

# Tokyu Corporation

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

(April 1, 2017 – December 31, 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 Three Quarters of the Fiscal Year Ending March 31, 2018

### Tokyu Corporation

February 8, 2018

Stock Code:	9005	Listed exchanges:	Tokyo Stock Exchange First Section
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Planned date for submission of quarterly financial reports:	February 8, 2018		
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 Three Quarters of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to December 31, 2017)

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

#### 1) Consolidated Operating Results

	Nine months ended December 31, 2017		Nine months ended December 31, 2016	
	Change (%)		Change (%)	
Operating revenue.....	841,552	2.0	825,453	3.8
Operating profit.....	69,194	4.1	66,449	4.2
Recurring profit.....	70,044	6.3	65,907	10.3
Profit attributable to owners of parent .....	62,388	7.9	57,824	13.8
Net income per share (¥).....	102.73		94.35	
Net income per share (diluted) (¥).....	-		-	

Notes: Comprehensive Income: Nine months ended December 31, 2017: ¥68,450 million [26.7%]; Nine months ended December 31, 2016: ¥54,007 million [1.7%]

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 December 31, 2017	As of March 31, 2017
Total assets .....	2,243,242	2,148,605
Net assets .....	735,142	678,382
Equity ratio (%).....	30.5	29.2

Reference: Shareholders' equity: As of December 31, 2017: ¥684,956 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.....	1,139,400	2.0
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: Yes

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 page 9 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, 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 December 31, 2017:	17,469,727	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)

Nine months ended December 31, 2017:	607,283,065
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Nine months ended December 31, 2016:	612,899,640
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(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 December 31, 2017:	1,973,400 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 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 Three Quarters of FY2017, (3) Explanation about the future outlook, including forecast for consolidated earnings” on page 4 of the accompanying materials.

(Method of acquiring supplementary documents for quarterly results)

The “Summary of Results for the First Three Quarters of FY2017” will be disclosed on our IR website and TDnet (Timely Disclosure network) today (February 8, 2018).

## ○ Accompanying Materials – Contents

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## 1. Qualitative Information on Consolidated Financial Results, etc. for the First Three Quarters Ended December 31, 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 nine months of the consolidated fiscal year under review increased to ¥841,552 million (up 2.0% year on year) and ¥69,194 million (up 4.1% year on year), respectively, primarily reflecting strong performance in the real estate sales business. Recurring profit came to ¥70,044 million (up 6.3% year on year), mainly owing to an increase in investment gains from the equity method, and profit attributable to owners of parent stood at ¥62,388 million (up 7.9% year on year), chiefly due to an increase in gains on sale of fixed assets.

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 three quarters 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 three quarters under review rose 1.8% year on year, and the number of non-commuters carried increased 0.9%. Overall, the number of passengers carried climbed 1.4%. 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 ¥156,520 million (up 2.1% year on year), and operating profit for the segment was ¥26,625 million (up 5.3% year on year).

## (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, 2016 to December 31, 2016	April 1, 2017 to December 31, 2017
Number of operating days		Days	275	275
Operating distance		Kilometers	104.9	104.9
Operating distance of passenger trains		Thousand kilometers	111,725	112,454
Number of passengers carried	Non-commuter	Thousand passengers	349,786	353,032
	Commuter	Thousand passengers	529,288	538,608
	Total	Thousand passengers	879,074	891,640
Passenger revenue	Non-commuter	Million yen	57,140	57,620
	Commuter	Million yen	47,256	48,095
	Total	Million yen	104,396	105,715
Miscellaneous income from railway operations		Million yen	10,325	10,577
Total revenues		Million yen	114,721	116,292
Average passenger revenue per day		Million yen	380	384
Operating efficiency		%	51.9	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 and operating profit increased to ¥132,765 million (up 6.1% year on year) and ¥25,249 million (up 4.6% 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 ¥514,322 million (up 1.4% year on year) and operating profit increased to ¥11,068 million (up 8.8% year on year), mainly reflecting progress made in terms of customer acquisition at Tokyu Power Supply Co., Ltd., an electric power retailer.

## (iv) Hotel and Resort

Operating revenue for the Hotel and Resort segment stood at ¥80,589 million (up 0.5% 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 ¥5,857 million (down 12.1% 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 third quarter of the fiscal year under review increased ¥94,636 million from the end of the previous fiscal year, to ¥2,243,242 million, largely due to an increase in tangible fixed assets at the Company.

**Liabilities**

Liabilities increased ¥22,809 million year on year, to ¥987,207 million, largely because of growth in interest-bearing debt (\*) of ¥37,876 million year on year, to ¥1,508,099 million.

**Net assets**

Net assets at the end of the third quarter of the fiscal year under review rose ¥56,760 million from the end of the previous fiscal year, to ¥735,142 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**

For consolidated earnings forecasts for the full year ending March 31, 2018, the Company has reduced its forecast for operating revenue by 0.5% to ¥1,139,400 million from the previous forecast announced on May 12, 2017 in consideration of the results for the first three quarters, among other factors. Its full-year forecasts for operating profit, recurring profit and profit attributable to owners of parent remain unchanged from the previous forecasts. However, the segmental breakdown has changed.

Refer to the Summary of Results for the First three quarters 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 December 31, 2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	40,500	48,810
Trade notes & accounts receivable	139,830	149,371
Merchandise and products	14,975	16,391
Land and buildings for sale	40,453	42,611
Work in progress	7,264	13,843
Raw materials and supplies	6,838	7,657
Deferred tax assets	7,814	5,790
Others	33,771	31,956
Allowance for doubtful accounts	(901)	(993)
Total current assets	290,545	315,439
<b>Fixed Assets</b>		
Tangible fixed assets		
Buildings & structures (net)	720,125	721,571
Rolling stock & machinery (net)	56,641	52,725
Land	683,067	693,781
Construction in progress	120,547	166,384
Others (net)	24,652	23,885
Total tangible fixed assets	1,605,034	1,658,347
Intangible fixed assets	33,380	35,233
Investments & others		
Investment securities	141,580	156,652
Net defined benefit asset	7,147	7,447
Deferred tax assets	6,593	6,756
Others	64,867	64,008
Allowance for doubtful accounts	(543)	(643)
Total investments and others	219,644	234,222
Total fixed assets	1,858,060	1,927,803
<b>Total Assets</b>	<b>2,148,605</b>	<b>2,243,242</b>

Million yen

Item	As of March 31, 2017	As of December 31, 2017
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade notes & accounts payable	90,074	94,759
Short-term debt	308,464	316,634
Commercial papers	–	19,000
Current portion of corporate bonds	8,000	15,000
Accrued income taxes	8,082	13,200
Provision	12,454	8,028
Advances received	23,375	34,495
Others	119,303	107,133
Total current liabilities	569,754	608,252
<b>Long-Term Liabilities</b>		
Corporate bonds	228,228	213,228
Long-term debt	419,705	423,344
Provision	2,968	2,921
Net defined benefit liability	38,374	39,708
Long-term deposits from tenants and club members	119,231	127,146
Deferred tax liabilities	20,320	22,471
Deferred tax liabilities from revaluation	9,174	9,174
Others	42,385	43,653
Total long-term liabilities	880,388	881,649
<b>Special Legal Reserves</b>		
Urban railways improvement reserve	20,080	18,197
<b>Total Liabilities</b>	1,470,223	1,508,099
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	121,724	121,724
Capital surplus	131,842	131,849
Retained income	383,565	434,980
Treasury stock	(29,696)	(29,338)
Total shareholders' equity	607,436	659,215
<b>Accumulated Other Comprehensive Income</b>		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	14,366	17,766
Net unrealized gains (losses) on hedging instruments, net of taxes	(8)	5
Land revaluation reserve	8,388	8,388
Foreign currency translation adjustment account	4,787	4,189
Remeasurements of defined benefit plans	(6,663)	(4,610)
Total accumulated other comprehensive income	20,871	25,740
<b>Non-Controlling Interests</b>	50,074	50,186
<b>Total Net Assets</b>	678,382	735,142
<b>Total Liabilities and Net Assets</b>	2,148,605	2,243,242

**(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 December 31, 2016	April 1, 2017 to December 31, 2017
<b>Operating revenue</b>	825,453	841,552
Cost of operating revenue		
Operating expenses & cost of sales (Transportation, etc.)	606,873	620,082
SG&A expenses	152,130	152,276
Total cost of operating revenue	759,004	772,358
<b>Operating profit</b>	66,449	69,194
Non-operating profit		
Interest income	159	174
Dividend income	725	807
Investment gains from equity method	5,705	6,796
Others	3,247	3,557
Total non-operating profit	9,837	11,336
Non-operating expenses		
Interest expenses	7,597	7,117
Others	2,781	3,368
Total non-operating expenses	10,379	10,486
<b>Recurring profit</b>	65,907	70,044
Extraordinary gains		
Gains on sale of fixed assets	588	14,166
Subsidies received for construction	404	182
Gain on reversal of Urban Railways Improvement Reserve	1,882	1,882
Others	55	2,578
Total extraordinary gains	2,930	18,809
Extraordinary losses		
Reduction entry of land contribution for construction	332	157
Loss on retirement of fixed assets	658	894
Others	543	817
Total extraordinary losses	1,533	1,869
<b>Income before income taxes</b>	67,304	86,985
Corporate income taxes	8,219	23,058
<b>Net income</b>	59,085	63,926
Profit attributable to non-controlling interests	1,261	1,537
Profit attributable to owners of parent	57,824	62,388

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

Item	April 1, 2016 to December 31, 2016	April 1, 2017 to December 31, 2017
Net income	59,085	63,926
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	2,082	3,652
Net unrealized gains (losses) on hedging instruments	1	(0)
Foreign currency translation adjustment account	(9,215)	(908)
Remeasurements of defined benefit plans, net of tax	2,569	1,938
Share of other comprehensive income of associates accounted for using equity method	(516)	(158)
Total other comprehensive income	(5,078)	4,524
Comprehensive income	54,007	68,450
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	55,295	67,258
Comprehensive income attributable to non-controlling interests	(1,288)	1,192

**(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 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	96,262	498,056	79,385	825,453	–	825,453
Inter-segment internal revenues or transfers	1,562	28,892	9,110	790	40,355	(40,355)	–
Total	153,312	125,154	507,166	80,176	865,809	(40,355)	825,453
Segment profit	25,273	24,140	10,170	6,664	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.

II. April 1, 2017 to December 31, 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	155,166	101,469	504,891	80,024	841,552	–	841,552
Inter-segment internal revenues or transfers	1,353	31,296	9,430	565	42,645	(42,645)	–
Total	156,520	132,765	514,322	80,589	884,197	(42,645)	841,552
Segment profit	26,625	25,249	11,068	5,857	68,800	393	69,194

Notes

1. An adjustment of ¥393 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 three quarters of the previous fiscal year is created based on the reported segments after the change.