

Tokyu Corporation

Consolidated Financial Statements First Three Quarters of the Fiscal Year Ending March 31, 2015

(April 1, 2014 – December 31, 2014)

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, 2015

Tokyu Corporation

February 10, 2015

Stock Code: 9005	Listed exchanges: Tokyo Stock Exchange First Section	
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Planned date for submission of quarterly financial reports: February 10, 2015	Telephone: 81-3-3477-6168	
Scheduled date of commencement of dividend payment: —		
Supplementary documents for quarterly results: YES		
Quarterly results briefing (for institutional investors 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, 2015 (April 1, 2014 to December 31, 2014)

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

1) Consolidated Operating Results

	Nine months ended December 31, 2014		Nine months ended December 31, 2013	
		Change (%)		Change (%)
Operating revenue	769,034	(3.5)	797,213	3.4
Operating profit	53,551	(1.0)	54,092	13.1
Recurring profit	49,985	(4.6)	52,419	13.0
Net income	32,389	(26.7)	44,187	56.0
Net income per share (¥)	25.92		35.17	
Net income per share (diluted) (¥)	—		—	

Notes: Comprehensive Income: Nine months ended December 31, 2014: ¥43,399 million [-15.5%]; Nine months ended December 31, 2013: ¥51,333 million [80.7%]

2) Consolidated Financial Position

Million yen

	As of December 31, 2014	As of March 31, 2014
Total assets	1,988,898	2,021,794
Net assets	558,210	537,711
Equity ratio (%)	26.7	25.3

Reference: Shareholders' equity: As of December 31, 2014: ¥531,482 million; As of March 31, 2014: ¥511,789 million

2. Dividends

	FY ending March 31, 2015 (forecast)	FY ending March 31, 2015	FY ended March 31, 2014
Dividend per share – end of first quarter (¥)		—	—
Dividend per share – end of first half (¥)		4.00	3.50
Dividend per share – end of third quarter (¥)		—	—
Dividend per share – end of term (¥)	4.00		4.00
Dividend per share – annual (¥)	8.00		7.50

Note: Revisions to dividend forecasts published most recently: No

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

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

	Full year	
		Change (%)
Operating revenue	1,068,800	(1.3)
Operating profit	70,000	12.6
Recurring profit	63,500	1.4
Net income	38,000	(32.7)
Net income per share (¥)	30.23	

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. Matters Relating to Summary Information (Notes), (1) Changes in accounting policies, changes in accounting estimates, and restatement of revisions” on page 4 of 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, 2014: 1,249,739,752 As of March 31, 2014: 1,263,525,752
 - 2) Number of treasury stock at the end of the term (shares)
As of December 31, 2014: 4,716,009 As of March 31, 2014: 6,307,435
 - 3) Average number of shares issued during the terms (quarterly consolidated accumulation periods)
Nine months ended December 31, 2014: 1,249,489,555
Nine months ended December 31, 2013: 1,256,382,577

(Note) The number of treasury stock includes shares of the Company held by a group of shareholding employees in trust, as follows:
As of March 31, 2014: 1,705,000 shares

*** Status of the quarterly review**

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have not been reviewed at the time of the announcement of this financial summary.

*** 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 Ended December 31, 2014, (3) Explanation about the future outlook, including forecast for consolidated earnings” on page 3 of the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

“Summary of Results for the First Three Quarters of FY2015/3” will be published on our IR website and TDnet (Timely Disclosure network) today.

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○ Same-day disclosure documents

Documents providing an overview of the settlement for the first three quarters of the fiscal year ending March 2015

(Note) These documents were posted on the Company's website, and are also disclosed on TDnet.

1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters Ended December 31, 2014

(1) Explanation about Consolidated Financial Results

Tokyu Corporation (the “Company”) and its consolidated subsidiaries (collectively the “Group”) have promoted the three-year medium-term business plan with the theme of Creation, Communication and Challenge. In doing so, we have aimed for sustainable growth in the future, strengthened business tie-ups from the viewpoint of customers to achieve planned objectives steadily, and sought to maximize consolidated results. Operating revenue for the first three quarters of the consolidated fiscal year under review stood at ¥769,034 million (down 3.5% year on year), mainly reflecting a decline in reaction to increased sales of large-scale collective housing (condominiums) in the real estate business in the previous fiscal year. Operating profit amounted to ¥53,551 million (down 1.0% year on year), although the hotel and resort business remained strong. Recurring profit stood at ¥49,985 million (down 4.6% year on year), reflecting the completion of the recording of the amount of amortization of negative goodwill in the previous fiscal year. Net income was ¥32,389 million (down 26.7% year on year), largely due to a decline in reaction to the gains on change in equity associated with the reorganization of the Tokyu Land Corporation group in the previous fiscal year and sales of fixed assets.

Operating results on a segment 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 rose 1.5% year on year in the first three quarters of the fiscal year under review, while the number of non-commuters carried decreased 0.4%. Overall, the number of passengers carried increased 0.7%. This was primarily attributable to a rise in the population along rail lines and the improvement of employment conditions, etc. despite a decrease in the purchase of commuter tickets in reaction to the last-minute purchase of commuter tickets ahead of the consumption tax hike.

As a result, operating revenue for the Transportation segment amounted to ¥143,308 million (up 0.1% year on year), and operating profit for the segment was ¥24,789 million (up 2.2% year on year).

(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, 2013 to December 31, 2013	April 1, 2014 to December 31, 2014
Number of operating days		Days	275	275
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	108,106	110,313
Number of passengers carried	Non-commuter	Thousand passengers	338,557	337,284
	Commuter	Thousand passengers	496,391	503,682
	Total	Thousand passengers	834,948	840,966
Passenger revenue	Non-commuter	Million yen	55,286	55,244
	Commuter	Million yen	44,578	45,018
	Total	Million yen	99,864	100,262
Miscellaneous income from railway operations		Million yen	13,561	13,200
Total revenues		Million yen	113,425	113,462
Average passenger revenue per day		Million yen	363	365
Operating efficiency		%	51.0	50.5

(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 segment, operating revenue and operating profit stood at ¥112,109 million (down 21.9% year on year) and ¥19,807 million (down 12.1% year on year) respectively. This was primarily attributable to a decline in reaction to increased sales of large-scale collective housing (condominiums) in the Company's real estate sales business in the previous fiscal year, although leasing income remained solid in the Company's real estate leasing business.

(iii) Life Service

In the Life Service segment, operating revenue decreased 0.6% from a year earlier, to ¥380,835 million, because of downsized sales floors due to the partial closure at the Toyoko Store of Tokyu Department Store in the department store operations, the consumption tax increase and unseasonable weather. However, operating profit for the segment jumped 24.6% year on year, to ¥4,746 million because Tokyu Store Chain Co., Ltd. in chain store operations improved the gross profit ratio and reduced cost through closure of stores.

(iv) Hotel and Resort

Operating revenue for the Hotel and Resort segment stood at ¥72,484 million (up 3.4% year on year), reflecting the high occupancy of Tokyu Hotels Co., Ltd. in hotel operations and a rise in average daily rates. Operating profit for the segment amounted to ¥3,731 million (up 77.9% year on year).

(v) Business Support

In the Business Support segment, operating revenue amounted to ¥113,506 million (up 0.0% year on year) due to a decline in events for which orders were received by Tokyu Agency Inc. for the advertising business in the previous fiscal year. Operating profit for the segment amounted to ¥321 million (down 76.8% year on year).

(2) Explanation about Consolidated Financial Position

Assets

Total assets at the end of the first three quarters of the consolidated fiscal year under review decreased ¥32,896 million from the end of the previous fiscal year to ¥1,988,898 million, mainly reflecting a decline in cash and deposits as well as deferred tax assets.

Liabilities

Liabilities decreased ¥53,395 million to ¥1,430,687 million, largely because of a decline in interest-bearing debt(*) of ¥52,782 million from the end of the previous fiscal year, to ¥937,255 million.

Net assets

Net assets at the end of the first three quarters of the fiscal year under review rose ¥20,499 million from the end of the previous fiscal year, to ¥558,210 million, mainly reflecting the posting of net income for the first three quarters, despite a decrease in capital surplus due to the acquisition and cancellation of treasury stocks and a decline in retained income due to the application of the accounting standard for retirement benefits.

* 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 not revised its consolidated earnings forecasts of operating revenue of ¥1,068.8 billion, operating profit of ¥70.0 billion, recurring profit of ¥63.5 billion and net income of ¥38.0 billion for the full year of the consolidated fiscal year ending March 2015 that were publicly announced on May 15, 2014. However, breakdowns by segment were revised in consideration of results for the first three quarters of the fiscal year under review.

Refer to the Summary of Results for the First Three Quarters of FY2015/3, which were separately disclosed, 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. Matters Relating to Summary Information (Notes)**(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions****Changes in Accounting Policies**

(Accounting Standard for Retirement Benefits, etc.)

With respect to the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No.26 issued May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the Guidance on Accounting Standards for Retirement Benefits (ASBJ Guidance No.25 issued May 17, 2012; hereinafter "Guidance"), the provisions of the text of paragraph 35 of the Retirement Benefits Accounting Standards and the text of paragraph 67 of the Guidance have been applied since the first quarter of the fiscal year under review, and the method of calculating retirement benefit liability and service cost was revised. The method of deciding on a discount rate was changed from a discount rate based on the number of years, which is an approximation of the average years of remaining service of employees, to a method of using a single weighted average discount rate, which reflects the expected period of payment of retirement benefits, and an amount for each expected period of payment.

As to the application of the Retirement Benefits Accounting Standards, etc., in accordance with the transitional treatment provided in paragraph 37 of the Retirement Benefits Accounting Standards, the amount of the effect of the changes in the method of calculating retirement benefit liability and service cost was added to, or deducted from, retained income at the beginning of the first three quarters of the fiscal year under review.

As a result, assets for retirement benefits at the beginning of the first three quarters of the fiscal year under review decreased ¥883 million. Retirement benefit liability increased ¥3,741 million, and retained income declined ¥3,217 million. The effects on operating profit, recurring profit and income before income taxes for the first three quarters of the fiscal year under review are negligible.

(Practical treatment concerning transactions for delivering the Company's shares to employees, etc. through a trust)

The "Practical treatment concerning transactions for delivering the Company's shares to employees, etc. through a trust" (No. 30 Practical Report dated December 25, 2013) has been applied since the first quarter of the fiscal year under review. With respect to the accounting treatment of trust contracts that were entered into before the beginning of the first year of the application of the above practical report, the method adopted in the past will continue to be applied. Accordingly, the application of the above practical report has no effect on the quarterly consolidated financial statements.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheets***Million yen*

Item	As of March 31, 2014	As of December 31, 2014
Assets		
Current Assets		
Cash and deposits	55,749	48,399
Trade notes & accounts receivable	117,285	117,097
Merchandise and products	15,992	17,790
Land and buildings for sale	52,176	54,041
Work in progress	4,794	7,012
Raw materials and supplies	5,661	5,761
Deferred tax assets	15,727	5,916
Others	29,815	29,701
Allowance for doubtful accounts	(746)	(803)
Total current assets	296,456	284,916
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	710,020	690,990
Rolling stock & machinery (net)	56,436	52,028
Land	606,991	609,801
Construction in progress	92,863	100,596
Others (net)	20,797	19,892
Total tangible fixed assets	1,487,109	1,473,309
Intangible fixed assets	26,133	25,322
Investments & others		
Investment securities	130,810	128,798
Deferred tax assets	16,585	14,518
Net defined benefit asset	3,421	2,861
Others	61,996	59,854
Allowance for doubtful accounts	(718)	(682)
Total investments and others	212,094	205,350
Total fixed assets	1,725,338	1,703,981
Total Assets	2,021,794	1,988,898

Million yen

Item	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current Liabilities		
Trade notes & accounts payable	97,905	98,395
Short-term debt	291,101	255,319
Current portion of corporate bonds	38,000	26,000
Accrued income taxes	6,446	2,789
Provision	11,587	8,000
Advances received	16,657	31,418
Others	116,190	105,231
Total current liabilities	577,888	527,153
Long-Term Liabilities		
Corporate bonds	210,228	206,228
Long-term debt	450,709	449,708
Provision	2,961	2,674
Net defined benefit liability	34,047	39,291
Long-term deposits from tenants and club members	110,090	112,375
Deferred tax liabilities	27,096	26,574
Deferred tax liabilities from revaluation	9,922	9,922
Others	36,418	31,482
Total long-term liabilities	881,473	878,256
Special Legal Reserves		
Urban railways improvement reserve	24,721	25,278
Total Liabilities	1,484,083	1,430,687
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	140,793	131,386
Retained income	252,355	271,510
Treasury stock	(3,139)	(3,107)
Total shareholders' equity	511,734	521,514
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities, net of taxes	5,614	12,389
Net unrealized gains (losses) on hedging instruments, net of taxes	90	120
Land revaluation reserve	9,364	9,364
Foreign currency translation adjustment account	3,704	5,250
Remeasurements of defined benefit plans	(18,718)	(17,154)
Total accumulated other comprehensive income	54	9,968
Minority Interests	25,921	26,727
Total Net Assets	537,711	558,210
Total Liabilities and Net Assets	2,021,794	1,988,898

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

Item	April 1, 2013 to December 31, 2013	April 1, 2014 to December 31, 2014
Operating revenue	797,213	769,034
Cost of operating revenue		
Operating expenses & cost of sales (Transportation etc.)	595,703	570,305
SG&A expenses	147,416	145,177
Total cost of operating revenue	743,120	715,483
Operating profit	54,092	53,551
Non-operating profit		
Interest income	195	170
Dividend income	1,149	1,090
Amortization of negative goodwill	2,581	–
Investment gains from equity method	2,719	4,123
Others	3,400	2,442
Total non-operating profit	10,046	7,826
Non-operating expenses		
Interest expenses	10,000	8,915
Others	1,718	2,477
Total non-operating expenses	11,719	11,392
Recurring profit	52,419	49,985
Extraordinary gains		
Gain on sales of fixed assets	5,937	139
Subsidies received for construction	782	136
Gain on reversal of urban railways improvement reserve	1,420	1,420
Gain on change in equity	7,364	–
Others	473	455
Total extraordinary gains	15,978	2,151
Extraordinary losses		
Reduction entry of land contribution for construction	684	105
Transfer to urban railways improvement reserve	1,969	1,976
Loss on retirement of fixed assets	504	1,189
Others	1,035	507
Total extraordinary losses	4,194	3,779
Income before income taxes and minority interests	64,203	48,357
Corporate income taxes	19,275	15,433
Income before minority interests	44,927	32,923
Minority interest in earnings of consolidated subsidiaries	740	534
Net income	44,187	32,389

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

Item	April 1, 2013 to December 31, 2013	April 1, 2014 to December 31, 2014
Income before minority interests	44,927	32,923
Other comprehensive income		
Net unrealized gains (losses) on investment securities	1,221	5,418
Net unrealized gains (losses) on hedging instruments	0	0
Foreign currency translation adjustment account	5,220	2,025
Remeasurements of defined benefit plans, net of tax	–	1,458
Share of other comprehensive income of associates accounted for using equity method	(36)	1,573
Total other comprehensive income	6,405	10,476
Comprehensive income	51,333	43,399
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	49,061	42,303
Comprehensive income attributable to minority interests	2,271	1,096

(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)

The Company acquired 13,786,000 treasury stocks at the cost of ¥9,999 million during the first three quarters of the fiscal year under review based on the resolution passed at the meeting of the Board of Directors held on May 15, 2014. The Company also cancelled 13,786,000 treasury stocks during the first three quarters of the fiscal year under review based on the resolution passed at the meeting of the Board of Directors held on September 26, 2014. Therefore, the capital surplus was reduced by the book value of ¥9,407 million of the cancelled treasury stocks. As a result, capital surplus stood at ¥131,386 million, and treasury stocks amounted to ¥3,107 million at the end of the first three quarters of the fiscal year under review.

As stated in 2. Matters Relating to Summary Information (Notes) (1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions, the method of calculating retirement benefit liability and service cost was revised, and the amount of the effect of the changes in the method was added to, or deducted from, retained income. As a result, retained income at the beginning of the first three quarters of the fiscal year under review decreased ¥3,217 million.

(Segment Information)

I. April 1, 2013 to December 31, 2013

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	Business Support			
Operating revenue								
Outside customers	142,640	117,668	377,125	69,673	90,104	797,213	—	797,213
Inter-segment internal revenues or transfers	465	25,826	5,963	394	23,394	56,044	(56,044)	—
Total	143,106	143,495	383,088	70,068	113,498	853,257	(56,044)	797,213
Segment profit	24,257	22,524	3,808	2,097	1,386	54,073	19	54,092

Notes

1. An adjustment of ¥19 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, 2014 to December 31, 2014

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	Business Support			
Operating revenue								
Outside customers	142,862	86,353	374,414	72,119	93,284	769,034	—	769,034
Inter-segment internal revenues or transfers	446	25,755	6,420	364	20,222	53,209	(53,209)	—
Total	143,308	112,109	380,835	72,484	113,506	822,244	(53,209)	769,034
Segment profit	24,789	19,807	4,746	3,731	321	53,396	154	53,551

Notes

1. An adjustment of ¥154 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.

2. Matters regarding the change of reported segments

As stated in 2. Matters Relating to Summary Information (Notes) (1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions, the method of calculating retirement benefit liability and service cost was changed in the first quarter of the fiscal year under review. Accordingly, the method of calculating retirement benefit liability and service cost for the reported segments was similarly changed.

The effects of the change on segment profit or loss for the first three quarters of the fiscal year under review are negligible.

○ Same-day disclosure documents

Documents providing an overview of the settlement for the first three quarters of the fiscal year ending March 2015

(Note) These documents were posted on the Company's website, and are also disclosed on TDnet.