

# Tokyu Corporation

## Consolidated Financial Statements First Quarter of the Fiscal Year Ending March 31, 2018

(April 1, 2017 – June 30, 2017)

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product and service launches, and pricing and product initiatives of competitors.



**SUMMARY OF FINANCIAL STATEMENTS [Japanese Accounting Standards] (Consolidated)  
For the First Quarter of Fiscal Year Ending March 31, 2018**

**Tokyu Corporation**

August 8, 2017

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange First Section
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President	Hirofumi Nomoto	Telephone:	81-3-3477-6168
Planned date for submission of quarterly financial reports:	August 8, 2017		
Scheduled date of commencement of dividend payment:	—		
Supplementary documents for quarterly results	YES		
Quarterly results briefing (for institutional investor and analysts)	NO		

\* Amounts of less than ¥1 million have been rounded down.

**1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018  
(April 1, 2017 to June 30, 2017)**

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

1) Consolidated Operating Results

	Three months ended June 30, 2017		Three months ended June 30, 2016	
		Change (%)		Change (%)
Operating revenue.....	283,583	5.1	269,939	5.2
Operating profit.....	28,848	26.0	22,889	12.3
Recurring profit.....	29,148	28.2	22,730	15.8
Profit attributable to owners of parent .....	20,342	9.2	18,629	11.7
Net income per share (¥).....	33.50		30.37	
Net income per share (diluted) (¥).....	-		-	

Notes: Comprehensive Income: Three months ended June 30, 2017: ¥20,419 million [38.6%]; Three months ended June 30, 2016: ¥14,731 million [-24.5%]

On August 1, 2017, the Company conducted a reverse stock split (every two common shares were merged into one). The net income per share is calculated as if the reverse stock split had been conducted at the beginning of the previous consolidated fiscal year.

2) Consolidated Financial Position

*Million yen*

	As of June 30, 2017	As of March 31, 2017
Total assets .....	2,174,942	2,148,605
Net assets .....	693,185	678,382
Equity ratio (%).....	29.6	29.2

Reference: Shareholders' equity: As of June 30, 2017: ¥643,641 million; As of March 31, 2017: ¥628,308 million

**2. Dividends**

	FY ending March 31, 2018 (forecast)	FY ending March 31, 2018	FY ended March 31, 2017
Dividend per share – end of first quarter (¥)		—	—
Dividend per share – end of first half (¥)	9.00		4.50
Dividend per share – end of third quarter (¥)	—		—
Dividend per share – end of term (¥)	10.00		4.50
Dividend per share – annual (¥)	19.00		9.00

Note: Revisions to dividend forecasts published most recently: No

On August 1, 2017, the Company conducted a reverse stock split (every two common shares were merged into one). The forecast dividend for the fiscal year ending March 31, 2018 is a forecast dividend per share that takes the reverse stock split into consideration. The dividend per share for the fiscal year ended March 31, 2017 is an actual amount before the reverse stock split.

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)**

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

	Full year	
		Change (%)
Operating revenue.....	1,145,400	2.5
Operating profit.....	83,000	6.4
Recurring profit.....	82,700	8.2
Profit attributable to owners of parent .....	70,000	4.0
Net income per share (¥).....	115.28	

Note: Revision to consolidated business performance forecasts published most recently: No

On August 1, 2017, the Company conducted a reverse stock split (every two common shares were merged into one). The forecast net income per share for the fiscal year ending March 31, 2018 takes the reverse stock split into consideration.

**\* Notes**

(1) Changes in important subsidiaries during the consolidated quarter (cumulative) under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

1) Changes in accounting policies with revision of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(Note) For details, please see the statement under the heading of “2. Consolidated Financial Statements (3) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policies)” on the accompanying materials.

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the term (including treasury stock) (shares)

As of June 30, 2017:	624,869,876	As of March 31, 2017:	624,869,876
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2) Number of treasury stock at the end of the term (shares)

As of June 30, 2017:	17,546,025	As of March 31, 2017:	17,671,495
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3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)

Three months ended June 30, 2017:	607,261,460
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Three months ended June 30, 2016:	613,359,619
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(Note) The number of treasury stock includes shares of the Company held by a group of shareholding employees in trust, as follows:

As of June 30, 2017:	2,064,000 shares	As of March 31, 2017:	2,202,000 shares
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On August 1, 2017, the Company conducted a reverse stock split (every two common shares were merged into one). The number of shares issued at the end of the term (including treasury stock), the number of treasury stock at the end of the term, and the average numbers of shares issued during the terms (quarterly consolidated accumulation periods) are calculated as if the reverse stock split had been conducted at the beginning of the previous consolidated fiscal year.

\* The summary of financial statements is not subject to audit.

\* Explanations about the proper use of financial forecasts and other important notes (Notes on forecast results)

The forecast results presented above are based on information available as of the date of this announcement and assumptions considered reasonable. Actual results may differ materially from forecasts depending on a number of factors. For details on the forecast results, please see the statement under the heading of “1. Qualitative Information on Consolidated Financial Results, etc. for the First Quarter Ended, (3) Explanation about the future outlook, including forecast for consolidated earnings” on the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

The “Summary of Results for the First Quarter of FY2018/3” will be disclosed on our IR website and TDnet (Timely Disclosure network) today (August 8, 2017).

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## 1. Qualitative Information on Consolidated Financial Results, etc. for the First Quarter Ended June 30, 2017

### (1) Explanation about Consolidated Financial Results

Tokyu Corporation (the "Company") and its consolidated subsidiaries (collectively the "Group") are executing a medium-term business plan referred to as "Steps to the Next Stage." The aim of this plan is to enhance both profitability and efficiency by strengthening existing businesses and projects, actively moving into new areas where the Group can leverage its strengths, and targeting investments on growth areas, while at the same time ensuring that the Group remains financially sound. Working in line with this plan, the Group intends to make a great leap forward in the future.

Operating revenue and operating profit for the first quarter of the consolidated fiscal year under review increased to ¥283,583 million (up 5.1% year on year) and ¥28,848 million (up 26.0% year on year), respectively, primarily reflecting strong performance in the real estate sales business. Recurring profit came to ¥29,148 million (up 28.2% year on year), mainly owing to an increase in investment gains from the equity method, and profit attributable to owners of parent stood at ¥20,342 million (up 9.2% year on year).

Operating results on a segmental basis are as follows. The results for individual segments include inter-segment internal revenues or transfers where applicable. The Company presents operating profit for each reported segment as segment profit in this document.

In the first quarter under review, certain businesses are classified into a different reported segment from the one in the previous fiscal year. In the year-on-year comparison below, the figures for the first quarter in the previous fiscal year are replaced by figures in accordance with the reported segments for the fiscal year under review.

#### (i) Transportation

In the Company's railway operations, the number of commuters carried in the first quarter under review rose 1.8% year on year, and the number of non-commuters carried increased 1.3%. Overall, the number of passengers carried climbed 1.6%. This was primarily attributable to an increase in the population living in the areas served by the Tokyu lines.

Operating revenue for the Transportation segment was ¥51,538 million (up 2.7% year on year), and operating profit for the segment was ¥9,559 million (up 6.0% year on year).

## (Operation results of Tokyu Corporation's railway operations)

Categories		Units	First quarter of the previous fiscal year	First quarter of the fiscal year under review
			April 1, 2016 to June 30, 2016	April 1, 2017 to June 30, 2017
Number of operating days		Days	91	91
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	37,002	37,229
Number of passengers carried	Non-commuter	Thousand passengers	116,458	118,013
	Commuter	Thousand passengers	180,500	183,765
	Total	Thousand passengers	296,958	301,778
Passenger revenue	Non-commuter	Million yen	19,047	19,312
	Commuter	Million yen	16,016	16,314
	Total	Million yen	35,063	35,626
Miscellaneous income from railway operations		Million yen	3,378	3,425
Total revenues		Million yen	38,441	39,051
Average passenger revenue per day		Million yen	385	391
Operating efficiency		%	53.0	53.2

(Note) Calculation method of the operating efficiency

$$\text{Operating efficiency} = \frac{\text{Number of passengers carried}}{\text{Operating distance of passenger trains}} \times \frac{\text{Average service distance}}{\text{Average transportation capacity}} \times 100$$

## (ii) Real Estate

In the Real Estate Business, operating revenue and operating profit increased to ¥50,295 million (up 20.1% year on year) and ¥13,362 million (up 54.2% year on year), respectively, mainly due to an increase in sales of properties in the Company's real estate sales business.

## (iii) Life Service

In the Life Service Business, operating revenue rose to ¥168,962 million (up 2.5% year on year) and operating profit increased to ¥3,855 million (up 18.8% year on year), mainly reflecting strong movie box-office revenues as a result of hit films at Tokyu Recreation, which engages in video businesses.

## (iv) Hotel and Resort

Operating revenue for the Hotel and Resort segment stood at ¥27,047 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 ¥2,016 million (up 2.7% year on year).

## **(2) Explanation about Consolidated Financial Position**

### **Assets**

Total assets at the end of the first quarter under review increased ¥26,336 million from the end of the previous fiscal year, to ¥2,174,942 million, largely due to an increase in tangible fixed assets at the Company.

### **Liabilities**

Liabilities increased ¥11,533 million year on year, to ¥1,481,756 million, largely because of growth in interest-bearing debt (\*) of ¥23,884 million year on year, to ¥988,282 million.

### **Net assets**

Net assets at the end of the first quarter of the fiscal year under review rose ¥14,803 million from the end of the previous fiscal year, to ¥693,185 million, reflecting the posting of a profit attributable to owners of parent.

\* Interest-bearing debt: the sum of debt, corporate bonds, and commercial papers

## **(3) Explanation about the Future Outlook, Including Forecast for Consolidated Earnings**

The consolidated forecast for the fiscal year ending March 31, 2018 announced on May 12, 2017 has not changed.

\* The forecast results presented above are based on information available as of the date of this announcement and assumptions considered reasonable. Actual results may differ materially from forecasts depending on a number of factors.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

Million yen

Item	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	40,500	45,720
Trade notes & accounts receivable	139,830	139,106
Merchandise and products	14,975	15,947
Land and buildings for sale	40,453	37,968
Work in progress	7,264	10,743
Raw materials and supplies	6,838	7,021
Deferred tax assets	7,814	5,873
Others	33,771	31,227
Allowance for doubtful accounts	(901)	(965)
Total current assets	290,545	292,644
<b>Fixed Assets</b>		
Tangible fixed assets		
Buildings & structures (net)	720,125	714,986
Rolling stock & machinery (net)	56,641	55,254
Land	683,067	686,380
Construction in progress	120,547	144,007
Others (net)	24,652	24,366
Total tangible fixed assets	1,605,034	1,624,995
Intangible fixed assets	33,380	32,903
Investments & others		
Investment securities	141,580	146,988
Net defined benefit asset	7,147	7,163
Deferred tax assets	6,593	6,707
Others	64,867	64,188
Allowance for doubtful accounts	(543)	(650)
Total investments and others	219,644	224,398
Total fixed assets	1,858,060	1,882,297
<b>Total Assets</b>	<b>2,148,605</b>	<b>2,174,942</b>

Million yen

Item	As of March 31, 2017	As of June 30, 2017
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade notes & accounts payable	90,074	88,905
Short-term debt	308,464	301,642
Commercial papers	–	37,000
Current portion of corporate bonds	8,000	16,000
Accrued income taxes	8,082	6,653
Provision	12,454	8,220
Advances received	23,375	29,076
Others	119,303	106,598
Total current liabilities	569,754	594,097
<b>Long-Term Liabilities</b>		
Corporate bonds	228,228	213,228
Long-term debt	419,705	420,411
Provision	2,968	2,993
Net defined benefit liability	38,374	39,107
Long-term deposits from tenants and club members	119,231	118,308
Deferred tax liabilities	20,320	21,051
Deferred tax liabilities from revaluation	9,174	9,174
Others	42,385	43,931
Total long-term liabilities	880,388	868,206
<b>Special Legal Reserves</b>		
Urban railways improvement reserve	20,080	19,452
<b>Total Liabilities</b>	1,470,223	1,481,756
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	121,724	121,724
Capital surplus	131,842	131,847
Retained income	383,565	398,420
Treasury stock	(29,696)	(29,483)
Total shareholders' equity	607,436	622,509
<b>Accumulated Other Comprehensive Income</b>		
Net unrealized gains (losses) on investment securities, net of taxes	14,366	15,222
Net unrealized gains (losses) on hedging instruments, net of taxes	(8)	(8)
Land revaluation reserve	8,388	8,388
Foreign currency translation adjustment account	4,787	3,500
Remeasurements of defined benefit plans	(6,663)	(5,970)
Total accumulated other comprehensive income	20,871	21,132
<b>Non-Controlling Interests</b>	50,074	49,544
<b>Total Net Assets</b>	678,382	693,185
<b>Total Liabilities and Net Assets</b>	2,148,605	2,174,942

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

Item	April 1, 2016 to June 30, 2016	April 1, 2017 to June 30, 2017
<b>Operating revenue</b>	269,939	283,583
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	197,697	204,746
SG&A expenses	49,352	49,988
Total cost of operating revenue	247,049	254,734
<b>Operating profit</b>	22,889	28,848
Non-operating profit		
Interest income	58	43
Dividend income	415	441
Investment gains from equity method	1,456	1,806
Dividend income of insurance	755	714
Others	1,016	718
Total non-operating profit	3,702	3,724
Non-operating expenses		
Interest expenses	2,587	2,400
Others	1,274	1,025
Total non-operating expenses	3,861	3,425
<b>Recurring profit</b>	22,730	29,148
Extraordinary gains		
Gains on sale of fixed assets	344	14
Subsidies received for construction	138	162
Gain on reversal of Urban Railways Improvement Reserve	627	627
Others	7	143
Total extraordinary gains	1,116	947
Extraordinary losses		
Reduction entry of land contribution for construction	96	137
Loss on retirement of fixed assets	115	307
Others	142	354
Total extraordinary losses	354	799
<b>Income before income taxes</b>	23,492	29,296
Corporate income taxes	4,596	8,634
<b>Net income</b>	18,895	20,662
Profit attributable to non-controlling interests	266	320
Profit attributable to owners of parent	18,629	20,342

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

Item	April 1, 2016 to June 30, 2016	April 1, 2017 to June 30, 2017
Net income	18,895	20,662
Other comprehensive income		
Net unrealized gains (losses) on investment securities	(1,703)	1,081
Net unrealized gains (losses) on hedging instruments	(0)	0
Foreign currency translation adjustment account	(3,360)	(1,596)
Remeasurements of defined benefit plans, net of tax	871	645
Share of other comprehensive income of associates accounted for using equity method	28	(373)
Total other comprehensive income	(4,164)	(243)
Comprehensive income	14,731	20,419
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,481	20,603
Comprehensive income attributable to non-controlling interests	(750)	(184)

**(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)

There is no applicable item.

(Change in Accounting Policies)

(Application of Practical Solution on Operators' Accounting for the Concession-based Private Finance Initiative Projects)

The Practical Solution on Operators' Accounting for the Concession-based Private Finance Initiative Projects (ASBJ PITF No. 35; May 2, 2017) began to be applied in the first quarter under review.

The application did not have any impact on the quarterly consolidated financial statements.

(Segment Information)

I. April 1, 2016 to June 30, 2016

1. Information on operating revenue and operating profits or losses by reported segment

*Million yen*

	Reported segment				Total	Adjustments (Note) 1	Amount posted in the consolidated financial statements (Note) 2
	Transportation	Real Estate	Life Service	Hotel and Resort			
Operating revenue							
Outside customers	49,747	32,422	161,847	25,922	269,939	–	269,939
Inter-segment internal revenues or transfers	445	9,447	2,958	229	13,081	(13,081)	–
Total	50,193	41,870	164,805	26,151	283,021	(13,081)	269,939
Segment profit	9,019	8,663	3,246	1,962	22,892	(2)	22,889

Notes

1. An adjustment of negative ¥2 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, 2017 to June 30, 2017

1. Information on operating revenue and operating profits or losses by reported segment

*Million yen*

	Reported segment				Total	Adjustments (Note) 1	Amount posted in the consolidated financial statements (Note) 2
	Transportation	Real Estate	Life Service	Hotel and Resort			
Operating revenue							
Outside customers	51,088	39,746	165,877	26,870	283,583	–	283,583
Inter-segment internal revenues or transfers	450	10,549	3,085	176	14,261	(14,261)	–
Total	51,538	50,295	168,962	27,047	297,844	(14,261)	283,583
Segment profit	9,559	13,362	3,855	2,016	28,793	55	28,848

Notes

1. An adjustment of ¥55 million in segment profit represents the deduction of intersegment transactions.
2. Segment profit has been adjusted with operating profit recorded in the consolidated quarterly statements of income.

2. Matters regarding the change of reported segments

In the first quarter under review, the Other segment was created in the non-consolidated financial statements for a reason related to business administration, and businesses that are related to Life Service or Hotel and Resort and had been classified into Real Estate were classified into the Other

segment. In association with this change, certain businesses were classified into a different reported segment in the consolidated financial statements from the one in the previous fiscal year.

The segment information for the first quarter of the previous fiscal year is created based on the reported segments after the change.

(Subsequent Events)

(Transfer of important assets)

On August 1, 2017, the Company and MAUNA LANI RESORT (OPERATION), INC. ("MLRO"), a wholly owned subsidiary of the Company, completed the transfer of assets that they owned under a sales contract in accordance with a resolution at a meeting of the Board of Directors held on May 12, 2017. The following is an overview of the transfer.

(1) Reason for the transfer

The transferee placed great value on the resorts and offered to take them over, and we decided to transfer them.

(2) Overview of the transfer

Assets to be transferred

Land, buildings, etc. in Hawaii, USA

Land (528.11 ha. of land of the Company and 303.89 ha. of land of MLRO)

A hotel and its incidental facilities, and a clubhouse and its incidental facilities

Profile of the subsidiary that owns the assets to be transferred

Name: MAUNA LANI RESORT (Operation), INC.

Address: 68-1400 Mauna Lani Drive, Suite 102 Kohala Coast,  
Hawaii 96743-9726 U.S.A.

Main business: Owing, operating and renting a hotel and a golf course

Transfer price

The transfer price is not disclosed in consideration of the transferee's intention.

Transferee

DHL Mahi Associates LLC

(3) Impact on results

Chiefly as a result of extraordinary income associated with the transfer of assets, profit before income taxes is estimated to increase by approximately 15.0 billion yen in the fiscal year under review.