

First Three Quarters of the Fiscal year ending March 31, 2016 Earnings Announcement

Sotetsu Holdings, Inc.

February 4, 2016

<http://www.sotetsu.co.jp/ir/index.html>
TSE securities code: 9003

Financial Highlights (Balance Sheet)

Consolidated balance sheet

(Million yen)

	As of March 31, 2015	As of December 31, 2015	Change		Note
			Amount	%	
Current assets	65,974	58,152	-7,822	-11.9	Cash and deposits: -3,858
Non-current assets	502,667	503,018	+351	+0.1	
Total assets	568,642	561,171	-7,471	-1.3	
Current liabilities	140,141	139,659	-481	-0.3	
Non-current liabilities	322,847	306,980	-15,866	-4.9	
Total liabilities	462,988	446,640	-16,348	-3.5	
Total net assets	105,653	114,530	+8,877	+8.4	
Total liabilities and net assets	568,642	561,171	-7,471	-1.3	
Equity ratio (%)	18.2	20.0	+1.8pp	-	
Interest-bearing debt	318,896	313,559	-5,336	-1.7	

Financial Highlights (Statement of income)

Consolidated statement of income

(Million yen)

	First three quarters of FY3/2015	First three quarters of FY3/2016	Change [%]	Note
Operating revenue	180,785	190,225	+9,439 [+5.2%]	Transportation: +578, Merchandising: -400 Real estate: -626, Hotel: +9,417, Other: +324
Operating income	19,654	24,882	+5,228 [+26.6%]	Transportation: +1,421, Merchandising: +213 Real estate: +1,536, Hotel: +1,693, Other: +356
Ordinary income	16,848	22,523	+5,674 [+33.7%]	Non-operating income: -47 Non-operating expenses: -493
Profit attributable to owners of parent	9,668	12,346	+2,678 [+27.7%]	
Net income per share	19.73 yen	25.20 yen	+5.47 yen	

Segment Information (Transportation)

Transportation				(Million yen)
	First three quarters of FY3/2015	First three quarters of FY3/2016	Change [%]	Note
Operating revenue	28,634	29,212	+578 [+2.0%]	Recovery from the drop in demand following the rush to buy prior to the April 2014 consumption tax hike
Operating income	5,790	7,212	+1,421 [+24.5%]	Decrease in railway/electric power costs and depreciation
Railway				
No. of passengers (1,000)				
Non-commuter	58,993	60,350	+2.3%	Commuter: Regular +1.7%, Student +4.0%
<u>Commuter</u>	<u>110,433</u>	<u>112,823</u>	<u>+2.2%</u>	
Total	169,427	173,173	+2.2%	
Passenger revenue (million yen)				
Non-commuter	11,527	11,806	+2.4%	Commuter: Regular +1.8%, Student +4.0%
<u>Commuter</u>	<u>11,324</u>	<u>11,551</u>	<u>+2.0%</u>	
Total	22,852	23,357	+2.2%	

Segment Information (Merchandising)

Merchandising

(Million yen)

	First three quarters of FY3/2015	First three quarters of FY3/2016	Change [%]	Note
Operating revenue	83,877	83,476	-400 [-0.5%]	Decrease in sales of sand and gravel Decrease due to sale of stock in Moon Corporation
Operating income	1,409	1,623	+213 [+15.1%]	Due to improvement in operating profit margin of supermarket sales

Supermarket sales growth (existing stores): +5.0%

Segment Information (Real Estate)

Real estate				(Million yen)
	First three quarters of FY3/2015	First three quarters of FY3/2016	Change [%]	Note
Operating revenue	44,752	44,125	-626 [-1.4%]	Real estate sales: Number of condominiums and houses sold decreased
Operating income	9,989	11,525	+1,536 [+15.4%]	
Sales/Leasing breakdown				
Operating revenue				
Real estate sale	15,848	14,867	-980	Major delivery Gracia Chofu, Gracia Fujisawa Shonandai, Gracia Higashinakano
Real estate lease	29,093	29,432	+338	
Operating income				
Real estate sale	395	1,047	+651	Improvement in operating margin
Real estate lease	9,593	10,478	+885	
Number of condominiums and houses sold				
	First three quarters of FY3/2015	First three quarters of FY3/2016	Change	
Condominiums	253	195	-58	
Houses	48	25	-23	
Total	302	220	-82	

Segment Information (Hotel)

Hotel				(Million yen)
	First three quarters of FY3/2015	First three quarters of FY3/2016	Change [%]	Note
Operating revenue	17,740	27,157	+9,417 [+53.1%]	Due to purchase of SUNROUTE stock and higher revenue at existing hotels specializing in lodging
Operating income	2,139	3,832	+1,693 [+79.2%]	

Room occupancy rate/ Average revenue per room		First three quarters of FY3/2015	First three quarters of FY3/2016	Change
Room occupancy rate (%)	Sotetsu FRÉSA INN	89.6	91.1	+1.5pp
	SUNROUTE	* 86.6	88.0	+1.4pp
	Yokohama Bay Sheraton	93.0	93.8	+0.8pp
Average revenue per room (Yen)	Sotetsu FRÉSA INN	8,822	9,424	+602
	SUNROUTE	* 9,018	10,031	+1,013
	Yokohama Bay Sheraton	15,874	17,943	+2,069

* SUNROUTE Co., Ltd. became a consolidated subsidiary on Sept. 1, 2014, but the occupancy rate and average revenue figures are calculated based on the period of Apr. 1, 2014 to Dec. 31, 2014. SUNROUTE data are for directly operated hotels and hotels managed for other companies, a total of 16 locations.

Segment Information (Other)

Other				(Million yen)
	First three quarters of FY3/2015	First three quarters of FY3/2016	Change [%]	Note
Operating revenue	15,519	15,843	+324 [+2.1%]	
Operating income	267	624	+356 [+133.0%]	

Forecast for FY3/16 (Statement of income)

Consolidated statement of income							(Million yen)
	FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast [%]	
Operating revenue	252,381	256,000	+3,618 [+1.4%]	Transportation: +660, Merchandising: -2,216 Real estate: -5,732, Hotel: +9,973, Other: +290	256,300	-300 [-0.1%]	
Operating income	25,545	29,200	+3,654 [+14.3%]	Transportation: +1,047, Merchandising: +399 Real estate: +588, Hotel: +1,362, Other: +221	27,300	+1,900 [+7.0%]	
Ordinary income	21,862	25,700	+3,837 [+17.6%]	Non-operating income: -107 Non-operating expense: -390	24,000	+1,700 [+7.1%]	
Profit attributable to owners of parent	11,209	11,700	+490 [+4.4%]		11,700	- [-%]	
Net income per share	22.88 yen	23.88 yen	+1.00 yen		23.88 yen	-	
Capital expenditure	18,920	30,154	+11,233 [+59.4%]	Transportation: +4,794, Merchandising: +357 Real estate: +5,494, Hotel: +547, Other: -13	30,154	- [-%]	
Depreciation	15,652	15,943	+291 [+1.9%]		15,990	-46 [-0.3%]	

Forecast for FY3/16 (Transportation)

Transportation							(Million yen)
	FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast [%]	
Operating revenue	38,039	38,700	+660 [+1.7%]	Recovery from the drop in demand following the rush to buy prior to the April 2014 consumption tax hike	38,400	+300 [+0.8%]	
Operating income	6,952	8,000	+1,047 [+15.1%]		7,500	+500 [+6.7%]	
Capital expenditure	4,492	9,287	+4,794 [+106.7%]		9,287	- [-%]	
Depreciation	6,440	6,181	-259 [-4.0%]		6,176	+5 [+0.1%]	
Railway							
No. of passengers (1,000)							
Non-commuter	78,568	80,335	+2.2%	Commuter: Regular +0.6% Student +2.3%	79,536	+1.0%	
Commuter	146,003	147,403	+1.0%		147,354	+0.0%	
Total	224,571	227,738	+1.4%		226,890	+0.4%	
Passenger revenue (million yen)							
Non-commuter	15,326	15,701	+2.4%	Commuter: Regular +0.6% Student +2.7%	15,538	+1.0%	
Commuter	15,068	15,192	+0.8%		15,199	-0.0%	
Total	30,394	30,894	+1.6%		30,737	+0.5%	

Forecast for FY3/16 (Merchandising)

Merchandising						(Million yen)	
	FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast [%]	
Operating revenue	111,016	108,800	-2,216 [-2.0%]	Decrease in sales of sand and gravel Decrease due to sale of stock in Moon Corporation	109,500	-700 [-0.6%]	
Operating income	1,300	1,700	+399 [+30.7%]	Higher operating margin in the supermarket business	1,600	+100 [+6.3%]	
Capital expenditure	1,363	1,721	+357 [+26.2%]		1,721	- [-%]	
Depreciation	852	789	-62 [-7.4%]		796	-6 [-0.9%]	

Supermarket sales growth (existing stores): +3.8%

Forecast for FY3/16 (Real Estate)

Real estate							(Million yen)
	FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast [%]	
Operating revenue	69,332	63,600	-5,732 [-8.3%]	Real estate sales: Decrease in number of condominiums and houses sold	63,400	+200 [+0.3%]	
Operating income	14,411	15,000	+588 [+4.1%]		14,500	+500 [+3.4%]	
Capital expenditure	10,282	15,777	+5,494 [+53.4%]		15,777	- [-%]	
Depreciation	6,133	6,550	+416 [+6.8%]		6,595	-45 [-0.7%]	
Sales/Leasing breakdown							
Operating revenue							
Real estate sale	30,782	23,600	-7,182	Major delivery expected Gracia Chofu, Gracia Ebina	23,300	+300	
Real estate lease	38,737	40,300	+1,562		40,300	-	
Operating income							
Real estate sale	2,224	1,700	-524		1,400	+300	
Real estate lease	12,186	13,300	+1,113		13,000	+300	
Number of condominiums and houses sold	FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast	
Condominiums	474	341	-133		339	+2	
Houses	61	29	-32		25	+3	
Total	536	370	-166		364	+5	

Forecast for FY3/16 (Hotel 1)

Hotel							(Million yen)
		FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast [%]
Operating revenue		25,926	35,900	+9,973 [+38.5%]	Full contribution of purchase of SUNROUTE stock	35,200	+700 [+2.0%]
Operating income		2,537	3,900	+1,362 [+53.7%]		3,400	+500 [+14.7%]
Capital expenditure		2,604	3,151	+547 [+21.0%]		3,151	- [-%]
Depreciation		1,838	2,031	+193 [+10.5%]		2,010	+21 [+1.1%]
Room occupancy rate/ Average revenue per room		FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast
Room occupancy rate (%)	Sotetsu FRÉSA INN	89.3	90.7	+1.4pp		90.0	+0.7pp
	SUNROUTE	* 86.2	87.4	+1.2pp		86.8	+0.6pp
	Yokohama Bay Sheraton	92.2	92.3	+0.1pp		92.5	-0.2pp
Average revenue per room (Yen)	Sotetsu FRÉSA INN	8,813	9,352	+539		9,151	+201
	SUNROUTE	* 9,074	9,998	+924		9,711	+287
	Yokohama Bay Sheraton	15,936	17,654	+1,718		16,918	+736

* SUNROUTE Co., Ltd. became a consolidated subsidiary on Sept. 1, 2014, but the occupancy rate and average revenue figures are calculated based on the period of April 1, 2014 to March 31, 2015. SUNROUTE data are for directly operated hotels and hotels managed for other companies, a total of 16 locations.

Forecast for FY3/16 (Hotel 2)

FRÉSA INN to open

	Name	Rooms	Date
-	Sotetsu FRÉSA INN Shimbashi Hibiya-guchi Annex (provisional name)	71	Autumn 2016
#17	Sotetsu FRÉSA INN Ginza 7-chome (provisional name)	286	Autumn 2016
#18	Sotetsu FRÉSA INN Yushima Ueno-Hirokoji (provisional name)	154	Autumn 2016
#19	Sotetsu FRÉSA INN Ginza 3-chome (provisional name)	128	Autumn 2017
#20	Sotetsu FRÉSA INN Kyoto Shijo-Karasuma (provisional name)	146	Spring 2017
#21	Sotetsu FRÉSA INN Roppongi (provisional name)	205	Autumn 2017
#22	Sotetsu FRÉSA INN Kyoto Station Hachijo-guchi (provisional name)	144	Spring 2017
#23	Sotetsu FRÉSA INN Kinshicho (provisional name)	292	Winter 2017

SUNROUTE to open

Name	Rooms	Date
Hotel SUNROUTE Osaka-Namba	698	April 2016

Forecast for FY3/16 (Other)

Other							(Million yen)
	FY3/15 (Actual)	FY3/16 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2015	Forecast vs. Nov. Forecast [%]	
Operating revenue	21,309	21,600	+290 [+1.4%]		22,100	-500 [-2.3%]	
Operating income	278	500	+221 [+79.5%]		300	+200 [+66.7%]	
Capital expenditure	230	216	-13 [-6.0%]		216	- [-%]	
Depreciation	512	519	+7 [+1.4%]		540	-20 [-3.8%]	



Forecasts for results of operations are based on information that was available when this presentation was released. Actual performance may differ from these forecasts for a number of reasons.