

# Results in FY2016 Presentation for Investments

May 15, 2017

FUTAKO  
TAMAGAWA

Tokyu Corporation

(9005)

<http://www.tokyu.co.jp/>



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## Forward-looking statements

All statements contained in this document other than historical facts are forward-looking statements that reflect the judgments of the management of Tokyu Corporation based on information currently available. Actual results may differ materially from the statements.



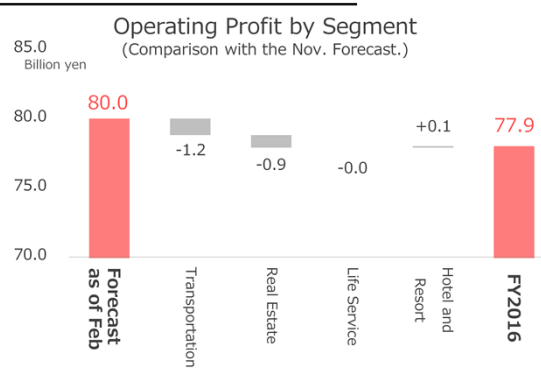
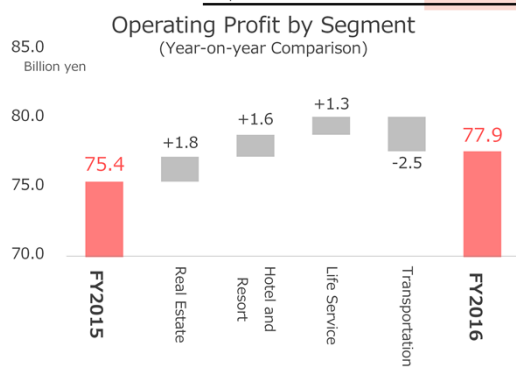
I . Overview of Financial Results for FY2016 ·  
Financial Forecasts for FY2017

## Main Points in the Results for FY2016

[Year-on-year comparison] Despite negative factors such as increased expenses in the railway operations of the Company, both revenue and profit increased, thanks primarily to revenue growth in the real estate leasing and railway operations of the Company based on the full-year operation of Futako Tamagawa Rise (Phase II), the strong business of Tokyu Hotels, and the change of Tokyu Recreation Co., Ltd. into a subsidiary. Profit attributable to owners of parent also increased, due partly to reduced income taxes.

[Comparison to February] While operating profit decreased, due largely to an increase in expenses for the progress of construction in the railway operations and real estate leasing of the Company, profit attributable to owners of parent was generally in line with the forecast.

	Results	YoY Comparison	Comparison with Forecasts as of Feb.	
Operating Revenue	1,117.3	+ 25.8 (+ 2.4%)	- 0.7	(- 0.1%)
Operating Profit	77.9	+ 2.4 (+ 3.3%)	- 2.0	(- 2.5%)
Recurring Profit	76.4	+ 6.4 (+ 9.2%)	- 2.1	(- 2.7%)
Profit attributable to owners of parent	67.2	+ 12.0 (+ 21.8%)	+ 0.2	(+ 0.4%)



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### <Main Points in the Results for FY2016>

Operating profit stood at 77.9 billion yen.

(Year-on-year comparison)

Operating profit increased 2.4 billion yen, reflecting an increase in revenue in the Company's real estate leasing and railway operations mainly due to the acquisition of Tokyu Recreation as a subsidiary and the full-year operation of the Futako-Tamagawa Rise (phase II). This was achieved despite an increase in fixed assets disposal expenses and depreciation, as well as a decrease in sales of condominiums, among other factors.

(Comparison with the February forecast)

Operating revenue was almost in line with the forecast, and the business environment remained roughly the same. Despite this, operating profit decreased 2.0 billion yen due to an increase in capital investment associated with progress in the installation of platform screen doors, among other works, and an increase in expenses resulting from progress in works in the Company's real estate leasing business.

Profit attributable to owners of parent rose to 67.2 billion yen.

(Year-on-year comparison)

Profit attributable to owners of parent increased 12.0 billion yen, reflecting a decrease in corporate income tax due to loss carried forward that was taken over as a result of the acquisition-type merger of a wholly-owned subsidiary, which offset the decrease in reaction to the gain on the sale of land in front of the West Exit of Yokohama Station.

(Comparison with the February forecast)

Net profit was almost in line with the forecast and hit a record high.

## Consolidated Operating Profit of FY2016 (vs Forecast as of Feb.)

Billion yen

	Forecast as of Feb.	2017/3 Results	Change	Remarks
Total Operating Profit	80.0	77.9	- 2.1 (- 2.6%)	
Transportation	28.0	26.7	- 1.2 (- 4.6%)	Increase in expenses related to capital investment due to the progress of construction such as platform door installations in the railway operations of the Company
Real Estate	30.9	29.9	- 0.9 (- 3.2%)	Increase in expenses for the progress of construction, etc. in the real estate leasing of the Company
Total Life Service	14.9	14.8	- 0.0 (- 0.7%)	
Retail	5.4	5.6	+ 0.2 (+ 3.7%)	
ICT and Media	9.5	9.1	- 0.3 (- 4.2%)	
Hotel and Resort	6.0	6.1	+ 0.1 (+ 1.7%)	
Elimination	0.2	0.3	+ 1.0	

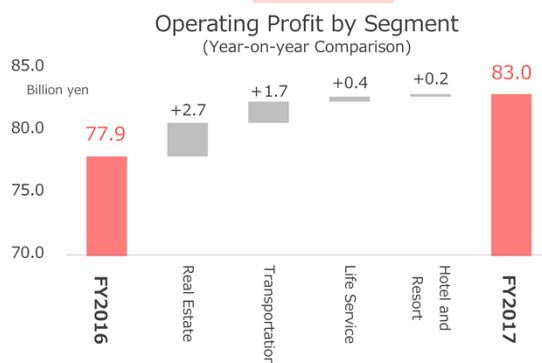


## Main Points in Forecasts for FY2017

[Year-on-year comparison]

Both revenue and profit increased in all segments, including the Real Estate Business and the Transportation Business. Profit attributable to owners of parent increased, mainly reflecting gain on the sale of fixed assets.

	Full Year Forecast	YoY Comparison
Operating Revenue	1,145.4	+ 28.0 (+ 2.5%)
Operating Profit	83.0	+ 5.0 (+ 6.4%)
Recurring Profit	82.7	+ 6.2 (+ 8.2%)
Profit attributable to owners of parent	70.0	+ 2.7 (+ 4.0%)



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### <Main Points in the Forecasts for FY2017>

Operating profit is expected to increase to 83.0 billion yen.

(Year-on-year comparison)

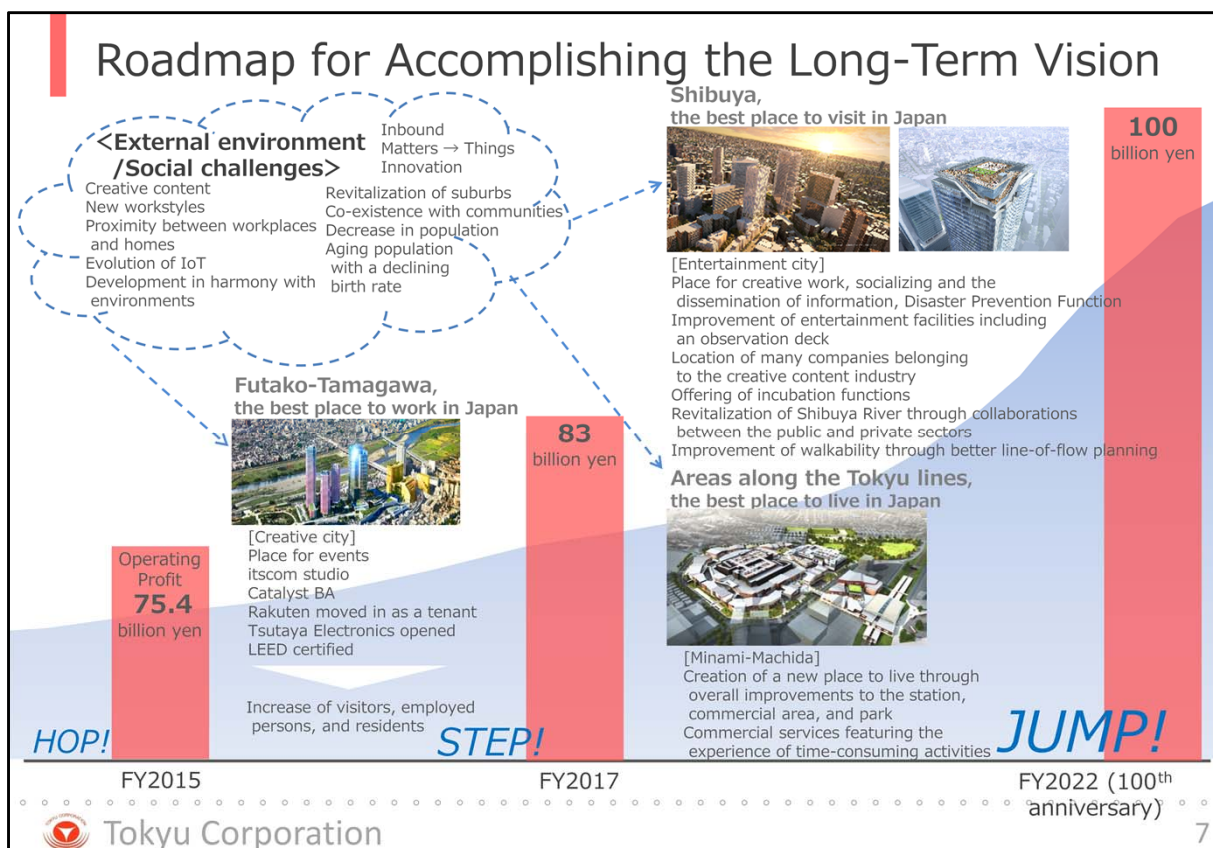
Operating profit is projected to increase 5.0 billion yen mainly due to a decrease in expenses in the Company's railway operations and real estate leasing business, as well as the sale of capital turnover-type properties in the Company's real estate sales business.

Profit attributable to owners of parent is expected to rise to 70.0 billion yen.

(Year-on-year comparison)

Profit attributable to owners of parent is expected to increase 2.7 billion yen mainly due to gains on the sale of fixed assets, while tax burdens including a corporate income tax are expected to be normalized.

## II . Status of Management Plan Initiatives



< Roadmap for Accomplishing the Long-term vision >

We are working vigorously on accomplishing the vision of “Three No.1’s in Japan” and “one Tokyu” to achieve an operating profit of 100 billion yen in FY2022, the year of the 100th anniversary since our establishment.

We position the time period of the current medium-term management plan as a period of a step toward a significant jump in the future. Now that the Futako-Tamagawa Rise (phase II) has commenced operation, we consider that we have made a significant step forward in the creation of Futako-Tamagawa, the best place to work in Japan.

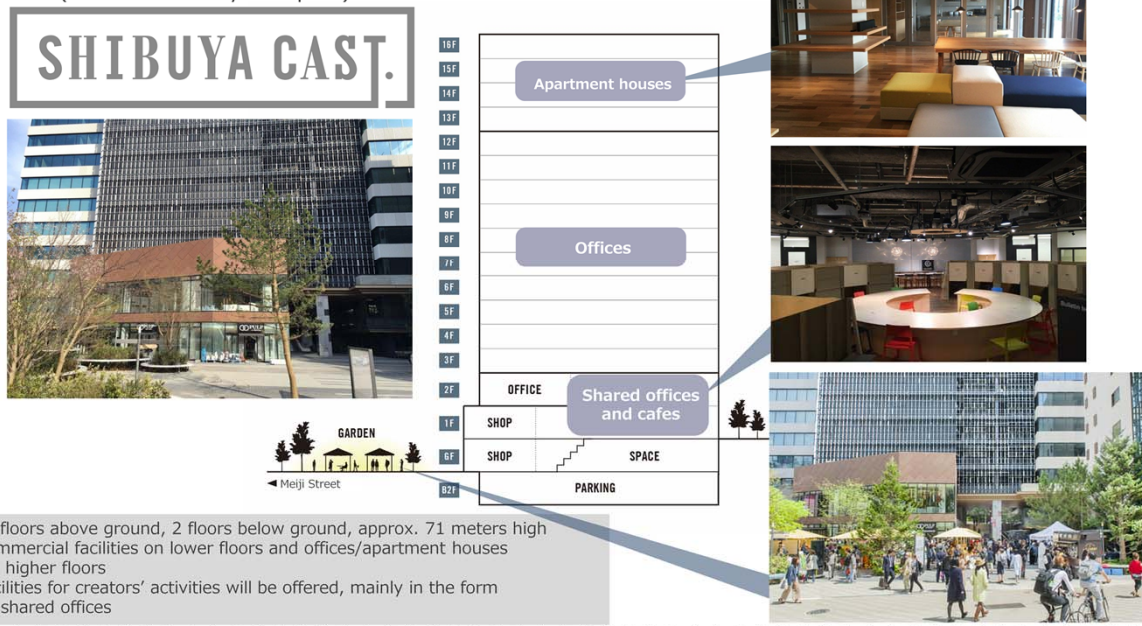
The number of visitors, workers and residents is increasing because we have adopted a range of functions to generate vigor in the urban development of Futako-Tamagawa, the ripple effect of which is also shown clearly in the business results as increased profit. The city has grown to a degree that physically realizes these functions as a result of the efforts of the Tokyu Group companies that have been involved in various ways under the concept of “one Tokyu.”

Following the completion of the current medium-term management plan, we will work in earnest on large-scale projects to create “Shibuya, the best place to visit in Japan,” and “Areas along the Tokyu lines, the best place to live in Japan.” We will continue to increase profit by successfully completing these projects and creating new value through a wealth of “customer contact points” owned by Tokyu, “networks” established through operations, and the “combination” of the respective businesses.



## Opening of SHIBUYA CAST (Shibuya Miyashitacho Project)

- Created for creators to engage in creative activities
- Commencing operation on April 28, 2017  
(with offices fully occupied)



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### <Opening of SHIBUYA CAST>

We have been working on numerous initiatives to create “Shibuya, the best place to visit in Japan.” SHIBUYA CAST commenced operation on April 28 with all offices fully occupied.

SHIBUYA CAST includes a plaza alongside Meiji Street, which serves as the starting point of Cat Street. The facility is designed to create new flows of people as a hub of pedestrian networks in a location where streets from the Shibuya, Harajuku, Aoyama and Omote-sando areas intersect.

The facility is operated as a creative activity space featuring the functions of a place where creators live, work and disseminate information. Its atmosphere has naturally attracted young people and creators and nurtures its unique culture.

The area has been very busy since the facility was opened. We will realize “Shibuya, the best place to visit in Japan” by leveraging this trend for the redevelopment of Shibuya in the future, including Shibuya Stream that will commence operation next fiscal year.

# Urban Development Project for Creating Minami-Machida Hub

(Summary of a project for constructing a commercial complex)

## Concept

- Creation of a totally new lifestyle center offering both time-consumption and entertainment factors to enrich the lives of people with different backgrounds, including locals and visitors
- “Life amusement park - An entertainment park full of everyday fun time”



## Excellent access conditions

- Opposite Minami-Machida Station on the Tokyu Denentoshi Line (Approx. 35 minutes by train from Shibuya)
- Adjacent to Route 16
- Approx. one kilometer from Yokohama-Machida IC on the Tomei Freeway



## Summary

- Development area: Approx. 20 square meters (Approx. 1.2 times larger than the Futako-Tamagawa development area)
- Floor area: Approx. 53,000 square meters (almost equal to the Futako-Tamagawa development area)
- Operation will commence in 2019 (residential development will be undertaken subsequently)



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## <Urban Development Project for Creating Minami-Machida Hub>

The urban development project for creating the Minami-Machida hub is a project for the comprehensive development of the vacated site of the Grandberry Mall that closed this February, Minami-Machida Station, and the city park of Machida, under the concept of “Life amusement park - An entertainment park full of everyday fun time.” Development will be carried out with a focus on the establishment of a commercial facility that harmonizes with the surrounding environments.

We will undertake renovations to Minami-Machida Station at the same time, so that people will feel as if they have entered the amusement park upon arriving at the station.

A plaza will also be developed for holding events in the commercial facility. By developing the plaza, we plan to create a facility where a range of visitors, including those with family members, have fun, the key word, whenever they visit the facility because they can have the experience of doing things instead of just visiting an outlet mall, and they can play sports or participate in events in an environment integrated with nearby parks.

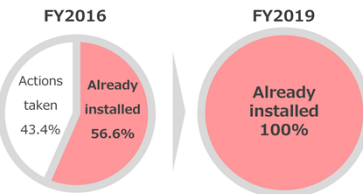
We will create this open living space and turn it into a place that always features some kind of events, as well as shopping enjoyment.

We will also respond to demand from inbound visitors and ensure that the business areas in the facility can be expanded.

# Main Initiatives for Other Priority Measures

## [Offer Greater Security and Enhanced Satisfaction]

### State of progress of installation of fixed platform fences with platform door sensors



<http://ii.tokyu.co.jp/homedoor/>

- Installation in 64 stations by FY2019  
5 stations in FY2015  
10 stations in FY2016  
12 stations in FY2017 (scheduled)
- Due to door installation, the replacement of six-door cars on the Den-en-toshi Line with four-door cars is scheduled to be completed in the first half of FY2017

### Measures to reduce congestion on the Den-en-toshi Line and Oimachi Line during the morning rush hours



- Increase transportation capacity by revising train timetables and adding a car to each of the rapid trains on the Oimachi Line to make them seven-car trains
- Implement a soft strategy to promote the off-peak use of trains through cooperation with Tokyu Bus and the use of satellite offices

## [Promote Lifestyle and Work Style Innovations]

### Initiatives

Sales of NewWork commenced



- Provision of satellite shared offices for companies in response to social trends of workstyle innovations

### Selected

Selected as one of 100 telework pioneers



- Selected as one of the companies working on the introduction and utilization of telework more actively than other companies that support the program, and achieving good results

### Selected

Nadeshiko brand



- Only three companies of those listed on the Tokyo Stock Exchange were selected for the fifth consecutive year
- In recognition of efforts to promote women's participation from the perspective of systems, culture, and mindset

### Selected

Health and productivity management brand



- Only nine companies from all industries were selected for the third consecutive year, including the Company
- Measures for maintaining mental health, preventing cancer and improving lifestyles were implemented



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## <Main Initiatives for Other Priority Measures>

In the current medium-term management plan, we specified the offering of greater security and enriched satisfaction as a key initiative.

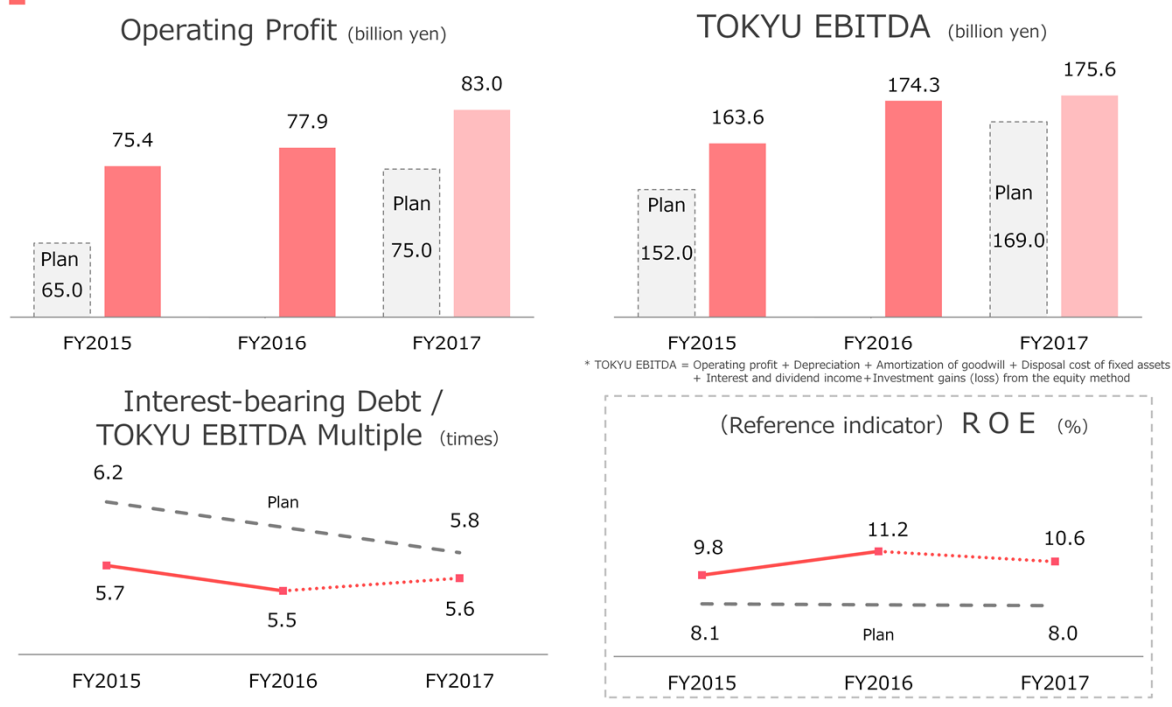
We had planned to undertake the installation of platform doors from FY2027 to FY2020. Going forward, we will move the schedule up by one year and install the platform doors by FY2019.

In addition, we are working to alleviate congestion to increase passengers' comfort. We will reduce congestion and pursue comfort as much as possible by promoting the "Bus-mo-campaign," a campaign to encourage the use of buses, and the "Hayaoki-ooen campaign," a campaign to encourage the use of trains before rush hour in the morning.

To promote lifestyle and workstyle innovations, we are improving the environments for shared satellite offices and telework. These services are offered to other companies as well as the Company.

We have also been promoting workstyle innovations in the Company, the result of which includes being selected as a *Nadeshiko* Brand for the fifth consecutive year.

## Progress of Projected Figures



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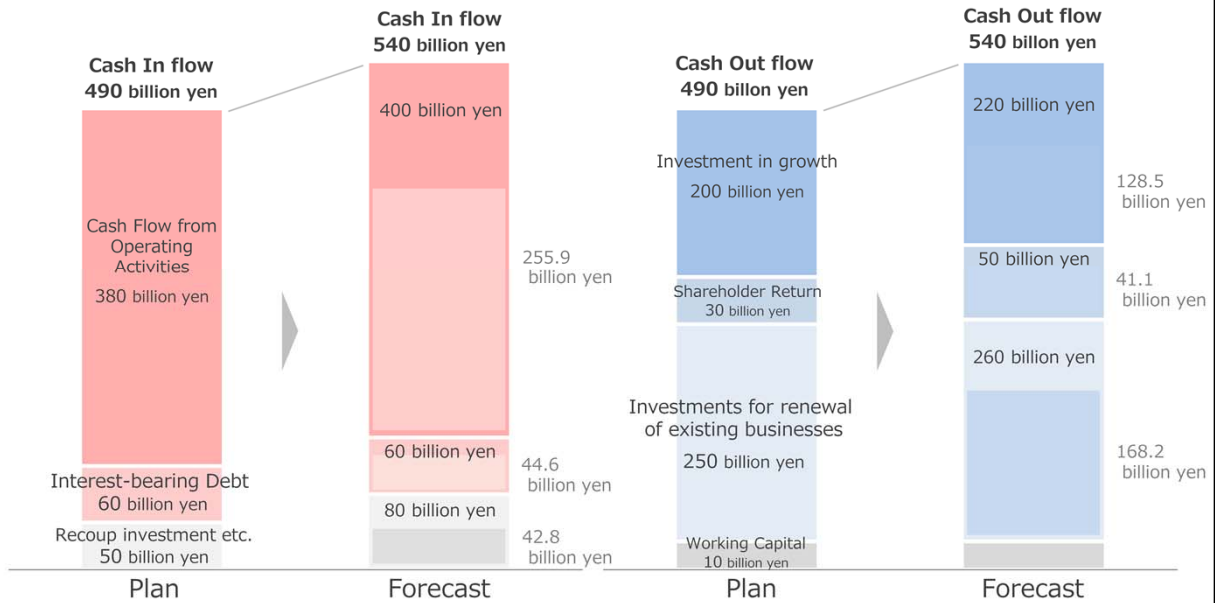
### <Progress of Projected Figures>

We have already achieved the operating profit of 75 billion yen projected for FY2017 in the current medium-term management plan. Operating profit is expected to be 83.0 billion yen for FY2017.

In addition, the Tokyu EBITDA and interest-bearing debt/Tokyu EBITDA multiple are also expected to meet all the projected figures for the three years. ROE, which is projected to be 8% or higher, is also expected to be achieved.

# Cash flow

Total Cash flow for FY2015-2017



\*Progress of Capital expenditures has made some reclassifications which might be different from figures in the statements of cash flow.



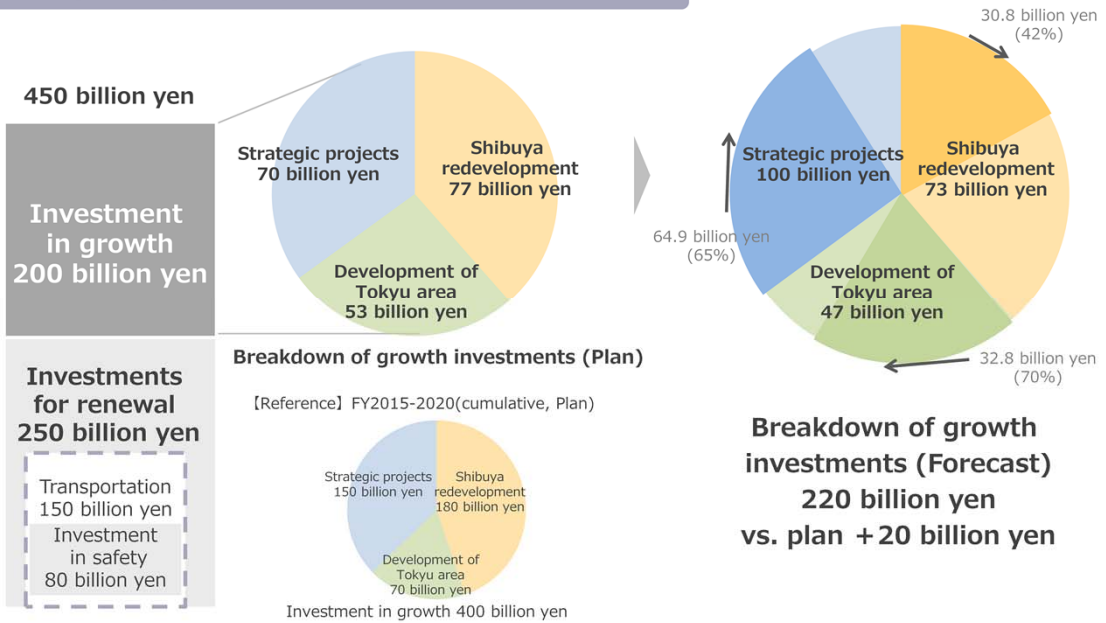
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## <Cash flow>

Cash flow from operating activities is expected to surpass the initial plan due to strong businesses, and progress has been made in the recovery of investment ahead of schedule. Against this background, we intend to allocate the cash to investments in growth, investments in safety, and returns to shareholders, including the repurchase of own shares.

# Capital expenditures & investments

Capital expenditures & investments FY2015-2017



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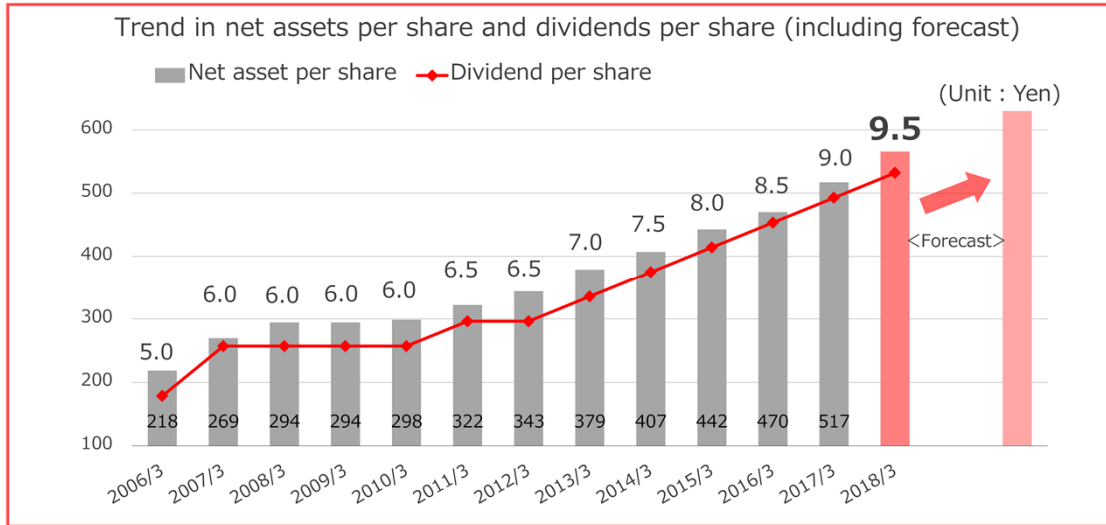
## <Capital expenditures and investments>

The redevelopment of Shibuya and the development of areas along the Tokyu Line are underway almost as planned, and investments in growth have been making progress ahead of schedule. We will therefore increase the growth investments slightly.

Investments in strategic projects, which have been making steady progress, are expected to be implemented for the acquisition of operating properties located mainly in the center of Tokyo and the Tokyu area, and the acquisition of land for future development.

## Dividend Policy

The annual dividend for the FY ending March 31, 2018 is expected to be 9.5 yen/share as a result of the consecutive increases in dividends for the six FYs.



### Dividend policy

Target a Dividend On Equity (DOE) ratio of 2% and aim to raise dividends while maintaining reliable returns.



### <Dividend policy>

We are aiming for a DOE ratio of 2% for the next three years, while at the same time maintaining stable and continuous dividend payments.

At the beginning of the previous fiscal year, we announced our plan to raise the annual dividend from 8.5 yen per share to 9 yen. We will implement this as planned.

This year, we plan to raise the annual dividend by 0.5 yen to 9.5 yen per share, the sixth consecutive dividend increase, taking into account the growing stability of our business despite a degree of uncertainty in the business environment.

We hope to continue to grow our businesses, keeping in mind the possibility of increasing dividends and repurchasing our own shares.