

## Results for the First Half of FY2017: Main Questions and Answers at Briefing for Investors

November 13, 2017

- \*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.

Q: Are there any projects other than the redevelopment of Shibuya that you will focus on in particular in the next medium-term management plan?

- We believe that it is not only important to develop Shibuya, but also to continue the development of the areas served by Tokyu's railway lines to Futako-Tamagawa and Minami-Machida.
- During the period of the next medium-term business plan, we will focus on the completion of the redevelopment of Minami-Machida. By combining train stations, outlet malls (shopping), and Tsuruma Park (sports), we are aiming to create facilities that can be considered a "life amusement park" that neighboring customers can visit. Further, the development of lines such as the Hokusei Line of the Yokohama Loop Line (scheduled to be opened by 2020) will significantly improve the access to Haneda Airport and the Kamakura area, and we are also considering improving our tourist bus services and promoting outlets near Tokyo to attract foreign visitors.
- We are also planning a large redevelopment project at the former site of Shinjuku Tokyu Milano, and we are currently discussing the details. The progress of this project will make Shinjuku another core of the Entertainment City in addition to Shibuya.
- Moreover, we will continue to prioritize the areas along the Tokyu lines, including the community development in the area around Saginuma Station and the area around Tsunashima Station when the mutual direct train service with the Sagami Railway Main Line opens.
- The areas served by Tokyu's railway lines have disaster-resistant ground, and (while there is an opinion that assets should be dispersed to areas other than the areas along railway lines) we will continue our policy of holding assets mainly in the rail service areas.

Q: Do you have a plan for new investment in safety in response to the recent problems with railway facilities?

- We are aware of the inconvenience caused to our customers by train delays due to a breakdown of railway facilities such as the Den-en-toshi Line. The facilities have been damaged through use by numerous customers over a period of about 40 years, and we are examining our renewal investment plan to renew the equipment before a breakdown occurs.

- We also consider it important to invest in minimizing the sections where train operation is suspended when a problem occurs. We are currently developing a plan to minimize the sections that become a bottleneck, and we will implement this plan in the current fiscal year and the period of the next medium-term management plan.

Q. How do you perceive the current shareholder returns, and what is your future direction?

- We have been paying dividends based on a DOE of approximately 2% under the current medium-term management plan. Capital has been steadily accumulating, and we plan to increase dividends again in the current fiscal year in line with the trend of dividend increase in the most recent five or six years.
- While we have not made a decision to acquire treasury shares in the current fiscal year, we have acquired treasury shares in the last three years and have been providing shareholder returns in the form of the acquisition of treasury shares in addition to stable dividends.
- We are currently discussing our future shareholder return policy, which will be implemented in the current fiscal year and the period of the next management plan.

Q. Please provide an update on the progress of your overseas business.

- We are currently operating our overseas business primarily in Australia, Vietnam, and Thailand, which has been developing steadily in line with our plan.
- In Australia, we have long been operating a business in Yanchep, which is located 50 kilometers from Perth, and the extended rail line has now reached a point 10 kilometers from Yanchep. When we visited Australia in August this year, we reconfirmed the extension policy with the Premier of Western Australia, and construction is scheduled for completion in 2021. In this situation, we have been gradually implementing a plan to build a college town by, for instance, successfully inviting research institutions. The project is subsidized by the Australian government and is attracting the attention of local communities. Our land, which is held on a consolidated basis, has an area of 2,500 ha including joint ventures, and we hope that the land value will increase in the future and grow into a business that will contribute to revenues as a result of our efforts over many years.
- In Vietnam, Sora Gardens, a condominium project for more than 400 units, is now almost completed, and our low-rise housing project is also expected to generate benefits. The relocation of the provincial capital to Binh Duong New City has been accelerated, and the city is prospering with the establishment of colleges, hospitals, the Korean Chamber of Commerce and Industry, and other institutions. Tokyu plans to generate profit from the value added to the land it holds through the further implementation of community development. In

addition, the planned extension of subway lines will improve the connectivity with the BRT, which is expected to benefit the bus business operated by Tokyu. Our current bus service operates a route that connects the former and new capitals of Binh Duong Province and a route that circulates within the new capital. The business has been running for more than five years, and recognition has been increasing. We expect that the service will continue to penetrate the daily lives of the local people. Our Vietnam business is expected to generate operating profit from now on and contribute to both sales and profit.

- In Thailand, more than 90% of our serviced apartments in Siracha are occupied and have been generating profit since the first year of operation. In the condominium sales business operated jointly with Sansiri, a large local property developer, the units are also very popular and are mostly sold out before the start of delivery. We will continue to operate businesses that are rooted in local communities while taking the associated risks into account.

Q. What is the difference in the level of sales and profit between the development of Shibuya and that of the areas served by Tokyu's railway lines?

- Our yield criterion in investment decisions for development projects constituting growth investment is NOI of approximately 5% to 6%. While some projects such as the Futako-Tamagawa redevelopment generate a higher yield, recent conditions have become increasingly difficult due to higher construction expenses and other factors, and we have not changed the target.
- As for capital expenditure, the total amount in the medium-term management plan is 450 billion yen. We separate our investment between the renewal of existing businesses and new growth, and approximately one third of the growth investment is allocated to the Shibuya redevelopment. We invest 53 billion yen in the development of areas along Tokyu's railway lines and 70 billion yen in strategic projects.
- As for the ratio between the Shibuya development and the railway line area development, the investment in Shibuya is currently larger due to the ongoing large project in the district. We are, however, planning a future large investment in the development of areas along Tokyu's railway lines such as Minami-Machida, and we will make approximately the same level of investment in Shibuya and railway line areas despite the amounts that vary depending on the time frame. It is important to connect the development along the railway lines rather than developing Shibuya alone. We will also consider improving Futako-Tamagawa, Minami-Machida, and Yokohama, as well as community development in the areas in front of Saginuma Station and Shin-Tsunashima Station, which are currently under discussion, and Jiyugaoka Station based on the progress of the overpass construction of the Oimachi Line. We will also start considering plans such as community development in the form of effectively using the land and station facilities in the Ikegami Line

and Oimachi Line areas that are crowded with existing houses.

- A process has been formed in which the development of areas such as Musashi-Kosugi led by companies other than Tokyu facilitates investment that promotes the next investment and energizes the entire city, which has helped create a virtuous circle in view of community development targeted by Tokyu.

Q. What are your target and vision of contribution to revenue in the intelligent home business including Smart Security, which was mentioned as a new business?

- Tokyu's ultimate goal is to help the residents of areas along Tokyu's railway lines enjoy convenient, comfortable lives. It is important to create the advantage of having railway lines, i.e. population growth along the railway lines that support our businesses in the long run, even if the profit generated in the individual businesses is not large.
- I therefore perceive Tokyu's businesses by dividing them into three types. One is the types of business operated for the continuation of the company, i.e. railway, real estate, and retail businesses that contribute to revenue and profit. The second is the types of business such as childcare facilities and Smart Security that are not very profitable, but that are needed in the areas along the railway lines. The third is also the types of business that are not particularly profitable but that help enrich people's lives in the areas along the railways, which include sports clubs, continuing education facilities, and hospitals.
- In this context, we are also aiming to help enrich people's lives in the areas along the Tokyu lines and make them more comfortable through the Connected Home Alliance, in which various companies gather their strength in the form of lifestyle-related IoT. An increase in the value of the areas along the railway lines encourages the investment of developers including companies other than Tokyu, which will further increase the value of the towns and the entire areas along the railway lines. Our vision is to enjoy profit from development projects that we can operate on our own in this process.

Q. What will the size of investment in the new businesses be?

- We are securing a budget level in the tens of billions of yen per year for the new businesses, which will be operated as strategic projects while we basically follow the budget plans. The budget is not necessarily the priority, however, and we intend to make the organization capable of flexibly, to some degree, implementing projects that are needed in the areas along the railway lines or those that are expected to create synergy with existing businesses if good ideas are raised in the company while taking into account the amount of money and other factors required.