ¥496,326 million (a decrease of 24.1% year on year).

Although income was up in the supermarkets business owing to increased sales, revenue from operations was down in all other segments. As a result, we recorded an operating loss of ¥13,577 million (as compared to operating income of ¥62,653 million the previous year).

We recorded a recurring loss of ¥9,892 million (as compared to recurring income of ¥58,414 million the previous year).

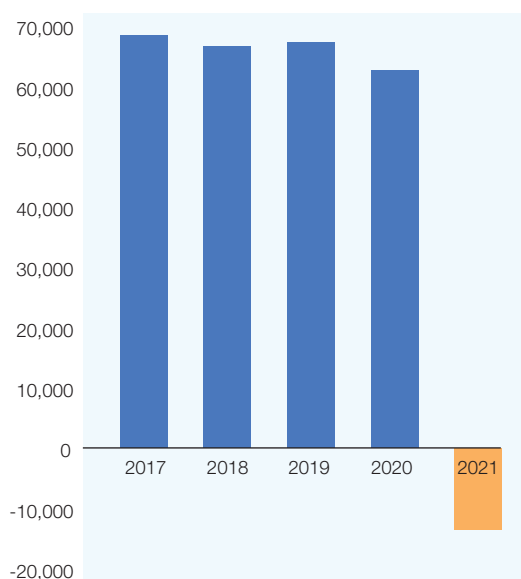
As a result of the above, we recorded a net loss before income taxes and minority interests of ¥22,279 million (as compared to net income before income taxes and minority interests of ¥54,157 million the previous year) and a net loss after deduction of income taxes and minority interests of ¥25,149 million (as compared to net income of ¥35,966 million the previous year). Additionally, we recorded a net loss attributable to owners of the parent company after deduction of net loss attributable to noncontrolling interests of ¥24,965 million (as compared to net income attributable to owners of the parent company of ¥35,530 million the previous year).

Total assets at the end of the fiscal year were ¥1,682,497 million, up ¥26,405 million compared to the end of the previous consolidated fiscal year (an increase of 1.6% year on year). This was a result of increased cash and deposits and investment securities.

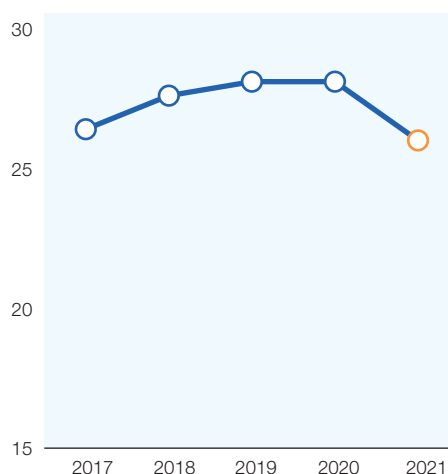
Liabilities came in at ¥1,229,393 million, up ¥47,270 million compared to the end of the previous consolidated fiscal year (an increase of 4.0% year on year). This was primarily due to an increase in interest-bearing debt despite a decrease in notes and accounts payable - trade.

Net assets were ¥453,103 million, down ¥20,865 million compared to the end of the previous consolidated fiscal year (a decrease of 4.4% year on year) owing primarily to the recording of a net loss 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

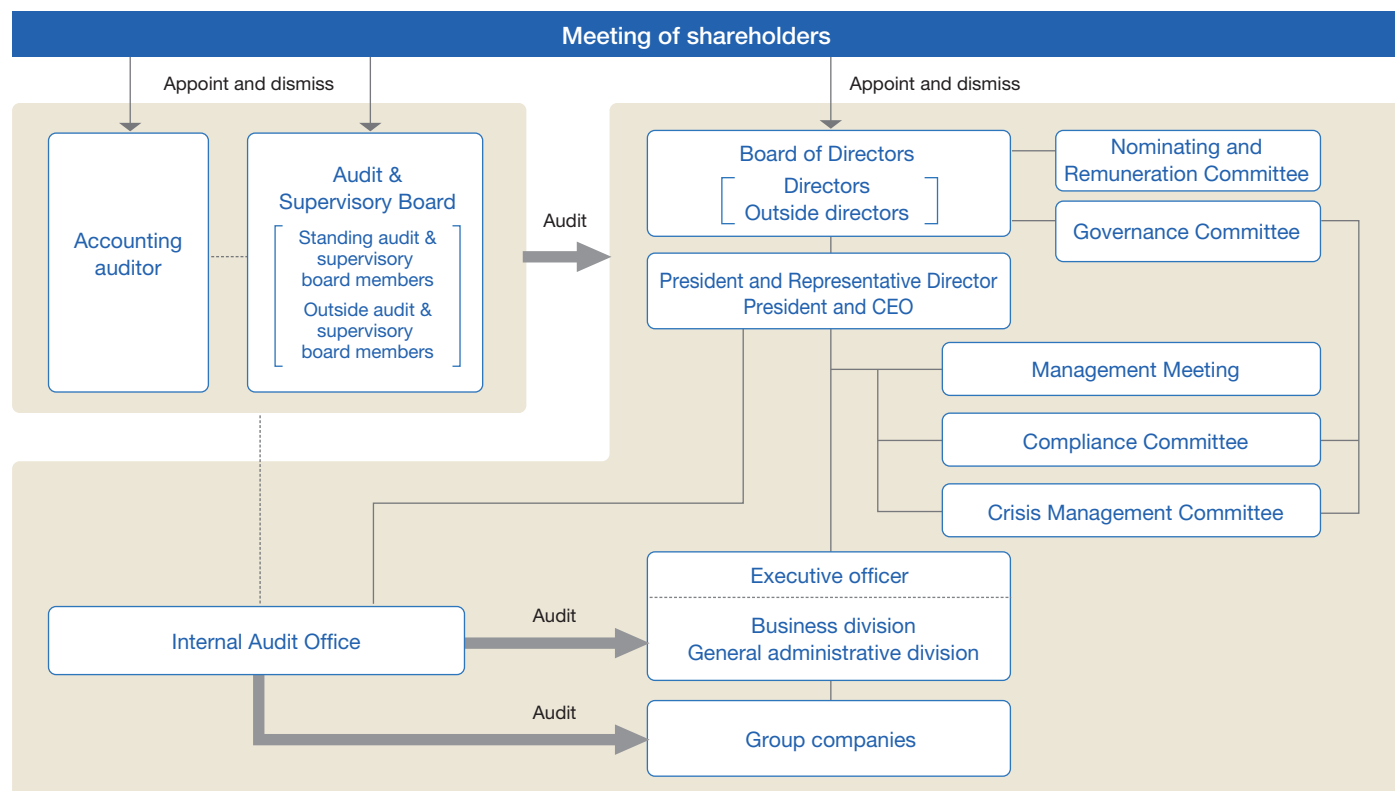
Additionally, to further increase the effectiveness of corporate governance, we have established a Governance Committee, which is chaired by the President and Representative Director and consists of representative directors, outside directors and standing audit & supervisory board members. In response 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

We identified four categories of 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. These were risks impacting the business environment and business model, risks related to securing of safety and peace of mind, risks related to securing management resources, and risks related to corporate governance.

The forecasts in the text below are based on the assessment of the Group as of the date of the General Meeting of Shareholders (June 23, 2021).

(1) Risks impacting the business environment and business model

i. 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.

ii. Rapid acceleration of population decline and aging of society due to drop in birth rate

The total fertility rate in Japan began declining in 2016, and the number of births also continues to drop. COVID-19 is expected to further accelerate this trend. Although there are regional differences, population decline and aging of society will continue in the coming years.

For that reason, 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. We are working to promote permanent residence and create a non-resident population.

iii. Lifestyle changes

New lifestyles are taking root due to changes in work styles and daily routines arising from the current spread of COVID-19. We anticipate that needs will continue to change and diversify and do not expect things to return to the way they were before the COVID-19 pandemic.

For that reason, the Group will implement structural reform in order to secure profits even in a harsh business environment that makes it difficult to secure steady revenue. We will promote efficiency and labor savings by reviewing our business management structure and carrying out cost reduction measures.

iv. 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.

For that reason, 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.

v. Pandemics and other public health crises

In the event of a pandemic or other public health crisis leading to lockdowns or people refraining from going out, the number of users, primarily in our transportation and leisure businesses, would decrease sharply, and this could have an impact on the business performance and/or financial position of the Group.

For that reason, we continue to work on measures to prevent the spread of infection so that our customers can use our services safely and with peace of mind.

Risks to which the Company's Business is Subject

(2) Risks related to securing of safety and peace of mind

i. Securing of safety and peace of mind

The Group believes that the securing of safety and peace of mind is the most important thing when it comes to earning customer trust. As such, we take utmost care in that regard, but if a serious accident were to occur leading to long-term suspension of business operations, it could have an impact on the business performance and/or financial position of the Group.

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. We also continue to invest in safety equipment and implement education and training as we endeavor to ensure safety and peace of mind.

ii. Impact of climate change, natural disasters, etc. on business operations and continuity

In recent years, climate change, especially the increase in average temperature, has increased the risk of abnormal weather, including a higher frequency of major typhoons and training storms, which could lead to large-scale natural disasters. In addition to this, if an act of terror or other unpredictable accident were to occur leading to long-term suspension of business operations, it could impact the business performance and/or financial position of the Group.

For that reason, the Group is working to enhance our crisis management system, including establishment of a business continuity plan in preparation for a large-scale natural disaster or other emergency situation while also continuing to work on measures for securing safety, including development of infrastructure that is resistant to natural disasters and establishment of counter-terrorism measures.

iii. Information security measures

The Group uses many information systems in various fields of business. If a serious failure in the function of these systems due to a cyber-attack, unauthorized access, computer virus, artificial manipulation, etc. were to impede our business operations, it 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.

iv. 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.

For that reason, 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, employee education, and fully enforcing information management by related parties as well as strengthening the development and supervision of confidentiality when outsourcing information processing.

(3) Risks related to securing management resources

i. Human resources

The Group requires a large labor force, including for our railway business. To secure diverse human resources, we will endeavor to secure a working environment in which people can work comfortably, including by offering stable employment, responding to diversifying work styles, enhancing benefits, developing and utilizing human resources, and improving health. At the same time, we will promote the utilization of new technologies such as automatic driving as we work to achieve labor savings and efficiency in our operations.

ii. Increase in interest-bearing debt balance and interest rate fluctuation

The Group primarily procures the funds necessary for ongoing capital expenditures in each business through the issuance of corporate bonds and borrowing from financial institutions. In particular, the interest-bearing debt balance has grown due to increased borrowings necessitated by the decrease in revenue associated with the spread of COVID-19. If interest rates were to rise or our credit rating were to be lowered by a credit rating agency, this could result in increased interest payment burden or deterioration of financing terms, which could have an impact on the business performance and/or financial position of the Group.

For that reason, the Group is working on properly managing the consolidated interest-bearing debt balance to reduce it and promoting diversification of fundraising methods in order to procure funds at the right time via the optimal method while taking medium- to long-term interest rates into account.

iii. Sharp rises in the cost of resources

The Group utilizes a large amount of infrastructure equipment, including in our railway business, and uses electricity and fuel to power the equipment. In the event of a sharp rise in the price of resources caused by a natural disaster or deterioration of conditions overseas, it could have an impact on the business performance and/or financial position of the Group.

For that reason, 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.

iv. Drop in portfolio value

The Group possesses assets necessary to engage in development of diverse businesses and investment securities such as stocks. Through thorough management of expenditures and implementation of structural reform, we aim to increase the profitability of our businesses and improve the value of our assets. We also verify the significance of investment securities to our portfolio and gradually shrink our holdings if dilution is likely in the medium to long term.

(4) Risks related to corporate governance

i. 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.

For that reason, the Group has established the 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 Group with it in an effort to ensure compliance.

ii. Human Rights

The Group has established a working environment and programs to eliminate difficulties and employs diverse human resources, but in the event of an infringement of human rights, the resulting social sanctions and loss of credibility could have an impact on the business performances and/or financial position of the Group.

For that reason, the Group has established a system for

carrying out systematic and ongoing education on human rights. In addition to ensuring proper awareness among employees and deepening their understanding, we continue to work on developing a working environment in which employees can do their work enthusiastically as part of our ongoing efforts to ensure respect for human rights.

The above is a list of the principal categories of risk thought to apply to the business operations of the 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				
	2017	2018	2019	2020	2021
Revenues from operations.....	¥ 568,887	¥ 569,519	¥ 617,543	¥ 653,874	¥ 496,326
Operating income.....	68,335	66,645	67,295	62,653	(13,577)
Profit attributable to owners of parent.....	36,137	36,025	28,024	35,530	(24,965)
Net assets	442,772	460,582	469,276	473,969	453,103
Total assets	1,597,733	1,618,274	1,643,190	1,656,092	1,682,497
	Yen				
Net income per share — basic	¥33.76	¥168.87	¥168.87	¥168.84	(¥119.67)
Net income per share — diluted	—	—	—	—	—

Sales by Sector

	Millions of Yen				
	2017	2018	2019	2020	2021
Transportation	¥ 216,170	¥ 215,802	¥ 217,107	¥ 215,427	¥ 159,122
Leisure.....	76,792	78,620	77,944	72,072	39,055
Real estate	55,828	53,649	61,943	67,912	54,228
Retail distribution.....	194,915	192,808	228,161	266,418	216,253
Other	94,507	96,896	103,014	110,513	88,863

Non-Consolidated

	Millions of Yen				
	2017	2018	2019	2020	2021
Revenues from operations.....	¥ 223,761	¥ 222,356	¥ 231,906	¥ 232,788	¥ 167,696
Operating income.....	50,597	50,167	51,547	47,979	7,325
Net income	28,771	23,102	30,850	27,071	(21,607)
Net assets	355,220	364,933	383,452	383,618	363,007
Total assets	1,487,353	1,512,122	1,559,584	1,560,929	1,571,092
	Yen				
Dividends per share of common stock.....	¥6.5	—*	¥35	¥40	¥20

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

Consolidated Balance Sheet

March 31, 2020 and 2021

Assets	Millions of Yen	
	2020	2021
Current assets		
Cash and deposits	¥ 31,593	¥ 45,134
Notes and accounts receivable - trade	53,384	51,085
Short-term loans receivable.....	1,160	1,342
Securities	58	—
Land and buildings for sale in lots	21,673	23,428
Prepaid expenses	2,852	3,139
Other	30,858	34,533
Allowance for doubtful accounts.....	(196)	(211)
Total current assets	141,385	158,452
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	543,177	551,049
Machinery, equipment and vehicles, net.....	86,284	83,315
Land	637,388	637,338
Construction in progress	116,462	112,254
Other, net	17,408	17,616
Total property, plant and equipment	1,400,720	1,401,573
Intangible assets		
Public facilities charges	884	823
Other	17,023	15,451
Total intangible assets.....	17,908	16,274
Investments and other assets		
Investment securities.....	50,728	63,381
Long-term loans receivable	143	117
Claims provable in bankruptcy, claims provable in rehabilitation and other.....	894	877
Net defined benefit asset	2,817	3,261
Deferred tax assets.....	15,199	12,519
Other	27,893	27,618
Allowance for doubtful accounts.....	(1,599)	(1,579)
Total investments and other assets	96,077	106,196
Total non-current assets	1,514,706	1,524,044
Total assets	¥ 1,656,092	¥ 1,682,497

Liabilities	Millions of Yen	
	2020	2021
Current liabilities		
Notes and accounts payable - trade	¥ 47,454	¥ 36,261
Short-term loans payable.....	43,466	73,312
Current portion of long-term loans payable	54,380	54,550
Current portion of bonds	34,420	21,120
Accrued expenses	6,716	7,390
Accrued consumption taxes.....	2,727	1,792
Income taxes payable	8,361	1,987
Advances received	89,358	108,956
Provision for bonuses	2,773	2,081
Allowance for collection loss on gift certificates and other items.....	4,674	4,234
Asset retirement obligations.....	351	124
Other	84,606	85,976
Total current liabilities.....	379,291	397,788
Non-current liabilities		
Bonds payable	133,820	147,200
Long-term loans payable.....	511,451	533,406
Long-term accounts payable to Japan railway construction, transport and technology agency	10,327	6,536
Deferred tax liabilities	3,939	6,312
Deferred tax liabilities for land revaluation.....	50,606	49,999
Provision for directors' retirement benefits.....	898	917
Net defined benefit liability	51,732	47,313
Asset retirement obligations.....	2,654	2,641
Other.....	37,401	37,278
Total non-current liabilities	802,830	831,605
Total liabilities.....	1,182,122	1,229,393
Net assets		
Shareholders' equity		
Capital stock.....	102,135	102,135
Capital surplus.....	50,863	50,864
Retained earnings	256,511	225,891
Treasury stock	(4,442)	(4,447)
Total shareholders' equity	405,069	374,444
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities.....	11,365	20,080
Revaluation reserve for land.....	47,506	47,222
Foreign currency translation adjustment	58	21
Remeasurements of defined benefit plans	1,648	3,186
Total accumulated other comprehensive income.....	60,578	70,510
Non-controlling interests.....	8,321	8,149
Total net assets	473,969	453,103
Total liabilities and net assets.....	1,656,092	1,682,497

Consolidated Statements of Income and Comprehensive Income

Years ended March 31, 2020 and 2021

Consolidated Statement of Income	Millions of Yen	
	2020	2021
Revenues from operations.....	¥ 653,874	¥ 496,326
Operating expenses		
Operating expenses and cost of sales of transportation.....	467,065	396,579
Selling, general and administrative expenses.....	124,154	113,324
Total operating expenses.....	591,220	509,904
Operating income (loss).....	62,653	(13,577)
Non-operating income		
Interest income.....	30	19
Dividend income.....	1,630	1,715
Proceeds from contribution for small construction.....	186	1,340
Subsidy income.....	—	5,864
Other.....	2,256	2,989
Total non-operating income.....	4,103	11,929
Non-operating expenses		
Interest expenses.....	6,501	6,300
Share of loss of entities accounted for using equity method.....	69	160
Other.....	1,772	1,783
Total non-operating expenses.....	8,343	8,244
Ordinary income (loss).....	58,414	(9,892)
Extraordinary income		
Contribution for construction.....	3,373	4,240
Other.....	922	772
Total extraordinary income.....	4,296	5,012
Extraordinary losses		
Loss on retirement of non-current assets.....	1,495	1,020
Loss on reduction of non-current assets.....	3,284	4,236
Impairment loss.....	2,421	6,004
Amortization of goodwill.....	—	3,567
Loss on temporary suspension of operations.....	—	1,929
Other.....	1,351	640
Total extraordinary losses.....	8,552	17,399
Net income (loss) before income taxes.....	54,157	(22,279)
Income taxes - current.....	17,210	2,732
Income taxes - deferred.....	981	137
Total income taxes.....	18,191	2,870
Profit (loss).....	35,966	(25,149)
Profit (loss) attributable to non-controlling interests.....	436	(184)
Profit (loss) attributable to owners of parent.....	35,530	(24,965)

Consolidated Statement of Comprehensive Income	Millions of Yen	
	2020	2021
Profit (loss).....	35,966	(25,149)
Other comprehensive income		
Valuation difference on available-for-sale securities.....	(10,168)	8,721
Revaluation reserve for land.....	(327)	323
Foreign currency translation adjustment.....	(7)	(37)
Remeasurements of defined benefit plans, net of tax.....	(2,383)	1,537
Share of other comprehensive income of entities accounted for using equity method.....	(0)	0
Total other comprehensive income.....	(12,886)	10,545
Comprehensive income.....	23,079	(14,604)
Profit attributable to		
Comprehensive income attributable to owners of parent.....	22,657	(14,426)
Comprehensive income attributable to non-controlling interests.....	422	(178)

Consolidated Statement of Changes in Equity

Previous Consolidated Fiscal Year
(April 1, 2019 to March 31, 2020)

	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						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	Non-controlling interests	
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

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	¥102,135	¥50,863	¥256,511	¥(4,442)	¥405,069
Changes of items during period					
Dividends of surplus.....			(6,262)		(6,262)
Profit (loss) attributable to owners of parent.....			(24,965)		(24,965)
Purchase of treasury stock.....				(12)	(12)
Disposal of treasury stock		—	(0)	7	7
Retirement of treasury stock		—	—	—	—
Reversal of revaluation reserve for land.....			607		607
Change in parent company equity associated with transactions with non-controlling shareholders		0			0
Net changes of items other than shareholders' equity ...					
Total changes of items during period.....	—	0	(30,619)	(5)	(30,624)
Balance as of March 31, 2021	¥102,135	¥50,864	¥225,891	¥(4,447)	¥374,444

	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, 2020	¥11,365	¥47,506	¥58	¥1,648	¥60,578	¥8,321	¥473,969	
Changes of items during period								
Dividends of surplus.....							(6,262)	
Profit (loss) attributable to owners of parent.....							(24,965)	
Purchase of treasury stock.....							(12)	
Disposal of treasury stock							7	
Retirement of treasury stock							—	
Reversal of revaluation reserve for land.....							607	
Change in parent company equity associated with transactions with non-controlling shareholders							0	
Net changes of items other than shareholders' equity ...	8,714	(284)	(37)	1,537	9,931	(172)	9,759	
Total changes of items during period.....	8,714	(284)	(37)	1,537	9,931	(172)	(20,865)	
Balance as of March 31, 2021	¥20,080	¥47,222	¥21	¥3,186	¥70,510	¥8,149	¥453,103	

Consolidated Statement of Cash Flows

Years ended March 31, 2020 and 2021

	Millions of Yen	
	2020	2021
Cash flows from operating activities		
Net income (loss) before income taxes	¥ 54,157	¥ (22,279)
Depreciation	55,442	56,664
Impairment loss	2,421	6,004
Loss on temporary suspension of operations	—	1,929
Amortization of goodwill	1,451	4,486
Share of (profit) loss of entities accounted for using equity method	69	160
Increase (decrease) in allowance for doubtful accounts	(85)	(4)
Increase (decrease) in provision for bonuses	(192)	(692)
Increase (decrease) in net defined benefit liability	(2,577)	(2,220)
Provision for directors' retirement benefits	(20)	18
Increase (decrease) in allowance for collection loss on gift certificates and other items	173	(440)
Interest and dividend income	(1,661)	(1,735)
Interest expenses	6,501	6,300
Contribution for construction	(3,560)	(5,580)
Loss on retirement of non-current assets	1,767	841
Loss on reduction of non-current assets	3,284	4,236
Decrease (increase) in notes and accounts receivable - trade	7,931	2,299
Decrease (increase) in inventories	7,368	(1,427)
Increase (decrease) in notes and accounts payable - trade	3,399	(11,192)
Other	(10,747)	18,052
Subtotal	125,122	55,422
Interest and dividend income received	1,662	1,738
Interest expenses paid	(6,460)	(6,324)
Amount paid toward loss on temporary suspension of operations	—	(1,469)
Income taxes (paid) refund	(19,188)	(9,862)
Cash flows from operating activities	101,136	39,504
Cash flows from investing activities		
Net decrease (increase) in short-term loans receivable	(4)	(202)
Payments of long-term loans receivable	(7)	(119)
Collection of long-term loans receivable	17	8
Purchase of short-term and long-term investment securities	(571)	(232)
Proceeds from sales and redemption of short-term and long-term investment securities	1,618	388
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	102	—
Purchase of property, plant and equipment and intangible assets	(93,721)	(80,653)
Proceeds from sales of property, plant and equipment and intangible assets	420	1,186
Proceeds from contribution received for construction	16,738	12,982
Payments for guarantee deposits	(298)	(749)
Proceeds from collection of guarantee deposits	469	1,206
Other	(385)	(97)
Cash flows from investing activities	(75,621)	(66,283)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,304)	29,845
Proceeds from long-term loans payable	62,246	78,648
Repayments of long-term loans payable	(70,328)	(56,523)
Proceeds from issuance of bonds	30,600	34,500
Payments for redemption of corporate bonds	(19,760)	(34,420)
Net decrease (increase) in treasury stock	(10,458)	(5)
Cash dividends paid	(7,920)	(6,272)
Redemption of accounts payable to Japan railway construction, transport and technology agency	(4,905)	(4,465)
Dividends paid to non-controlling interests	(6)	(6)
Other	(739)	(938)
Cash flows from financing activities	(22,577)	40,362
Effect of exchange rate change on cash and cash equivalents	(10)	(42)
Net increase (decrease) in cash and cash equivalents	2,927	13,540
Cash and cash equivalents at beginning of period	28,479	31,407
Cash and cash equivalents at end of period	¥ 31,407	¥ 44,947

Corporate Directory

Board of Directors and the Audit & Supervisory Board (As of July 1, 2021)

President and Representative Director

Yoshizumi Nezu

Representative Director

Hiroaki Miwa

Directors

Akihiro Ojira

Toshiaki Onodera

Yoshimi Yokota

Tsutomu Yamamoto

Toshiya Yoshino

Atsushi Shigeta

Outside Directors

Mitsuyoshi Shibata

Takaharu Ando

Noriko Yagasaki

Masanori Yanagi

Standing Audit & Supervisory Board

Members

Naotaka Nakajima

Tomoya Sugiyama

External Audit & Supervisory Board Members

Yuzaburo Mogi

Shuji Fukuda

Nobuhide Hayashi

Investor Information (As of March 31, 2021)

TOBU RAILWAY CO., LTD.

Registered Office:

1-2 Oshiage 1-chome, Sumida-ku,
Tokyo 131-8522, Japan
<https://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:

3,531

Common Stock:

¥102,135 million

Number of Shareholders:

63,864

Principal Shareholders:

Name	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
The Master Trust Bank of Japan, Ltd. (trust account).....	20,146	9.65
Custody Bank of Japan, Ltd. (trust account).....	9,351	4.47
Fukoku Mutual Life Insurance Company	5,235	2.50
Mizuho Bank, Ltd.	4,653	2.22
STATE STREET BANK WEST CLIENT- TREATY 505234	4,026	1.92
Custody Bank of Japan, Ltd. (trust account 5).....	3,196	1.53
Nippon Life Insurance Company.....	3,187	1.52
Custody Bank of Japan, Ltd. (trust account 6).....	2,832	1.35
Custody Bank of Japan, Ltd. (trust account 7).....	2,627	1.25
Saitama Resona Bank, Limited.....	2,541	1.21

Securities Traded:

Common Stock

Tokyo Stock Exchange, 1st Section

Annual Meeting of Shareholders:

The annual meeting of shareholders is normally held in June.

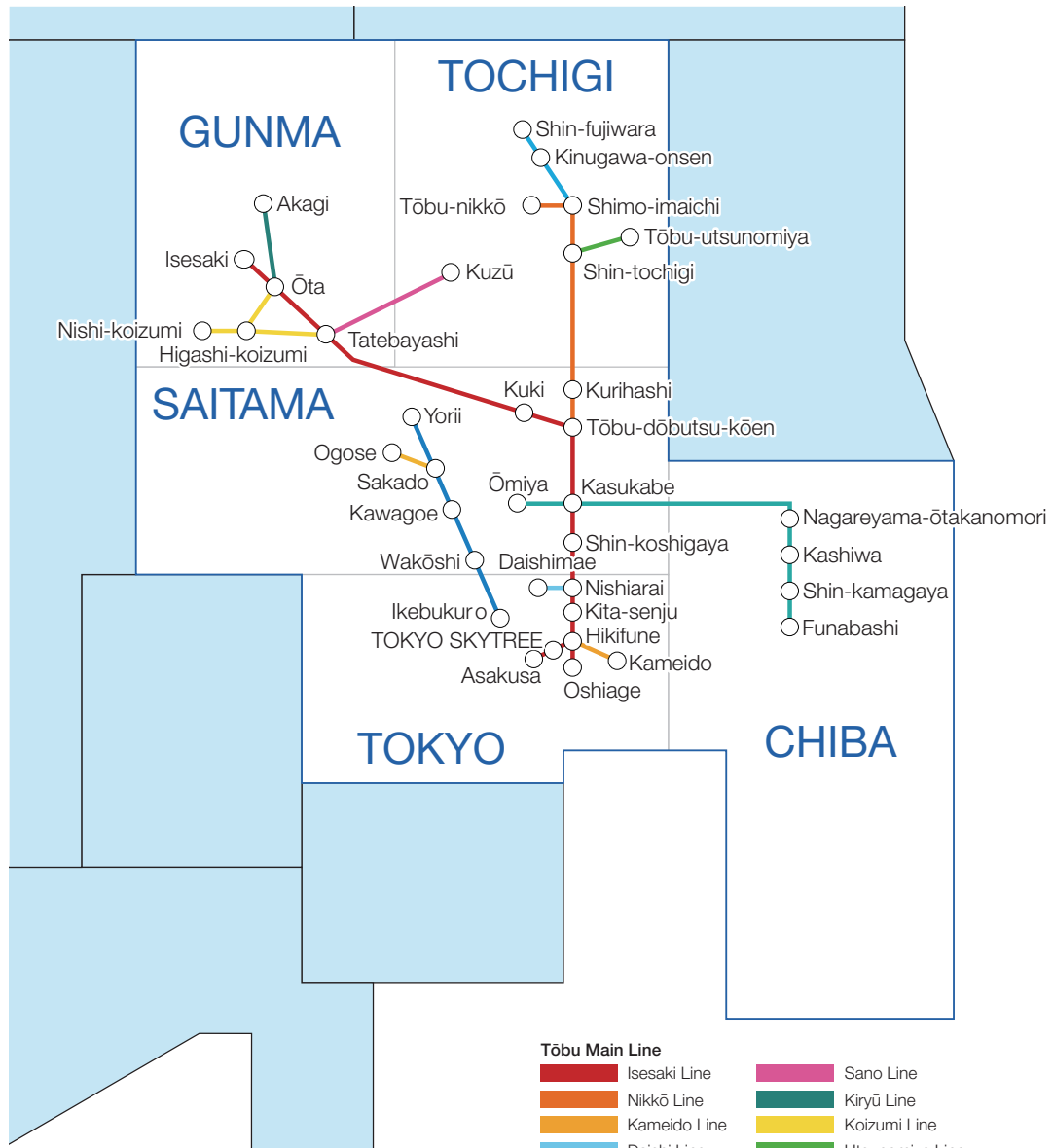
Transfer Agent and Registrar:

Sumitomo Mitsui Trust Bank, Limited

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

Tokyo 100-8233, Japan

Tobu Railway 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"