

Tokyu Corporation

Consolidated Financial Statements First Three Quarters of the Fiscal Year Ending March 31, 2019

(April 1, 2018 – December 31, 2018)

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product and service launches, and pricing and product initiatives of competitors.



**SUMMARY OF FINANCIAL STATEMENTS [Japanese Accounting Standards] (Consolidated)
For the First Three Quarters of the Fiscal Year Ending March 31, 2019**

Tokyu Corporation

February 8, 2019

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange First Section
URL	https://www.tokyu.co.jp/	Inquiries:	Katsumi Oda, Senior Manager, Accounting and IR Division
President	Kazuo Takahashi	Telephone:	81-3-3477-6168
Planned date for submission of quarterly financial reports:	February 8, 2019		
Scheduled date of commencement of dividend payment:	—		
Supplementary documents for quarterly results	YES		
Quarterly results briefing (for institutional investor and analysts)	NO		

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

**1. Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2019
(April 1, 2018 to December 31, 2018)**

*(Figures in percentages denote the year-on-year change)
Million yen*

1) Consolidated Operating Results

	Nine months ended December 31, 2018		Nine months ended December 31, 2017	
		Change (%)		Change (%)
Operating revenue.....	855,272	1.6	841,552	2.0
Operating profit.....	65,800	-4.9	69,194	4.1
Recurring profit.....	65,079	-7.1	70,044	6.3
Profit attributable to owners of parent	46,767	-25.0	62,388	7.9
Net income per share (¥).....	76.95		102.73	
Net income per share (diluted) (¥).....	—		—	

(Note) Comprehensive Income: Nine months ended December 31, 2018: ¥46,331 million [-32.3%]

Nine months ended December 31, 2017: ¥68,450 million [26.7%]

2) Consolidated Financial Position

	As of December 31, 2018		As of March 31, 2018	
Total assets	2,371,749		2,266,997	
Net assets	788,189		754,153	
Equity ratio (%).....	31.1		31.0	

(Reference) Shareholders' equity: As of December 31, 2018: ¥737,728 million; As of March 31, 2018: ¥703,631 million

(Note) Changes in accounting policies are applied retrospectively to the consolidated financial position of the fiscal year ended March 31, 2018, reflecting revisions to accounting standards, etc.

2. Dividends

	FY ending March 31, 2019 (forecast)	FY ending March 31, 2019	FY ended March 31, 2018
Dividend per share – end of first quarter (¥)		—	—
Dividend per share – end of first half (¥)		10.00	9.00
Dividend per share – end of third quarter (¥)		—	—
Dividend per share – end of term (¥)	10.00		10.00
Dividend per share – annual (¥)	20.00		19.00

(Note) Revisions to dividend forecasts published most recently: No

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

*(Figures in percentages denote the year-on-year change)
Million yen*

	Full year	
		Change (%)
Operating revenue.....	1,160,000	1.9
Operating profit.....	79,000	-4.7
Recurring profit.....	77,500	-7.5
Profit attributable to owners of parent	55,000	-21.5
Net income per share (¥).....	90.50	

(Note) Revision to consolidated business performance forecasts published most recently: Yes

*** Notes**

- (1) Changes in important subsidiaries during the consolidated quarter (cumulative) under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
- 1) Changes in accounting policies with revision of accounting standards, etc.: Yes
 - 2) Changes in accounting policies other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No

(Note) For details, please see the statement under the heading of "2. Consolidated Financial Statements (3) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policies)" in the accompanying materials.

- (4) Number of shares issued (common stock)
- 1) Number of shares issued at the end of the term (including treasury stock) (shares)
As of December 31, 2018: 624,869,876 As of March 31, 2018: 624,869,876
 - 2) Number of treasury stock at the end of the term (shares)
As of December 31, 2018: 17,090,119 As of March 31, 2018: 17,323,682
 - 3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)
Nine months ended December 31, 2018: 607,737,573
Nine months ended December 31, 2017: 607,283,065

(Note) The number of treasury stock includes shares of the Company held by a group of shareholding employees in trust and compensation for Directors in trust, as follows:
As of December 31, 2018: 1,281,900 shares As of March 31, 2018: 1,825,700 shares

* The summary of financial statements is not subject to audit.

* Explanations about the proper use of financial forecasts and other important notes
(Notes on forecast results)

The forecast results presented above are based on information available as of the date of this announcement and assumptions considered reasonable. Actual results may differ materially from forecasts depending on a number of factors. For details on the forecast results, please see the statement under the heading of "1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters of FY2018, (3) Explanation about the future outlook, including forecast for consolidated earnings" in the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

The "Summary of Results for the First Three Quarters of FY2018" will be disclosed on our IR website and TDnet (Timely Disclosure network) today (February 8, 2019).

○ Accompanying Materials – Contents

1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters Ended December 31, 2018.....	Page 2
(1) Explanation about Consolidated Financial Results	Page 2
(2) Explanation about Consolidated Financial Position	Page 4
(3) Explanation about the Future Outlook, Including Forecast for Consolidated Earnings	Page 4
2. Quarterly Consolidated Financial Statements and Primary Notes.	Page 5
(1) Quarterly Consolidated Balance Sheets	Page 5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statements of Comprehensive Income	Page 7
Quarterly Consolidated Statements of Income	Page 7
Quarterly Consolidated Statements of Comprehensive Income	Page 8
(3) Notes to Quarterly Consolidated Financial Statements	Page 9
(Notes Regarding the Premise of a Going Concern)	Page 9
(Notes If There Is a Considerable Change to Shareholders' Equity)	Page 9
(Change in Accounting Policies)	Page 9
(Additional Information)	Page 9
(Segment Information).....	Page 10
(Subsequent Events).....	Page 11

1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters Ended December 31, 2018

(1) Explanation about Consolidated Financial Results

Tokyu Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are promoting a medium-term business plan for three years from fiscal 2018 dubbed “Make the Sustainable Growth.” This plan is aimed at sustainable growth by bolstering the existing business/projects and actively moving into new areas where the Group can utilize its strengths. By working in conjunction with the plan, the Group is seeking to achieve a big leap in the future.

Operating revenue for the first nine months of the fiscal year under review increased 1.6% year on year, to ¥855,272 million, thanks primarily to sales growth in the Company's real estate leasing business. Operating profit decreased 4.9% year on year, to ¥65,800 million, chiefly reflecting the renovation of certain properties in the Hotel and Resort segment, the effects of natural disasters occurring in the first half of the fiscal year and rises in expenses posted for railway operations. Recurring profit declined 7.1% year on year, to ¥65,079 million, and profit attributable to owners of parent fell 25.0% year on year, to ¥46,767 million, largely due to a reaction to gains on the sale of fixed assets posted in the previous fiscal year.

Operating results on a segmental basis are as follows. The results for individual segments include inter-segment internal revenues or transfers where applicable. The Company presents operating profit for each reported segment as segment profit in this document.

(i) Transportation

In the Company's railway operations, the number of commuters carried in the first three quarters under review rose 1.1% year on year. This was primarily attributable to an increase in the population living in the areas served by the Tokyu lines. The number of non-commuters carried increased 0.4%. Overall, the number of passengers carried climbed 0.8%.

As a result, operating revenue for the Transportation segment increased 1.2% year on year, to ¥158,430 million. Partly due to rises in depreciation and amortization, and power expenses in the Company's railway operations, operating profit for the segment decreased 6.6% year on year, to ¥24,871 million.

(Operation results of Tokyu Corporation's railway operations)

Categories		Units	First three quarters of the previous fiscal year	First three quarters of the fiscal year under review
			April 1, 2017 to December 31, 2017	April 1, 2018 to December 31, 2018
Number of operating days		Days	275	275
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	112,454	114,250
Number of passengers carried	Non-commuter	Thousand passengers	353,032	354,362
	Commuter	Thousand passengers	538,608	544,612
	Total	Thousand passengers	891,640	898,974
Passenger revenue	Non-commuter	Million yen	57,620	57,847
	Commuter	Million yen	48,095	48,591
	Total	Million yen	105,715	106,438
Miscellaneous income from railway operations		Million yen	10,577	10,963
Total revenues		Million yen	116,292	117,401
Average passenger revenue per day		Million yen	384	387
Operating efficiency		%	51.9	51.3

(Note) Calculation method of the operating efficiency

$$\text{Operating efficiency} = \frac{\text{Number of passengers carried}}{\text{Operating distance of passenger trains}} \times \frac{\text{Average service distance}}{\text{Average transportation capacity}} \times 100$$

(ii) Real Estate

In the Real Estate Business, operating revenue rose 13.1% year on year, to ¥150,101 million, chiefly owing to sales growth in the real estate leasing business after the opening of Shibuya Stream. Operating profit decreased 1.3% year on year, to ¥24,922 million, as a result mainly of a reactionary fall from high-margin property sale in the real estate sales business in the previous fiscal year.

(iii) Life Service

In the Life Service Business, operating revenue grew 0.4% year on year, to ¥516,418 million, thanks mainly to new customers acquired by Tokyu Power Supply Co., Ltd., an electric power retailer. Operating profit increased to ¥11,703 million (up 5.7% year on year).

(iv) Hotel and Resort

Operating revenue for the Hotel and Resort segment decreased 6.4% year on year, to ¥75,454 million, chiefly due to the impact of hotel closures, hotel renovations and natural disasters, which offset a rise in average daily rates and continued high occupancy Tokyu Hotels Co., Ltd. in hotel operations achieved at its existing hotels. Operating profit for the segment also fell 38.0% year on year, to ¥3,633 million.

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

Total assets at the end of the third quarter under review increased ¥104,751 million from the end of the previous fiscal year, to ¥2,371,749 million, largely due to an increase in tangible fixed assets at the Company.

Liabilities

Liabilities increased ¥70,716 million year on year, to ¥1,583,559 million, largely because of growth in interest-bearing debt (*) of ¥92,224 million year on year, to ¥1,062,018 million.

Net assets

Net assets at the end of the third quarter of the fiscal year under review rose ¥34,035 million from the end of the previous fiscal year, to ¥788,189 million, reflecting the posting of a profit attributable to owners of parent.

* Interest-bearing debt: the sum of debt, corporate bonds, and commercial papers

(3) Explanation about the Future Outlook, Including Forecast for Consolidated Earnings

The Company has revised its forecasts for consolidated earnings from those announced previously on November 9, 2018, taking into account factors such as results for the first three quarters under review, including the strong performance in the Company's real estate leasing business. Specifically, the Company has raised its forecast for operating profit to ¥79,000 million (up 2.6% from the previous forecast), forecast for recurring profit to ¥77,500 million (up 2.6% from the previous forecast) and forecast for profit attributable to owners of parent to ¥55,000 million (up 7.8% from the previous forecast), respectively. The forecast for operating revenue remains unchanged from the figure announced previously.

See the separately disclosed material, "Summary of Results for the First Three Quarters of FY2018," for details.

* The forecast results presented above are based on information available as of the date of this announcement and assumptions considered reasonable. Actual results may differ materially from forecasts depending on a number of factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

Million yen

Item	As of March 31, 2018	As of December 31, 2018
Assets		
Current Assets		
Cash and deposits	39,007	40,780
Trade notes & accounts receivable	156,642	156,823
Merchandise and products	14,454	16,183
Land and buildings for sale	44,299	49,119
Work in progress	11,533	9,112
Raw materials and supplies	7,581	7,836
Others	39,876	36,588
Allowance for doubtful accounts	(1,001)	(1,231)
Total current assets	312,392	315,213
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	728,891	784,211
Rolling stock & machinery (net)	62,967	67,299
Land	697,118	715,018
Construction in progress	158,858	169,187
Others (net)	25,667	27,606
Total tangible fixed assets	1,673,502	1,763,323
Intangible fixed assets	35,633	34,675
Investments & others		
Investment securities	154,814	168,317
Net defined benefit asset	8,638	8,903
Deferred tax assets	17,371	13,540
Others	65,261	68,564
Allowance for doubtful accounts	(617)	(788)
Total investments and others	245,468	258,537
Total fixed assets	1,954,605	2,056,535
Total Assets	2,266,997	2,371,749

Million yen

Item	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current Liabilities		
Trade notes & accounts payable	99,958	100,393
Short-term debt	305,355	362,100
Commercial papers	–	21,000
Current portion of corporate bonds	25,000	33,138
Accrued income taxes	17,958	7,922
Provision	11,883	8,658
Advances received	37,541	36,803
Others	120,147	113,715
Total current liabilities	617,845	683,730
Long-Term Liabilities		
Corporate bonds	203,228	200,090
Long-term debt	436,210	445,690
Provision	3,156	2,572
Net defined benefit liability	37,958	39,045
Long-term deposits from tenants and club members	127,925	131,711
Deferred tax liabilities	17,361	15,376
Deferred tax liabilities from revaluation	9,171	9,170
Others	42,414	40,484
Total long-term liabilities	877,427	884,141
Special Legal Reserves		
Urban railways improvement reserve	17,570	15,687
Total Liabilities	1,512,843	1,583,559
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	133,132	133,656
Retained income	449,795	484,286
Treasury stock	(29,092)	(28,759)
Total shareholders' equity	675,560	710,908
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities, net of taxes	15,551	14,635
Net unrealized gains (losses) on hedging instruments, net of taxes	(35)	(163)
Land revaluation reserve	8,384	8,404
Foreign currency translation adjustment account	6,083	4,766
Remeasurements of defined benefit plans	(1,912)	(823)
Total accumulated other comprehensive income	28,070	26,819
Non-Controlling Interests	50,522	50,461
Total Net Assets	754,153	788,189
Total Liabilities and Net Assets	2,266,997	2,371,749

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

Million yen

Item	April 1, 2017 to December 31, 2017	April 1, 2018 to December 31, 2018
Operating Revenue	841,552	855,272
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	620,082	635,015
SG&A expenses	152,276	154,456
Total cost of operating revenue	772,358	789,471
Operating Profit	69,194	65,800
Non-operating profit		
Interest income	174	196
Dividend income	807	866
Investment gains from equity method	6,796	5,345
Others	3,557	3,387
Total non-operating profit	11,336	9,795
Non-operating expenses		
Interest expenses	7,117	7,044
Others	3,368	3,472
Total non-operating expenses	10,486	10,517
Recurring Profit	70,044	65,079
Extraordinary gains		
Gains on sale of fixed assets	14,166	134
Subsidies received for construction	182	818
Gain on reversal of Urban Railways Improvement Reserve	1,882	1,882
Gain on sales of investment securities	136	3,526
Others	2,441	373
Total extraordinary gains	18,809	6,735
Extraordinary losses		
Reduction entry of land contribution for construction	157	639
Loss on retirement of fixed assets	894	912
Loss on valuation of investment securities	–	713
Others	817	554
Total extraordinary losses	1,869	2,820
Income before Income Taxes	86,985	68,994
Corporate income taxes	23,058	21,096
Net Income	63,926	47,897
Profit attributable to non-controlling interests	1,537	1,130
Profit attributable to owners of parent	62,388	46,767

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

Item	April 1, 2017 to December 31, 2017	April 1, 2018 to December 31, 2018
Net Income	63,926	47,897
Other comprehensive income		
Net unrealized gains (losses) on investment securities	3,652	(921)
Net unrealized gains (losses) on hedging instruments	(0)	(0)
Foreign currency translation adjustment account	(908)	(1,309)
Remeasurements of defined benefit plans, net of tax	1,938	1,031
Share of other comprehensive income of associates accounted for using equity method	(158)	(366)
Total other comprehensive income	4,524	(1,566)
Comprehensive Income	68,450	46,331
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	67,258	45,494
Comprehensive income attributable to non-controlling interests	1,192	836

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding the Premise of a Going Concern)

There is no applicable item.

(Notes If There Is a Considerable Change to Shareholders' Equity)

With respect to the revision to the ASBJ Guidance No. 28 Implementation Guidance on Tax Effect Accounting (February 16, 2018), the Company conducted a review of the deductible temporary difference in relation to stocks of subsidiary corporations in the individual financial statements from the beginning of the first quarter of the consolidated fiscal year under review and a retrospective application. The cumulative effects were reflected in the net assets at the beginning of the previous consolidated fiscal year, and thus "retained income" increased ¥7,104 million.

(Change in Accounting Policies)

With respect to the revision to the ASBJ Guidance No. 28 Implementation Guidance on Tax Effect Accounting (February 16, 2018), the Company conducted a review of the deductible temporary difference in relation to stocks of subsidiary corporations in the individual financial statements from the beginning of the first quarter of the consolidated fiscal year under review and a retrospective application.

As a result, in comparison to the situations before the retrospective application, "deferred tax assets" presented in "Fixed Assets" on the consolidated balance sheets of the previous consolidated fiscal year increased ¥5,708 million, and "deferred tax liabilities" presented in "Long-Term Liabilities" decreased ¥1,396 million. In addition, the cumulative effects were reflected in the net assets at the beginning of the previous consolidated fiscal year, and thus "retained income" increased ¥7,104 million.

(Additional Information)

(Changes in relation to the application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

In relation to the application of ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) from the beginning of the first quarter of the consolidated fiscal year under review, the method of presentation was changed to the presentation of deferred tax assets in the category of investments & others and the presentation of deferred tax liabilities in Long-Term Liabilities. To reflect the said change in the method of presentation, the reclassification of the consolidated financial statements for the previous consolidated fiscal year was undertaken.

As a result, in the consolidated balance sheets for the previous consolidated fiscal year, "deferred tax assets" of ¥7,696 million in "Current Assets" and "deferred tax liabilities" of ¥184 million, which were included in "Others" in "Current Liabilities," are included in "deferred tax assets" of ¥17,371 million in "investments & others" and "deferred tax liabilities" of ¥17,361 million in "Long-Term Liabilities," respectively, in the presentation.

In addition, the same taxable entity offset "deferred tax assets" against "deferred tax liabilities." Due to the impact of the said offset, the total assets decreased ¥3,347 million.

(Segment Information)

I. April 1, 2017 to December 31, 2017

1. Information on operating revenue and operating profits or losses by reported segment

Million yen

	Reported segment				Total	Adjustments (Note) 1	Amount posted in the consolidated financial statements (Note) 2
	Transportation	Real Estate	Life Service	Hotel and Resort			
Operating revenue							
Outside customers	155,166	101,469	504,891	80,024	841,552	–	841,552
Inter-segment internal revenues or transfers	1,353	31,296	9,430	565	42,645	(42,645)	–
Total	156,520	132,765	514,322	80,589	884,197	(42,645)	841,552
Segment profit	26,625	25,249	11,068	5,857	68,800	393	69,194

Notes

1. An adjustment of ¥393 million in segment profit represents the deduction of intersegment transactions.
2. Segment profit has been adjusted with operating profit recorded in the consolidated quarterly statements of income.

II. April 1, 2018 to December 31, 2018

1. Information on operating revenue and operating profits or losses by reported segment

Million yen

	Reported segment				Total	Adjustments (Note) 1	Amount posted in the consolidated financial statements (Note) 2
	Transportation	Real Estate	Life Service	Hotel and Resort			
Operating revenue							
Outside customers	157,041	118,643	504,701	74,884	855,272	–	855,272
Inter-segment internal revenues or transfers	1,388	31,457	11,716	569	45,132	(45,132)	–
Total	158,430	150,101	516,418	75,454	900,404	(45,132)	855,272
Segment profit	24,871	24,922	11,703	3,633	65,130	670	65,800

Notes

1. An adjustment of ¥670 million in segment profit represents the deduction of intersegment transactions.
2. Segment profit has been adjusted with operating profit recorded in the consolidated quarterly statements of income.

(Subsequent Events)

(Issuance of debenture bonds)

The Company has issued debenture bonds with a maturity date of January 24, 2019 under following conditions.

This issuance is based on the resolution of the meeting of the Board of Directors held on March 27, 2018, in which the total amount for subscription, etc. was specified.

(1) The 89th debenture bond (20 years)

Total amount issued	10 billion yen
Issue price	100 yen per face value of 100 yen
Interest rate	0.749% / year
Due date of payment	January 24, 2019
Maturity date	January 24, 2039
Use of net proceeds	Bond redemption and part of debt repayment

(2) The 90th debenture bond (30 year)

Total amount issued	10 billion yen
Issue price	100 yen per face value of 100 yen
Interest rate	1.114% / year
Due date of payment	January 24, 2019
Maturity date	January 22, 2049
Use of net proceeds	Bond redemption and part of debt repayment

(3) Financial covenants (negative pledge)

While any unredeemed value of the above bonds exists, if the Company grants a security interest for other debenture bonds (excluding those that can be converted to secure bonds) that have already been issued or will be issued in Japan by the Company after the issuance of the above bonds, the Company will create a security interest at the same level based on the Secured Bonds Trust Act for the above bonds. The Above bonds, therefore, may be subordinated to claims other than other debenture bonds already issued or will be issued in Japan by the Company after the issuance of the above bonds while any unredeemed value of the above bonds exists. The Company will lose the benefit of time for those corporate bonds for it infringes the previous described conditions.