

Tokyu Corporation

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

(April 1, 2017 – September 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 Half of Fiscal Year Ending March 31, 2018

Tokyu Corporation

November 10, 2017

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange First Section
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Planned date for submission of quarterly financial reports:	November 10, 2017		
Scheduled date of commencement of dividend payment:	December 5, 2017		
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, 2018 (April 1, 2017 to September 30, 2017)

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

1) Consolidated Operating Results

	Six months ended September 30, 2017		Six months ended September 30, 2016	
		Change (%)		Change (%)
Operating revenue.....	565,304	3.1	548,157	2.8
Operating profit.....	51,453	15.8	44,437	(2.0)
Recurring profit.....	51,614	17.7	43,839	5.3
Profit attributable to owners of parent	36,959	7.8	34,272	(8.7)
Net income per share (¥).....	60.86		55.87	
Net income per share (diluted) (¥).....	-		-	

Notes: Comprehensive Income: Six months ended September 30, 2017: ¥38,344 million [55.2%]; Six months ended September 30, 2016: ¥24,713 million [-37.2%]

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

	As of September 30, 2017		As of March 31, 2017	
Total assets	2,185,884		2,148,605	
Net assets	710,943		678,382	
Equity ratio (%).....	30.2		29.2	

Reference: Shareholders' equity: As of September 30, 2017: ¥661,101 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 September 30, 2017: 624,869,876 As of March 31, 2017: 624,869,876

2) Number of treasury stock at the end of the term (shares)

As of September 30, 2017: 17,659,112 As of March 31, 2017: 17,671,495

3) Average numbers of shares issued during the terms (quarterly consolidated accumulation periods)

Six months ended September 30, 2017: 607,268,505

Six months ended September 30, 2016: 613,446,364

(Note) The number of treasury stock includes shares of the Company held by a group of shareholding employees in trust and compensation for Directors in trust, as follows:

As of September 30, 2017: 2,165,200 shares As of March 31, 2017: 2,202,000 shares

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 shares 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 Half of FY2017, (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 Half of FY2018/3” will be disclosed on our IR website and TDnet (Timely Disclosure network) today (November 10, 2017).

(Method of acquiring closing of accounts briefing material)

Tokyu Corporation will hold a results briefing for institutional investors and analysts on November 13, 2017.

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

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1. Qualitative Information on Consolidated Financial Results, etc. for the First Half Ended September 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” for the three years from fiscal 2015. 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 half of the consolidated fiscal year under review increased to ¥565,304 million (up 3.1% year on year) and ¥51,453 million (up 15.8% year on year), respectively, primarily reflecting strong performance in the real estate sales business. Recurring profit came to ¥51,614 million (up 17.7% year on year), mainly owing to an increase in investment gains from the equity method, and profit attributable to owners of parent stood at ¥36,959 million (up 7.8% 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.

From the first quarter of the fiscal year 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 half 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 half 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 ¥103,905 million (up 2.4% year on year), and operating profit for the segment was ¥18,884 million (up 8.0% year on year).

(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, 2016 to September 30, 2016	April 1, 2017 to September 30, 2017
Number of operating days		Days	183	183
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	74,437	74,834
Number of passengers carried	Non-commuter	Thousand passengers	231,644	234,659
	Commuter	Thousand passengers	355,453	361,960
	Total	Thousand passengers	587,097	596,619
Passenger revenue	Non-commuter	Million yen	37,847	38,370
	Commuter	Million yen	31,748	32,335
	Total	Million yen	69,595	70,705
Miscellaneous income from railway operations		Million yen	6,874	7,026
Total revenues		Million yen	76,469	77,731
Average passenger revenue per day		Million yen	380	386
Operating efficiency		%	52.0	52.3

(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 ¥91,361 million (up 10.8% year on year) and ¥20,411 million (up 29.7% 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 ¥344,129 million (up 1.9% year on year) and operating profit increased to ¥8,269 million (up 19.0% 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 ¥53,950 million (up 2.1% year on year), reflecting the high occupancy of Tokyu Hotels Co., Ltd. in hotel operations and a rise in average daily rates. Operating profit came to ¥3,555 million (down 12.7% year on year), chiefly due to an increase in expense for initiatives for enhancing value, primarily the value of guest rooms.

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

Total assets at the end of the second quarter of the fiscal year under review increased ¥37,278 million from the end of the previous fiscal year, to ¥2,185,884 million, largely due to an increase in tangible fixed assets at the Company.

Liabilities

Liabilities increased ¥4,716 million year on year, to ¥1,474,940 million, largely because of growth in interest-bearing debt (*) of ¥4,596 million year on year, to ¥968,994 million.

Net assets

Net assets at the end of the second quarter of the fiscal year under review rose ¥32,561 million from the end of the previous fiscal year, to ¥710,943 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 2018 remain unchanged from those that were publicly announced on May 12, 2017.

Refer to the Summary of Results for the First Half of FY2017, 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. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

Million yen

Item	As of March 31, 2017	As of September 30, 2017
Assets		
Current Assets		
Cash and deposits	40,500	38,156
Trade notes & accounts receivable	139,830	143,861
Merchandise and products	14,975	14,856
Land and buildings for sale	40,453	40,521
Work in progress	7,264	11,343
Raw materials and supplies	6,838	7,064
Deferred tax assets	7,814	7,358
Others	33,771	33,392
Allowance for doubtful accounts	(901)	(931)
Total current assets	290,545	295,623
Fixed Assets		
Tangible fixed assets		
Buildings & structures (net)	720,125	727,074
Rolling stock & machinery (net)	56,641	54,838
Land	683,067	690,729
Construction in progress	120,547	129,851
Others (net)	24,652	24,637
Total tangible fixed assets	1,605,034	1,627,131
Intangible fixed assets	33,380	34,953
Investments & others		
Investment securities	141,580	151,074
Net defined benefit asset	7,147	7,313
Deferred tax assets	6,593	6,678
Others	64,867	63,708
Allowance for doubtful accounts	(543)	(599)
Total investments and others	219,644	228,176
Total fixed assets	1,858,060	1,890,260
Total Assets	2,148,605	2,185,884

Million yen

Item	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current Liabilities		
Trade notes & accounts payable	90,074	88,289
Short-term debt	308,464	324,470
Commercial papers	–	13,000
Current portion of corporate bonds	8,000	16,000
Accrued income taxes	8,082	15,721
Provision	12,454	12,417
Advances received	23,375	30,810
Others	119,303	105,516
Total current liabilities	569,754	606,225
Long-Term Liabilities		
Corporate bonds	228,228	213,228
Long-term debt	419,705	402,295
Provision	2,968	2,946
Net defined benefit liability	38,374	39,139
Long-term deposits from tenants and club members	119,231	118,023
Deferred tax liabilities	20,320	22,169
Deferred tax liabilities from revaluation	9,174	9,174
Others	42,385	42,912
Total long-term liabilities	880,388	849,889
Special Legal Reserves		
Urban railways improvement reserve	20,080	18,825
Total Liabilities	1,470,223	1,474,940
Net Assets		
Shareholders' Equity		
Common stock	121,724	121,724
Capital surplus	131,842	131,847
Retained income	383,565	415,037
Treasury stock	(29,696)	(29,657)
Total shareholders' equity	607,436	638,951
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	14,366	15,523
Net unrealized gains (losses) on hedging instruments, net of taxes	(8)	0
Land revaluation reserve	8,388	8,388
Foreign currency translation adjustment account	4,787	3,520
Remeasurements of defined benefit plans	(6,663)	(5,283)
Total accumulated other comprehensive income	20,871	22,149
Non-Controlling Interests	50,074	49,842
Total Net Assets	678,382	710,943
Total Liabilities and Net Assets	2,148,605	2,185,884

(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 September 30, 2016	April 1, 2017 to September 30, 2017
Operating revenue	548,157	565,304
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	402,446	412,334
SG&A expenses	101,273	101,516
Total cost of operating revenue	503,720	513,850
Operating profit	44,437	51,453
Non-operating profit		
Interest income	110	86
Dividend income	587	618
Investment gains from equity method	3,275	3,922
Others	2,788	2,749
Total non-operating profit	6,762	7,377
Non-operating expenses		
Interest expenses	5,088	4,792
Others	2,271	2,424
Total non-operating expenses	7,360	7,216
Recurring profit	43,839	51,614
Extraordinary gains		
Gains on sale of fixed assets	422	739
Subsidies received for construction	138	179
Gain on reversal of Urban Railways Improvement Reserve	1,255	1,255
Others	19	377
Total extraordinary gains	1,835	2,551
Extraordinary losses		
Reduction entry of land contribution for construction	96	182
Loss on retirement of fixed assets	427	610
Others	261	513
Total extraordinary losses	785	1,305
Income before income taxes	44,889	52,859
Corporate income taxes	10,034	15,311
Net income	34,855	37,547
Profit attributable to non-controlling interests	582	588
Profit attributable to owners of parent	34,272	36,959

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

Item	April 1, 2016 to September 30, 2016	April 1, 2017 to September 30, 2017
Net income	34,855	37,547
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	(2,506)	1,566
Net unrealized gains (losses) on hedging instruments	0	0
Foreign currency translation adjustment account	(8,609)	(1,578)
Remeasurements of defined benefit plans, net of tax	1,720	1,301
Share of other comprehensive income of associates accounted for using equity method	(747)	(492)
Total other comprehensive income	(10,141)	797
Comprehensive income	24,713	38,344
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	26,508	38,237
Comprehensive income attributable to non-controlling interests	(1,795)	107

(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 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	63,339	331,842	52,397	548,157	–	548,157
Inter-segment internal revenues or transfers	897	19,089	5,778	450	26,216	(26,216)	–
Total	101,475	82,428	337,620	52,848	574,374	(26,216)	548,157
Segment profit	17,479	15,741	6,950	4,073	44,245	192	44,437

Notes

1. An adjustment of ¥192 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 September 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	103,002	70,576	338,106	53,618	565,304	–	565,304
Inter-segment internal revenues or transfers	903	20,784	6,022	331	28,042	(28,042)	–
Total	103,905	91,361	344,129	53,950	593,347	(28,042)	565,304
Segment profit	18,884	20,411	8,269	3,555	51,121	332	51,453

Notes

1. An adjustment of ¥332 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, 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 half 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. (the fiscal year of which ends in December), a wholly owned subsidiary of the Company, completed the transfer of land, buildings, etc. that they owned in Hawaii, USA under a sales contract in accordance with a resolution at a meeting of the Board of Directors held on May 12, 2017. In association with the transfer of assets by the subsidiary, extraordinary income etc. of approximately 13.0 billion yen will be posted in the next consolidated quarter. Profit associated with the transfer of assets owned by the Company is already posted in the quarterly consolidated statement of income for the first half under review. As a result, income before income taxes is estimated to increase by approximately 15.0 billion yen in the fiscal year under review.