

Tokyu Corporation

Consolidated Financial Statements First Half of the Fiscal Year Ending March 31, 2017

(April 1, 2016 – September 30, 2016)

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 Half of Fiscal Year Ending March 31, 2017**

Tokyu Corporation

November 10, 2016

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange First Section
URL	http://www.tokyu.co.jp/	Inquiries:	Katsumi Oda, Senior Manager, Accounting and IR Division
President	Hirofumi Nomoto	Telephone:	81-3-3477-6168
Planned date for submission of quarterly financial reports:	November 10, 2016		
Scheduled date of commencement of dividend payment:	December 5, 2016		
Supplementary documents for quarterly results	YES		
Quarterly results briefing (for institutional investor and analysts)	YES		

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

**1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2017
(April 1, 2016 to September 30, 2016)**

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

1) Consolidated Operating Results

	Six months ended September 30, 2016		Six months ended September 30, 2015	
		Change (%)		Change (%)
Operating revenue.....	548,157	2.8	533,043	3.4
Operating profit.....	44,437	(2.0)	45,359	18.9
Recurring profit.....	43,839	5.3	41,647	15.6
Profit attributable to owners of parent	34,272	(8.7)	37,559	62.3
Net income per share (¥).....	27.93		30.33	
Net income per share (diluted) (¥).....	-		-	

Notes: Comprehensive Income: Six months ended September 30, 2016: ¥24,713 million [-37.2%]; Six months ended September 30, 2015: ¥39,376 million [57.9%]

2) Consolidated Financial Position

Million yen

	As of September 30, 2016	As of March 31, 2016
Total assets	2,098,798	2,092,546
Net assets	644,560	623,297
Equity ratio (%).....	28.5	27.6

Reference: Shareholders' equity: As of September 30, 2016: ¥598,336 million; As of March 31, 2016: ¥576,873 million

2. Dividends

	FY ending March 31, 2017 (forecast)	FY ending March 31, 2017	FY ended March 31, 2016
Dividend per share – end of first quarter (¥)		-	-
Dividend per share – end of first half (¥)		4.50	4.00
Dividend per share – end of third quarter (¥)	-		-
Dividend per share – end of term (¥)	4.50		4.50
Dividend per share – annual (¥)	9.00		8.50

Note: Revisions to dividend forecasts published most recently: No

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

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

	Full year	
		Change (%)
Operating revenue	1,122,200	2.8
Operating profit	79,000	4.7
Recurring profit	76,500	9.2
Profit attributable to owners of parent.....	64,000	15.8
Net income per share (¥)	¥52.16	

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

*** Notes**

- (1) Changes in important subsidiaries during the consolidated quarter (cumulative) under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
- 1) Changes in accounting policies with revision of accounting standards, etc.: Yes
 - 2) Changes in accounting policies other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No

(Note) For details, please see the statement under the heading of "2. Matters Relating to Summary Information (Notes), (1) Changes in accounting policies, changes in accounting estimates, and restatement of revisions" on page 3 of the accompanying materials.

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

As of September 30, 2016:	1,249,739,752	As of March 31, 2016:	1,249,739,752
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 - 2) Number of treasury stock at the end of the term (shares)

As of September 30, 2016:	22,542,379	As of March 31, 2016:	23,113,371
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 - 3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)

Three months ended September 30, 2016:	1,226,892,728
Three months ended September 30, 2015:	1,238,177,127

(Note) The number of treasury stock includes shares of the Company held by a group of shareholding employees in trust, as follows:
As of September 30, 2016: 5,081,000 shares As of March 31, 2016: 5,691,000 shares

*** Status of a quarterly review**

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

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

The forecast results presented above are based on information available as of the date of this announcement and assumptions considered to be 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 Half of FY2016, (3) Explanation about the future outlook, including forecast for consolidated earnings" on page 3 of the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

The "Summary of Results for the First Half of FY2016" will be disclosed on our IR website and TDnet (Timely Disclosure network) today (November 10, 2016).

(Method of acquiring closing of accounts briefing material)

Tokyu Corporation will hold a results briefing for institutional investors and analysts on November 11, 2016.

The material used in that briefing will be promptly published on our IR website and TDnet (Timely Disclosure network) after the briefing.

○ Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Financial Results, etc. for the First Half Ended September 30, 2016

(1) Explanation about Consolidated Financial Results

Tokyu Corporation (the “Company”) and its consolidated subsidiaries (collectively the “Group”) began promoting a three-year 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 conducting focused investments in 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 for the first half of the consolidated fiscal year under review increased to ¥548,157 million (up 2.8% year on year), reflecting the strong performance of the real estate leasing business and the result of making Tokyu Recreation a subsidiary at the end of the previous consolidated fiscal year, although operating profit decreased to ¥44,437 million (down 2.0% year on year), mainly due to an increase in expenses in the Company’s railway operations business. Recurring profit stood at ¥43,839 million (up 5.3% year on year), mainly owing to a decrease in interest expenses, and profit attributable to owners of parent came to ¥34,272 million (down 8.7%) year on year, mainly due to the decline in reaction to the gain on the sales of fixed assets in the previous 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.

(i) Transportation

In the Company’s railway operations, the number of commuters carried rose 1.6% year on year in the first half under review, and the number of non-commuters carried increased 0.2%. Overall, the number of passengers carried climbed 1.0%. This was primarily attributable to the effect of opening Futako-Tamagawa Rise phase II.

As a result, operating revenue for the Transportation segment amounted to ¥101,475 million (up 2.3% year on year). Operating profit for the segment fell 10.3% year on year, to ¥17,479 million chiefly due to an increase in expenses in the Company’s railway operations.

(Operation results of Tokyu Corporation's railway operations)

Categories		Units	First half of the previous fiscal year	First half of the fiscal year under review
			April 1, 2015 to September 30, 2015	April 1, 2016 to September 30, 2016
Number of operating days		Days	183	183
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	73,988	74,437
Number of passengers carried	Non-commuter	Thousand passengers	231,222	231,644
	Commuter	Thousand passengers	349,981	355,453
	Total	Thousand passengers	581,203	587,097
Passenger revenue	Non-commuter	Million yen	37,809	37,847
	Commuter	Million yen	31,266	31,748
	Total	Million yen	69,075	69,595
Miscellaneous income from railway operations		Million yen	6,795	6,874
Total revenues		Million yen	75,870	76,469
Average passenger revenue per day		Million yen	377	380
Operating efficiency		%	52.0	52.0

(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 decreased to ¥83,519 million (down 8.9% year on year), mainly as a result of the decline in reaction to the sales of large-scale collective housing (condominiums) in the Company's real estate sales business in the previous fiscal year. However, operating profit increased to ¥15,481 million (up 3.1% year on year), which is attributable to solid rental revenue from properties such as Futako-Tamagawa Rise in the Company's real estate leasing business.

(iii) Life Service

In the Life Service Business, operating revenue rose to ¥337,090 million (up 6.1% year on year), mainly reflecting the strong sales achieved at the existing stores of Tokyu Store Chain Co., Ltd. in chain store operations and increased sales due to the acquisition of Tokyu Recreation, which engages in video businesses, as a subsidiary. Nevertheless, operating profit declined to ¥7,022 million (down 2.2% year on year), partly due to the expenses incurred in association with the commencement of operation at Tokyu Power Supply Co., Ltd., an electric power retailer.

(iv) Hotel and Resort

Operating revenue for the Hotel and Resort segment stood at ¥52,848 million (up 2.4% 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 ¥4,261 million (up 21.4% year on year).

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

Total assets at the end of the first half of the fiscal year under review increased ¥6,252 million from the end of the previous fiscal year, to ¥2,098,798 million. This was primarily attributable to an increase in inventories.

Liabilities

Total liabilities at the end of the first half of the fiscal year under review fell ¥15,009 million from the end of the previous fiscal year, to ¥1,454,238 million. This was primarily attributable to a decrease in accounts payable-other relating to capital investment, despite an increase in interest bearing debt* of ¥6,528 million from the end of the previous fiscal year, to ¥943,995 million.

Net assets

Net assets at the end of the first half of the fiscal year under review rose ¥21,262 million from the end of the previous fiscal year, to ¥644,560 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 Company's consolidated earnings forecasts for the full year of the consolidated fiscal year ending March 2017 remain unchanged from those that were publicly announced on November 9, 2016.

Refer to the Summary of Results for the First Half of FY2016, which were separately disclosed, for details.

- * The forward-looking statements discussed in this document, including financial forecasts, are based on information currently available to the Company and certain assumptions judged to be reasonable, and the Company can provide no assurance that its expectations will be achieved. Actual results may differ materially due to a range of factors.

2. Matters Relating to Summary Information (Notes)**(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions****Change in Accounting Policies**

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32 issued June 17, 2016) has been applied by the Company and its domestic consolidated subsidiaries from the first quarter of the fiscal year under review. The straight-line method has been used for the depreciation of the facilities attached to buildings and structures acquired on or after April 1, 2016 instead of the declining-balance method, which had been used before.

The effect of the change in depreciation method on operating profit, recurring profit, and income before income taxes is minor.

(2) Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

From the first quarter of the fiscal year, the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016) has been applied.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

Million yen

Item	As of March 31, 2016	As of September 30, 2016
Assets		
Current Assets		
Cash and deposits	39,614	45,455
Trade notes & accounts receivable	133,442	131,661
Merchandise and products	15,393	15,825
Land and buildings for sale	31,937	36,443
Work in progress	5,821	10,338
Raw materials and supplies	5,921	6,014
Deferred tax assets	7,233	6,410
Others	37,921	34,198
Allowance for doubtful accounts	(812)	(810)
Total current assets	276,472	285,536
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	723,130	711,049
Rolling stock & machinery (net)	57,782	55,128
Land	653,977	664,634
Construction in progress	113,806	113,831
Others (net)	24,725	25,427
Total tangible fixed assets	1,573,421	1,570,071
Intangible fixed assets	29,670	32,195
Investments & others		
Investment securities	132,223	129,918
Net defined benefit asset	5,245	5,390
Deferred tax assets	9,626	12,079
Others	66,396	64,123
Allowance for doubtful accounts	(511)	(516)
Total investments and others	212,981	210,995
Total fixed assets	1,816,073	1,813,262
Total Assets	2,092,546	2,098,798

Million yen

Item	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current Liabilities		
Trade notes & accounts payable	94,824	85,384
Short-term debt	319,531	303,613
Current portion of corporate bonds	20,000	7,000
Accrued income taxes	20,614	13,993
Provision	12,065	12,558
Advances received	24,777	33,683
Others	116,370	103,862
Total current liabilities	608,183	560,096
Long-Term Liabilities		
Corporate bonds	196,228	229,228
Long-term debt	401,707	404,154
Provision	2,841	2,750
Net defined benefit liability	40,506	40,670
Long-term deposits from tenants and club members	118,556	117,374
Deferred tax liabilities	28,055	27,036
Deferred tax liabilities from revaluation	9,176	9,176
Others	41,402	42,417
Total long-term liabilities	838,474	872,806
Special Legal Reserves		
Urban railways improvement reserve	22,590	21,335
Total Liabilities	1,469,248	1,454,238
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	131,666	131,681
Retained income	327,405	356,138
Treasury stock	(19,088)	(18,608)
Total shareholders' equity	561,708	590,936
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities, net of taxes	12,577	9,995
Net unrealized gains (losses) on hedging instruments, net of taxes	43	9
Land revaluation reserve	8,338	8,338
Foreign currency translation adjustment account	6,835	(112)
Remeasurements of defined benefit plans	(12,630)	(10,830)
Total accumulated other comprehensive income	15,164	7,400
Non-Controlling Interests	46,424	46,223
Total Net Assets	623,297	644,560
Total Liabilities and Net Assets	2,092,546	2,098,798

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

Item	April 1, 2015 to September 30, 2015	April 1, 2016 to September 30, 2016
Operating revenue	533,043	548,157
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	389,224	402,446
SG&A expenses	98,460	101,273
Total cost of operating revenue	487,684	503,720
Operating profit	45,359	44,437
Non-operating profit		
Interest income	110	110
Dividend income	533	587
Investment gains from equity method	3,316	3,275
Others	2,218	2,788
Total non-operating profit	6,178	6,762
Non-operating expenses		
Interest expenses	5,530	5,088
Fixed assets demolition expenses	2,085	—
Others	2,274	2,271
Total non-operating expenses	9,890	7,360
Recurring profit	41,647	43,839
Extraordinary gains		
Gains on sale of fixed assets	16,192	422
Subsidies received for construction	164	138
Gain on reversal of Urban Railways Improvement Reserve	1,255	1,255
Others	1,820	19
Total extraordinary gains	19,432	1,835
Extraordinary losses		
Reduction entry of land contribution for construction	154	96
Loss on retirement of fixed assets	416	427
Fixed assets demolition expenses	9,927	—
Others	378	261
Total extraordinary losses	10,877	785
Income before income taxes	50,202	44,889
Corporate income taxes	12,331	10,034
Net income	37,871	34,855
Profit attributable to non-controlling interests	312	582
Profit attributable to owners of parent	37,559	34,272

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

Item	April 1, 2015 to September 30, 2015	April 1, 2016 to September 30, 2016
Net income	37,871	34,855
Other comprehensive income		
Net unrealized gains (losses) on investment securities	229	(2,506)
Net unrealized gains (losses) on hedging instruments	0	0
Foreign currency translation adjustment account	(10)	(8,609)
Remeasurements of defined benefit plans, net of tax	1,504	1,720
Share of other comprehensive income of associates accounted for using equity method	(219)	(747)
Total other comprehensive income	1,504	(10,141)
Comprehensive income	39,376	24,713
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	38,982	26,508
Comprehensive income attributable to non-controlling interests	393	(1,795)

(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.

(Segment Information)

I. April 1, 2015 to September 30, 2015

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	98,282	71,990	311,400	51,370	533,043	–	533,043
Inter-segment internal revenues or transfers	918	19,650	6,214	262	27,046	(27,046)	–
Total	99,201	91,640	317,614	51,633	560,090	(27,046)	533,043
Segment profit	19,491	15,012	7,181	3,510	45,196	162	45,359

Notes

1. An adjustment of ¥162 million in segment profit (loss) 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, 2016 to September 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	100,578	63,955	331,225	52,397	548,157	–	548,157
Inter-segment internal revenues or transfers	897	19,564	5,864	450	26,776	(26,776)	–
Total	101,475	83,519	337,090	52,848	574,934	(26,776)	548,157
Segment profit	17,479	15,481	7,022	4,261	44,245	192	44,437

Notes

1. An adjustment of ¥192 million in segment profit (loss) represents the deduction of intersegment transactions.
2. Segment profit has been adjusted with operating profit recorded in the consolidated quarterly statements of income.

2. Matters regarding the change of reported segments

As described in 2. Matters Relating to Summary Information (Notes), (1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions, from the first quarter of the fiscal year, the straight-line method has been applied in place of the declining-balance method for the depreciation of the facilities attached to buildings and structures acquired on or after April 1, 2016. This change in the depreciation method has also been applied to the segment information.

The effect of the change on segment profit (loss) in the first half of the consolidated fiscal year under review is minor.

(Subsequent Events)

(Absorption-type merger of a consolidated subsidiary)

The Company acquired Yokohama Kanazawa Properties Co., Ltd., its wholly owned subsidiary, through an absorption-type merger on October 1, 2016. The merger, which is an absorption-type merger with a subsidiary, does not have any impact on the Company's consolidated operating revenue, operating profit or recurring profit. With the merger, the Company expects corporate taxes will decrease, mainly as a result of taking over deductible temporary differences (approximately ¥24,400 million) such as losses carried forward by the company, which had not posted deferred tax assets.

(Acquisition of treasury stock)

The Company made a resolution on matters related to the acquisition of its treasury stock at a meeting of its Board of Directors held on November 10, 2016, based on the provisions in Article 156 of the Companies Act, which is applicable under the provisions of Article 165, paragraph 3 of the Act. Details are as follows. It also made a resolution on matters related to the acquisition of treasury stock held by Tokyu Recreation, a consolidated subsidiary, based on the provisions in Article 156 of the Companies Act, which is applicable under the provisions of Article 163.

1. Acquisition of treasure stock (Acquisition of treasury stock based on the provisions in the Articles of Incorporation pursuant to the provisions of Article 165, paragraph 2 of the Companies Act)

(1) Reason for the acquisition of treasury stock

The Company acquires its treasury shares to improve its asset efficiency and implement flexible capital policies.

(2) Details of matters related to the acquisition

(i) Type of stock to be acquired	The Company's common stock
(ii) Number of shares to be acquired	15,000,000 shares (upper limit) (Proportion to the total number of outstanding shares (excluding treasury shares): 1.22% (Note))
(iii) Total value of shares to be acquired	¥10,000 million (upper limit)
(iv) Acquisition period	From November 14, 2016 until February 14, 2017
(v) Method of acquisition	Market purchase

2. Acquisition of treasure stock (Acquisition of treasury stock from a subsidiary based on the provisions in Article 163 of the Companies Act)

(1) Reason for the acquisition of treasury stock

The Company acquires its common shares owned by a subsidiary pursuant to the provision in Article 135, paragraph 3 of the Companies Act.

(2) Details of matters related to acquisition

- | | |
|--|--|
| (i) Type of stock to be acquired | The Company's common stock |
| (ii) Number of shares to be acquired | 3,381,102 shares

(Proportion to the total number of outstanding shares (excluding treasury shares): 0.27% (Note)) |
| (iii) Total value of shares to be acquired | ¥2,600 million (approximate amount)

(Value obtained by multiplying a simple average of the closing prices of the Company's stock at the Tokyo Stock Exchange for five business days from November 7 th to 11 th in 2016 (any fractional number less than ¥1 is rounded up) by the total number of shares to be acquired.) |
| (iv) Acquisition dates | November 10, 2016 (Date of conclusion of sales agreement)
November 16, 2016 (Scheduled date of rights transfer) |
| (v) Method of acquisition | Reciprocal transaction |

The value of acquiring shares equivalent to the Company's equity has been posted as its treasury stock in the net assets of the consolidated balance sheet for the first half of the fiscal year under review.

(Note) The Company's treasury shares owned by the employee's stock ownership trust are not included as its treasury stock.