Supplementary Materials on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (FY2020)

Keikyu Corporation（Securities code: 9006）

August 7, 2020

https://www.keikyu.co.jp

KEIKYU
京急グループ

Consolidated Statement of Income

KEIKYU

◆ State of emergency declared by the Japanese government from April through May due to the spread of the novel coronavirus disease (COVID-19). Significant decreases in both revenue and profit due to people refraining from going outside, a portion of facilities closing temporarily, etc. because of the spread of COVID-19.

(Unit: Millions of yen)

	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Revenue from operations	87,770	46,062	(41,707)	(47.5)
Operating profit	10,902	(10,933)	(21,835)	—
Ordinary profit	10,407	(11,549)	(21,956)	—
Extraordinary income	353	600	247	69.9
Extraordinary losses	702	610	(91)	(13.1)
Profit attributable to owners of parent	7,032	(9,115)	(16,147)	—

Segment Information

KEIKYU

(Unit: Millions of yen)

		First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Transportation	Revenue from operations	31,600	16,106	(15,493)	(49.0)
	Operating profit	5,222	(8,920)	(14,142)	—
Real Estate	Revenue from operations	21,922	7,099	(14,822)	(67.6)
	Operating profit	3,133	449	(2,683)	(85.6)
Leisure Services	Revenue from operations	9,223	3,625	(5,597)	(60.7)
	Operating profit	1,753	(1,949)	(3,702)	—
Retailing	Revenue from operations	25,005	19,352	(5,652)	(22.6)
	Operating profit	701	(408)	(1,110)	—
Other	Revenue from operations	8,981	7,325	(1,656)	(18.4)
	Operating profit	105	24	(81)	(77.1)
Total	Revenue from operations	96,733	53,510	(43,223)	(44.7)
	Operating profit	10,915	(10,804)	(21,720)	—
Adjustments	Revenue from operations	(8,963)	(7,447)	1,516	—
	Operating profit	(13)	(128)	(115)	—
Figures on Consolidated Statement of Income	Revenue from operations	87,770	46,062	(41,707)	(47.5)
	Operating profit	10,902	(10,933)	(21,835)	—

Impact of COVID-19 on Financial Results for 1Q FY2020 (1)

KEIKYU

◆ Impact amount and main factors

(Unit: Billions of yen)

Segment	Impact amount		Main factors
	Revenue from operations	Operating profit	
Transportation	**(15.0)**	**(12.5)**	
Railway	(10.3)	(8.8)	Decease in the number of plane passengers and decrease in the number of passengers carried due to persons voluntarily refraining from going outside
Bus	(4.0)	(3.3)	Decease in the number of plane passengers and decrease in the number of passengers carried due to persons voluntarily refraining from going outside
Taxi	(0.6)	(0.3)	Decrease in the number of passengers due to persons voluntarily refraining from going outside
Real Estate	**(1.2)**	**(0.3)**	
Real estate sales	(0.7)	0 .0	Reduction of condominium sales activities (closing of condominium showroom from April through May)
Real estate leasing	(0.4)	(0.3)	Decrease in revenue from tenant rent due to temporary closures, etc.
Leisure Services	**(6.0)**	**(2.7)**	
Business hotels	(2.6)	(1.6)	Decrease in the number of hotel guests due to persons voluntarily refraining from going outside
Leisure-related facilities	(2.1)	(0.8)	Temporary closure of a portion of facilities due to persons voluntarily refraining from going outside
Leisure, other	(1.2)	(0.2)	Decrease in advertisement orders due to voluntary reductions in sales promotion Closings and shortened operating hours in the restaurant business

Note: The above impact amounts are only estimates. The impact amounts for operating profit are only the expected decreases in expenses directly related to decreases in profit and therefore may decrease.

Impact of COVID-19 on Financial Results for 1Q FY2020 (2)

KEIKYU

◆ Impact amount and main factors

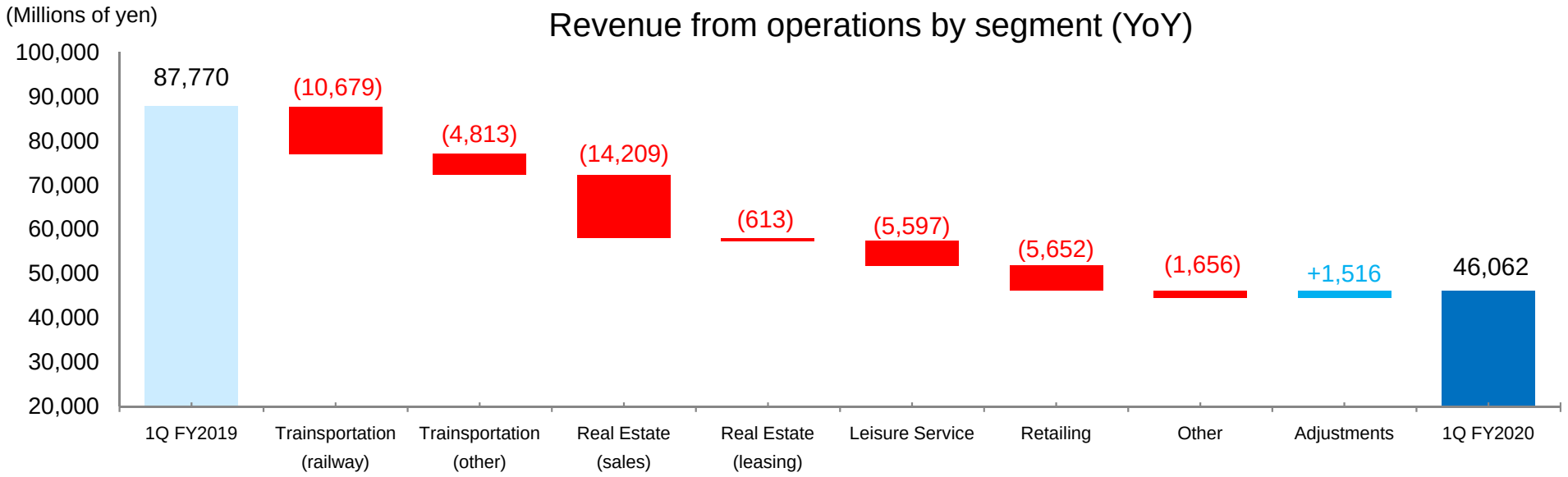
(Unit: Billions of yen)

Segment	Impact amount		Main factors
	Revenue from operations	Operating profit	
Retailing	**(5.3)**	**(1.0)**	
Department store / SC	(3.9)	(0.9)	
Department store	(3.2)	(0.3)	Temporary closings and shortened operating hours
SC * Former Retailing, other	(0.6)	(0.6)	Temporary closings and shortened operating hours
Store business	(1.4)	(0.0)	
Supermarkets	0.2	0.3	Higher demand for eating in
Convenience store / Merchandise sales, etc. * Former Merchandise sales	(1.7)	(0.4)	Decrease in railway passengers, temporary closings and shortened operating hours
Other	**(1.3)**	**(0.1)**	Review of construction period, temporary suspension, etc.
Total	**(29.0)**	**(16.8)**	

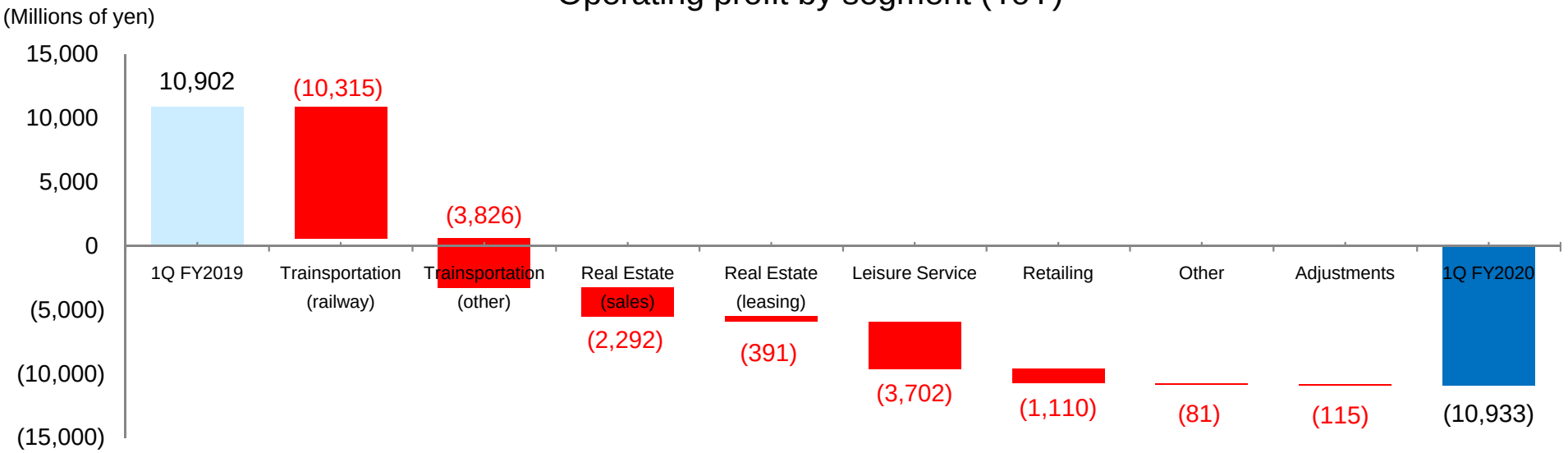
Note: The above impact amounts are only estimates. The impact amounts for operating profit are only the expected decreases in expenses directly related to decreases in profit and therefore may decrease.

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

Revenue from operations by segment (YoY)



Operating profit by segment (YoY)

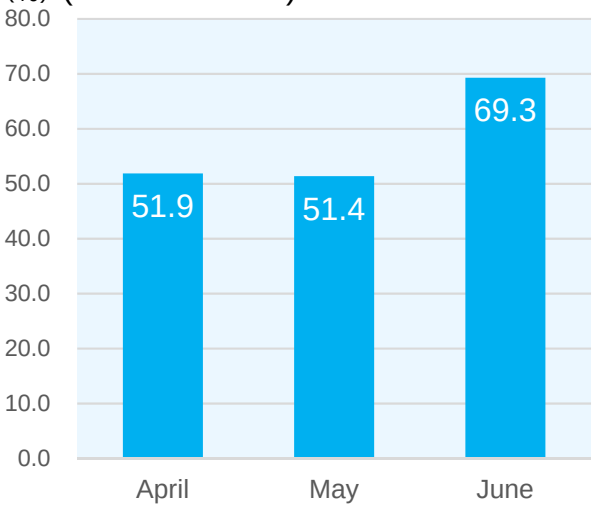


Changes in Business Conditions From April to June (1)

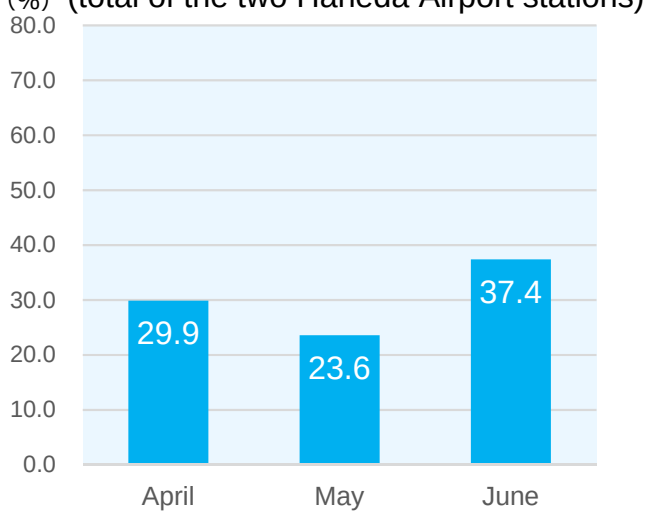
◆ Changes per month in Railway/Bus/Keikyu EX Hotel • Keikyu EX Inn (YoY)

<Railway>

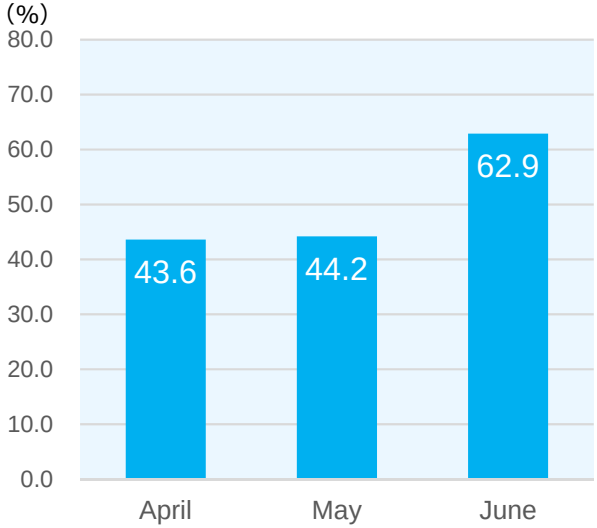
Number of passengers carried (total of all lines)



Number of passengers carried (total of the two Haneda Airport stations)

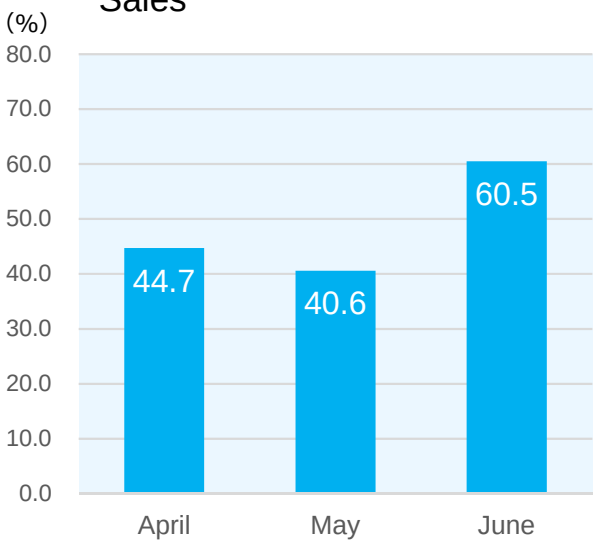


Revenue from railway operations



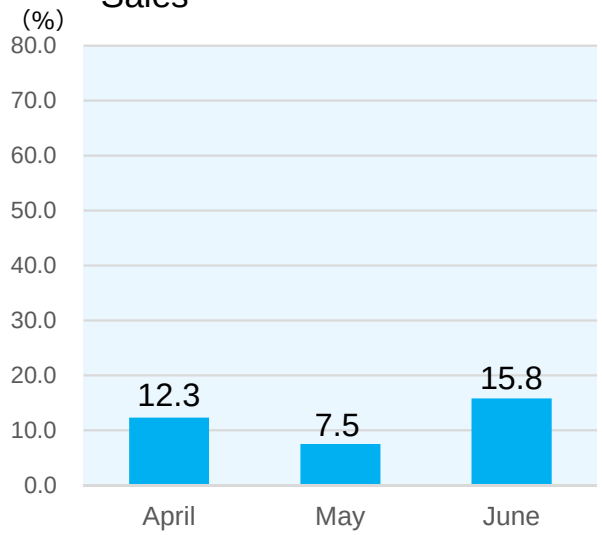
<Bus>

Sales

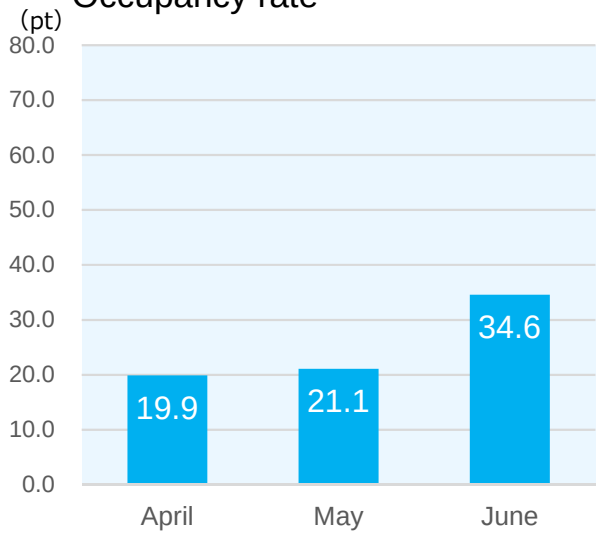


<Keikyu EX Hotel • Keikyu EX Inn>

Sales



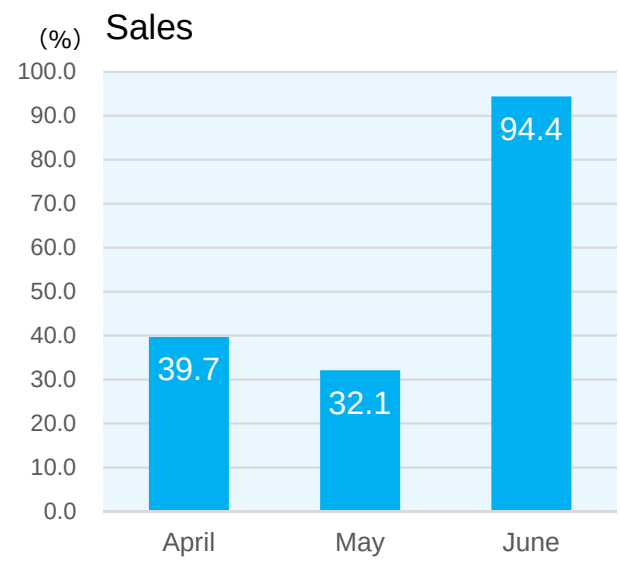
Occupancy rate



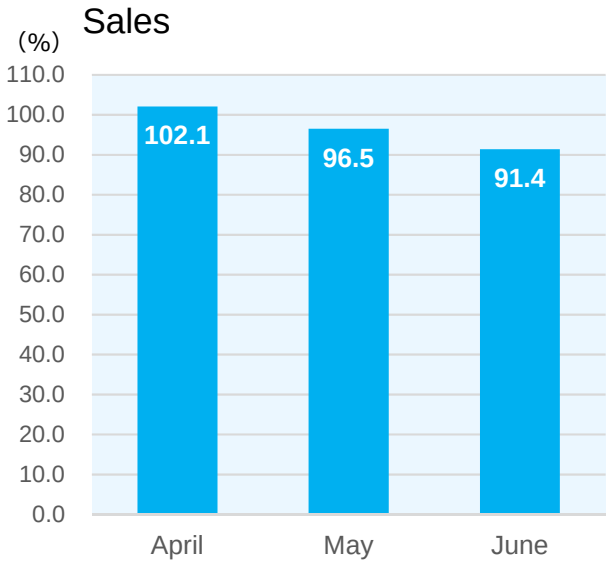
Changes in Business Conditions from April to June (2)

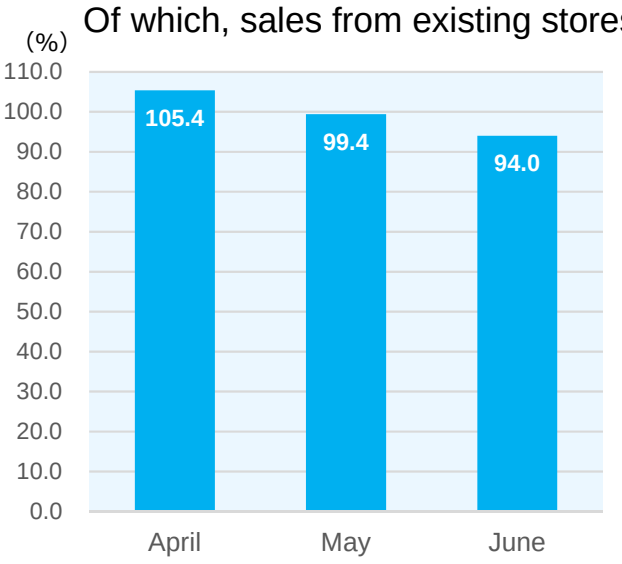
◆ Changes per month in Keikyu Department Store/Keikyu Store (YoY)

<Keikyu Department Store>



<Keikyu Store>





Transportation (1)

- In railway operations, revenue decreased mainly from a significant drop in the number of passengers carried due to the impact of persons refraining from going outside associated with the spread of COVID-19. Profit decreased due to a significant decrease of revenue despite decreases in repair work expenses, expenses, personnel expenses, etc.
- In bus operations, revenue decreased mainly from a significant drop in the number of passengers carried due to the impact of persons refraining from going outside associated with the spread of COVID-19. Profit decreased due to a significant decrease of revenue despite decreases in fuel expenses, personnel expenses, etc.
- In taxi operations, revenue and profit decreased mainly from a significant drop in the number of passengers due to the impact of persons refraining from going outside associated with the spread of COVID-19.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Transportation	31,600	16,106	(15,493)	(49.0)	5,222	(8,920)	(14,142)	—
Railway	21,881	11,202	(10,679)	(48.8)	4,761	(5,553)	(10,315)	—
Bus	8,677	4,453	(4,224)	(48.7)	483	(3,078)	(3,562)	—
Taxi	1,041	451	(589)	(56.6)	(23)	(287)	(264)	—

Transportation (2)

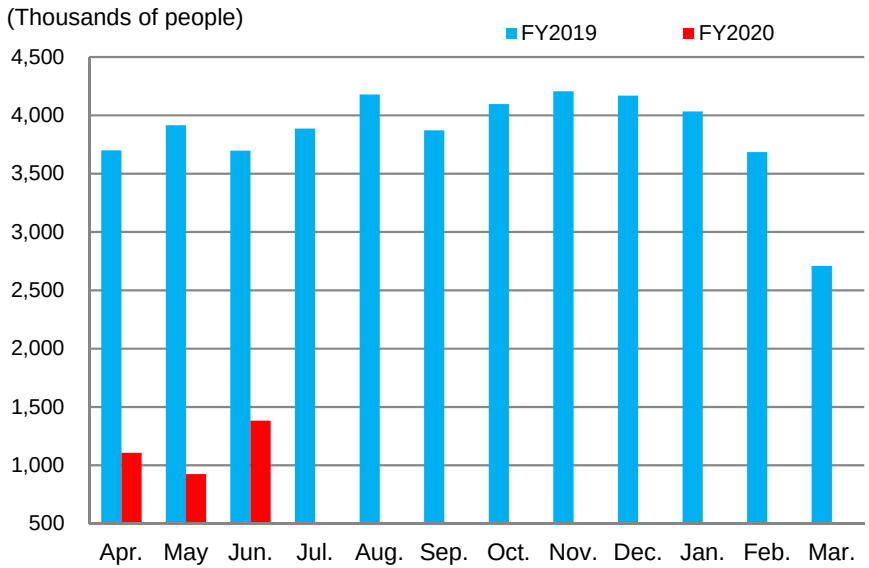
<Results in railway operations: number of passengers carried & revenue from railway operations>

	Number of passengers carried (Thousands of people)				Revenue from railway operations (Millions of yen)			
	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Commuter	68,869	47,607	(21,262)	(30.9)	8,092	5,799	(2,293)	(28.3)
Non commuter	55,103	23,712	(31,391)	(57.0)	12,968	4,763	(8,205)	(63.3)
Total	123,972	71,319	(52,653)	(42.5)	21,061	10,562	(10,498)	(49.8)

<Number of passengers carried: Total of the two Haneda Airport stations>

	Number of passengers carried (Thousands of people)			
	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Commuter	2,050	1,377	(673)	(32.8)
Non commuter	9,266	2,037	(7,229)	(78.0)
Total	11,316	3,414	(7,902)	(69.8)

Number of passengers carried per month: Total of the two Haneda Airport stations



Real Estate

- In the real estate sales business, both revenue and profit decreased due to factors such as the absence of sales of large condominiums recorded in the previous fiscal year
- The real estate leasing operations were affected by the suspension of operations at some stores as a result of the spread of COVID-19, leading to lower revenue from tenant rent, and to decreases in both revenue and profit.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Real Estate	21,922	7,099	(14,822)	(67.6)	3,133	449	(2,683)	(85.6)
Real estate sales	16,705	2,495	(14,209)	(85.1)	1,633	(659)	(2,292)	—
Real estate leasing	5,217	4,603	(613)	(11.8)	1,500	1,108	(391)	(26.1)

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

	First Quarter of FY2019	First Quarter of FY2020	Change
Condominiums	132	41	(91)
Residential land/ homes	80	14	(66)

Condominiums to be delivered in FY2020	Total number of units	Delivery date
PRIME PARKS Kamiooka THE RESIDENCE	200	March 2021 (Scheduled)
PRIME Style Kawasaki	126	March 2021 (Scheduled)
PRIME Konandai	183	February 2020
PRIME Nishi Hachioji	81	June 2020

Balance of land for sale in lots and buildings (Unit: Billions of yen)

Condominiums	Salable land
27.0	3.3

*As of June 30, 2020

Leisure Services

- In the business hotel operations, both revenue and profit decreased mainly as a result of a decline in the number of hotel guests following the spread of COVID-19.
- In leisure-related facilities, revenue and profit both decreased as a result of temporary closings of some facilities caused by the spread of COVID-19.
- In leisure, other, factors such as a fall in advertisement orders resulting from the spread of COVID-19 led to decreases in both revenue and profit

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Leisure Services	9,223	3,625	(5,597)	(60.7)	1,753	(1,949)	(3,702)	—
Business hotels	2,827	335	(2,492)	(88.1)	766	(1,369)	(2,136)	—
Leisure-related facilities	3,328	1,432	(1,896)	(57.0)	618	(426)	(1,045)	—
Leisure, other	3,067	1,858	(1,209)	(39.4)	368	(152)	(521)	—

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

（Unit: %）

	First Quarter of FY2019	First Quarter of FY2020	Change [pt]
Occupancy rate of guest rooms	91.3	16.1	(75.2)

Retailing

- In the department store/SC operations, both revenue and profit decreased as a result of factors that included temporary closings and shortened opening hours resulting from the spread of COVID-19
- In the supermarket business, some stores saw an increase in sales driven by an increase in demand for eating in, but revenue declined due to the closure of stores in the previous fiscal year (Keikyu Store Shinagawa, etc.), and due to the suspension of operations at a tenant for the purpose of performing seismic retrofitting work at Heiwajima Station.
  Profit increased due to a decline in expenses caused by voluntary reductions in sales promotion activities
- In the convenience store/merchandise sales business, the number of passengers carried on railways declined due to the spread of COVID-19, while temporary closings and shortened opening hours also resulted in a reduction in the number of customers, primarily at stores within stations, and in decreases in both revenue and profit.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Retailing	25,005	19,352	(5,652)	(22.6)	701	(408)	(1,110)	—
Department store / SC	8,596	4,952	(3,644)	(42.4)	232	(625)	(858)	—
Department store	7,690	4,521	(3,168)	(41.2)	65	(387)	(453)	—
SC * Former Retailing, other	906	430	(475)	(52.5)	167	(237)	(405)	—
Store business	16,409	14,400	(2,008)	(12.2)	468	216	(251)	(53.7)
Supermarkets	12,725	12,347	(377)	(3.0)	128	253	124	96.5
Convenience store / Merchandise sales, etc. * Former Merchandise sales	3,683	2,052	(1,630)	(44.3)	339	(36)	(376)	–

Other

- At Keikyu Construction Co., Ltd., revenue and profit decreased due to revised construction periods and temporary interruptions caused by the spread of COVID-19, amongst other factors.

(Unit: Millions of yen)

	Revenue from operations				Operating profit			
	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Other	8,981	7,325	(1,656)	(18.4)	105	24	(81)	(77.1)

Non-operating/Extraordinary Income and Losses

(Unit: Millions of yen)

	First Quarter of FY2019	First Quarter of FY2020	Change	Change [%]
Operating profit	10,902	(10,933)	(21,835)	—
Non-operating profit	761	745	(16)	(2.2)
Interest income	19	15	(4)	(24.2)
Dividend income	438	391	(47)	(10.7)
Equity in earnings of affiliates	181	—	(181)	(100.0)
Other	121	338	217	178.5
Non-operating expenses	1,256	1,361	104	8.3
Interest expenses	1,045	1,032	(12)	(1.2)
Other	211	328	117	55.5
Ordinary profit	10,407	(11,549)	(21,956)	—
Extraordinary income	353	600	247	69.9
Gain on reversal of provision for loss on disaster	—	290	290	—
Contribution for construction	234	264	30	13.0
Gain on sales of non-current assets	119	45	(73)	(61.5)
Extraordinary losses	702	610	(91)	(13.1)
Loss caused by temporary closures	—	311	311	—
Loss on reduction of non-current assets	234	264	30	13.0
Loss on retirement of non-current assets	438	25	(413)	(94.3)
Other	29	8	(20)	(69.5)
Profit before income taxes	10,058	(11,559)	(21,617)	—

Consolidated Balance Sheet (Condensed)

KEIKYU

(Unit: Millions of yen)

	As of March 31, 2020	As of June 30, 2020	Change
Current assets	101,179	125,097	23,917
Cash and deposits	35,555	59,593	24,037
Notes and accounts receivable - trade	12,591	9,551	(3,040)
Land and buildings for sale in lots	41,016	44,087	3,071
Non-current assets	787,232	785,129	(2,102)
Property, plant and equipment	662,085	658,526	(3,559)
Investments and other assets	117,756	119,003	1,247
Investment securities	68,051	68,675	623
Retirement benefit asset	19,192	19,457	265
Total assets	888,412	910,227	21,814
Total liabilities	620,756	653,821	33,064
Outstanding interest-bearing debt*	444,735	492,454	47,718
Total net assets	267,655	256,405	(11,249)
Total liabilities and net assets	888,412	910,227	21,814

* Total figure for corporate bonds, debt and commercial paper

Net interest-bearing debt outstanding	409,179	432,860	23,680

Consolidated Statement of Income (Business Forecasts)

KEIKYU

◆ All segments posted significant decreases in revenue & profit due to the spread of COVID-19

(Unit: Billions of yen)

	FY2019	FY2020	Change	Change[%]
Revenue from operations	312.7	255.0	(57.7)	(18.5)
Operating profit	29.4	(15.5)	(44.9)	—
Ordinary profit	26.8	(18.0)	(44.8)	—
Profit attributable to owners of parent	15.6	(15.0)	(30.6)	—

Net income per share	56.83 yen	(54.47)yen

Segment Information (Business Forecasts)

KEIKYU

(Unit: Billions of yen)

		FY2019	FY2020	Change	Change [%]
Transportation	Revenue from operations	121.0	89.8	(31.2)	(25.8)
	Operating profit	12.8	(15.7)	(28.5)	—
Real Estate	Revenue from operations	50.3	49.3	(1.0)	(2.1)
	Operating profit	6.1	4.0	(2.1)	(34.5)
Leisure Services	Revenue from operations	38.9	25.2	(13.7)	(35.3)
	Operating profit	5.8	(2.9)	(8.7)	—
Retailing	Revenue from operations	101.2	87.3	(13.9)	(13.8)
	Operating profit	2.6	(1.2)	(3.8)	—
Other	Revenue from operations	58.2	46.0	(12.2)	(21.0)
	Operating profit	3.6	0.9	(2.7)	(75.5)
Total	Revenue from operations	369.8	297.6	(72.2)	(19.5)
	Operating profit	31.1	(14.9)	(46.0)	—
Adjustments	Revenue from operations	(57.0)	(42.6)	14.4	—
	Operating profit	(1.6)	(0.6)	1.0	—
Figures on Consolidated Statement of Income	Revenue from operations	312.7	255.0	(57.7)	(18.5)
	Operating profit	29.4	(15.5)	(44.9)	—

Business Forecasts

The Company had previously left business forecasts for the year ending March 31, 2021 undetermined, due to the difficulty of performing a reasonable calculation of the impact of COVID-19 on the performance of the Group, but with the lifting of the state of emergency, and signs that economic activity has begun to resume, we have taken the decision to disclose business forecasts based on information currently available.

The Company continues to leave the dividend forecasts undetermined as it is still unknown when the spread of COVID-19 will be contained, and the future impact on business results and financial position remains unclear. We will promptly announce the dividend forecasts as soon as it is possible to do so.

<u>Regarding assumptions underlying business forecasts</u>

The assumptions presented below apply to all segments, and constitute the premises for the impact of COVID-19 on each segment.

- We expect economic activity in Japan to have bottomed in April-May, and to gradually recover up to the end of September 2021 before returning to normal levels from October 2021 onwards.
- Even after economic activity in Japan gets back to normal, we assume that changes to the structure of society and the business itself will mean that some businesses will not see a return of the conditions and the performance that obtained before the spread of COVID-19.
- We assume that the Tokyo Olympics/Paralympic Games will be held in the summer of 2021.
- Because these calculations are based on information currently available, they do not incorporate the impact of a second wave of COVID-19, or other factors.

※Calculation based on economic conditions both in Japan and overseas, and the results of analysis from thinktanks, etc.

Transportation (Business Forecasts)(1)

KEIKYU

Common assumptions: based on assumptions that apply to the Group as a whole (see P.18)

(We assume that economic activity in Japan bottomed in April-May 2020, and will gradually recover up to the end of September 2021 before returning to normal levels from October 2021 onwards.)

- Railway/bus operations
  In terms of the recent situation, since the state of emergency was lifted in June there has been a gradual return in domestic transportation demand, and we assume that the number of passengers carried on both railways and buses will continue its trend of moderate recovery.
- In addition, for the railway operations we forecast that the number of passengers carried in FY2020 will fall by 32.9% year on year in the first half, and by 6.5% year on year in the second half, and decline by 20.2% year on year for the full year.
  Note: Because the year-on-year comparison includes the decrease in the number of passengers carried due to the impact of COVID-19 in the fourth quarter of FY2019, refer to the figures for March 2021 in the graph below that shows the original plan.

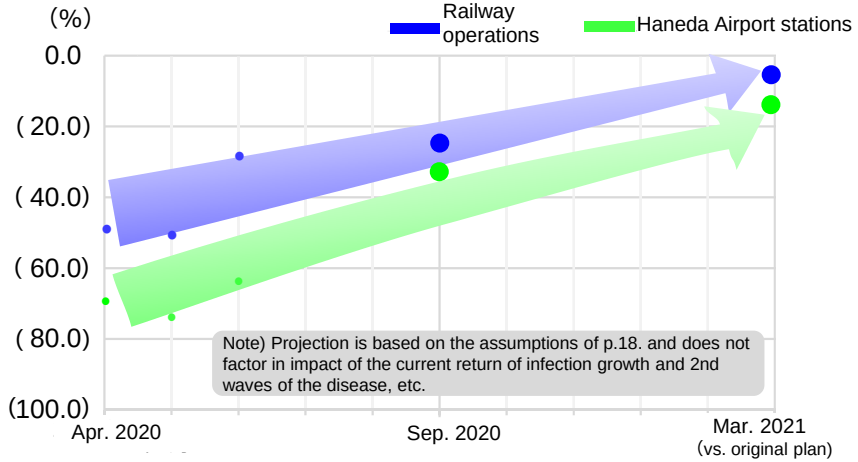
<Results in railway operations: number of passengers carried & revenue from railway operations>

	Number of passengers carried (Millions of people)				Revenue from railway operations (Billions of yen)			
	FY2019	FY2020	Change	Change [%]	FY2019	FY2020	Change	Change [%]
Commuter	269	228	(40)	(15.2)	31.8	27.0	(4.8)	(15.2)
Non commuter	212	156	(56)	(26.7)	48.1	32.8	(15.3)	(31.8)
Total	482	384	(97)	(20.2)	80.0	59.9	(20.1)	(25.2)

<Number of passengers carried: Total of the Haneda Airport stations>

	Number of passengers carried (Millions of people)			
	FY2019	FY2020	Change	Change [%]
Commuter	8	7	(1)	(15.0)
Non commuter	37	22	(14)	(39.1)
Total	46	30	(15)	(34.6)

<Projection of passenger numbers (YoY)>



Transportation (Business Forecasts)(2)

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2019	FY2020	Change	FY2019	FY2020	Change
Transportation	121.0	89.8	(31.2)	12.8	(15.7)	(28.5)
Railway	83.4	62.7	(20.6)	12.3	(7.0)	(19.4)
Bus	33.4	24.1	(9.3)	0.6	(7.8)	(8.4)
Taxi	4.1	2.9	(1.2)	(0.1)	(0.7)	(0.6)

Real Estate (Business Forecasts)

KEIKYU

Common assumptions: based on assumptions that apply to the Group as a whole (see P.18)

（We assume that economic activity in Japan bottomed in April-May 2020, and will gradually recover up to the end of September 2021 before returning to normal levels from October 2021 onwards.)

◆ Real estate sales

In terms of the recent situation, there was an impact from voluntary reductions in sales promotion activities in April-May (closing of condominium showroom, etc.) but since the state of emergency was lifted in June, we have restarted sales promotion activities and the recovery has taken place, seen in such figures as the number of visitors to the gallery returning to pre-coronavirus levels.

◆ Real estate leasing

In terms of the recent situation, following the declaration of the state of emergency in April-May, we responded by shutting down facilities, etc., but after the lifting of the state of emergency in June, we assume a moderate recovery trend going forward as stores restart operations.

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2019	FY2020	Change	FY2019	FY2020	Change
Real Estate	50.3	49.3	(1.0)	6.1	4.0	(2.1)
Real estate sales	29.4	30.1	0.6	0.9	0.3	(0.5)
Real estate leasing	20.8	19.1	(1.7)	5.2	3.6	(1.5)

Leisure Services (Business Forecasts)

KEIKYU

Common assumptions: based on assumptions that apply to the Group as a whole (see P.18)

（We assume that economic activity in Japan bottomed in April-May 2020, and will gradually recover up to the end of September 2021 before returning to normal levels from October 2021 onwards.）

◆ Business hotels

After the lifting of the state of emergency in June, we assume a gradual recovery in domestic demand, and expect a gentle recovery in occupancy rates going forward.

In comparison to occupancy rates in the previous year, we forecast a decline of 59.8 points in the first half (91.6% in the previous year), a decline of 17.0 points in the second half (79.7% in the previous year), and a decline of 37.1 points (85.6% in the previous year) for the full year.

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2019	FY2020	Change	FY2019	FY2020	Change
Leisure Services	38.9	25.2	(13.7)	5.8	(2.9)	(8.7)
Business hotels	10.6	4.7	(5.8)	2.0	(2.9)	(5.0)
Leisure-related facilities	13.0	9.5	(3.5)	2.0	(0.2)	(2.3)
Leisure, other	15.2	10.9	(4.3)	1.6	0.3	(1.3)

Retailing (Business Forecasts)

KEIKYU

Common assumptions: based on assumptions that apply to the Group as a whole (see P.18)

(We assume that economic activity in Japan bottomed in April-May 2020, and will gradually recover up to the end of September 2021 before returning to normal levels from October 2021 onwards.)

◆ In Supermarket business, although sales increased in some stores due to the increase in demand for eating in subsequent to the declaration of the state of emergency, the impact from Keikyu Store Shinagawa closing (March 31) and other factors have been continuing. In other retailing businesses, there has been a gradual recovery in transportation demand since the lifting of the state of emergency in June, and we assume a moderate recovery trend going forward.

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2019	FY2020	Change	FY2019	FY2020	Change
Retailing	101.2	87.3	(13.9)	2.6	(1.2)	(3.8)
Department store / SC	35.3	26.8	(8.4)	0.6	(1.6)	(2.3)
Department store	31.8	24.3	(7.4)	0.2	(1.1)	(1.3)
SC * Former Retailing, other	3.5	2.5	(1.0)	0.4	(0.5)	(1.0)
Store business	65.9	60.4	(5.4)	1.9	0.4	(1.5)
Supermarkets	51.5	48.5	(2.9)	0.7	0.1	(0.6)
Convenience store / Merchandise sales, etc. * Former Merchandise sales	14.3	11.8	(2.5)	1.1	0.3	(0.8)

Other (Business Forecasts)

KEIKYU

Common assumptions: based on assumptions that apply to the Group as a whole (see P.18)

(We assume that economic activity in Japan bottomed in April-May 2020, and will gradually recover up to the end of September 2021 before returning to normal levels from October 2021 onwards.)

(Unit: Billions of yen)

	Revenue from operations			Operating profit		
	FY2019	FY2020	Change	FY2019	FY2020	Change
Other	58.2	46.0	(12.2)	3.6	0.9	(2.7)

Amount of capital investment and Depreciation(Business Forecasts)

(Unit: Billions of yen)

	Amount of capital investment			Depreciation		
	FY2019	FY2020	Change	FY2019	FY2020	Change
Transportation	41.3	29.3	(11.9)	24.0	23.8	(0.1)
Real Estate	22.1	20.8	(1.3)	4.3	4.2	(0.1)
Leisure Services	9.1	5.6	(3.5)	2.2	2.3	0.0
Retailing	1.6	2.0	0.3	1.1	1.1	0.0
Other	0.4	0.7	0.2	0.3	0.3	0.0
Total	74.8	58.6	(16.2)	32.1	32.0	(0.1)

* Includes contribution for construction, etc. in the Transportation business.
FY2019: 4.0 billion yen, FY2020 (forecast): 8.1 billion yen

Response Policy in a World with COVID-19

KEIKYU

◆ Policy for responding to all stakeholders (underlined portions indicate response to the COVID-19 pandemic)

Customers

- Prioritize the ensuring of safety and security
- Maintain the provision of services as an infrastructure company that supports peoples' lives
- Thoroughly take measures to prevent the spread of infection and prepare for the risk of resurgence

Shareholders & Investors

- Continue timely and appropriate information disclosure and discussions
- Dividend is currently undetermined but we aim for stable dividends while ensuring financial soundness

Trading Partners

- Prioritize the ensuring of safety and security
- Promote the usage of web and phone conferences to prepare for the risk of resurgence
- Provide support to tenants for their continuous operations

Employees

- Prioritize the ensuring of safety and security for employees and their families
- Promote staggered working hours, working from home, etc.
- Thoroughly take measures to prevent the spread of infection during face-to-face business, such as customer service

Local Community

- Upon ensuring safety and security, maintain the provision of services as an infrastructure company that supports the local community
- Provide business hotels as accommodation facilities for medical professionals

Response Policy in a World with COVID-19

KEIKYU

- Recognize securing on-hand liquidity, which is necessary for business continuity, as most important because the continuation of significant reductions in cash flow due to a decrease in revenue from railway operations among other factors is expected in a world with COVID-19
- As a result, the Company will implement (i) Cost reduction, (ii) Further distinction of investments and (iii) Funds procurement

(i) Cost reduction

- **Implement cost reductions of approximately 12.0 billion yen year on year in FY2020**

Major items	Cost-related items	Vision for cost reduction
Variable costs (linked to revenue)	Power expenses, fuel expenses, etc.	Limited reductions in order to maintain operations as an infrastructure company
Fixed costs (not linked to revenue)	Repair expenses, expenses, etc.	Carefully selected cuts across the Company
	Director remuneration, personnel expenses for management	Reduce fixed portion by approximately 5 to 30% (performed)

Response Policy in a World with COVID-19

(ii) Further distinction of investments

- **Implement reductions in investments of approximately 8.0 billion yen (excluding the amount due to the absence of construction costs for the new head office building) year on year in FY2020** *excluding contribution for construction
- Within investments for maintenance and renewal, despite making investments to ensure safe and stable transportation in principle, a portion of other investments (renewal of railway equipment, buses, etc.) are reduced or postponed upon examining their necessity in the fiscal year under review
- Within growth investments, development, etc. of Shinagawa and Haneda is being executed in line with initial plans upon the details of the plan being examined
- Growth investments other than those stated above (condominiums, rental condominiums, business hotels, etc.) are continuing while being distinguished, but the replacement of assets through sale is also being considered

(iii) Funds procurement

- **There will not be issues with on-hand liquidity** due to the establishment of commitment credit lines with financial institutions in addition to the securing of current working capital through borrowing, commercial paper, etc., *Cash reserves have been enhanced more than usual in consideration that there may be a second wave of COVID-19 (March 31, 2020: approximately 35.0 billion yen to June 30, 2020: approximately 60.0 billion yen)
- Plan to procure funds in accordance with the situation going forward

[Funds procurement carried out in Q1]

Borrowings	40.0 billion yen (of which, 25.0 billion yen is from national crisis response loans issued by the Development Bank of Japan)
Corporate bonds	15.0 billion yen
Commercial paper	10.0 billion yen

Response Policy in a Post-COVID-19 World

- ◆ Return to Group Philosophy “We will contribute to the development of society by creating new value through businesses that support urban lifestyles,” and work to further create new value for society
- ◆ The future Integrated Management Plan is being reexamined in order to formulate it to engage with the changes, etc. of the business environment in a post-COVID-19 world

〇Vision for the Future Integrated Management Plan

Unchanged matters	◆ **Growth Strategy, mainly for Shinagawa and Haneda, for the Long-Term Vision (vision of the future in 2035)**	
	Redevelopment in the Area Around Shinagawa Station	• Direction of the promotion of development as a base to lead the growth of Japan is unchanged • Schedule currently unchanged, including continuous elevated railway project • Promotion structure with Toyota Motor Corporation as a business partner for Takanawa 3-chome is unchanged • Even post-COVID-19, utilize geographical advantages as a transportation hub to the greatest extent, and aim for the creation of business and living spaces that adapt to new needs (details of the plan may change to adapt to needs)
	Infrastructure improvement around Haneda	• Despite needing time for the number of air passengers to recover, the Japanese government’s stance to establish Japan as a tourist destination has not changed • Execute the establishment of leading lines and strengthening of Shinagawa Station’s functions, and work to secure travelers by enhancing transportation capacity of the airport line • Observe trends in demand in real estate, leisure, retailing, etc. around Haneda, and respond flexibly
	Growth investments other than those stated above	• Plan to stabilize profit levels even before completion of large-scale development, while distinguishing investments
	Maintenance and renewal investment	• Make investments according to plan as the Group considers continuation of safety and security to be its social responsibility as a company
Matters needing to be changed	• Structural reform and an increase of operational efficiency that correspond to changes such as decreased revenue • Search for business opportunities that are in line with changes in new demands and growth fields, etc.	

Response Policy in a Post-COVID-19 World

KEIKYU

○Recognition of the business environment

	Changes in the business environment
Economic activity	• Lengthening of time before economic recovery • Suppression of corporate economic activity • Increased tendency toward frugality for individuals
Movement	• Reduced movement of people and things • Normalization of telework, decrease of business trips • Centralization to decentralization
Needs	• Increase of safe, secure, touchless needs • Acceleration of online systemization • Smaller commercial area • Expansion of health & wellness market
Other	• Acceleration of digitization • Increase in awareness of sustainability such as ESG • Acceleration of flow of human resources

Response Policy in a Post-COVID-19 World

KEIKYU

○Vision of the Response of Each Business in the Future Integrated Management Plan

	Impact on the Group's business	Response
Transportation	• Decreases in revenue due to decrease of commuter and non-commuter passengers • Changes in the length of distance travelled by passengers	• Promotion of the utilization of digital technologies and investments to save manpower in order to realize low-cost operations • Proposals for tourism that utilize new transportation services and the characteristics of railway lines, which reflect changing needs (microtourism, MaaS, etc.)
Real Estate (sales)	• Changes in sales price per unit and area • Changes in needs (area, time, etc.)	• Re-examination of key areas based on movement behaviors, etc. such as commuting • Promotion of development that utilizes the characteristics of the land near railway lines, which reflects changing needs (working near home, suburban living)
Real Estate (rental condominiums)	• Changes in needs (area, time, etc.)	• Ensure revenue through the exchange, sale, etc. of properties while maintaining a stable level of rent
Real Estate (rental offices)	• Changes in demand due to teleworking, etc.	• Examination of office specifications which reflect changing needs (office environment, etc.), and development and supply • Development of workations, etc. that utilize the characteristics of the land along railway lines in the Miura Peninsula
Leisure Service	• Decline of leisure demand, decrease of daily rate • Decrease of business hotel demand due to decrease of business trips and inbound demand	• Appeal for customer demand for visiting the Miura Peninsula, using changes in tourism demand, such as microtourism, as an opportunity • Strategy building and development such as earnings structure and strengthening profitability
Retailing	• Decrease of sales per customer • Increase of needs for the adoption of IC and for e-commerce • Paying attention to one-stop consumption	• Sales strategy building and development, which reflect changing needs (e.g. delivery, online shopping) • Strategy building and development for store opening that utilize data such as movement behaviors • Strategy building and development such as earnings structure and strengthening profitability
Common to each business	• Increase in social requests for measures to prevent infection • Work style reforms, increased business efficiency • Increasingly fluid personnel	• Thorough measures to prevent infection in trains, facilities, when serving customers, etc. • Work style reforms and increased business efficiency through the utilization of digital transformation • Secure personnel and strengthen retention by increasing employee satisfaction (ES) • Secure personnel in industries experiencing labor shortages, based on the trend of increasingly fluid personnel



<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.

<Contact information>
In charge of Equities and IR,
Corporate and Legal Affairs Section, General Affairs Department
Phone: +81-45-225-9311
E mail: ir-keikyu_t7z@keikyu-group.jp