

Supplementary Materials on Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (FY2019)

Keikyu Corporation (Securities code: 9006)

November 13, 2019

<https://www.keikyu.co.jp>

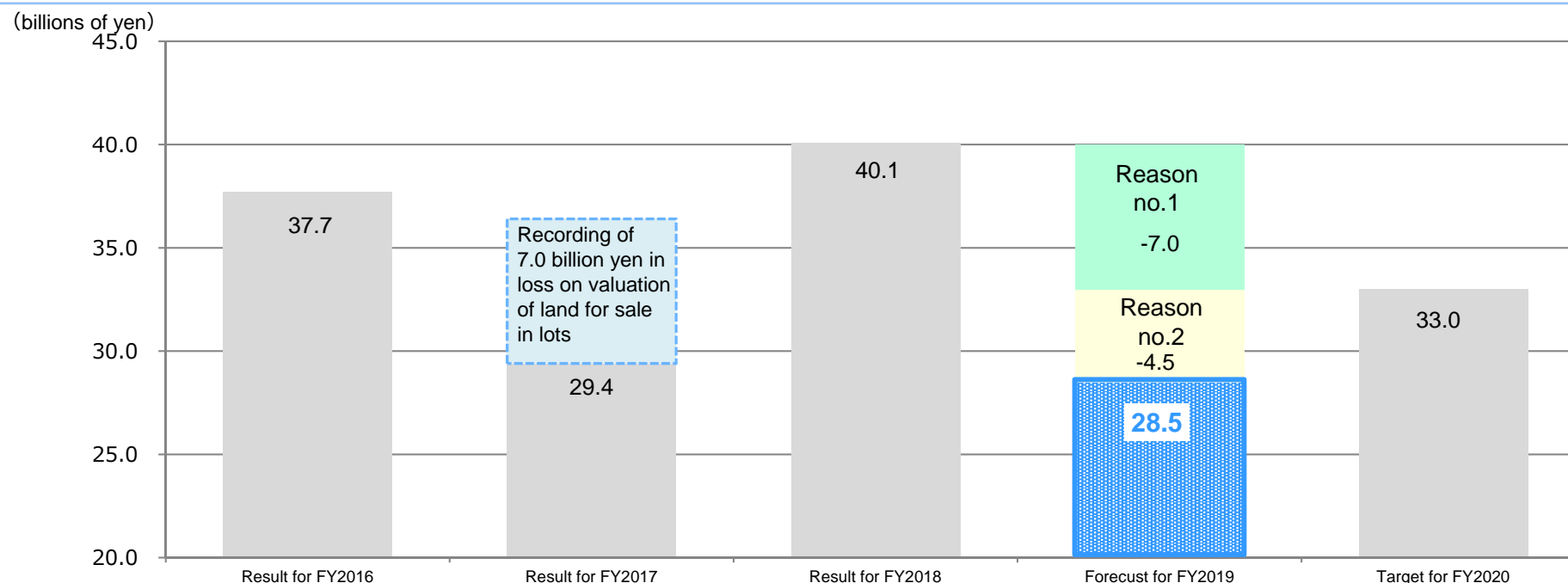
Consolidated Statement of Income

- ◆ In real estate operations, both revenue and profit increased mainly due to the sale of a condominium business project site in addition to steady sales and transfer of condominiums.

(Unit: Millions of yen)

	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Revenue from operations	151,077	165,241	14,164	9.4
Operating profit	19,222	21,708	2,485	12.9
Ordinary profit	17,994	20,395	2,400	13.3
Extraordinary income	1,050	367	(683)	(65.0)
Extraordinary losses	842	729	(112)	(13.4)
Profit attributable to owners of parent	12,368	13,751	1,382	11.2

Operating Profit and Expenses for Business Forecasts for FY2019



<Status of incurred costs, etc. and amount incurred (Numbers within parentheses are costs recorded in FY2019)>

	Reason no. 1 (Continuous factor)	Reason no. 2 (Temporary factor only for FY2019)
	Reduction in the additional fares (-1.5) ⇒Will be incurred in the second half due to reduction from October 1.	Favorable sales of PRIME PARKS Shinagawa Seaside THE TOWER in FY2018, etc. (-3.0)
	Depreciation for home doors, the new head office building, etc. (-1.5) ⇒Approximately 1/3 incurred. Depreciation for the new head office building began in the second quarter, and for home doors, etc. will be incurred mainly from the third quarter on.	Expenses for advertisements regarding reduction in additional fares (-1.0) ⇒Approximately 1/3 incurred. Expenses for advertisements, etc. will be incurred in the second half as well.
	Retirement benefit expenses (-1.5) ⇒Generally half (incurred evenly every quarter)	Head office transfer expenses (-1.0) ⇒Will be incurred from the third quarter after transfer.
	Expenses for development study survey (-1.0) ⇒Minimal amount incurred. Expected to be incurred in second half.	Other expenses (+0.5)
	Other expenses (-1.5) ⇒Approximately 1/3 incurred.	
Increase/ Decrease	-7.0	-4.5

Segment Information

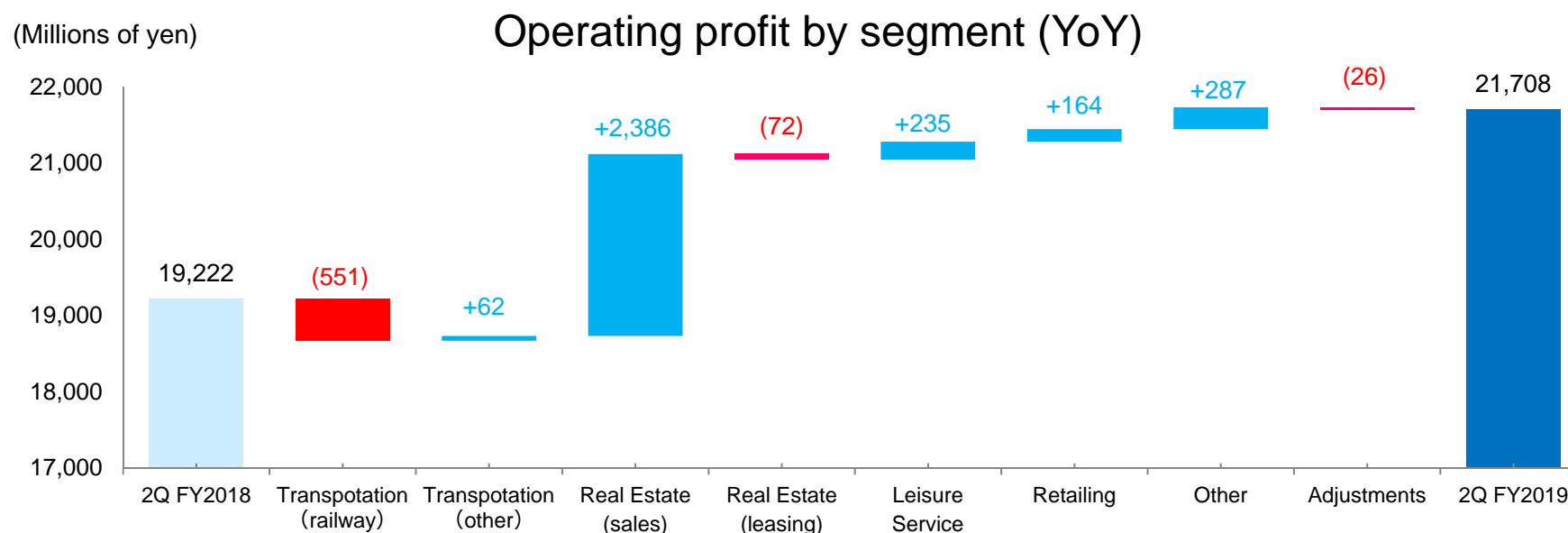
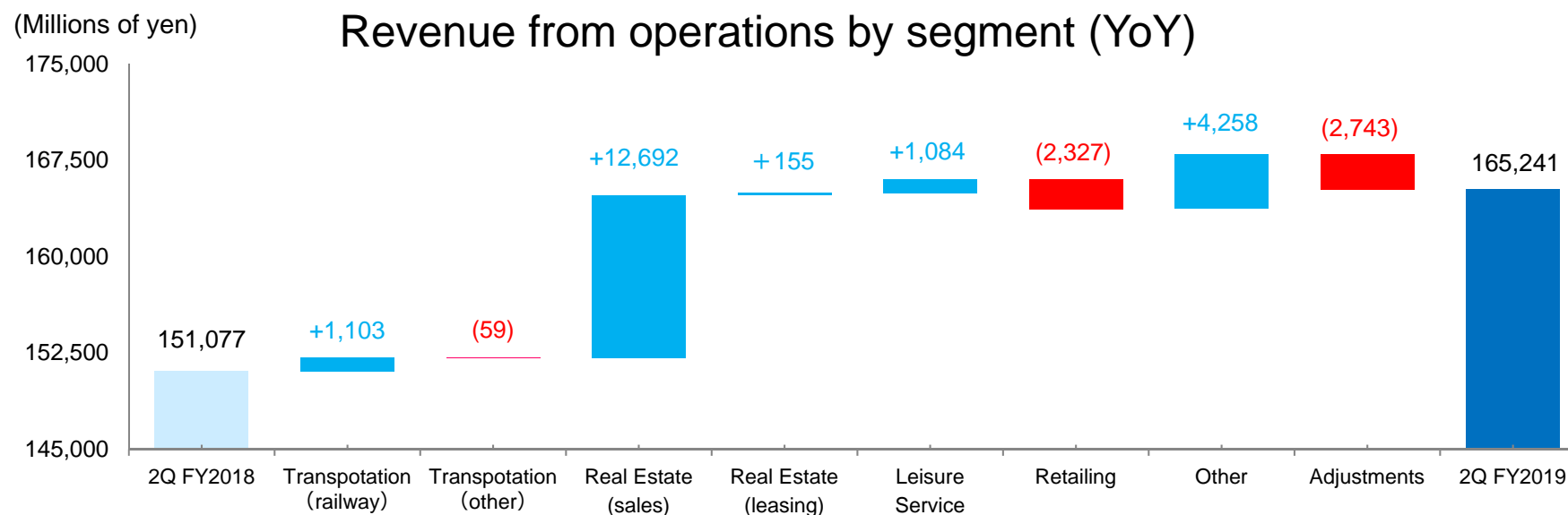
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(Unit: Millions of yen)

		Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Transportation	Revenue from operations	62,942	63,987	1,044	1.7
	Operating profit	12,223	11,733	(489)	(4.0)
Real Estate	Revenue from operations	17,831	30,679	12,847	72.1
	Operating profit	2,139	4,453	2,313	108.1
Leisure Services	Revenue from operations	18,533	19,617	1,084	5.8
	Operating profit	3,519	3,754	235	6.7
Retailing	Revenue from operations	52,951	50,624	(2,327)	(4.4)
	Operating profit	1,192	1,356	164	13.8
Other	Revenue from operations	19,195	23,453	4,258	22.2
	Operating profit	588	876	287	48.8
Total	Revenue from operations	171,454	188,362	16,908	9.9
	Operating profit	19,663	22,174	2,511	12.8
Adjustments	Revenue from operations	(20,377)	(23,120)	(2,743)	—
	Operating profit	(440)	(466)	(26)	—
Figures on Consolidated Statement of Income	Revenue from operations	151,077	165,241	14,164	9.4
	Operating profit	19,222	21,708	2,485	12.9

(Reference) Increases/Decreases in Revenue from Operations and Operating Profit by Segment

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Transportation (1)

- ◆ In railway operations, revenue increased due to such factors as an increase in the number of passengers carried to central Tokyo and to the Haneda Airport.
- ◆ In railway operations, profit decreased due to such factors as increases in retirement benefit expenses and depreciation.
- ◆ In bus operations, profit increased due to such factors as decreases in fuel expenses and labor costs.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Transportation	62,942	63,987	1,044	1.7	12,223	11,733	(489)	(4.0)
Railway	43,142	44,245	1,103	2.6	10,796	10,245	(551)	(5.1)
Bus	17,572	17,598	25	0.1	1,414	1,491	76	5.4
Taxi	2,227	2,142	(84)	(3.8)	11	(2)	(14)	—

<Results in railway operations: number of passengers carried & revenue from railway operations>

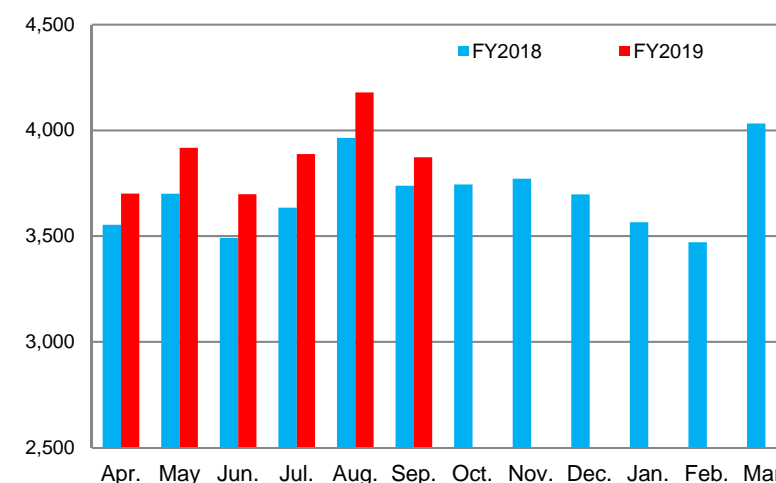
		Number of passengers carried (Thousands of people)				Revenue from railway operations (Millions of yen)			
		Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
	Commuter	136,249	140,194	3,945	2.9	16,174	16,543	368	2.3
	Non commuter	107,567	110,506	2,939	2.7	25,403	26,074	670	2.6
	Total	243,816	250,700	6,884	2.8	41,578	42,617	1,038	2.5

<Number of passengers carried: Total of Haneda Airport Domestic/International Terminal Stations>

		Number of passengers carried (Thousands of people)			
		Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
	Commuter	3,840	4,074	234	6.1
	Non commuter	18,240	19,182	942	5.2
	Total	22,080	23,256	1,176	5.3

Number of passengers carried per month: Total of Haneda Airport Domestic/International Terminal Stations

(Thousands of people)



Real Estate

- ◆ In the real estate sales business, both revenue and profit increased amid factors such as recording of sales of condominiums and the sale of a condominium business project site.

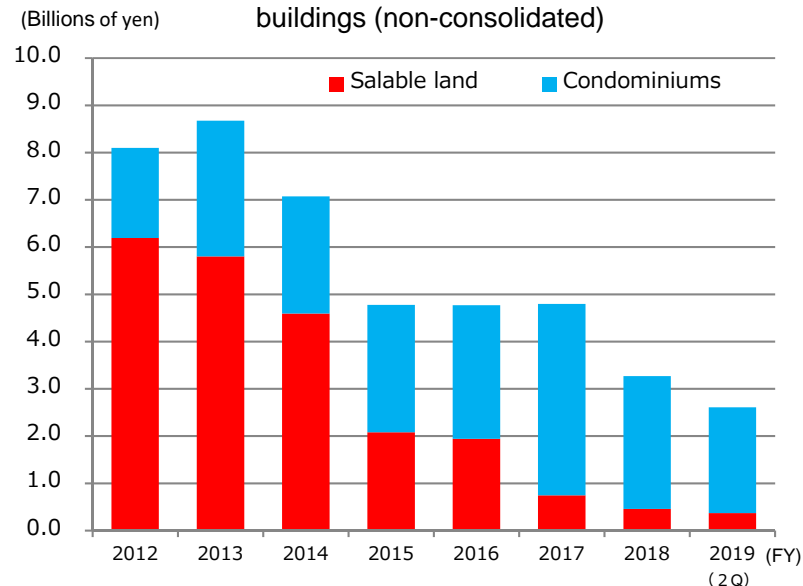
(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Real Estate	17,831	30,679	12,847	72.1	2,139	4,453	2,313	108.1
Real estate sales	7,571	20,263	12,692	167.6	(813)	1,573	2,386	—
Real estate leasing	10,259	10,415	155	1.5	2,952	2,880	(72)	(2.5)

Number of units or plots sold:
condominium and residential land/homes (Number of units/plots)

	Second Quarter of FY2018	Second Quarter of FY2019	Change
Condominiums	306	199	(107)
(After conversion for ownership share)	91	99	8
Residential land/homes	41	107	66

Year-end balance of land for sale in lots and buildings (non-consolidated)



Leisure Services

- ◆ In business hotel operations, revenue decreased due to factors such as an increase in costs associated with labor costs and the opening of new buildings, despite an increase in revenue due to factors such as each building performing steadily with a focus on new buildings.
- ◆ In leisure-related facility operations, both revenue and profit increased mainly due to strong sales in boat racing business.
- ◆ In leisure, other, both revenue and profit increased mainly due to such factors as increases in advertisement orders.

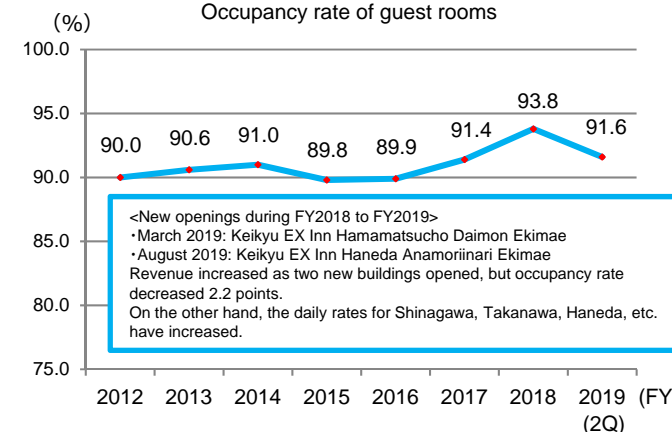
(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Leisure Services	18,533	19,617	1,084	5.8	3,519	3,754	235	6.7
Business hotels	5,386	5,655	268	5.0	1,507	1,457	(49)	(3.3)
Leisure-related facilities	6,400	6,793	392	6.1	1,169	1,379	210	18.0
Leisure, other	6,746	7,168	422	6.3	842	917	74	8.8

Keikyu EX Hotel · Keikyu EX Inn: Occupancy rate of guest rooms

	Second Quarter of FY2018	Second Quarter of FY2019	Change
Occupancy rate of guest rooms	93.8%	91.6%	(2.2pt)

Keikyu EX Hotel · Keikyu EX Inn:
Occupancy rate of guest rooms



- ◆ Revenue decreased in supermarkets mainly due to closing of stores (Keikyu Store Sunny Mart and others) in the previous period.
- ◆ In department store business, profit increased mainly due to such factors as decreases in labor costs.
- ◆ Profit increased in SC business due to factors such as the full-year operation of the shopping mall (Wing Shimbashi) that was suspended from business operations to perform seismic retrofitting work in the previous period.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Retailing	52,951	50,624	(2,327)	(4.4)	1,192	1,356	164	13.8
Department store / SC	17,287	17,468	181	1.0	150	377	227	151.3
Department store	15,858	15,684	(173)	(1.1)	(49)	85	134	—
SC * Former Retailing, other	1,429	1,783	354	24.8	199	292	93	46.7
Store business	35,664	33,155	(2,508)	(7.0)	1,041	979	(62)	(6.0)
Supermarkets	27,939	25,656	(2,282)	(8.2)	244	300	55	22.9
Convenience store / Merchandise sales, etc. * Former Merchandise sales	7,725	7,499	(225)	(2.9)	797	679	(118)	(14.8)

- ◆ Both revenue and profit increased mainly due to the increased construction performed by Keikyu Construction Co., Ltd. and Keikyu Electric Engineering Co., Ltd.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Other	19,195	23,453	4,258	22.2	588	876	287	48.8

Non-operating/Extraordinary Income and Losses

(Unit: Millions of yen)

	Second Quarter of FY2018	Second Quarter of FY2019	Change	Change [%]
Operating profit	19,222	21,708	2,485	12.9
Non-operating profit	1,200	1,077	(122)	(10.2)
Interest income	32	34	2	7.9
Dividend income	450	451	0	0.1
Equity in earnings of affiliates	359	341	(18)	(5.0)
Other	357	250	(107)	(30.0)
Non-operating expenses	2,427	2,390	(37)	(1.5)
Interest expenses	2,237	2,083	(153)	(6.9)
Other	190	306	115	60.6
Ordinary profit	17,994	20,395	2,400	13.3
Extraordinary income	1,050	367	(683)	(65.0)
Contribution for construction	470	234	(236)	(50.2)
Gain on sales of non-current assets	84	129	44	52.1
Gain on sales of investment securities	400	—	(400)	(100.0)
Other	94	3	(91)	(96.0)
Extraordinary losses	842	729	(112)	(13.4)
Loss on retirement of non-current assets	40	456	416	—
Loss on reduction of non-current assets	470	234	(236)	(50.2)
Compensation expenses	—	15	15	—
Loss on valuation of investment securities	313	—	(313)	(100.0)
Other	17	23	5	32.3
Profit before income taxes	18,203	20,032	1,829	10.1

Consolidated Balance Sheet (Condensed)

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(Unit: Millions of yen)

		As of March 31, 2019	As of September 30, 2019	Change
	Current assets	126,731	102,548	(24,182)
	Cash and deposits	45,742	39,755	(5,987)
	Notes and accounts receivable trade	26,229	12,759	(13,470)
	Land and buildings for sale in lots	44,606	37,147	(7,458)
	Non-current assets	765,113	781,543	16,430
	Property, plant and equipment	627,399	641,757	14,358
	Investments and other assets	131,886	133,430	1,543
Total assets		891,844	884,092	(7,752)
Total liabilities		622,005	603,622	(18,382)
	Outstanding interest bearing debt*	429,849	415,791	(14,058)
Total net assets		269,839	280,469	10,629
Total liabilities and net assets		891,844	884,092	(7,752)
* Total figure for corporate bonds, debt and commercial paper				
Net interest bearing debt outstanding		384,106	376,036	(8,070)

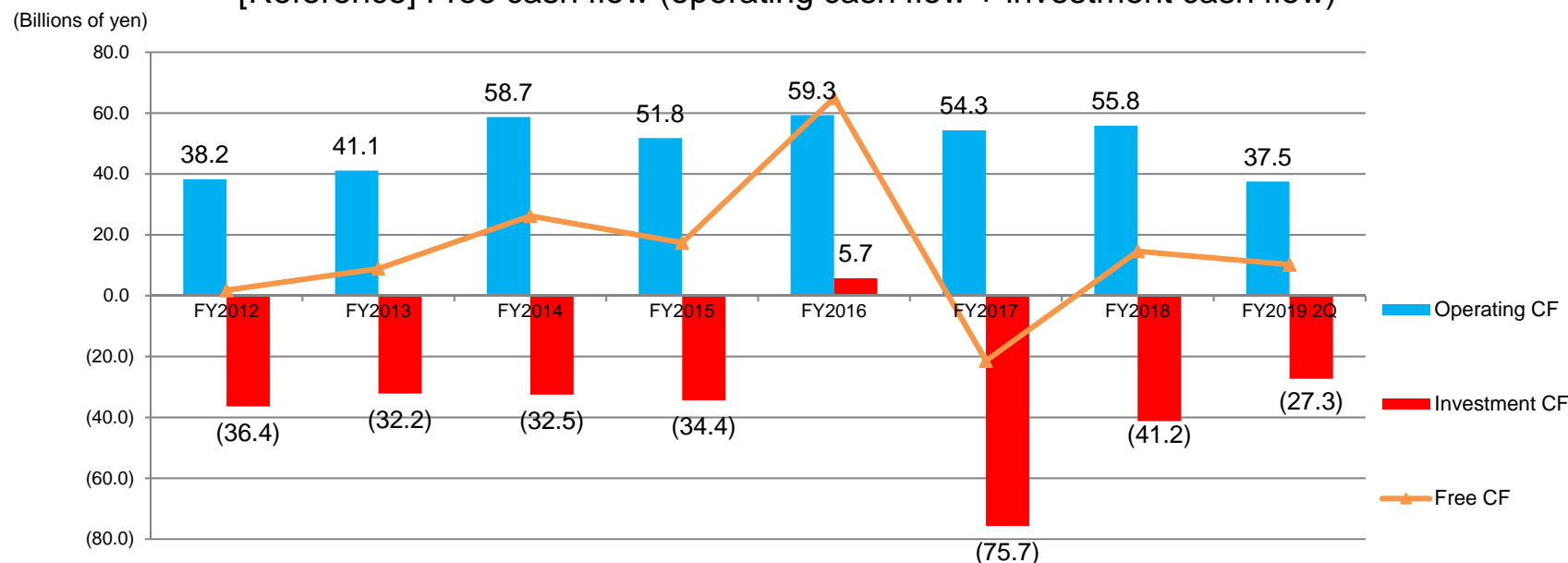
Consolidated Statement of Cash Flows

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(Unit: Millions of yen)

	Second Quarter of FY2018	Second Quarter of FY2019	Change
Cash flows from operating activities	19,704	37,580	17,875
Cash flows from investing activities	(16,346)	(27,304)	(10,957)
Cash flows from financing activities	10,408	(16,264)	(26,672)
Net increase (decrease) in cash and cash equivalents	13,766	(5,987)	(19,754)
Cash and cash equivalents at end of the year	57,478	39,605	(17,873)

[Reference] Free cash flow (operating cash flow + investment cash flow)



As the business forecasts for FY2019 have not changed since the business forecasts were announced in May, the business forecasts from the Supplementary Materials on Financial Results for the Fiscal Year Ended March 31, 2019 (announced on May 10, 2019) have been provided again.

The financial results for this quarter have been submitted, and the “First Half Forecast and Full Year Forecast for FY2019” and “Progress Percentage Against the Full Year Forecast by Segment” are posted. (p. 15, 17)

Progress on the First Half and Full-Year Forecasts for FY2019

- ◆ The full-year forecast remains unchanged from the forecast in May.
- ◆ Despite an upswing in the first half due to factors such as an increase in the number of passengers carried to central Tokyo and to the Haneda Airport, the forecast remains unchanged in railway operations as advertising expenses for commercials related to the promotion of Miura Peninsula and the reduction in additional fares, and repair costs, etc. are expected to be incurred mainly in the second half, and because of the impact of the reduction in additional fares from the second half is unchanged from the initial forecast.
- ◆ Despite an upswing in the first half due to strong sales of condominiums and having sold properties ahead of time that were to be sold in the second half, the forecast remains unchanged in the real estate sales business due to recoil in the second half and sales costs that will be incurred for properties to be sold.

(Unit: Millions of yen)

	Result for Second Quarter of FY2019	Forecast for Second Quarter of FY2019	Difference (actual – forecast)
Revenue from operations	165,241	165,000	241
Operating profit	21,708	18,000	3,708
Ordinary profit	20,395	16,500	3,895
Profit attributable to owners of parent	13,751	11,000	2,751

Full-year forecast for FY2019	Progress [%]
325,000	50.8
28,500	76.2
25,500	80.0
16,000	85.9

Consolidated Statement of Income (Business Forecasts)

- ◆ Revenue is expected to decrease mainly due to the absence of sales of large condominiums in previous fiscal year and closing of stores of Keikyu Store.
- ◆ Profit is expected to decrease mainly due to the increase in railway expenses and the reduction in additional fares, as well as due to the reversal effect of having recorded profit from large condominiums in the previous fiscal year.

(Unit: Billions of yen)

	FY2018	FY2019	Change	Change [%]
Revenue from operations	339.2	325.0	(14.2)	(4.2)
Operating profit	40.1	28.5	(11.6)	(29.0)
Ordinary profit	37.7	25.5	(12.2)	(32.5)
Profit attributable to owners of parent	20.7	16.0	(4.7)	(22.8)

Amount of capital investment*	53.9	81.3	27.4	50.9
Depreciation	29.9	32.9	2.9	9.8

* Includes contribution for construction, etc. (FY2018: 8.2 billion yen, FY2019 (forecast): 1.0 billion yen)

Net income per share	75.22	58.10
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Segment Information (Business Forecasts)

(Unit: Billions of yen)

		FY2018	FY2019	Change	Change [%]	Second Quarter of FY2019	Progress [%]
Transportation	Revenue from operations	124.7	123.9	(0.8)	(0.7)	63.9	51.6
	Operating profit	20.8	13.6	(7.2)	(34.7)	11.7	86.0
Real Estate	Revenue from operations	69.9	57.7	(12.2)	(17.5)	30.6	53.0
	Operating profit	8.4	4.7	(3.7)	(44.4)	4.4	93.6
Leisure Services	Revenue from operations	38.0	38.3	0.2	0.8	19.6	51.2
	Operating profit	6.3	6.3	0.0	(0.7)	3.7	58.7
Retailing	Revenue from operations	106.5	104.4	(2.1)	(2.1)	50.6	48.5
	Operating profit	2.3	2.8	0.4	18.6	1.3	46.4
Other	Revenue from operations	55.8	56.0	0.1	0.2	23.4	41.8
	Operating profit	4.0	2.6	(1.4)	(35.4)	0.8	30.8
Total	Revenue from operations	395.1	380.3	(14.8)	(3.8)	188.3	—
	Operating profit	41.9	30.0	(11.9)	(28.6)	22.1	—
Adjustments	Revenue from operations	(55.8)	(55.3)	0.5	—	(23.1)	—
	Operating profit	(1.8)	(1.5)	0.3	—	(0.4)	—
Figures on Consolidated Statement of Income	Revenue from operations	339.2	325.0	(14.2)	(4.2)	165.2	50.8
	Operating profit	40.1	28.5	(11.6)	(29.0)	21.7	76.2

Transportation (Business Forecasts)

- ◆ Both revenue and profit decreased mainly due to increase of expenses and reduction of additional fares in railway operations.

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2018	FY2019	Change	FY2018	FY2019	Change
Transportation	124.7	123.9	(0.8)	20.8	13.6	(7.2)
Railway	85.9	84.9	(1.0)	18.8	12.1	(6.7)
Bus	34.4	34.4	0.0	1.9	1.4	(0.5)
Taxi	4.3	4.4	0.1	0.0	0.0	0.0

<Results and forecasts in railway operations: number of passengers carried & revenue from railway operations>

	Number of passengers carried (Millions of people)				Revenue from railway operations (Billions of yen)			
	FY2018	FY2019	Change	Change [%]	FY2018	FY2019	Change	Change [%]
Commuter	267	268	1	0.6	31.9	31.7	(0.1)	(0.4)
Non Commuter	216	220	4	1.9	50.9	49.9	(0.9)	(2.0)
Total	483	489	5	1.2	82.8	81.7	(1.1)	(1.4)

<Number of passengers carried: Total of Haneda Airport Domestic/International Terminal Stations>

	Number of passengers carried (Millions of people)			
	FY2018	FY2019	Change	Change [%]
Commuter	7	8	0	6.4
Non Commuter	36	39	2	6.6
Total	44	47	2	6.6

Real Estate, Leisure Services (Business Forecasts)

- ◆ Both revenue and profit are expected to decrease primarily due to the absence of sales of large condominiums in the previous fiscal year in real estate sales business.

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2018	FY2019	Change	FY2018	FY2019	Change
Real Estate	69.9	57.7	(12.2)	8.4	4.7	(3.7)
Real estate sales	49.2	37.1	(12.0)	4.2	0.5	(3.7)
Real estate leasing	20.7	20.5	(0.1)	4.2	4.2	(0.0)

- ◆ Revenue is likely to increase given the prospect of full-year operation of new buildings and occupancy rates on par with the previous period in business hotel operations.

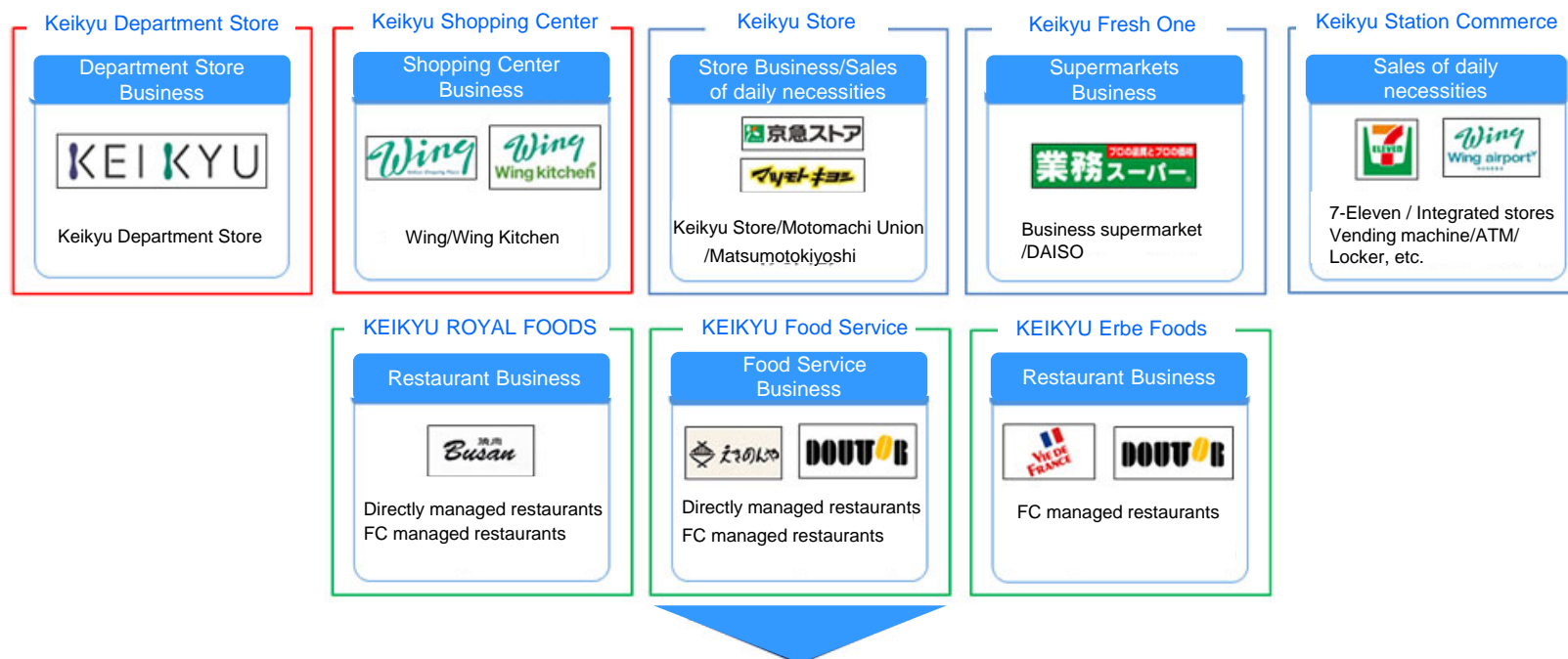
(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2018	FY2019	Change	FY2018	FY2019	Change
Leisure Services	38.0	38.3	0.2	6.3	6.3	(0.0)
Business hotels	10.7	11.4	0.6	2.7	2.9	0.1
Leisure-related facilities	12.5	12.9	0.4	1.9	2.0	0.0
Leisure, other	14.6	13.8	(0.7)	1.6	1.3	(0.2)

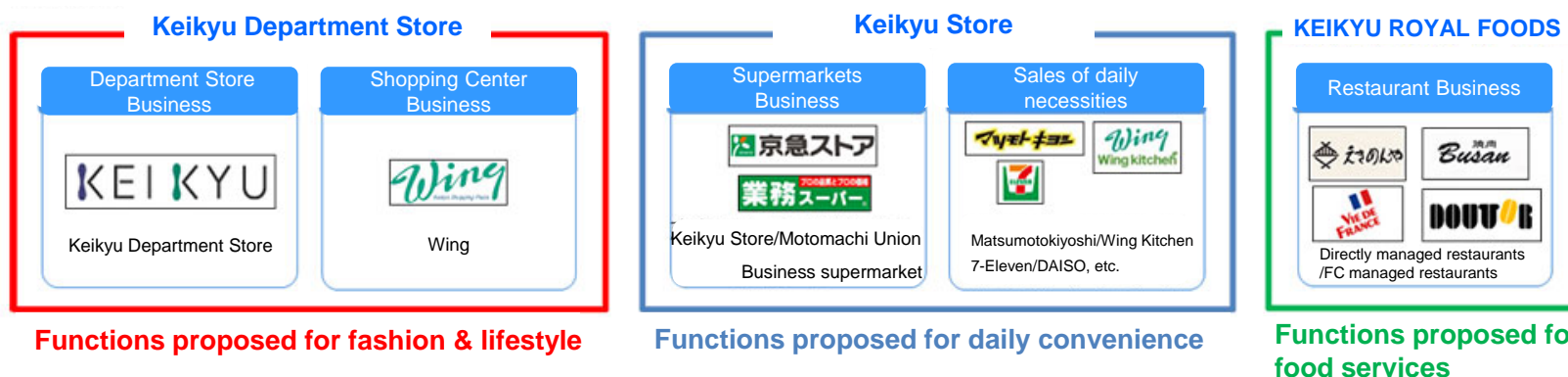
Retailing (Business Forecasts) (1)

- ◆ Restructuring and integration of retailing business, etc.
As of April 1, 2019, we restructured and integrated the retailing business

《Before restructuring》



《After restructuring》



Retailing (Business Forecasts) (2)

- ◆ Revenue is expected to decrease in retail stores mainly due to closing of stores.
- ◆ Profit of the department store / SC business is expected to increase due to such factors as restructuring and integration, efforts to reinforce the sales capabilities and increase management efficiency, as well as absence of a suspension of business operations to perform seismic retrofitting work on the shopping mall (Wing Shimbashi) in the previous fiscal year.

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2018	FY2019	Change	FY2018	FY2019	Change
Retailing	106.5	104.4	(2.1)	2.3	2.8	0.4
Department store / SC	36.5	36.8	0.2	0.5	0.9	0.4
Department store	33.6	33.4	(0.1)	0.1	0.3	0.1
SC *Former Retailing, other	2.9	3.4	0.4	0.3	0.6	0.3
Store business	70.0	67.4	(2.6)	1.8	1.8	(0.0)
Supermarkets	52.5	51.3	(1.1)	0.4	0.4	(0.0)
Convenience store/ Merchandise sales, etc. *Former Merchandise sales	17.5	16.1	(1.3)	1.3	1.3	0.0

* As of April 1, 2019, due to restructuring and integration of retailing business, etc., we have reclassified the sub segments breakdown.

Other (Business Forecasts)

- ◆ Both revenue and income are expected to decrease due to a decline in construction work, etc.

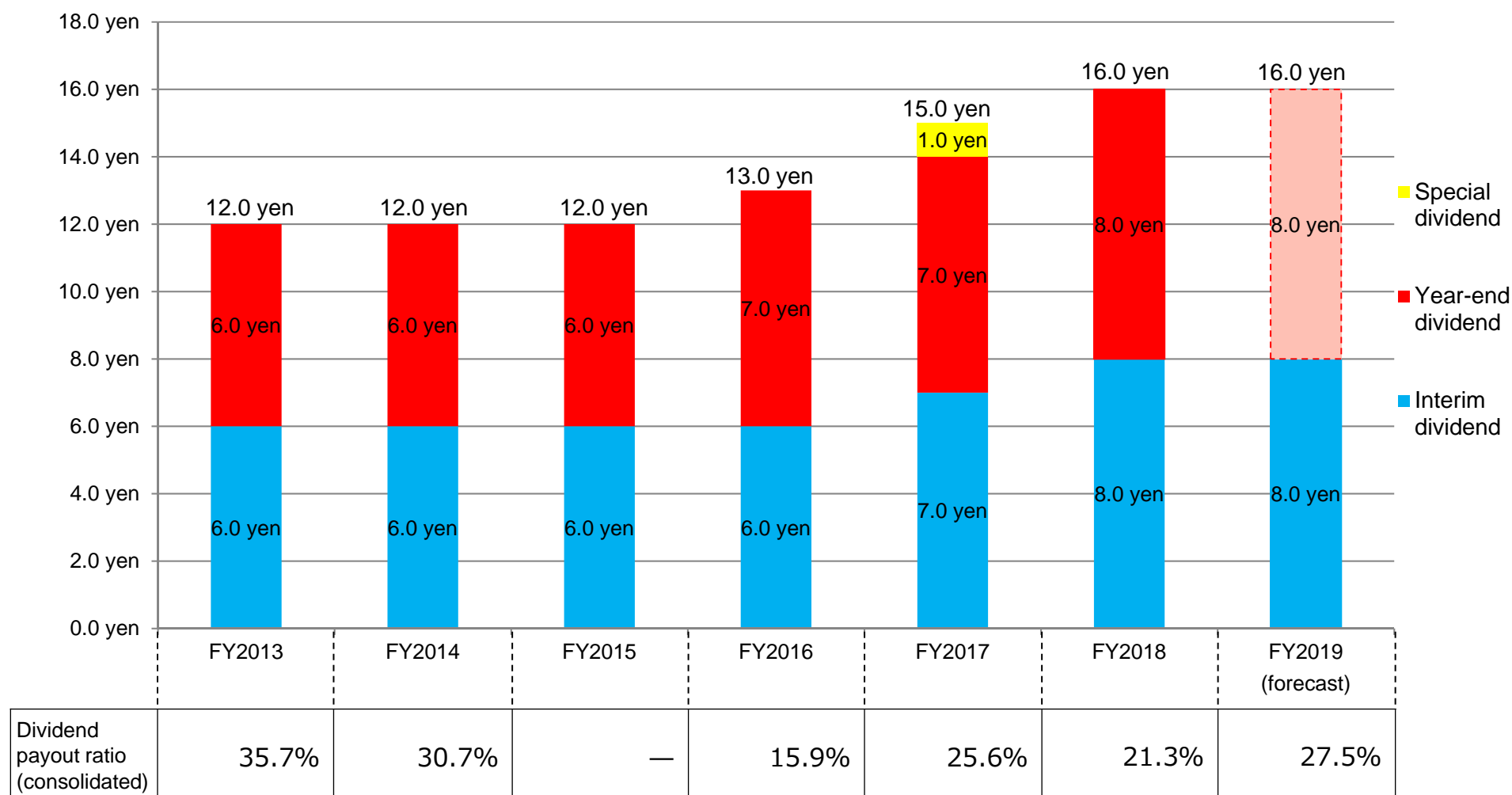
(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2018	FY2019	Change	FY2018	FY2019	Change
Other	55.8	56.0	0.1	4.0	2.6	(1.4)

Shareholder returns

Dividend Policy: We distribute dividends taking into account our business results, financial condition and other such factors, based on the notion of maintaining stable dividends.

* Figures as presented have been calculated considering the impact of the reverse split carried out on October 1, 2017.





<Note>

With the exception of historical facts, the information in these materials consists of forward-looking statements, created based on various assumptions at the time they were announced. The posting of such information is no guarantee of future results and is subject to risks and uncertainties. Actual results may differ from forward-looking statements due to various factors.

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