

Tokyu Corporation

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

(April 1, 2018 – June 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 Quarter of Fiscal Year Ending March 31, 2019**

Tokyu Corporation

August 8, 2018

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:	August 8, 2018		
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 Quarter of Fiscal Year Ending March 31, 2019
(April 1, 2018 to June 30, 2018)**

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

1) Consolidated Operating Results

Million yen

	Three months ended June 30, 2018		Three months ended June 30, 2017	
		Change (%)		Change (%)
Operating revenue.....	273,613	-3.5	283,583	5.1
Operating profit.....	21,748	-24.6	28,848	26.0
Recurring profit.....	21,027	-27.9	29,148	28.2
Profit attributable to owners of parent	13,545	-33.4	20,342	9.2
Net income per share (¥).....	22.29		33.50	
Net income per share (diluted) (¥).....	-		-	

Notes: Comprehensive Income: Three months ended June 30, 2018: ¥11,940 million [-41.5%]; Three months ended June 30, 2017: ¥20,419 million [38.6%]

2) Consolidated Financial Position

Million yen

	As of June 30, 2018	As of March 31, 2018
Total assets	2,306,624	2,266,997
Net assets	759,921	754,153
Equity ratio (%).....	30.8	31.0

Reference: Shareholders' equity: As of June 30, 2018: ¥710,179 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.....	1,152,300	1.2
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: No

*** 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)” on 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 June 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 June 30, 2018:	17,191,856	As of March 31, 2018:	17,323,682
----------------------	------------	-----------------------	------------

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

Three months ended June 30, 2018:	607,615,599
-----------------------------------	-------------

Three months ended June 30, 2017:	607,261,460
-----------------------------------	-------------

(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 June 30, 2018:	1,692,600 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 Quarter Ended June 30, 2018, (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 Quarter of FY2018” will be disclosed on our IR website and TDnet (Timely Disclosure network) today (August 8, 2018).

○ Accompanying Materials – Contents

1. Qualitative Information on Consolidated Financial Results, etc. for the First Quarter Ended June 30, 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 10

1. Qualitative Information on Consolidated Financial Results, etc. for the First Quarter Ended June 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 the first quarter of the consolidated fiscal year under review was reduced 3.5% year on year, to ¥273,613 million, reflecting the reaction to the property sales of the real estate sales business of the Group and the transfer of assets held by the Hotel and Resort segment, among other factors, despite the stable results of the transportation business. Operating profit decreased 24.6% year on year, to ¥21,748 million. Recurring profit decreased 27.9% year on year, to ¥21,027 million, mainly due to a fall in investment gains from the equity method, and profit attributable to owners of parent decreased 33.4% year on year, to ¥13,545 million, chiefly attributable to the posting of a loss on valuation 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 quarter under review rose 1.2% year on year, and the number of non-commuters carried decreased 0.1%. Overall, the number of passengers carried climbed 0.7%. This was primarily attributable to an increase in the population living in the areas served by the Tokyu lines.

As a result, operating revenue for the Transportation segment increased 1.1% year on year, to ¥52,124 million. Partly due to a rise in expenses in the Company’s railway operations, operating profit for the segment decreased 6.3% year on year, to ¥8,960 million.

(Operation results of Tokyu Corporation's railway operations)

Categories		Units	First quarter of the previous fiscal year	First quarter of the fiscal year under review
			April 1, 2017 to June 30, 2017	April 1, 2018 to June 30, 2018
Number of operating days		Days	91	91
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	37,229	37,838
Number of passengers carried	Non-commuter	Thousand passengers	118,013	117,845
	Commuter	Thousand passengers	183,765	185,914
	Total	Thousand passengers	301,778	303,759
Passenger revenue	Non-commuter	Million yen	19,312	19,261
	Commuter	Million yen	16,314	16,489
	Total	Million yen	35,626	35,750
Miscellaneous income from railway operations		Million yen	3,425	3,574
Total revenues		Million yen	39,051	39,324
Average passenger revenue per day		Million yen	391	393
Operating efficiency		%	53.2	52.4

(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, despite the stable results of the Company's real estate leasing business, operating revenue and operating profit decreased to ¥43,662 million (down 13.2% year on year) and ¥7,834 million (down 41.4% year on year), respectively, mainly due to the reaction to the property sales revenue of the previous fiscal year in the Company's real estate sales business.

(iii) Life Service

In the Life Service Business, operating revenue fell to ¥167,902 million (down 0.6% year on year) and operating profit decreased to ¥3,603 million (down 6.5% 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 9.6% year on year, to ¥24,462 million, mainly reflecting the adverse effects of the transfer of assets owned by Mauna Lani Resort (Operation), Inc. in the previous fiscal year, which offset the high occupancy maintained by Tokyu Hotels Co., Ltd. in hotel operations and a rise in average daily rates. Operating profit for the segment also fell 36.5% year on year, to ¥1,280 million.

(2) Explanation about Consolidated Financial Position

Assets

Total assets at the end of the first quarter under review increased ¥39,626 million from the end of the previous fiscal year, to ¥2,306,624 million, largely due to an increase in tangible fixed assets at the Company.

Liabilities

Liabilities increased ¥33,858 million year on year, to ¥1,546,702 million, largely because of growth in interest-bearing debt (*) of ¥64,298 million year on year, to ¥1,034,092 million.

Net assets

Net assets at the end of the first quarter of the fiscal year under review rose ¥5,767 million from the end of the previous fiscal year, to ¥759,921 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 consolidated forecast for the fiscal year ending March 31, 2019 announced on May 11, 2018 has not changed.

* 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 June 30, 2018
Assets		
Current Assets		
Cash and deposits	39,007	44,955
Trade notes & accounts receivable	156,642	146,811
Merchandise and products	14,454	15,190
Land and buildings for sale	44,299	44,889
Work in progress	11,533	11,248
Raw materials and supplies	7,581	7,615
Others	39,876	32,678
Allowance for doubtful accounts	(1,001)	(1,002)
Total current assets	312,392	302,386
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	728,891	724,048
Rolling stock & machinery (net)	62,967	61,415
Land	697,118	708,099
Construction in progress	158,858	205,205
Others (net)	25,667	25,705
Total tangible fixed assets	1,673,502	1,724,474
Intangible fixed assets	35,633	35,722
Investments & others		
Investment securities	154,814	155,710
Net defined benefit asset	8,638	8,648
Deferred tax assets	17,371	15,206
Others	65,261	65,167
Allowance for doubtful accounts	(617)	(692)
Total investments and others	245,468	244,040
Total fixed assets	1,954,605	2,004,238
Total Assets	2,266,997	2,306,624

Million yen

Item	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current Liabilities		
Trade notes & accounts payable	99,958	92,811
Short-term debt	305,355	335,463
Current portion of corporate bonds	25,000	20,000
Accrued income taxes	17,958	5,071
Provision	11,883	8,276
Advances received	37,541	38,388
Others	120,147	109,102
Total current liabilities	617,845	609,113
Long-Term Liabilities		
Corporate bonds	203,228	213,228
Long-term debt	436,210	465,401
Provision	3,156	3,178
Net defined benefit liability	37,958	38,485
Long-term deposits from tenants and club members	127,925	130,342
Deferred tax liabilities	17,361	17,761
Deferred tax liabilities from revaluation	9,171	9,171
Others	42,414	43,076
Total long-term liabilities	877,427	920,646
Special Legal Reserves		
Urban railways improvement reserve	17,570	16,942
Total Liabilities	1,512,843	1,546,702
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	133,132	133,132
Retained income	449,795	457,181
Treasury stock	(29,092)	(28,870)
Total shareholders' equity	675,560	683,168
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities, net of taxes	15,551	17,067
Net unrealized gains (losses) on hedging instruments, net of taxes	(35)	(56)
Land revaluation reserve	8,384	8,384
Foreign currency translation adjustment account	6,083	3,156
Remeasurements of defined benefit plans	(1,912)	(1,540)
Total accumulated other comprehensive income	28,070	27,011
Non-Controlling Interests	50,522	49,742
Total Net Assets	754,153	759,921
Total Liabilities and Net Assets	2,266,997	2,306,624

(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 June 30, 2017	April 1, 2018 to June 30, 2018
Operating Revenue	283,583	273,613
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	204,746	201,689
SG&A expenses	49,988	50,175
Total cost of operating revenue	254,734	251,864
Operating Profit	28,848	21,748
Non-operating profit		
Interest income	43	86
Dividend income	441	478
Investment gains from equity method	1,806	1,068
Dividend income of insurance	714	716
Others	718	650
Total non-operating profit	3,724	3,000
Non-operating expenses		
Interest expenses	2,400	2,327
Others	1,025	1,394
Total non-operating expenses	3,425	3,721
Recurring Profit	29,148	21,027
Extraordinary gains		
Gains on sale of fixed assets	14	70
Subsidies received for construction	162	170
Gain on reversal of Urban Railways Improvement Reserve	627	627
Others	143	106
Total extraordinary gains	947	975
Extraordinary losses		
Reduction entry of land contribution for construction	137	142
Loss on retirement of fixed assets	307	544
Loss on valuation of investment securities	-	618
Others	354	89
Total extraordinary losses	799	1,394
Income before Income Taxes	29,296	20,608
Corporate income taxes	8,634	6,703
Net Income	20,662	13,905
Profit attributable to non-controlling interests	320	359
Profit attributable to owners of parent	20,342	13,545

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

Item	April 1, 2017 to June 30, 2017	April 1, 2018 to June 30, 2018
Net Income	20,662	13,905
Other comprehensive income		
Net unrealized gains (losses) on investment securities	1,081	1,100
Net unrealized gains (losses) on hedging instruments	0	0
Foreign currency translation adjustment account	(1,596)	(3,093)
Remeasurements of defined benefit plans, net of tax	645	344
Share of other comprehensive income of associates accounted for using equity method	(373)	(318)
Total other comprehensive income	(243)	(1,965)
Comprehensive Income	20,419	11,940
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	20,603	12,485
Comprehensive income attributable to non-controlling interests	(184)	(545)

(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 June 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	51,088	39,746	165,877	26,870	283,583	—	283,583
Inter-segment internal revenues or transfers	450	10,549	3,085	176	14,261	(14,261)	—
Total	51,538	50,295	168,962	27,047	297,844	(14,261)	283,583
Segment profit	9,559	13,362	3,855	2,016	28,793	55	28,848

Notes

1. An adjustment of ¥55 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 June 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	51,668	33,216	164,445	24,282	273,613	—	273,613
Inter-segment internal revenues or transfers	455	10,445	3,457	179	14,538	(14,538)	—
Total	52,124	43,662	167,902	24,462	288,152	(14,538)	273,613
Segment profit	8,960	7,834	3,603	1,280	21,680	68	21,748

Notes

1. An adjustment of ¥68 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)

There is no applicable item.