

Results for the Fiscal Year of 2017: Main Questions and Answers at Briefing for Investors

May 14, 2018

*This document provides information relating to the details of questions and answers given at the presentation. Please note that this document is not a full transcription of the discussions held at the presentation. Rather, it is a concise summary that has been prepared by the Company.

(Questions on general matters)

Q. Please tell us your thoughts about your duties as the new President.

- With regard to the preparation of medium-term management plans, the important thing is to create a specific plan reflecting what senior management has in mind, while at the same time continuing to incorporate what we have been examining and discussing, as many of our projects are socially important.
- With the largest-scale development in 100 years underway around Shibuya Station, we will play a key role not only in the supply of physical buildings but also in the enhancement of services such as leasing, to create the Entertainment City Shibuya that can be enjoyed by many tourists.
- We have a range of projects ongoing, including the large-scale area development in the environs of Shibuya Station. I will fulfill my duties by working on these rewarding projects speedily and with a strong determination.

Q. How do you assess the business risks during the period of the Medium-term Management Plan?

- Given the occurrence of incidents such as congestion and transport disruptions in the Den-en-toshi Line, we have been working on operational improvements such as the review of our personnel deployment since autumn last year. We are aware that reducing congestion is an important issue. Therefore, given the progress in the large-scale development of Shibuya, we will implement a number of initiatives on a medium- to long-term basis as well as in the short term.

Q. What is your policy with regard to the distribution of dividends if profits increase in fiscal 2018 and fiscal 2019?

- We have changed the policy of shareholder returns in the new Medium-Term Management Plan and are aiming to achieve a total payout ratio of 30%. We expect that operating income will decrease due to investments in large-scale properties in fiscal 2018 and fiscal 2019, and will then increase in fiscal 2020 and beyond. At this point, we are not going to take measures such as increasing dividends, even if profits increase more than expected in fiscal 2018 and fiscal 2019. That said, we will strive to realize a payout ratio of 30%, our best effort-based goal, as soon as possible.

(Questions on individual businesses)

Q. Please tell us about the progress in your overseas businesses and future plans.

- We initially experienced difficulties in the sale of real estate in Vietnam. However, we are now making steady progress, particularly in sales of detached houses, which we expect will continue to increase gradually in fiscal 2018 and beyond.
- In Thailand, we started to work on three condominium businesses in Bangkok as a minor shareholder to acquire expertise in the local real estate business.
- In Australia, a project of extending railroads is underway in the Yanchep district based on the timeline of commencing work in fiscal 2019. We will step up our efforts to develop residential areas.

Q. Do you have any revenue targets in the operation of airports, going forward?

- With preferential rights obtained for Mt. Fuji Shizuoka Airport, we are making preparations step by step with Mitsubishi Estate to commence operation in April next year. We will create new tourism and contribute to raising the revenues of the Tokyu group by increasing synergies in cooperation with Izukyu and the hotels that will be established in front of Mishima Station.

Q. Are there any changes in initiatives for inbound tourism in comparison with your previous policy?

- We touched on initiatives for inbound tourism, which is also reflected as a key initiative in the previous Medium-Term Management Plan, in the explanation of strategic alliances in the new Medium-Term Management Plan. In the Hotel business, given the fact that inbound tourism is spreading to regional areas due to the effects of government policies, among other factors, we have been successfully capitalizing on relevant demand by operating hotels in regional areas as well as Tokyo. With demand expected to grow in inbound tourism even after the Olympics, we will take steps to capture such demand as expected.
- For department stores, duty-free sales have been increasing but we have not been able to capture inbound tourism-related demand as satisfactorily as our competitors have. With Shibuya aiming to become a global city, we will continue to address this demand satisfactorily in step with the development of Shibuya going forward.