

Tokyu Corporation

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

(April 1, 2016 – December 31, 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 Three Quarters of the Fiscal Year Ending March 31, 2017**

Tokyu Corporation

February 10, 2017

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: February 10, 2017	
Scheduled date of commencement of dividend payment: —	
Supplementary documents for quarterly results: YES	
Quarterly results briefing (for institutional investors and analysts): NO	

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

**1. Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017
(April 1, 2016 to December 31, 2016)**

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

1) Consolidated Operating Results

	Nine months ended December 31, 2016		Nine months ended December 31, 2015	
		Change (%)		Change (%)
Operating revenue.....	825,453	3.8	795,430	3.4
Operating profit.....	66,449	4.2	63,764	19.1
Recurring profit.....	65,907	10.3	59,766	19.6
Profit attributable to owners of parent	57,824	13.8	50,800	56.8
Net income per share (¥).....	47.17.		41.14	
Net income per share (diluted) (¥).....	-		-	

Notes: Comprehensive income: Nine months ended December 31, 2016: ¥54,007 million [1.7%]; Nine months ended December 31, 2015: ¥53,082 million [22.3%];

2) Consolidated Financial Position

Million yen

	As of December 31, 2016	As of March 31, 2016
Total assets	2,123,694	2,092,546
Net assets	662,858	623,297
Equity ratio (%).....	28.9	27.6

Reference: Shareholders' equity: As of December 31, 2016: ¥614,728 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 year-on-year changes)
Million yen*

	Full year	
		Change (%)
Operating revenue	1,118,100	2.4
Operating profit	80,000	6.0
Recurring profit	78,600	12.2
Profit attributable to owners of parent.....	67,000	21.3
Net income per share (¥)	¥54.73	

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 "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 December 31, 2016: 1,249,739,752 As of March 31, 2016: 1,249,739,752
 - 2) Number of treasury stock at the end of the term (shares)
As of December 31, 2016: 30,594,287 As of March 31, 2016: 23,113,371
 - 3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)
Three months ended December 31, 2016: 1,225,779,280
Three months ended December 31, 2015: 1,234,836,084

(Note) The number of treasury stock includes shares of the Company held by a group of shareholding employees in trust, as follows:
As of December 31, 2016: 4,695,000 shares As of March 31, 2016: 5,691,000 shares

*** Status of 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 of the forecast results, please see the statement under the heading "1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters 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 Three Quarters of FY2016" will be disclosed on our IR website and TDnet (Timely Disclosure network) today (February 10, 2017).

○ Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters Ended December 31, 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 and operating profit for the first nine months of the consolidated fiscal year under review increased to ¥825,453 million (up 3.8% year on year) and ¥66,449 million (up 4.2% year on year), respectively, reflecting the strong performance of the real estate business and the result of making Tokyu Recreation a subsidiary at the end of the previous consolidated fiscal year. Recurring profit came to ¥65,907 million (up 10.3%), mainly owing to a decrease in interest expenses, and profit attributable to owners of parent stood at ¥57,824 million (up 13.8% 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.

(i) Transportation

In the Company’s railway operations, the number of commuters carried rose 1.9% year on year in the first three quarters under review, and the number of non-commuters carried increased 0.5%. Overall, the number of passengers carried climbed 1.3%. 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 ¥153,312 million (up 2.7% year on year). Operating profit for the segment fell 6.0% year on year, to ¥25,273 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 three quarters of the previous fiscal year	First three quarters of the fiscal year under review
			April 1, 2015 to December 31, 2015	April 1, 2016 to December 31, 2016
Number of operating days		Days	275	275
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	111,050	111,725
Number of passengers carried	Non-commuter	Thousand passengers	348,199	349,786
	Commuter	Thousand passengers	519,534	529,288
	Total	Thousand passengers	867,733	879,074
Passenger revenue	Non-commuter	Million yen	56,940	57,140
	Commuter	Million yen	46,393	47,256
	Total	Million yen	103,333	104,396
Miscellaneous income from railway operations		Million yen	10,371	10,325
Total revenues		Million yen	113,704	114,721
Average passenger revenue per day		Million yen	376	380
Operating efficiency		%	51.6	51.9

(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 ¥126,765 million (down 5.7% 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 ¥23,805 million (up 12.9% 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 ¥506,387 million (up 6.9% 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 ¥10,251 million (down 1.4% 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 ¥80,176 million (up 1.9% 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 ¥6,918 million (up 32.7% year on year).

(2) Explanation about Consolidated Financial Position

Assets

Total assets at the end of the first three quarters of the fiscal year under review increased ¥31,148 million from the end of the previous fiscal year, to ¥2,123,694 million. This was primarily attributable to an increase in inventories.

Liabilities

Total liabilities at the end of the first three quarters of the fiscal year under review fell ¥8,411 million from the end of the previous fiscal year, to ¥1,460,836 million. This was primarily attributable to a decrease in accounts payable-other relating to capital investment, despite an increase in interest bearing debt* of ¥21,345 million from the end of the previous fiscal year, to ¥958,813 million.

Net assets

Net assets at the end of the first nine months of the fiscal year under review rose ¥39,560 million from the end of the previous fiscal year, to ¥662,858 million. This was primarily attributable to the posting of profit attributable to owners of parent, despite the acquisition of treasury stock.

* 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 the forecasts in the previous announcement (announced on February 9, 2017). Refer to the Summary of Results for the First three quarters 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 December 31, 2016
Assets		
Current Assets		
Cash and deposits	39,614	50,529
Trade notes & accounts receivable	133,442	137,913
Merchandise and products	15,393	17,511
Land and buildings for sale	31,937	38,671
Work in progress	5,821	9,251
Raw materials and supplies	5,921	6,498
Deferred tax assets	7,233	4,094
Others	37,921	34,813
Allowance for doubtful accounts	(812)	(875)
Total current assets	276,472	298,407
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	723,130	707,107
Rolling stock & machinery (net)	57,782	55,597
Land	653,977	675,482
Construction in progress	113,806	116,730
Others (net)	24,725	24,486
Total tangible fixed assets	1,573,421	1,579,404
Intangible fixed assets	29,670	31,667
Investments & others		
Investment securities	132,223	138,877
Net defined benefit asset	5,245	5,527
Deferred tax assets	9,626	6,455
Others	66,396	63,866
Allowance for doubtful accounts	(511)	(512)
Total investments and others	212,981	214,214
Total fixed assets	1,816,073	1,825,287
Total Assets	2,092,546	2,123,694

Million yen

Item	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current Liabilities		
Trade notes & accounts payable	94,824	93,256
Short-term debt	319,531	335,343
Current portion of corporate bonds	20,000	8,000
Accrued income taxes	20,614	2,769
Provision	12,065	8,371
Advances received	24,777	33,233
Others	116,370	110,966
Total current liabilities	608,183	591,940
Long-Term Liabilities		
Corporate bonds	196,228	228,228
Long-term debt	401,707	387,241
Provision	2,841	2,681
Net defined benefit liability	40,506	41,082
Long-term deposits from tenants and club members	118,556	118,885
Deferred tax liabilities	28,055	20,316
Deferred tax liabilities from revaluation	9,176	9,176
Others	41,402	40,576
Total long-term liabilities	838,474	848,188
Special Legal Reserves		
Urban railways improvement reserve	22,590	20,707
Total Liabilities	1,469,248	1,460,836
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	131,666	131,843
Retained income	327,405	374,149
Treasury stock	(19,088)	(25,625)
Total shareholders' equity	561,708	602,092
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities, net of taxes	12,577	15,099
Net unrealized gains (losses) on hedging instruments, net of taxes	43	7
Land revaluation reserve	8,338	8,338
Foreign currency translation adjustment account	6,835	(833)
Remeasurements of defined benefit plans	(12,630)	(9,974)
Total accumulated other comprehensive income	15,164	12,636
Non-Controlling Interests	46,424	48,129
Total Net Assets	623,297	662,858
Total Liabilities and Net Assets	2,092,546	2,123,694

(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 December 31, 2015	April 1, 2016 to December 31, 2016
Operating revenue	795,430	825,453
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	584,624	606,873
SG&A expenses	147,040	152,130
Total cost of operating revenue	731,665	759,004
Operating profit	63,764	66,449
Non-operating profit		
Interest income	162	159
Dividend income	682	725
Investment gains from equity method	5,885	5,705
Others	2,721	3,247
Total non-operating profit	9,452	9,837
Non-operating expenses		
Interest expenses	8,229	7,597
Fixed assets demolition expenses	2,085	-
Others	3,136	2,781
Total non-operating expenses	13,450	10,379
Recurring profit	59,766	65,907
Extraordinary gains		
Gains on sale of fixed assets	16,236	588
Subsidies received for construction	628	404
Gain on reversal of Urban Railways Improvement Reserve	1,882	1,882
Others	1,953	55
Total extraordinary gains	20,701	2,930
Extraordinary losses		
Reduction entry of land contribution for construction	511	332
Loss on retirement of fixed assets	635	658
Fixed assets demolition expenses	9,927	-
Others	867	543
Total extraordinary losses	11,941	1,533
Income before income taxes	68,525	67,304
Corporate income taxes	17,373	8,219
Net income	51,151	59,085
Profit attributable to non-controlling interests	351	1,261
Profit attributable to owners of parent	50,800	57,824

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

Item	April 1, 2015 to December 31, 2015	April 1, 2016 to December 31, 2016
Net income	51,151	59,085
Other comprehensive income		
Net unrealized gains (losses) on investment securities	3,606	2,082
Net unrealized gains (losses) on hedging instruments	0	1
Foreign currency translation adjustment account	(3,449)	(9,215)
Remeasurements of defined benefit plans, net of tax	2,314	2,569
Share of other comprehensive income of associates accounted for using equity method	(540)	(516)
Total other comprehensive income	1,930	(5,078)
Comprehensive income	53,082	54,007
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	53,513	55,295
Comprehensive income attributable to non-controlling interests	(430)	(1,288)

(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)

The Company has purchased treasury stock on the market and acquired common stock held by a consolidated subsidiary followed a resolution passed at a meeting of the Board of Directors held on November 10, 2016. As a consequence, treasury stock increased to ¥6,537 million during the consolidated quarter under review, and amounted to ¥25,625 million at the end of the first three quarters of fiscal year under review.

(Segment Information)

I. April 1, 2015 to December 31, 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	147,863	105,043	464,533	77,990	795,430	–	795,430
Inter-segment internal revenues or transfers	1,363	29,341	9,024	686	40,414	(40,414)	–
Total	149,226	134,384	473,557	78,676	835,845	(40,414)	795,430
Segment profit	26,894	21,091	10,401	5,212	63,599	165	63,764

Notes

1. An adjustment of ¥165 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, 2016 to December 31, 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	151,749	97,166	497,152	79,385	825,453	–	825,453
Inter-segment internal revenues or transfers	1,562	29,598	9,235	790	41,187	(41,187)	–
Total	153,312	126,765	506,387	80,176	866,640	(41,187)	825,453
Segment profit	25,273	23,805	10,251	6,918	66,249	199	66,449

Notes

1. An adjustment of ¥199 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

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 in the first three quarters of the consolidated fiscal year under review is minor.