

First Three Quarters of the Fiscal year ending March 31, 2017 Earnings Announcement

Sotetsu Holdings, Inc.

January 31, 2017

<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, 2016	As of December 31, 2016	Change		Note
			Amount	%	
Current assets	61,966	70,167	+8,200	+13.2	Cash and deposits: +9,629, Inventories: -2,749
Non-current assets	501,277	499,195	-2,081	-0.4	Decrease in non-current assets due to depreciation
Total assets	563,244	569,362	+6,118	+1.1	
Current liabilities	132,232	156,634	+24,401	+18.5	Short-term loans payable: +32,999
Non-current liabilities	317,620	288,182	-29,438	-9.3	Long-term loans payable: -31,977
Total liabilities	449,853	444,817	-5,036	-1.1	
Total net assets	113,390	124,545	+11,154	+9.8	
Total liabilities and net assets	563,244	569,362	+6,118	+1.1	
Equity	110,912	122,013	+11,100	+10.0	
Equity ratio (%)	19.7	21.4	+1.7pp	—	
Interest-bearing debt	314,856	314,872	+16	+0.0	

Financial Highlights (Statement of Income)

Consolidated statement of income

(Million yen)

	First three quarters of FY3/2016	First three quarters of FY3/2017	Change [%]	Note
Operating revenue	190,225	191,349	+1,124 [+0.6%]	Transportation: +167, Merchandising: -658 Real estate: -552, Hotel: +2,070, Other: -49
Operating income	24,882	25,574	+691 [+2.8%]	Transportation: +196, Merchandising: +246 Real estate: +187, Hotel: +206, Other: -153
Ordinary income	22,523	23,398	+875 [+3.9%]	Non-operating income: +14 Non-operating expenses: -168
Profit attributable to owners of parent	12,346	14,824	+2,477 [+20.1%]	
Net income per share	+25.20 yen	+30.25 yen	+5.05 yen	

Segment Information (Transportation)

Transportation

(Million yen)

	First three quarters of FY3/2016	First three quarters of FY3/2017	Change [%]	Note
Operating revenue	29,212	29,380	+167 [+0.6%]	
Operating income	7,212	7,409	+196 [+2.7%]	
Railway				
No. of passengers (1,000)				
Non-commuter	60,350	60,300	-0.1%	Commuter: Regular +1.3%, Student -0.1%
Commuter	<u>112,823</u>	<u>113,946</u>	<u>+1.0%</u>	
Total	173,173	174,247	+0.6%	
Passenger revenue (million yen)				
Non-commuter	11,806	11,802	-0.0%	Commuter: Regular +1.2%, Student +0.1%
Commuter	<u>11,551</u>	<u>11,677</u>	<u>+1.1%</u>	
Total	23,357	23,479	+0.5%	

Segment Information (Merchandising)

Merchandising

(Million yen)

	First three quarters of FY3/2016	First three quarters of FY3/2017	Change [%]	Note
Operating revenue	83,476	82,818	-658 [-0.8%]	Decrease in sales of sand and gravel
Operating income	1,623	1,869	+246 [+15.2%]	

Supermarket sales growth (existing stores): +2.5%

Segment Information (Real Estate)

Real estate

(Million yen)

	First three quarters of FY3/2016	First three quarters of FY3/2017	Change [%]	Note
Operating revenue	44,125	43,572	-552 [-1.3%]	Real estate sales: Decrease in a sales price per unit
Operating income	11,525	11,713	+187 [+1.6%]	
Sales/Leasing breakdown				
Operating revenue				
Real estate sale	14,867	14,520	-347	Major deliveries Gracia Ebina, Gracia City Kawasaki Daishigawara
Real estate lease	29,432	29,239	-192	
Operating revenue				
Real estate sale	1,047	1,215	+168	
Real estate lease	10,478	10,497	+19	

Number of condominiums and houses sold	First three quarters of FY3/2016	First three quarters of FY3/2017	Change [%]	Note
Condominiums	195	241	+46	
Houses	25	27	+1	
Total	220	268	+48	

Segment Information (Hotel)

Hotel				(Million yen)
	First three quarters of FY3/2016	First three quarters of FY3/2017	Change [%]	Note
Operating revenue	27,157	29,227	+2,070 [+7.6%]	Increase in sales associated with the opening of new hotels, including Hotel Sunroute Osaka Namba
Operating income	3,832	4,039	+206 [+5.4%]	

Room occupancy rate/ Average revenue per room		First three quarters of FY3/2016	First three quarters of FY3/2017	Change
Room occupancy rate (%)	Sotetsu FRÉSA INN	91.1	88.3	-2.8pp
	SUNROUTE *	88.0	85.5	-2.5pp
	Yokohama Bay Sheraton	93.8	92.1	-1.7pp
Average revenue per room (Yen)	Sotetsu FRÉSA INN	9,424	9,549	+125 [+1.3%]
	SUNROUTE *	10,031	10,456	+425 [+4.2%]
	Yokohama Bay Sheraton	17,943	18,281	+338 [+1.9%]

* The room occupancy rate and average revenue per room for SUNROUTE are for directly operated hotels and hotels managed for other companies. Total of 17 locations (16 locations for the previous year).

Segment Information (Other)

Other

(Million yen)

	First three quarters of FY3/2016	First three quarters of FY3/2017	Change [%]	Note
Operating revenue	15,843	15,794	-49 [-0.3%]	
Operating income	624	470	-153 [-24.6%]	

Forecast for FY3/2017 (Statement of Income)

Consolidated statement of income

(Million yen)

	FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast [%]
Operating revenue	258,430	252,700	-5,730 [-2.2%]	Transportation: +122, Merchandising: -2,811 Real estate: -5,414, Hotel: +2,668, Other: -985	255,600	-2,900 [-1.1%]
Operating income	31,129	29,000	-2,129 [-6.8%]	Transportation: +288, Merchandising: +89 Real estate: -2,399, Hotel: +104, Other: -232	29,000	— [—%]
Ordinary income	27,916	26,100	-1,816 [-6.5%]	Non-operating income: -105 Non-operating expense: -319	26,200	-100 [-0.4%]
Profit attributable to owners of parent	13,693	15,300	+1,606 [+11.7%]		14,300	+1,000 [+7.0%]
Net income per share	27.95円	31.23円	+3.28 yen		29.19 yen	+2.04 yen
Capital expenditure	20,403	23,903	+3,499 [+17.2%]	Transportation: +4,342, Merchandising: -36 Real estate: -2,770, Hotel: +1,861, Other: +35	23,903	— [—%]
Depreciation	15,889	16,122	+232 [+1.5%]		16,253	-131 [-0.8%]

Forecast for FY3/2017 (Transportation)

Transportation

(Million yen)

	FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast [%]
Operating revenue	38,777	38,900	+122 [+0.3%]		38,900	— [—%]
Operating income	7,911	8,200	+288 [+3.6%]		7,900	+300 [+3.8%]
Capital expenditure	5,397	9,739	+4,342 [+80.5%]	(Major expected expenditures in FY3/2017) Hoshikawa-Tenno-cho elevated tracks project, renewal of Izumino station and Minamimakigahara station, renewal of railway vehicles and stations in the “Design Brand-up Project”	9,739	— [—%]
Depreciation	6,226	6,193	-32 [-0.5%]		6,255	-61 [-1.0%]
Railway						
No. of passengers (1,000)						
Non-commuter	80,245	79,948	-0.4%	Commuter: Regular +1.1% Student -0.1%	80,191	-0.3%
Commuter	<u>148,786</u>	<u>150,031</u>	<u>+0.8%</u>		<u>149,689</u>	<u>+0.2%</u>
Total	229,032	229,979	+0.4%		229,881	+0.0%
Passenger revenue (million yen)						
Non-commuter	15,697	15,648	-0.3%	Commuter: Regular +1.0% Student +0.0%	15,683	-0.2%
Commuter	<u>15,346</u>	<u>15,488</u>	<u>+0.9%</u>		<u>15,472</u>	<u>+0.1%</u>
Total	31,043	31,137	+0.3%		31,156	-0.1%

Forecast for FY3/2017 (Merchandising)

Merchandising

(Million yen)

	FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast [%]
Operating revenue	110,511	107,700	-2,811 [-2.5%]	Decrease in sales of sand and gravel	108,800	-1,100 [-1.0%]
Operating income	2,010	2,100	+89 [+4.5%]		2,100	— [—%]
Capital expenditure	1,737	1,701	-36 [-2.1%]	(Major expected expenditures in FY3/2017) Establishment of new Rosen stores	1,701	— [—%]
Depreciation	782	883	+100 [+12.8%]		886	-3 [-0.4%]

Supermarket sales growth (existing stores): +1.5 %

Forecast for FY3/2017 (Real Estate)

Real estate							(Million yen)
	FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast [%]	
Operating revenue	63,914	58,500	-5,414 [-8.5%]	Real estate sales: Decrease in number of condominiums and houses sold, decrease in the sales price per unit	59,600	-1,100 [-1.8%]	
Operating income	16,299	13,900	-2,399 [-14.7%]		14,100	-200 [-1.4%]	
Capital expenditure	11,082	8,311	-2,770 [-25.0%]	(Major expected expenditures in FY3/2017) Renovation of the Izumino station north exit area	8,311	— [—%]	
Depreciation	6,499	6,820	+320 [+4.9%]		6,838	-17 [-0.3%]	
Sales/Leasing breakdown							
Operating revenue							
Real estate sale	23,776	19,700	-4,076	Major delivery expected Gracia City Kawasaki Daishigawara	19,800	-100	
Real estate lease	40,346	39,000	-1,346		40,100	-1,100	
Operating revenue							
Real estate sale	2,145	1,300	-845		1,100	+200	
Real estate lease	14,154	12,600	-1,554		13,000	-400	
Number of condominiums and houses sold	FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast [%]	
Condominiums	339	262	-76		273	-10	
Houses	29	49	+19		49	—	
Total	368	311	-56		322	-10	

Forecast for FY3/2017 (Hotel 1)

Hotel							(Million yen)
	FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast [%]	
Operating revenue	36,031	38,700	+2,668 [+7.4%]	Increase in sales due to the opening of new hotels	39,200	-500 [-1.3%]	
Operating income	4,195	4,300	+104 [+2.5%]		4,400	-100 [-2.3%]	
Capital expenditure	2,084	3,946	+1,861 [+89.3%]	(Major expected expenditures in FY3/2017) FRÉSA INN Kyoto Station Hachijo-guchi	3,946	— [—%]	
Depreciation	1,996	1,936	-60 [-3.0%]		1,986	-50 [-2.5%]	

Room occupancy rate/ Average revenue per room		FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast
Room occupancy rate (%)	Sotetsu FRÉSA INN	90.6	88.2	-2.4pp		88.0	+0.2pp
	SUNROUTE *	86.8	84.8	-2.0pp		86.1	-1.3pp
	Yokohama Bay Sheraton	92.1	87.1	-5.0pp		87.8	-0.7pp
Average revenue per room (Yen)	Sotetsu FRÉSA INN	9,392	9,508	+116 [+1.2%]		9,721	-213 [-2.2%]
	SUNROUTE *	10,079	10,376	+297 [+2.9%]		10,422	-46 [-0.4%]
	Yokohama Bay Sheraton	17,832	18,057	+225 [+1.3%]		17,871	+186 [+1.0%]

* The room occupancy rate and average revenue per room for SUNROUTE are for directly operated hotels and hotels managed for other companies. Total of 17 locations (16 locations for the previous year).

Forecast for FY3/2017 (Hotel 2)

FRÉSA INN to open

	Name	Rooms	Date
#18	Sotetsu FRÉSA INN Kyoto Shijo-Karasuma	140	April 1, 2017
#19	Sotetsu FRÉSA INN Kyoto Station Hachijo-guchi	138	April 15, 2017
#20	Sotetsu FRÉSA INN Yushima Ueno-Hirokoji (provisional name)	155	Autumn 2017
#21	Sotetsu FRÉSA INN Ginza 3-chome (provisional name)	147	Winter 2017
#22	Sotetsu FRÉSA INN Roppongi (provisional name)	201	Autumn 2017
#23	Sotetsu FRÉSA INN Kinshicho (provisional name)	281	Autumn 2017
#24	Sotetsu FRÉSA INN Osaka Yodoyabashi Kitahama (provisional name)	244	Autumn 2018
#25	Sotetsu FRÉSA INN Kanda Station Minami-guchi (provisional name)	115	Spring 2018
#26	Sotetsu FRÉSA INN Osaka Shinsaibashi (provisional name)	176	Winter 2018
#27	Sotetsu FRÉSA INN Osaka Namba (provisional name)	276	Summer 2019

Forecast for FY3/2017 (Other)

Other							(Million yen)
	FY3/2016 (Actual)	FY3/2017 (Forecast)	Forecast vs. Actual [%]	Note	Forecast as of Nov. 2016	Forecast vs. Nov. Forecast [%]	
Operating revenue	22,085	21,100	-985 [-4.5%]		21,600	-500 [-2.3%]	
Operating income	632	400	-232 [-36.8%]		500	-100 [-20.0%]	
Capital expenditure	169	204	+35 [+20.8%]		204	— [—%]	
Depreciation	512	414	-98 [-19.2%]		412	+1 [+0.4%]	



SOTETSU

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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.