

Results for FY2016: Main Questions and Answers at a Briefing for Investors

May 15, 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 discussions held at the presentation. Rather, it is a concise summary that has been prepared by the Company.

(Questions about overall issues)

Q. What will you focus on in the next mid-term management plan? What initiatives will you implement after the redevelopment of Shibuya?

- The redevelopment of Shibuya is a major topic in the next mid-term management plan because SHIBUYA STREAM and the East Building in the Station-front district will be completed in autumn 2018 and 2019, respectively.
- Following the redevelopment of Shibuya, we will continue revitalizing towns in the areas along the Tokyu Lines such as Tsunashima, Aobadai and Saginuma, one after another. By repeating this initiative successfully down the road, we will create Tokyu areas that people are eager to live in.

Q. How do you assess the risks and opportunities in relation to the workforce shortage and innovation of work styles?

- We work on matters such as group-wide recruitment as one Tokyu, rather than our subsidiaries taking measures on their own according to changes in employment conditions. The Company has over twenty thousand employees on a consolidated basis. The number is much larger when it comes to the Tokyu Group. We will consider introducing advanced schemes such as offering workers with motivation, passion and skills the opportunity to work until around 70 years of age, instead of setting an age limit of 65. We will create schemes in which human resources are utilized more flexibly, such as a program of personnel exchanges between those who work in businesses for seniors and those in the hotel business.

Q. What factors have contributed to better results during the three-year mid-term management plan?

- When I took on the position of President, I was often asked what should be done in the store business and the hotel business, whose business performance had not been improving as expected. The consolidated/non-consolidated ratio, which was approximately 1.0 back then, has increased to approximately 1.5 today, apparently reflecting better-than-expected results in the store business and hotel business, among other factors. In addition, the redevelopment of Futako-Tamagawa produced better-than-anticipated results and resulted in an increase in the number of people visiting the town due to synergies with the railway operations and commercial facilities as well as the real estate leasing business, among other businesses. Consequently, the redevelopment contributed to the improved results.

Q. What impact will the better-than-expected results of the current mid-term management plan have on the long-term vision for 2022?

- We will work to make progress in operations to achieve an operating profit of 100.0 billion yen as soon as possible.

(Questions related to individual businesses)

Q. How do you envision the Urban Development Project for Creating Minami-Machida Hub contributing to revenue?

- We will hit an NOI yield of 5%-6%. We refrain from disclosing any monetary amounts.

Q. Do you have any additional measures for achieving comfortable commuting?

- We are moving forward with measures such as increasing the number of railway services, developing new cars, introducing rapid services to the Oimachi Line, and station improvement works, as well as collaborations with Tokyu bus services that include the “*Bus-mo* campaign,” a campaign to encourage the use of buses. As we are aiming to create areas featuring the best place to live in Japan, we feel bad for users who find commuting troublesome due to congestion. The rate of congestion during peak hours, although it has been declining, is still 180%. To reduce congestion, we will implement every possible measure, including efforts to increase the number of cars per service.
- We have started implementing the Early Work initiative to facilitate off-peak commuting and further promote the effective use of after-work hours. Since May this year, the Company has been carrying out a trial program of providing 200 points to employees who start work before seven thirty in the morning. The program is currently being used by around 100 of approximately 1,500 employees who work at the head office.

Q. Business development overseas (Vietnam, Australia, etc.)

- We are making progress as expected in businesses in Vietnam, such as the sale of condominiums and construction of detached houses, against the backdrop of the country’s rapid economic growth. Steady progress is being made in businesses in Australia, where the extension of the railway to Yanchep was included in the state budget proposal as reported in newspapers.

Q. Features of SHIBUYA STREAM and progress of leasing

- We have received a lot of inquiries regarding leasing, but we refrain from sharing the details because negotiations are underway. We are working on development to create “Shibuya, the best place to visit in Japan” under the theme of Shibuya, an entertainment city. Considering that Shibuya is a town where creative companies are concentrated, we will offer a creative atmosphere that works positively for people working there. We will offer a place where people with diverse backgrounds can get together and create communities. We are working on a scheme in which fashion, play and music, as well as IT combine easily.
- SHIBUYA STREAM, which carries the connotation of the flow of time, information and other matters, provides a pleasant area where people can stroll along the Shibuya River and take a walk as far as Daikanyama. We will create a place that inspires people who provide new content and makes them eager to visit.

Q. What measures will you take to increase the operating profit ratio of the retail business (department stores in particular)?

- Tokyu Department Store Co., Ltd. and TMD Corporation are moving forward with structural reform programs such as the implementation of changes in department stores located in regional cities and suburbs as well as the spinning-off of the 109. We will aim to achieve an operating profit of 1.7% in FY2020 while taking advantage of the openings of new retail facilities in Shibuya and Minami-Machida.