

First Quarter of the Fiscal year ending March 31, 2018 Earnings Announcement

Sotetsu Holdings, Inc.

August 1, 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, 2017	As of June 30, 2017	Change		Note
			Amount	%	
Current assets	73,808	82,243	+8,434	+11.4	Cash and deposits: +11,055
Non-current assets	505,891	503,542	-2,348	-0.5	
Total assets	579,699	585,786	+6,086	+1.0	
Current liabilities	143,423	147,402	+3,979	+2.8	Short-term loans payable: +10,637
Non-current liabilities	307,741	307,501	-239	-0.1	Long-term loans payable: -198
Total liabilities	451,165	454,904	+3,739	+0.8	
Total net assets	128,534	130,882	+2,347	+1.8	
Total liabilities and net assets	579,699	585,786	+6,086	+1.0	
Equity	125,965	128,412	+2,446	+1.9	
Equity ratio (%)	21.7	21.9	+0.2	-	
Interest-bearing debt	309,799	320,238	+10,438	+3.4	

Financial Highlights (Statement of Income)

Consolidated statement of income

(Million yen)

	First quarter of FY3/2017	First quarter of FY3/2018	Change [%]	Note
Operating revenue	66,490	61,263	-5,227 [-7.9%]	Transportation: +114, Merchandising: +222 Real estate: -6,063, Hotel: +565, Other: -104
Operating income	9,389	8,360	-1,028 [-11.0%]	Transportation: +53, Merchandising: -57 Real estate: -1,160, Hotel: +102, Other: +28
Ordinary income	8,708	7,879	-828 [-9.5%]	Non-operating income: -22 Non-operating expenses: -222
Profit attributable to owners of parent	5,427	5,195	-231 [-4.3%]	
Net income per share	11.08 yen	10.60 yen	-0.48 yen	

Segment Information (Transportation)

Transportation

(Million yen)

	First quarter of FY3/2017	First quarter of FY3/2018	Change [%]	Note
Operating revenue	9,863	9,977	+114 [+1.2%]	Increase in revenue due to a rise in the number of passengers transported by train
Operating income	2,810	2,863	+53 [+1.9%]	
Railway				
No. of passengers (1,000)				
Non-commuter	20,081	20,279	+1.0%	Commuter: Regular +1.1% Student -0.1%
<u>Commuter</u>	<u>39,058</u>	<u>39,366</u>	<u>+0.8%</u>	
Total	59,140	59,645	+0.9%	
Passenger revenue (million yen)				
Non-commuter	3,934	3,980	+1.2%	Commuter: Regular +1.0% Student +0.0%
<u>Commuter</u>	<u>3,971</u>	<u>4,006</u>	<u>+0.9%</u>	
Total	7,905	7,986	+1.0%	

Segment Information (Merchandising)

Merchandising

(Million yen)

	First quarter of FY3/2017	First quarter of FY3/2018	Change [%]	Note
Operating revenue	26,828	27,051	+222 [+0.8%]	Increase in sales of the supermarket business
Operating income	491	434	-57 [-11.6%]	Decrease in income due to an increase in expenses of the supermarket business

Supermarket sales growth (existing stores): +2.1%

Segment Information (Real Estate)

Real estate

(Million yen)

	First quarter of FY3/2017	First quarter of FY3/2018	Change [%]	Note
Operating revenue	18,339	12,276	-6,063 [-33.1%]	
Operating income	4,642	3,482	-1,160 [-25.0%]	
Sales/Leasing breakdown				
Real estate sale				
Operating revenue	8,767	2,629	-6,138	A decline in the number of condominiums sold Decrease in income due to lower revenue
Operating income	1,118	-141	-1,259	
Real estate lease				
Operating revenue	9,637	9,702	+64	
Operating income	3,524	3,623	+99	

Number of condominiums and houses sold	First quarter of FY3/2017	First quarter of FY3/2018	Change [%]	Note
Condominiums	181	15	-165	(Major properties delivered) "Gracia City Kawasaki Daishigawara"
Houses	15	3	-12	
Total	196	18	-177	

Segment Information (Hotel)

Hotel

(Million yen)

	First quarter of FY3/2017	First quarter of FY3/2018	Change [%]	Note
Operating revenue	9,447	10,012	+565 [+6.0%]	Increase in revenue due to the openings of “Sotetsu FRÉSA INN Ginza 7-chome,” “Sotetsu FRÉSA INN Shimbashi-Hibiya-guchi Annex,” “Sotetsu FRÉSA INN Kyoto Shijo-karasuma” and “Sotetsu FRÉSA INN Kyoto Station Hachijo-guchi”
Operating income	1,334	1,436	+102 [+7.7%]	Increase in income due to factors contributing to an increase in revenue

Room occupancy rate/ Average revenue per room		First quarter of FY3/2017	First quarter of FY3/2018	Change [%]
Room occupancy rate (%)	Sotetsu FRÉSA INN	88.5	88.9	+0.4pp
	SUNROUTE*	84.0	85.7	+1.7pp
	Yokohama Bay Sheraton	90.0	88.4	-1.6pp
Average revenue per room (Yen)	Sotetsu FRÉSA INN	9,551	9,794	+243 [+2.5%]
	SUNROUTE*	10,562	10,216	-346 [-3.3%]
	Yokohama Bay Sheraton	17,811	19,809	+1,998 [+11.2%]

* 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.

Segment Information (Other)

Other

(Million yen)

	First quarter of FY3/2017	First quarter of FY3/2018	Change [%]	Note
Operating revenue	5,078	4,973	-104 [-2.1%]	Decrease in revenue due to the transfer of the day-care center business
Operating income	87	116	+28 [+32.4%]	

Forecast for FY3/2018 (Statement of Income)

Forecasts for consolidated statement of income

(Million yen)

	FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Operating revenue	253,363	267,600	+14,236 [+5.6%]	Transportation: -16, Merchandising: -1,066 Real estate: +11,694, Hotel: +2,760, Other: +383
Operating income	30,510	29,000	-1,510 [-4.9%]	Transportation: -292, Merchandising: -162 Real estate: -489, Hotel: -514, Other: +44
Ordinary income	27,558	26,700	-858 [-3.1%]	Non-operating income: -90 Non-operating expense: -742
Profit attributable to owners of parent	17,061	16,600	-461 [-2.7%]	
Net income per share	174.10 yen	169.40 yen	-4.7 yen	Because the Company plans to conduct a consolidation of shares at a ratio of one share for every five shares of common stock on October 1, 2017, the effect of the consolidation of shares is taken into account for net income per share.
Capital expenditure	20,678	41,158	+20,480 [+99.0%]	Transportation: +2,004, Merchandising: +1,112 Real estate: +16,413, Hotel: +482, Other: +467
Depreciation	16,011	16,278	+266 [+1.7%]	

* Forecasts for results of operations announced in April 2017 remain unchanged.

Forecast for FY3/2018 (Transportation)

Transportation

(Million yen)

	FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Operating revenue	38,916	38,900	-16 [-0.0%]	
Operating income	8,392	8,100	-292 [-3.5%]	Decrease in income, mainly reflecting an increase in electric power costs
Capital expenditure	8,559	10,563	+2,004 [+23.4%]	(Details of expenditure for FY2018/3 forecasts) Replacement of trains, renewal of railway vehicles and stations in the "Design Brand-up Project," extension work on Futamatagawa Station, renewal of Yayoidai Station, Hoshikawa-Tenno-cho elevated tracks project, etc.
Depreciation	6,134	6,355	+220 [+3.6%]	
Railway				
No. of passengers (1,000)				
Non-commuter	80,107	79,731	-0.5%	Commuter: Regular +0.1% Student +0.2%
Commuter	149,969	150,202	+0.2%	
Total	230,077	229,934	-0.1%	
Passenger revenue (million yen)				
Non-commuter	15,674	15,606	-0.4%	Commuter: Regular +0.1% Student +0.6%
Commuter	15,477	15,501	+0.2%	
Total	31,151	31,107	-0.1%	

Forecast for FY3/2018 (Merchandising)

Merchandising

(Million yen)

	FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Operating revenue	109,266	108,200	-1,066 [-1.0%]	Decrease in revenue due to a decline in orders in the sand and gravel business
Operating income	2,262	2,100	-162 [-7.2%]	Decrease in income due to factors contributing to a decrease in revenue
Capital expenditure	912	2,024	+1,112 [+121.9%]	(Details of expenditure for FY2018/3 forecasts) Establishment of new Rosen stores (Yayoidai Store), etc.
Depreciation	875	931	+56 [+6.4%]	

Supermarket sales growth (existing stores): +0.1%

Forecast for FY3/2018 (Real Estate)

Real estate

(Million yen)

	FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Operating revenue	57,905	69,600	+11,694 [+20.2%]	
Operating income	14,989	14,500	-489 [-3.3%]	
Capital expenditure	6,437	22,851	+16,413 [+255.0%]	(Details of expenditure for FY2018/3 forecasts) Redevelopment of the area around the south exit of Futamatagawa Station, renovation of the streets in front of Yayoidai Station, etc.
Depreciation	6,798	6,891	+92 [+1.4%]	
Sales/Leasing breakdown				
Real estate sale				
Operating revenue	19,271	30,100	+10,828	Increase in revenue due to a rise in the number of condominiums sold
Operating income	1,686	1,700	+13	
Real estate lease				
Operating revenue	38,844	39,700	+855	Increase in revenue due to revenue from the sale of land for business Decrease in income due to an increase in expenses
Operating income	13,303	12,800	-503	
Number of condominiums and houses sold	FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Condominiums	275	367	+91	(Major properties) "The Parkhouse Nishi Shinjuku Tower 60" and "Gracia Ebina Sagamino II"
Houses	44	20	-24	
Total	319	387	+67	

Forecast for FY3/2018 (Hotel 1)

Hotel				(Million yen)
	FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Operating revenue	38,839	41,600	+2,760 [+7.1%]	Increase in revenue due to the openings of new hotels (6 hotels including "Sotetsu FRÉSA INN Kyoto Shijo-karasuma")
Operating income	4,414	3,900	-514 [-11.7%]	Decrease in income, mainly reflecting an increase in expenses for renovations and preparations for new hotel openings
Capital expenditure	4,632	5,115	+482 [+10.4%]	(Details of expenditure for FY2018/3 forecasts) Establishment of new hotels such as "Sotetsu FRÉSA INN Osaka Yodoyabashi Kitahama" and "Sotetsu FRÉSA INN Ueno Okachimachi"
Depreciation	1,918	1,998	+79 [+4.2%]	

Room occupancy rate/ Average revenue per room		FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Room occupancy rate (%)	Sotetsu FRÉSA INN	88.4	88.6	+0.2pp	
	SUNROUTE*	85.0	86.9	+1.9pp	
	Yokohama Bay Sheraton	87.2	88.2	+1.0pp	
Average revenue per room (Yen)	Sotetsu FRÉSA INN	9,478	9,661	+183 [+1.9%]	
	SUNROUTE*	10,353	10,391	+38 [+0.4%]	
	Yokohama Bay Sheraton	18,190	19,809	+1,619 [+8.9%]	

* 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.

Forecast for FY3/2018 (Hotel 2)

FRÉSA INN to open

	Name (* shows properties owned by the Sotetsu Group)	Location	Rooms	Opening Date
#20	Sotetsu FRÉSA INN Tokyo Roppongi	Minato-ku, Tokyo	201	October 10, 2017
#21	Sotetsu FRÉSA INN Ueno Okachimachi*	Taito-ku, Tokyo	155	November 10, 2017
Preparing for opening	Sotetsu FRÉSA INN Ginza 3-chome (provisional name)	Chuo-ku, Tokyo	147 (planned)	Winter 2017 (planned)
Preparing for opening	Sotetsu FRÉSA INN Kinshicho (provisional name)	Sumida-ku, Tokyo	281 (planned)	Winter 2017 (planned)
Preparing for opening	Sotetsu FRÉSA INN Osaka Yodoyabashi Kitahama* (provisional name)	Chuo-ku, Osaka City	243 (planned)	Spring 2018 (planned)
Preparing for opening	Sotetsu FRÉSA INN Kanda Station Minami-guchi (provisional name)	Chiyoda-ku, Tokyo	115 (planned)	Spring 2018 (planned)
Preparing for opening	Sotetsu FRÉSA INN Osaka Shinsaibashi* (provisional name)	Chuo-ku, Osaka City	175 (planned)	Winter 2018 (planned)
Preparing for opening	Sotetsu FRÉSA INN Osaka Namba (provisional name)	Naniwa-ku, Osaka City	276 (planned)	Summer 2019 (planned)

Simplified private room hotel to open

	Name (* shows properties owned by the Sotetsu Group)	Location	Rooms	Opening Date
Preparing for opening	(Not yet determined)*	Chukyo-ku, Kyoto City	150 (planned)	Autumn 2018 (planned)

Forecast for FY3/2018 (Other)

Other

(Million yen)

	FY3/2017 (Actual)	FY3/2018 (Forecast)	Forecast vs. Actual [%]	Note
Operating revenue	21,416	21,800	+383 [+1.8%]	Increase in revenue in the renovation and water filter businesses
Operating income	355	400	+44 [+12.4%]	Increase in income due to factors contributing to an increase in revenue
Capital expenditure	135	603	+467 [+344.7%]	
Depreciation	409	221	-187 [-45.9%]	



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.