

Tokyu Corporation

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

(April 1, 2018 – September 30, 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 Half of Fiscal Year Ending March 31, 2019**

Tokyu Corporation

November 9, 2018

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange First Section
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Planned date for submission of quarterly financial reports:	November 9, 2018		
Scheduled date of commencement of dividend payment:	December 4, 2018		
Supplementary documents for quarterly results	YES		
Quarterly results briefing (for institutional investor and analysts)	YES		

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

**1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2019
(April 1, 2018 to September 30, 2018)**

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

1) Consolidated Operating Results

	Six months ended September 30, 2018		Six months ended September 30, 2017	
		Change (%)		Change (%)
Operating revenue.....	572,099	1.2	565,304	3.1
Operating profit.....	44,819	-12.9	51,453	15.8
Recurring profit.....	45,164	-12.5	51,614	17.7
Profit attributable to owners of parent	33,276	-10.0	36,959	7.8
Net income per share (¥).....	54.76		60.86	
Net income per share (diluted) (¥).....	-		-	

Notes: Comprehensive Income: Six months ended September 30, 2018: ¥35,435 million [-7.6%]; Six months ended September 30, 2017: ¥38,344 million [55.2%]

2) Consolidated Financial Position

Million yen

	As of September 30, 2018	As of March 31, 2018
Total assets	2,349,995	2,266,997
Net assets	783,726	754,153
Equity ratio (%).....	31.2	31.0

Reference: Shareholders' equity: As of September 30, 2018: ¥733,686 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.....	77,000	-7.1
Recurring profit.....	75,500	-9.8
Profit attributable to owners of parent	51,000	-27.2
Net income per share (¥).....	83.94	

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
- (4) Number of shares issued (common stock)
- 1) Number of shares issued at the end of the term (including treasury stock) (shares)
As of September 30, 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 September 30, 2018: 16,984,509 As of March 31, 2018: 17,323,682
 - 3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)
Six months ended September 30, 2018: 607,714,861
Six months ended September 30, 2017: 607,268,505

(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 September 30, 2018: 1,481,600 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 Half of FY2018, (3) Explanation about the future outlook, including forecast for consolidated earnings" on the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

The "Summary of Results for the First Half of FY2018" will be disclosed on our IR website and TDnet (Timely Disclosure network) today (November 9, 2018).

(Method of acquiring closing of accounts briefing material)

Tokyu Corporation will hold a results briefing for institutional investors and analysts on November 12, 2018.

The material used in that briefing will be promptly published on our IR website and TDnet (Timely Disclosure network) on the same day.

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1. Qualitative Information on Consolidated Financial Results, etc. for the First Half Ended September 30, 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 half of the fiscal year under review increased 1.2% year on year, to ¥572,099 million, thanks primarily to sales growth in the Company's real estate leasing business. Operating profit decreased 12.9% year on year, to ¥44,819 million, largely due to a reactionary fall from the property sale in the previous fiscal year in the Company's real estate sales business and the impact of closure and renovation in the Hotel and Resort segment. Recurring profit declined 12.5% year on year, to ¥45,164 million, and profit attributable to owners of parent fell 10.0% year on year, to ¥33,276 million, primarily reflecting the posting of gain on sales of investment securities.

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 half under review rose 1.2% 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 decreased 0.4% primarily due to bad weather. Overall, the number of passengers carried climbed 0.6 %.

As a result, operating revenue for the Transportation segment increased 0.5% year on year, to ¥104,384 million. Partly due to a rise in power expenses in the Company's railway operations, operating profit for the segment decreased 5.7% year on year, to ¥17,814 million.

(Operation results of Tokyu Corporation's railway operations)

Categories		Units	First half of the previous fiscal year	First half of the fiscal year under review
			April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Number of operating days		Days	183	183
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	74,834	76,033
Number of passengers carried	Non-commuter	Thousand passengers	234,659	233,734
	Commuter	Thousand passengers	361,960	366,245
	Total	Thousand passengers	596,619	599,979
Passenger revenue	Non-commuter	Million yen	38,370	38,148
	Commuter	Million yen	32,335	32,689
	Total	Million yen	70,705	70,837
Miscellaneous income from railway operations		Million yen	7,026	7,127
Total revenues		Million yen	77,731	77,964
Average passenger revenue per day		Million yen	386	387
Operating efficiency		%	52.3	51.5

(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 13.6% year on year, to ¥103,747 million, chiefly owing to sales growth in the real estate leasing business after the opening of Shibuya Stream. Operating profit decreased 21.1% year on year, to ¥16,100 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 ¥345,635 million, thanks mainly to new customers acquired by Tokyu Power Supply Co., Ltd., an electric power retailer. Operating profit decreased to ¥8,198 million (down 0.9% year on year), mainly reflecting the reaction to the previous fiscal year when there were hit films at Tokyu Recreation Co., Ltd., which engages in the video business.

(iv) Hotel and Resort

Operating revenue for the Hotel and Resort segment decreased 9.9% year on year, to ¥48,612 million, chiefly due to the impact of natural disasters and hotel closure and renovation, which offset the high occupancy maintained in existing hotels by Tokyu Hotels Co., Ltd. in existing hotel operations and a rise in average daily rates. Operating profit for the segment also fell 41.3% year on year, to ¥2,086 million.

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

Total assets at the end of the second quarter under review increased ¥82,997 million from the end of the previous fiscal year, to ¥2,349,995 million, largely due to an increase in tangible fixed assets at the Company.

Liabilities

Liabilities increased ¥53,425 million year on year, to ¥1,566,269 million, largely because of growth in interest-bearing debt (*) of ¥55,402 million year on year, to ¥1,025,197 million.

Net assets

Net assets at the end of the second quarter of the fiscal year under review rose ¥29,572 million from the end of the previous fiscal year, to ¥783,726 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 the forecast for operating revenue from the amount previously announced on May 11, 2018, to ¥1,160,000 million (up 0.7% from the previous forecast), taking into account primarily the results in the first half of the fiscal year under review. While the full-year forecasts for operating profit, recurring profit, and profit attributable to owners of parent remain unchanged from the amounts previously announced, the breakdown by segment has been revised.

See the separately disclosed material, "Summary of Results for the First Half 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 September 30, 2018
Assets		
Current Assets		
Cash and deposits	39,007	42,307
Trade notes & accounts receivable	156,642	163,062
Merchandise and products	14,454	14,917
Land and buildings for sale	44,299	45,036
Work in progress	11,533	9,850
Raw materials and supplies	7,581	7,581
Others	39,876	34,201
Allowance for doubtful accounts	(1,001)	(987)
Total current assets	312,392	315,969
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	728,891	781,776
Rolling stock & machinery (net)	62,967	65,018
Land	697,118	712,769
Construction in progress	158,858	158,581
Others (net)	25,667	28,067
Total tangible fixed assets	1,673,502	1,746,213
Intangible fixed assets	35,633	35,318
Investments & others		
Investment securities	154,814	161,611
Net defined benefit asset	8,638	8,795
Deferred tax assets	17,371	14,090
Others	65,261	68,692
Allowance for doubtful accounts	(617)	(696)
Total investments and others	245,468	252,494
Total fixed assets	1,954,605	2,034,026
Total Assets	2,266,997	2,349,995

Million yen

Item	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current Liabilities		
Trade notes & accounts payable	99,958	98,870
Short-term debt	305,355	333,152
Current portion of corporate bonds	25,000	20,000
Accrued income taxes	17,958	15,497
Provision	11,883	12,610
Advances received	37,541	36,862
Others	120,147	121,618
Total current liabilities	617,845	638,612
Long-Term Liabilities		
Corporate bonds	203,228	213,228
Long-term debt	436,210	458,816
Provision	3,156	3,090
Net defined benefit liability	37,958	38,649
Long-term deposits from tenants and club members	127,925	131,463
Deferred tax liabilities	17,361	15,485
Deferred tax liabilities from revaluation	9,171	9,171
Others	42,414	41,437
Total long-term liabilities	877,427	911,342
Special Legal Reserves		
Urban railways improvement reserve	17,570	16,315
Total Liabilities	1,512,843	1,566,269
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	133,132	133,651
Retained income	449,795	476,913
Treasury stock	(29,092)	(28,522)
Total shareholders' equity	675,560	703,767
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities, net of taxes	15,551	18,532
Net unrealized gains (losses) on hedging instruments, net of taxes	(35)	(44)
Land revaluation reserve	8,384	8,384
Foreign currency translation adjustment account	6,083	4,231
Remeasurements of defined benefit plans	(1,912)	(1,184)
Total accumulated other comprehensive income	28,070	29,918
Non-Controlling Interests	50,522	50,039
Total Net Assets	754,153	783,726
Total Liabilities and Net Assets	2,266,997	2,349,995

(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 September 30, 2017	April 1, 2018 to September 30, 2018
Operating Revenue	565,304	572,099
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	412,334	424,439
SG&A expenses	101,516	102,839
Total cost of operating revenue	513,850	527,279
Operating Profit	51,453	44,819
Non-operating profit		
Interest income	86	143
Dividend income	618	666
Investment gains from equity method	3,922	3,995
Others	2,749	2,622
Total non-operating profit	7,377	7,428
Non-operating expenses		
Interest expenses	4,792	4,708
Others	2,424	2,373
Total non-operating expenses	7,216	7,082
Recurring Profit	51,614	45,164
Extraordinary gains		
Gains on sale of fixed assets	739	103
Subsidies received for construction	179	213
Gain on reversal of Urban Railways Improvement Reserve	1,255	1,255
Gain on sales of investment securities	133	3,505
Others	244	280
Total extraordinary gains	2,551	5,358
Extraordinary losses		
Reduction entry of land contribution for construction	182	185
Loss on retirement of fixed assets	610	824
Loss on valuation of investment securities	-	610
Others	513	223
Total extraordinary losses	1,305	1,844
Income before Income Taxes	52,859	48,679
Corporate income taxes	15,311	14,606
Net Income	37,547	34,072
Profit attributable to non-controlling interests	588	795
Profit attributable to owners of parent	36,959	33,276

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

Item	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Net Income	37,547	34,072
Other comprehensive income		
Net unrealized gains (losses) on investment securities	1,566	2,406
Net unrealized gains (losses) on hedging instruments	0	0
Foreign currency translation adjustment account	(1,578)	(1,822)
Remeasurements of defined benefit plans, net of tax	1,301	687
Share of other comprehensive income of associates accounted for using equity method	(492)	90
Total other comprehensive income	797	1,363
Comprehensive Income	38,344	35,435
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	38,237	35,124
Comprehensive income attributable to non-controlling interests	107	311

(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 September 30, 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	103,002	70,576	338,106	53,618	565,304	–	565,304
Inter-segment internal revenues or transfers	903	20,784	6,022	331	28,042	(28,042)	–
Total	103,905	91,361	344,129	53,950	593,347	(28,042)	565,304
Segment profit	18,884	20,411	8,269	3,555	51,121	332	51,453

Notes

1. An adjustment of ¥332 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 September 30, 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	103,470	82,328	338,041	48,258	572,099	–	572,099
Inter-segment internal revenues or transfers	914	21,418	7,594	354	30,280	(30,280)	–
Total	104,384	103,747	345,635	48,612	602,380	(30,280)	572,099
Segment profit	17,814	16,100	8,198	2,086	44,198	620	44,819

Notes

1. An adjustment of ¥620 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)

(Underwriting of disposal of treasury shares of Tokyu Fudosan Holdings Corporation through third-party allocation to the Company)

Tokyu Fudosan Holdings Corporation, an equity method company of the Company, passed a resolution to issue new shares and dispose of its treasury shares at the Board of Directors' meeting held on October 3, 2018. The Company received a request for underwriting in connection with the disposal of treasury shares through third-party allocation, and it passed the following resolution at a meeting of the Board of Directors held on the same day and completed the payment.

Outline of the Company's resolution for underwriting

(1) Types and number of shares to underwrite

Common shares 17,500,000 shares

(2) Payment amount

Total amount ¥11,007 million (¥629 per share)

(3) Due date of payment

October 29, 2018