

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

Keikyu Corporation (Securities code: 9006)

February 13, 2020

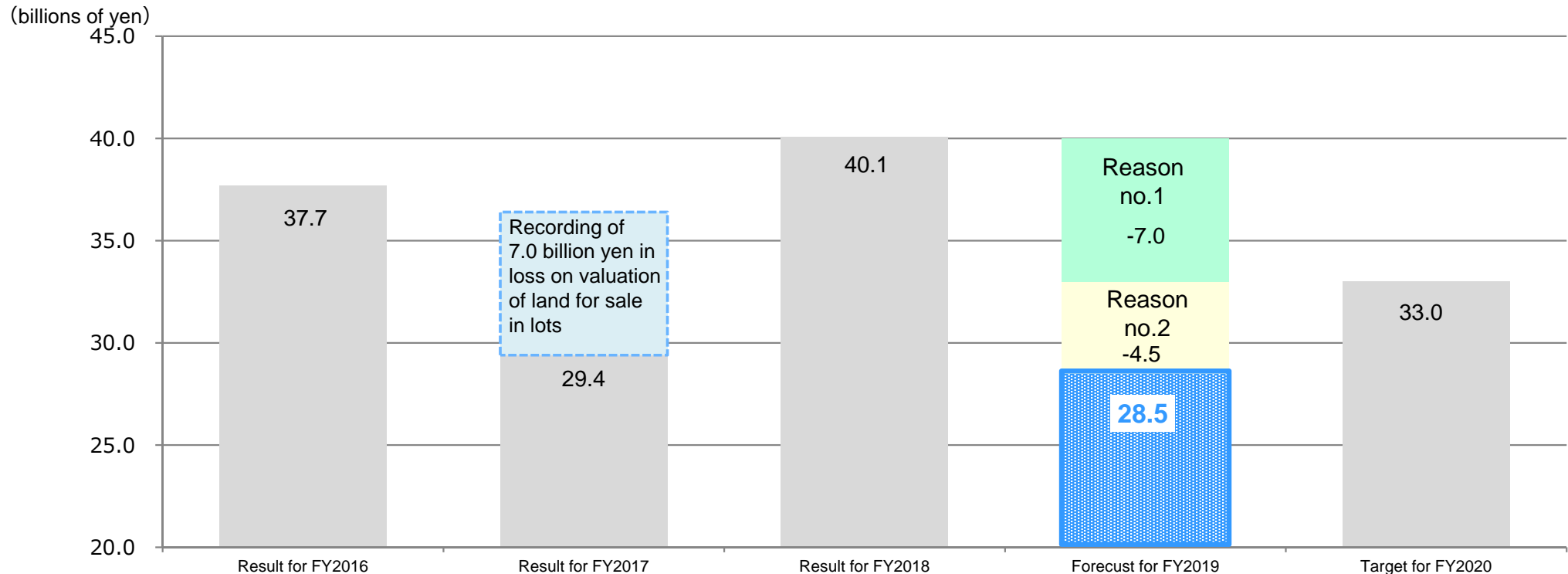
<https://www.keikyu.co.jp>

- ◆ In the Real Estate business, revenue increased amid factors such as recording of sales of condominiums and the sale of a condominium business project site.
- ◆ Profit decreased due to higher personnel expenses relating to an increase in retirement benefit expenses, and increases in depreciation and advertising expenses in the Transportation business.

(Unit: Millions of yen)

	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Revenue from operations	237,817	239,159	1,341	0.6
Operating profit	29,823	28,057	(1,765)	(5.9)
Ordinary profit	27,936	26,338	(1,597)	(5.7)
Extraordinary income	1,140	885	(255)	(22.4)
Extraordinary losses	1,286	2,306	1,020	79.4
Profit attributable to owners of parent	19,322	17,093	(2,228)	(11.5)

Operating Profit and Expenses for Business Forecasts for FY2019



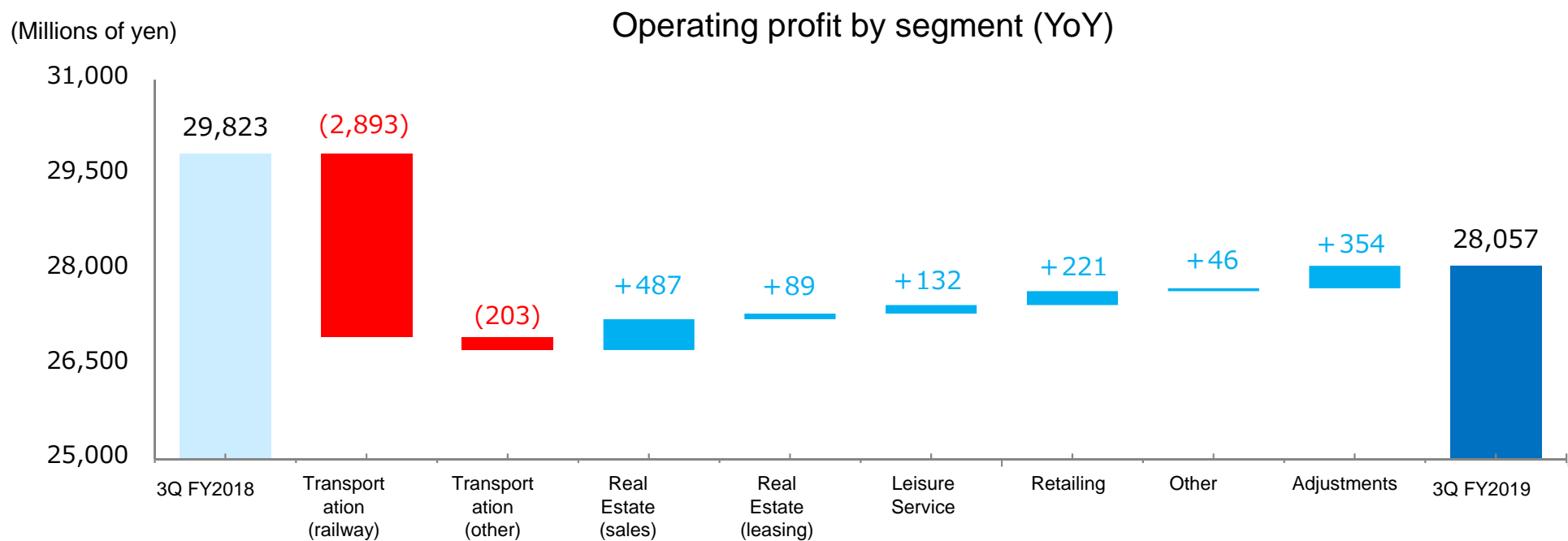
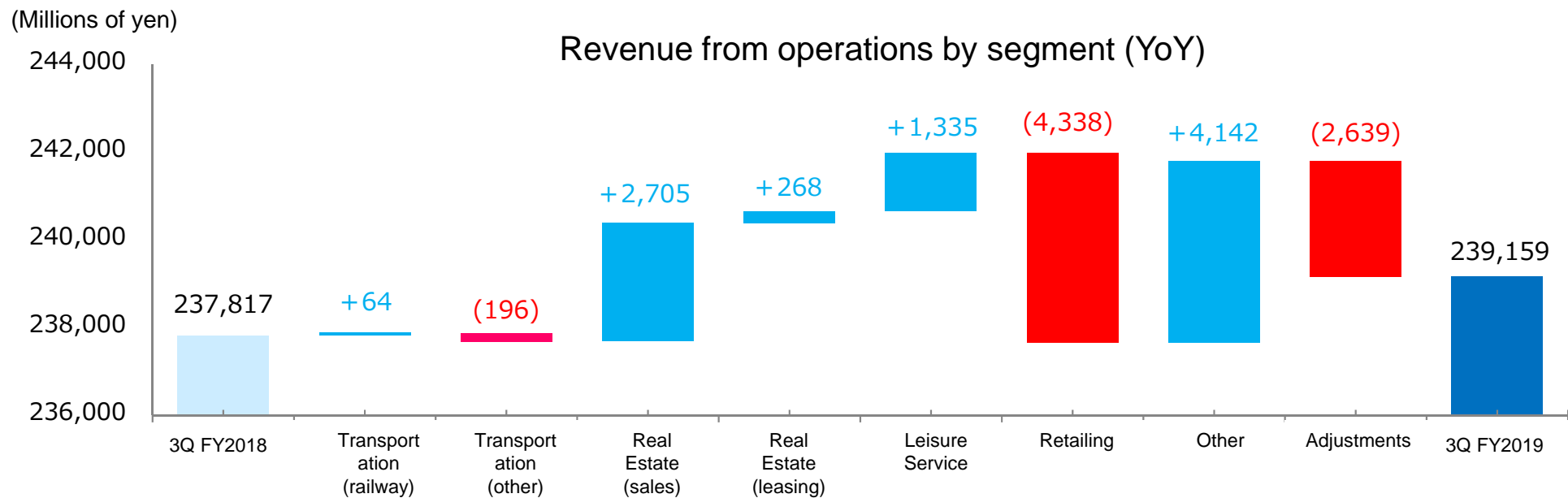
<Status of incurred costs, etc. and amount incurred (Numbers within parentheses are costs recorded in FY2019)>

	Reason no. 1 (Continuous factor)	Reason no. 2 (Temporary factor only for FY2019)
	Reduction in the additional fares (-1.5) ⇒ Approx. half incurred.	Favorable sales of PRIME PARKS Shinagawa Seaside THE TOWER in FY2018, etc. (-3.0) ⇒ Due to recoil from FY2018 in fourth quarter, not incurred.
	Depreciation for home doors, the new head office building, etc. (-1.5) ⇒ Approx. 2/3 incurred.	Expenses for advertisements regarding reduction in additional fares (-1.0) ⇒ Approx. 1/3 incurred. Expenses for advertisements, etc. will be incurred in the fourth quarter as well.
	Retirement benefit expenses (-1.5) ⇒ Approx. 3/4 incurred (incurred evenly every quarter).	Head office transfer expenses (-1.0) ⇒ Approx. 1/3 incurred.
	Expenses for development study survey (-1.0) ⇒ Approx. 1/3 incurred.	Other expenses (+0.5) ⇒ Minimal amount incurred.
	Other expenses (-1.5) ⇒ Approx. 1/3 incurred.	
Increase/Decrease	-7.0 ⇒ Approx. half incurred.	-4.5 ⇒ Approx. less than 1 billion yen incurred.

(Unit: Millions of yen)

		Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Transportation	Revenue from operations	94,265	94,133	(132)	(0.1)
	Operating profit	16,985	13,887	(3,097)	(18.2)
Real Estate	Revenue from operations	35,767	38,741	2,974	8.3
	Operating profit	4,983	5,560	576	11.6
Leisure Services	Revenue from operations	28,560	29,896	1,335	4.7
	Operating profit	5,479	5,612	132	2.4
Retailing	Revenue from operations	80,970	76,632	(4,338)	(5.4)
	Operating profit	2,028	2,249	221	10.9
Other	Revenue from operations	30,655	34,798	4,142	13.5
	Operating profit	1,205	1,252	46	3.9
Total	Revenue from operations	270,220	274,201	3,981	1.5
	Operating profit	30,682	28,562	(2,120)	(6.9)
Adjustments	Revenue from operations	(32,403)	(35,042)	(2,639)	—
	Operating profit	(859)	(504)	354	—
Figures on Consolidated Statement of Income	Revenue from operations	237,817	239,159	1,341	0.6
	Operating profit	29,823	28,057	(1,765)	(5.9)



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



◆ Railway

< Revenue from operations >

Although non-commuter revenue declined for the reasons stated below, commuter revenue increased as a result of the early purchasing of commuter passes to beat the consumption tax hike.

	Commuter:	Early purchasing of commuter passes to beat the consumption tax hike and increase in number of passengers carried to central Tokyo led to an increase in revenue from railway operations
	Other:	Increase in miscellaneous income of transportation
	Non-commuter:	Reduction in additional fares on the airport line from October, the effect of Typhoon 19, etc. led to lower revenue from railway operations.

< Operating profit >

Profit decreased due to such factors as increases in retirement benefit expenses, depreciation and advertising expenses.

◆ In bus operations, revenue fell, reflecting the cancellation of some routes and profit fell, mainly due to an increase in depreciation.

◆ In taxi operations, a lower utilization rate for vehicles and other factors led to lower revenue and profit. (Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Transportation	94,265	94,133	(132)	(0.1)	16,985	13,887	(3,097)	(18.2)
Railway	64,700	64,764	64	0.1	15,074	12,180	(2,893)	(19.2)
Bus	26,217	26,129	(88)	(0.3)	1,889	1,724	(165)	(8.8)
Taxi	3,347	3,239	(108)	(3.2)	21	(17)	(38)	—

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

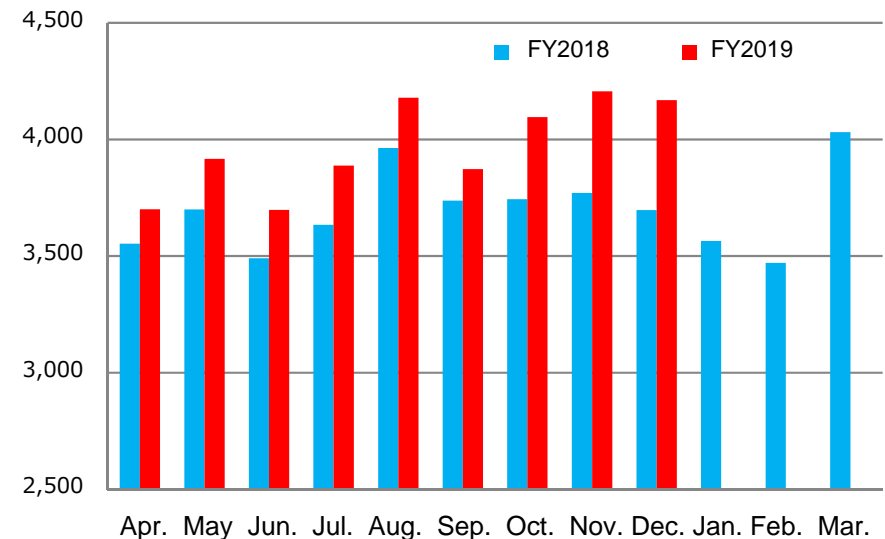
		Number of passengers carried (Thousands of people)				Revenue from railway operations (Millions of yen)			
		Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
	Commuter	202,403	206,403	4,000	2.0	24,022	24,285	262	1.1
	Non-commuter	162,303	165,091	2,788	1.7	38,297	37,965	(331)	(0.9)
	Total	364,706	371,494	6,788	1.9	62,320	62,251	(69)	(0.1)

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

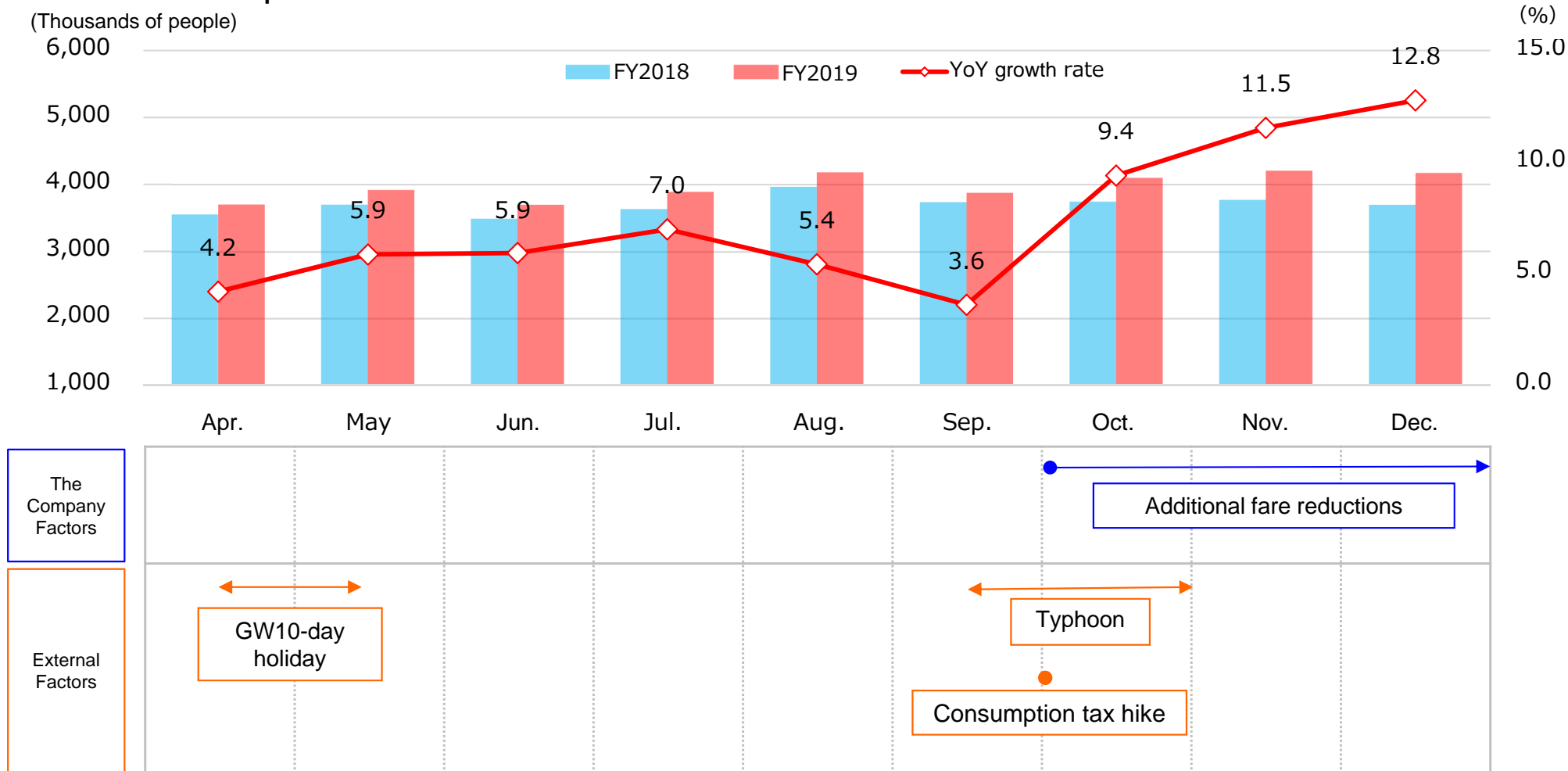
		Number of passengers carried (Thousands of people)			
		Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
	Commuter	5,715	6,357	642	11.2
	Non-commuter	27,577	29,370	1,793	6.5
	Total	33,292	35,727	2,435	7.3

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

(Thousands of people)



◆ Trend in number of passengers carried after reduction in the additional fares of the two Haneda Airport stations



◆ Effect from additional fare reductions

< Year on year >

The average rise in the number of non-commuter passengers from April-September was 5.3 pt, but from October-December, it was 11.2 pt (boost of 5.9 pt), showing a clear impact from additional fare reductions.

<Against the plan>

The results are within the scope of the forecast and generally in line with the plan.

- ◆ In the real estate sales operations, revenue and profit increased amid factors such as recording of sales of condominiums and the sale of a condominium business project site.
- ◆ In the real estate leasing operations, revenue and profit increased, mainly reflecting steady operation of buildings for leasing.

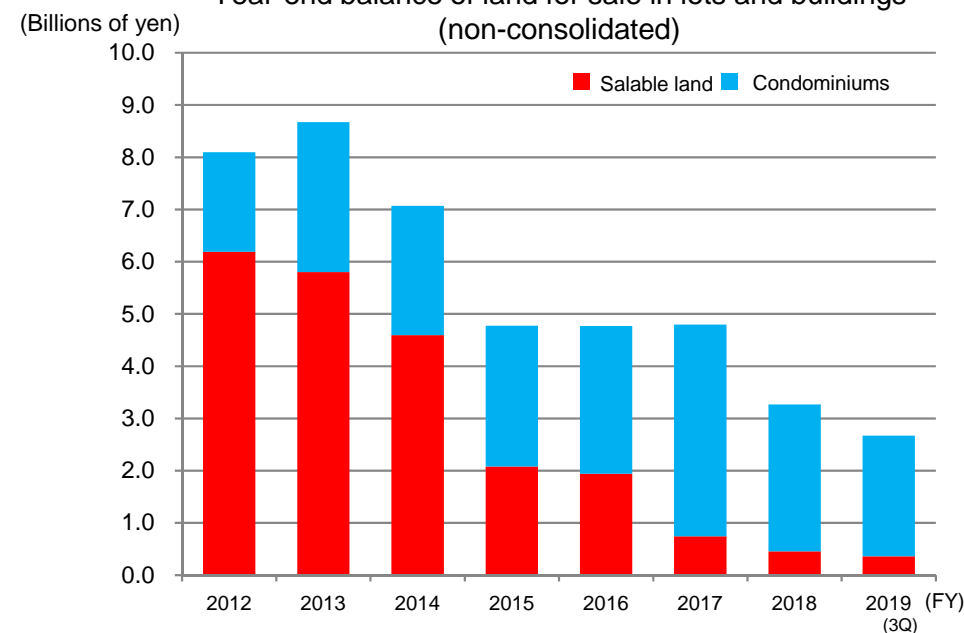
(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Real Estate	35,767	38,741	2,974	8.3	4,983	5,560	576	11.6
Real estate sales	20,232	22,938	2,705	13.4	388	875	487	125.4
Real estate leasing	15,534	15,803	268	1.7	4,595	4,685	89	1.9

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

	Third Quarter of FY2018	Third Quarter of FY2019	Change
Condominiums	668	219	(449)
(After conversion for ownership share)	284	114	(170)
Residential land/homes	52	129	77

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



- ◆ In business hotel operations, profit 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 the contribution of new buildings opened in the previous and current fiscal years.
- ◆ In leisure-related facility operations, both revenue and profit increased mainly due to strong sales from Natural Hot Spring Heiwajima, which carried out renovations in the previous fiscal year.
- ◆ 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			
	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Leisure Services	28,560	29,896	1,335	4.7	5,479	5,612	132	2.4
Business hotels	8,235	8,723	487	5.9	2,350	2,273	(76)	(3.3)
Leisure-related facilities	9,718	10,106	388	4.0	1,814	1,986	171	9.5
Leisure, other	10,606	11,066	459	4.3	1,314	1,352	37	2.9

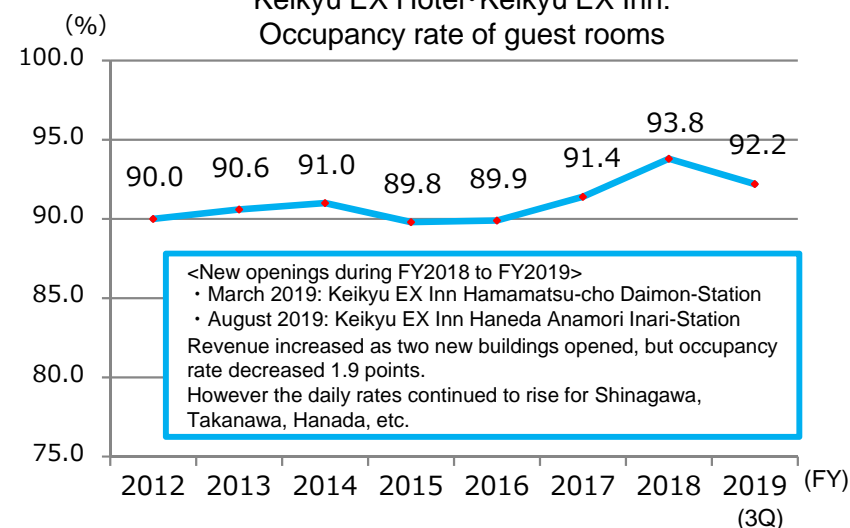
Keikyu EX Hotel・Keikyu EX Inn: Occupancy rate of guest rooms

	Third Quarter of FY2018	Third Quarter of FY2019	Change
Occupancy rate of guest rooms	94.1%	92.2%	(1.9pt)

Conditions surrounding the Company's business hotel operations

Although the inbound tourist rate in the Company's operations is not high, close attention is being paid to effect of the novel coronavirus (2019-nCoV) concerning its potential to cause stricter flight restrictions and dissuade domestic travel.

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



- ◆ In the department store operations, operating profit stayed roughly the same year on year despite poor results for foods and ladies' wear and lower revenue due to a reduction in out-of-store sales.
- ◆ Revenue and profit increased in the SC operations 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.
- ◆ Profit increased in supermarkets mainly due to reduced amortization of goodwill arising from the previous period's recognition of the impairment of goodwill for Keikyu Store, despite a fall in revenue due to the closing of stores (Keikyu Store Sunny Mart and others) in the previous period.
- ◆ In convenience store/merchandise sales, revenue and profit declined, mainly due to the suspension of operations of a Seven Eleven store to perform seismic retrofitting work at Heiwajima Station.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Retailing	80,970	76,632	(4,338)	(5.4)	2,028	2,249	221	10.9
Department store / SC	27,445	26,777	(668)	(2.4)	410	605	194	47.4
Department store	25,257	24,072	(1,184)	(4.7)	104	191	87	83.4
SC * Former Retailing, other	2,188	2,704	516	23.6	306	414	107	35.2
Store business	53,525	49,854	(3,670)	(6.9)	1,617	1,644	26	1.6
Supermarkets	41,766	38,681	(3,085)	(7.4)	453	603	149	32.9
Convenience store / Merchandise sales, etc. * Former Merchandise sales	11,758	11,173	(584)	(5.0)	1,163	1,040	(122)	(10.5)

- ◆ 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			
	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Other	30,655	34,798	4,142	13.5	1,205	1,252	46	3.9

Non-operating/Extraordinary Income and Losses

(Unit: Millions of yen)

	Third Quarter of FY2018	Third Quarter of FY2019	Change	Change [%]
Operating profit	29,823	28,057	(1,765)	(5.9)
Non-operating profit	1,863	1,871	7	0.4
Interest income	56	57	1	2.0
Dividend income	770	809	39	5.1
Equity in earnings of affiliates	537	501	(35)	(6.6)
Other	500	502	1	0.4
Non-operating expenses	3,751	3,589	(161)	(4.3)
Interest expenses	3,339	3,120	(219)	(6.6)
Other	411	469	58	14.2
Ordinary profit	27,936	26,338	(1,597)	(5.7)
Extraordinary income	1,140	885	(255)	(22.4)
Contribution for construction	484	620	135	28.0
Gain on sales of non-current assets	160	253	93	58.0
Gain on sales of investment securities	400	—	(400)	(100.0)
Other	94	11	(83)	(88.4)
Extraordinary losses	1,286	2,306	1,020	79.4
Compensation expenses	—	743	743	—
Loss on reduction of non-current assets	484	620	135	28.0
Loss on retirement of non-current assets	—	614	614	—
Impairment loss	—	312	312	—
Loss on valuation of investment securities	421	—	(421)	(100.0)
Provision for loss on disaster	300	—	(300)	(100.0)
Other	79	14	(65)	(81.5)
Profit before income taxes	27,790	24,917	(2,873)	(10.3)

Consolidated Balance Sheet (Condensed)

(Unit: Millions of yen)

		As of March 31, 2019	As of December 31, 2019	Change
	Current assets	126,731	107,634	(19,096)
	Cash and deposits	45,742	41,256	(4,486)
	Notes and accounts receivable - trade	26,229	13,042	(13,187)
	Land and buildings for sale in lots	44,606	39,280	(5,326)
	Non-current assets	765,113	783,168	18,054
	Property, plant and equipment	627,399	642,474	15,075
	Investments and other assets	131,886	134,106	2,220
	Investment securities	77,849	78,072	223
	Retirement benefit asset	24,593	25,749	1,156
Total assets		891,844	890,803	(1,041)
Total liabilities		622,005	609,086	(12,918)
	Outstanding interest-bearing debt *	429,849	424,122	(5,726)
Total net assets		269,839	281,716	11,876
Total liabilities and net assets		891,844	890,803	(1,041)
Net interest bearing debt outstanding		384,106	382,866	(1,240)

* Total figure for corporate bonds, debt and commercial paper

The financial results for this quarter have been submitted, and the “Progress Against Business Forecasts for FY2019” and “Progress Percentage Against the Full Year Forecast by Segment” are posted.

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

Despite progressing in line with the business forecasts for FY2019 announced in May, attention will be given to the following points:

- In transportation, repair work expenses will be incurred due to delays in construction work originally scheduled for the third quarter due to Typhoon No. 19, etc., and labor costs are expected to increase.
- The yet-to-be-incurred expenses, as stated on page 2 of these materials, will be incurred in the fourth quarter.
- The impact of the novel coronavirus (2019-nCoV) outbreak could cause flight restrictions and dissuade travel.

The business forecasts for FY2019 remain unchanged from those announced in May.

(Unit: Millions of yen)

	FY2019 Third Quarter (actual)	FY2019 Full-year forecasts	Difference (actual – forecast)	Progress [%]
Revenue from operations	239,159	325,000	(85,841)	73.6
Operating profit	28,057	28,500	(443)	98.4
Ordinary profit	26,338	25,500	838	103.3
Profit attributable to owners of parent	17,093	16,000	1,093	106.8

Segment Information (Business Forecasts)

(Unit: Billions of yen)

		FY2018	FY2019	Change	Change [%]	Third Quarter of FY2019	Progress [%]
Transportation	Revenue from operations	124.7	123.9	(0.8)	(0.7)	94.1	75.9
	Operating profit	20.8	13.6	(7.2)	(34.7)	13.8	101.4
Real Estate	Revenue from operations	69.9	57.7	(12.2)	(17.5)	38.7	67.0
	Operating profit	8.4	4.7	(3.7)	(44.4)	5.5	117.0
Leisure Services	Revenue from operations	38.0	38.3	0.2	0.8	29.8	77.8
	Operating profit	6.3	6.3	0.0	(0.7)	5.6	88.9
Retailing	Revenue from operations	106.5	104.4	(2.1)	(2.1)	76.6	73.4
	Operating profit	2.3	2.8	0.4	18.6	2.2	78.6
Other	Revenue from operations	55.8	56.0	0.1	0.2	34.7	62.0
	Operating profit	4.0	2.6	(1.4)	(35.4)	1.2	46.2
Total	Revenue from operations	395.1	380.3	(14.8)	(3.8)	274.2	—
	Operating profit	41.9	30.0	(11.9)	(28.6)	28.5	—
Adjustments	Revenue from operations	(55.8)	(55.3)	0.5	—	(35.0)	—
	Operating profit	(1.8)	(1.5)	0.3	—	(0.5)	—
Figures on Consolidated Statement of Income	Revenue from operations	339.2	325.0	(14.2)	(4.2)	239.1	73.6
	Operating profit	40.1	28.5	(11.6)	(29.0)	28.0	98.2



<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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