

Results in the First Half of FY2016 Presentation for Investments

November 11, 2016

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 the First Half of FY2016 •
Financial Forecasts for FY2016

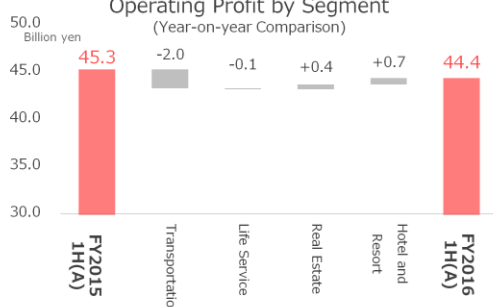
Main Points in the Results for 1H of FY2016

[Year-on-year comparison] In addition to the strong performance of the Company's real estate leasing/railway operations due to full-year operation of the Futako-Tamagawa Rise phase II, etc., the acquisition of Tokyu Recreation as a subsidiary, among other factors, contributed to an increase in revenue. However, profits decreased partly because of an increase in depreciation of the Company's railway operations.

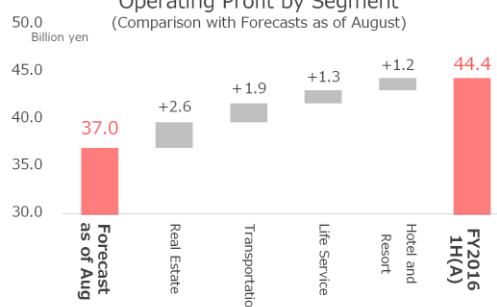
[Comparison with the August forecast] Despite a decrease in revenue in the Life Service Business and the Hotel and Resort Business, among other businesses, profits increased mainly owing to cost reduction of the Company's real estate leasing business and a decrease in power costs of the Company's transportation business.

	1H Results	YoY Comparison	Comparison with Forecasts as of Aug.
Operating Revenue	548.1	+ 15.1 (+ 2.8%)	- 5.3 (- 1.0%)
Operating Profit	44.4	- 0.9 (- 2.0%)	+ 7.4 (+ 20.1%)
Recurring Profit	43.8	+ 2.1 (+ 5.3%)	+ 9.7 (+ 28.6%)
Profit attributable to owners of parent	34.2	- 3.2 (- 8.8%)	+ 8.6 (+ 33.9%)

Operating Profit by Segment
(Year-on-year Comparison)



Operating Profit by Segment
(Comparison with Forecasts as of August)



<Main Points in the Results for the First Half of FY2016>

(Year-on-year comparison)

Operating profit fell 0.9 billion yen, mainly due to an increase in depreciation resulting from capital expenditures in the Company's railway operations, which offset increases in revenue in the Company's real estate leasing and railway operations in association with the full-year operation of the Futako-Tamagawa Rise phase II, etc. and the acquisition of Tokyu Recreation as a subsidiary, among other factors.

Profit attributable to owners of parent declined 3.2 billion yen, chiefly reflecting the gain on the sale of land in front of the West Exit of Yokohama Station that was posted in the same period of the previous fiscal year.

(Comparison with the August forecast)

Despite a decrease in revenue in the Life Service Business and the Hotel and Resort Business, among other businesses, operating profit rose 7.4 billion yen mainly owing to cost cutting in the Company's real estate leasing business and a decrease in the power costs of the Company's transportation business.

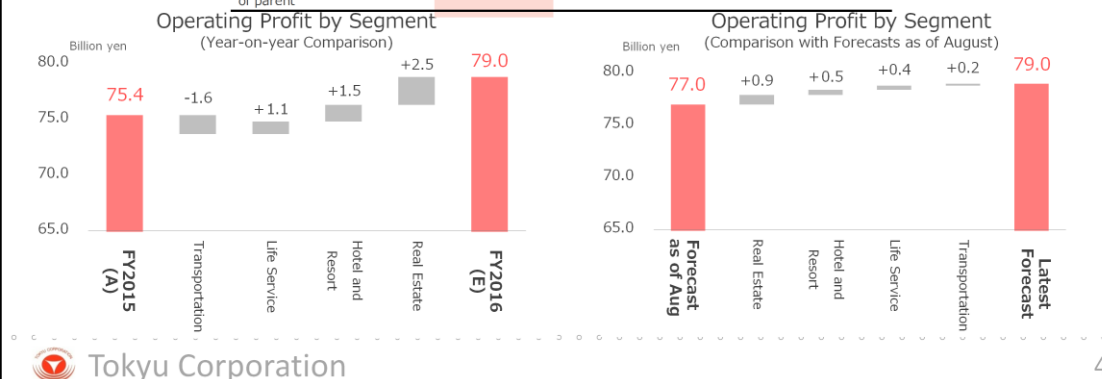
Profit attributable to owners of parent increased 8.6 billion yen chiefly due to an increase in operating profit and a rise in investment gains from the equity method.

Main Points in Forecasts for FY2016

[Year-on-year comparison] Despite an increase in depreciation and other costs of the Company's railway operations and a decrease in the Company's real estate sales, profits increased mainly owing to the full-year operation of the Futako-Tamagawa Rise phase II.

[Comparison with the August forecast] Profits increased in all segments partly owing to the decrease in heat, light and water expenses and other costs.

	Full Year Forecast	YoY Comparison	Comparison with Forecasts as of Aug.
Operating Revenue	1,122.2	+ 30.7 (+ 2.8%)	- 17.0 (- 1.5%)
Operating Profit	79.0	+ 3.5 (+ 4.7%)	+ 2.0 (+ 2.6%)
Recurring Profit	76.5	+ 6.4 (+ 9.2%)	+ 3.2 (+ 4.4%)
Profit attributable to owners of parent	64.0	+ 8.7 (+ 15.8%)	+ 3.0 (+ 4.9%)



<Main Points in Forecasts for FY 2016>

Although we cannot be optimistic about our business environment, which involves a slowdown in demand from inbound tourists and a stronger yen, we have revised its full-year forecast upward based on its results in the first half.

(Year-on-year comparison)

Operating revenue is expected to increase 30.7 billion yen based on the new consolidation of Tokyu Recreation and the start of the power retail business of Tokyu Power Supply.

Operating profit is projected to grow by 3.5 billion yen with the contribution of the full-year operation of Futako-Tamagawa Rise Phase II, which opened for business in FY2015, among other factors, despite expenses carried forward from FY2015 in the Company's railway operations, an increase in depreciation associated with progress in capital investment, and a decrease in real estate sales at the Company.

Profit attributable to owners of parent is expected to rise 8.7 billion yen, reflecting an increase in operating profit, a decrease in interest expenses, an increase in investment gains from the equity method, and a decrease in corporate income taxes resulting from a loss carried forward associated with an absorption-type merger of a wholly owned subsidiary.

(Comparison with the August forecast)

Although the Retail Business and the Hotel and Resort Business will be adversely affected by a decline in consumer spending and a slowdown in demand from inbound tourists, operating profit forecasts for all segments have been revised upward mainly due to a reduction in heat, light, and water expenses and other costs. Overall operating profit is projected to rise 2.0 billion yen.

Profit attributable to owners of parent is forecast to rise 3.0 billion yen, mainly because of a reduction in interest expenses attributable to continued low interest rates and a rise in investment gains from the equity method.

Railway Operations Business

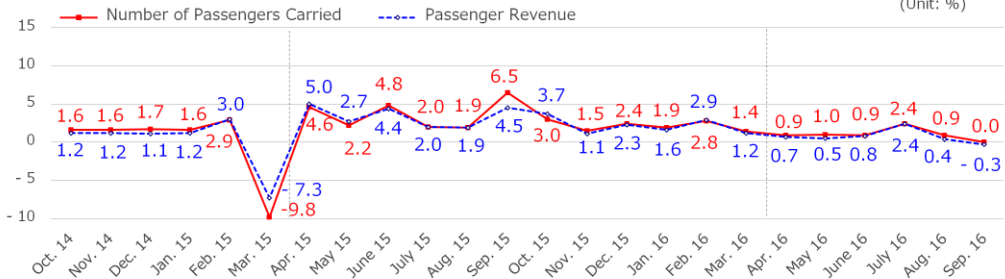
Passengers Carried and Passenger Revenue (Results and Forecast)

(Thousand people, Million yen)

		2016/3 1H Results	2017/3 1H Results	Change	2016/3 Results	2017/3 Forecast	Change
Number of Passengers Carried	Total	581,203	587,097	+ 1.0%	1,148,569	1,159,128	+ 0.9%
	Non-commuter	231,222	231,644	+ 0.2%	461,956	464,179	+ 0.5%
	Commuter	349,981	355,453	+ 1.6%	686,613	694,949	+ 1.2%
Passenger Revenue	Total	69,075	69,595	+ 0.8%	137,235	138,403	+ 0.9%
	Non-commuter	37,809	37,847	+ 0.1%	75,499	75,913	+ 0.5%
	Commuter	31,266	31,748	+ 1.5%	61,736	62,490	+ 1.2%

Passengers Carried and Passenger Revenue (Year-on-year Comparison)

(Unit: %)



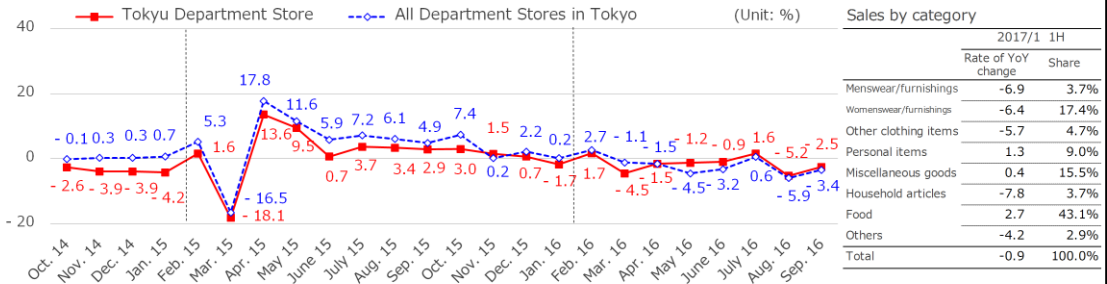
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<Railway Operations Business>

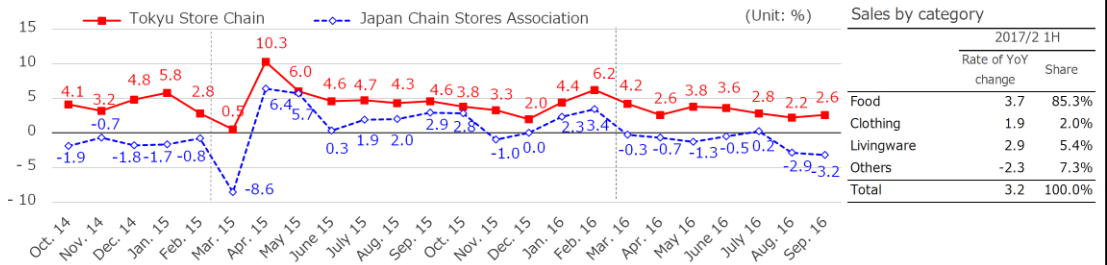
Although passenger revenue declined year on year in one month due to bad weather, the overall performance in FY2016 has been better than a year ago.

Retail Business

Tokyu Department Store: Sales (Year-on-year Comparison)



Tokyu Store Chain: Sales (Year-on-year Comparison)



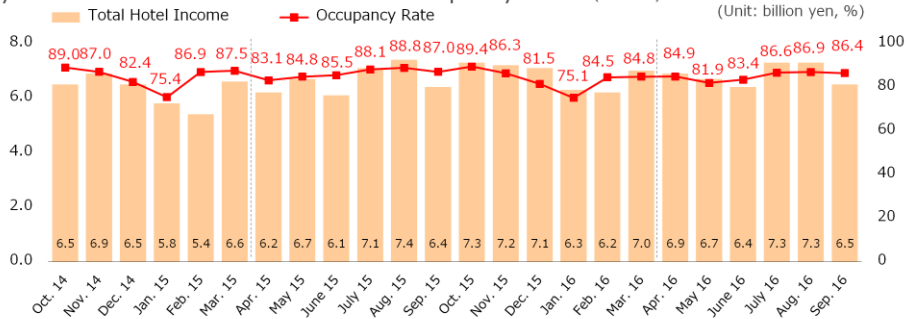
<Retail Business>

Tokyu Department Store received fewer benefits from inbound tourists than competitors did and was thus less susceptible to a slowdown in the effect of inbound tourists. The year-on-year percentage change in sales at Tokyu Department Store was higher than that at department stores in Tokyo overall.

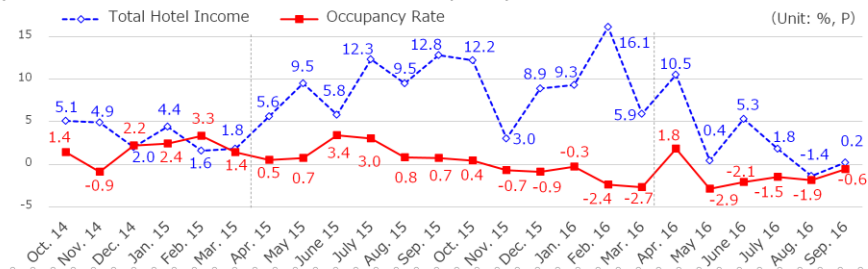
Tokyu Store Chain is enjoying the clear effects of its structural reform. Same-store sales have been in positive territory year on year in around three and a half years, with the exception of April 2014, when sales were affected by a slowdown in purchases attributable to the consumption tax hike.

Hotel Business

Tokyu Hotels: Total Hotel Income and Occupancy Rates (Results)



Tokyu Hotels: Total Hotel Income and Occupancy Rates (Year-on-year Comparison)



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<Hotel Business>

The occupancy rate remains high, and total hotel income is on an upward trend. Although the occupancy rate has been lower than a year ago, total hotel income has been mostly higher than a year ago, reflecting rising guest room unit prices.

Inbound business updates

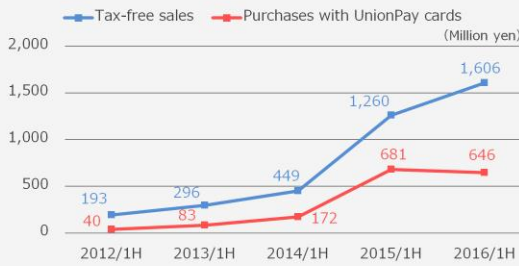


✓ The Shibuya Souvenir Shop in the Tokyu Toyoko Store, West Bldg., 2F



✓ The Duty Free Sales Counter in the Tokyu Toyoko Store, West Bldg., 5F

<Change in tax-free sales and purchases with Unionpay cards at Tokyu Department Store>

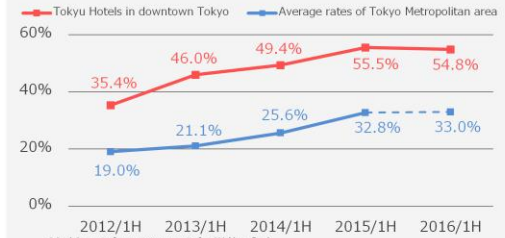


* Total sales of the Tokyu Toyoko Store, Head Store, and ShinQs.

<Trends in foreign visitors arrivals and our inbound efforts> (2012/1H=100)



<Change in the lodging rate of Hotels for overseas guests>



* Lodging rate for overseas guests for 1H (Apr-Sep)
 * The average rates of the Tokyo Metropolitan area for 2016/1H is for the Apr-Jun period.
 * Tokyu Hotels here indicates the total of the three hotels in Shibuya and the Capitol Hotel Tokyo.
 * The average rates of the Tokyo Metropolitan area are based on the statistical survey on travel with accommodation conducted by Japan Tourism Agency.



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<Inbound Business Updates>

The rate of overseas guests at Tokyu Hotels in downtown Tokyo has been higher than the average rate for hotels in Tokyo.

II . Progress in Management Plan and Recent Initiatives

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<Progress in Management Plan and Recent Initiatives>

The current medium-term management plan hit the halfway point at the end of the first half of FY2016.

Progress in key initiatives in the plan will be described below.

Key Initiative 1 Offer Greater Security and Enriched Satisfaction

Pursue greater railway security and safety for our customers

■ Installation of platform doors

- Start service at 5 stations for FY2015 (Time delays to be reduced by about 25%)
- Start service at 10 stations for FY2016
- Train cars with six doors to be gradually replaced with train cars with four doors for the installment of platform doors.



■ Placement of barrier-free facilities

- At Shibuya Station, the installation of escalators at Entrance No.8 connected to Hachiko Square commenced.
- At Yukigaya-Otsuka Station and Sangen-jaya Station etc, the addition of elevators commenced.



Locations of escalator and elevator installation (image)

Entrance No.8 escalators at Shibuya Station (image)

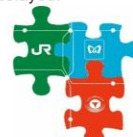
Prompt communication and improvement of information delivered

■ Renewal of Tokyu Line app

Provides timely and visual information on the travelling time of the nearest train, the status of congestion at stations, etc. when train operation is interrupted and significantly delayed.



Ekishi Vision distributing images of a station yard



Smartphone apps of JR East, Tokyu Metro, and Tokyu Corporation linked together.

Creating comfortable and attractive stations and atmosphere in the trains

■ Improvement of Togoshi-Ginza Station and operation of Ikegami Line with reproduced design

Promoting activities to create different types of appeal with people in the local community and promote the further revitalization of the rail service areas.



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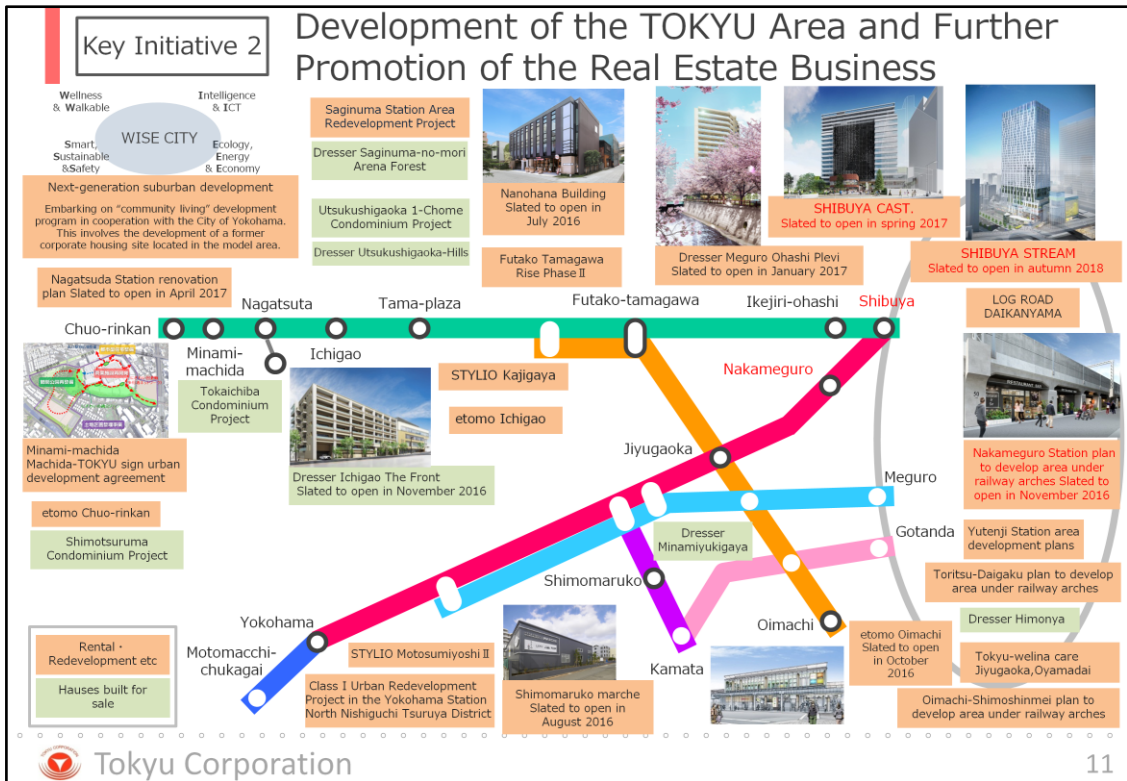
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<Key Initiative 1: Offer Greater Security and Enriched Satisfaction>

To achieve “Three No. 1’s in Japan,” part of our vision, we believe that a sense of security and convenience are important.

In the railway operations, for sustainable increases in the number of passengers carried, we have installed platform doors ahead of competitors and have taken a number of other safety and security measures. We are promoting initiatives to enhance safety and convenience according to our plan, including the development of a service of sending necessary information promptly to customers when train operation is delayed, using Tokyu Line app, and demonstration experiments of “multimedia platform doors,” which have a function of offering information. We will continue to develop initiatives to enhance safety and convenience.

To improve convenience, we need to enhance our network. The opening of the Sotetsu-Tokyu direct train, an initiative for network enhancement, has been delayed to the second half of FY2022 from April 2019. This project is a scheme for separating construction and operation. The Company, the operator, will pay an amount equivalent to benefits to the Japan Railway Construction, Transport and Technology Agency, which is responsible for construction, as charges for using the facilities. The delay will therefore not affect the Company’s earnings.



<Key Initiative 2: Development of the TOKYU Area and Further Promotion of the Real Estate Business>

As shown on the slide, the Company is involved in a number of small and large development projects in areas served by Tokyu lines according to the management plan to enhance the value of the areas, including the development of stations and areas under railway arches, and the joint development of properties with land owners.

OShibuya CAST. (Shibuya Miyashitacho Project)

SHIBUYA CAST. is slated to open in the spring of 2017 in Miyashitacho, a place connecting Shibuya and Harajuku at the start of Cat Street.

The head office of BAYCREW'S GROUP will be the main tenant on the office floors. The occupancy rate is set to be 100% when the building opens.

OShibuya STREAM (Shibuya Station South Block Project)

In the autumn of 2018, SHIBUYA STREAM will open, following SHIBUYA CAST., as a mecca for creative workers on the site of the platforms and rail tracks of the former Toyoko Line Shibuya Station. SHIBUYA STREAM will have incubation offices, which will provide opportunities for collaboration with a variety of programs and companies and will create and support diverse work styles.

Key Initiative 3

Promote Lifestyle and Work Style Innovations

Expansion and deepening of customer base

《Power Retail Business》

A range of special pricing services are to be added



- Increased to more than 66,000 members and 14 alliance companies.
- Held "peak-hour power-off campaign" this summer. Approx. 17,000 households participated.

《TOKYU ROYAL CLUB》

Tokyu Royal Club Member Stages*



- Tokyu Group Cross-organizational Royal Customer program (commenced in Apr. 2016)
- Stages vary depending on the conditions of use/purchase of products, services, facilities, etc.

Corresponding to various work styles

< Supporting new ways of working >



NewWork Kichijoji

- Membership satellite office business for companies
- Provides user network of directly-operated and affiliated stores
- Proposes increased productivity and reduced head office expenses
- First commercialization through in-house entrepreneur development program

< Communication facilities for creating innovation >



SHIBUYA CAST.
Slated to open in spring 2017



SHIBUYA Hikarie
(Creative Lounge MOV)

<Key Initiative 3: Promote Lifestyle and Work Style Innovations>

For “lifestyle innovation,” we will use IT to provide services that will reduce inconvenience and will make customers’ lifestyles more convenient and comfortable.

Specifically, we have launched Tokyu Denki, a power retail business, and Tokyu Royal Club, a Tokyu Group cross-organizational Royal Customer program.

In “work style innovation,” we will work to create urban areas where people want to work. We will propose facilities and styles of working for both our customers and employees.

We have launched a membership satellite shared office business, NewWork, the first commercialization of our in-house entrepreneur development program.

To make the areas served by Tokyu’s railway lines the most popular rail service areas in Japan for living, we will provide flexible working conditions in line with the times, including new work styles where work and life are close to each other.

Key Initiative 4

Embark on New Challenges by Leveraging Group Management Resources

【 Hotel 】



Nagano Tokyu REI Hotel
 Good access in one minute's walk from Nagano Station
 Close to Nagano Tokyu Department Store
 Number of guest rooms:143
 To be opened in November 16,2016



Shimoda Tokyu Hotel
 Renewal of the entire building
 Number of guest rooms:112
 To be opened in March 17,2017 (planned)

【 Retail 】



Nitori decohome
 Nitori Holdings store opened in the Tokyu Toyoko Department Store
 opened in September 2016.



Queen's Square YOKOHAMA
 Unified operation of two shopping centers of the Group in the facilities
 Phased renewal from 2017



Korinbo-tokyu-square
 (Former Kohrinbo 109)
 2nd-phase renewal opening in Oct. 2016

【 Sendai Airport 】

Expansion of Aviation Network



From Jun. 2016
 Fuji Dream Airlines (expanded operation)
 Asiana Airlines (began offering daily flights)
 Tigerair (new service)
From Oct. 2016
 TransAsia Airways (new service)
 Eva Air (added flights)
From summer 2017
 Peach Aviation (base)

Expansion of Intermodal Passenger Transport



Holding discussions with local business operators, etc. to achieve the creation of a multi-modal hub efficiently connecting traffic networks at Sendai Airport

<Key Initiative 4: Embark on New Challenges by Leveraging Group Management Resources>

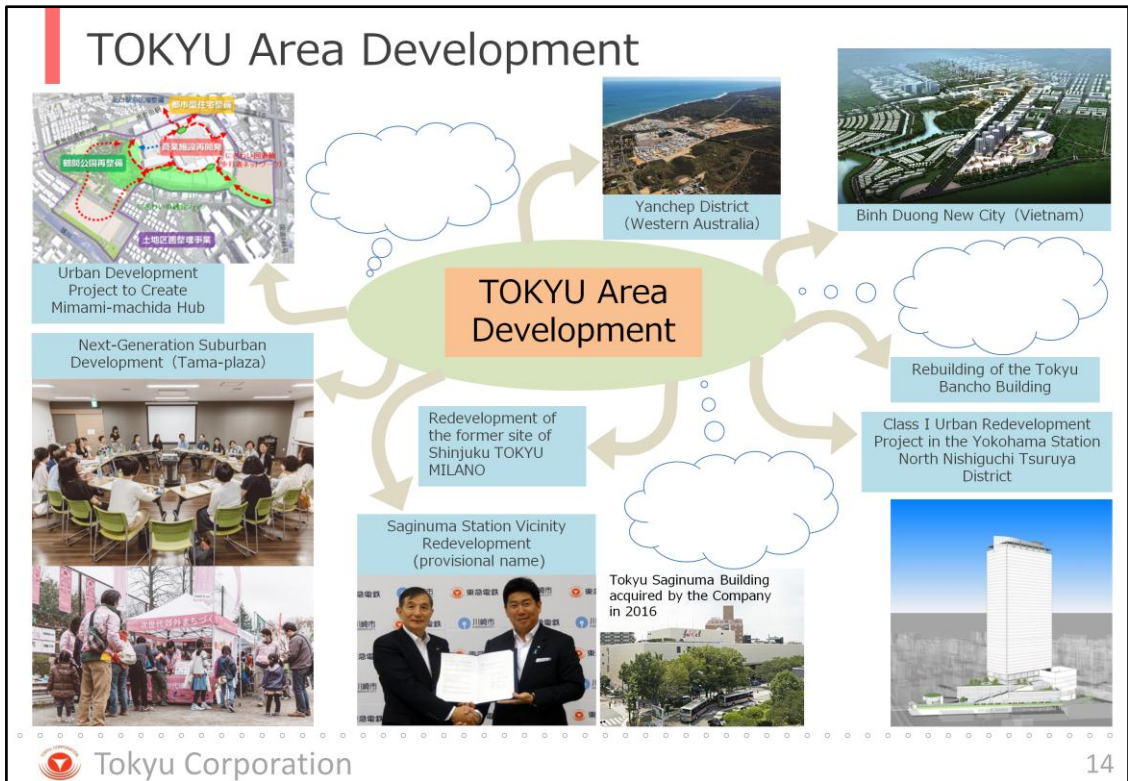
It is becoming more and more necessary to increase added value by combining management resources.

In the Retail Business, we have been implementing a number of initiatives. Nitori Holdings has opened its first store at the Tokyu Department Store. At Queen's Square YOKOHAMA, we are working to enhance the appeal of "at!" (Tokyu Malls Development) and "Queen's East" (Tokyu Department Store) through the unified operation of the two shopping centers. We have renewed KORINBO 109 in Kanazawa and have renamed it Korinbo Tokyu Square. Tokyu Hands has opened a store in Korinbo Tokyu Square to provide new value.

Tokyu Hotels expects that the business environment will be favorable on the back of increasing numbers of foreign visitors to Japan. Tokyu Hotels is expediting the opening of new hotels in collaboration with the Company.

We will seize new business opportunities like airport operation at Sendai International Airport Co., Ltd.

We will increase added value and will propose more attractive services to customers by effectively combining management resources, within and outside the Group.



<TOKYU Area Development>

The basic policy for TOKYU Area Development is reinvesting development benefits.

Areas will develop through investment, and value will be added. Reinvesting development benefits will create a cycle of local development.

Under this policy, we will promote urban development not only in areas served by Tokyu lines but also in foreign countries, including Vietnam.

We believe that our growth will be driven by the promotion of area development, where the Group is strong, and the creation of systems that will be useful to communities.

Acquisition of Own Shares

Own shares will be acquired at a maximum of 10 billion yen.

- Reasons for acquisition: to improve capital efficiency and execute flexible capital policies
- Total number of shares to be acquired: Up to 15.0 million shares
[Equivalent to 1.22% of outstanding shares(Excluding treasury stock)]
- Total cost of acquisition: Up to 10 billion yen
- Period of acquisition: From November 14, 2016 to February 14, 2017

*In addition to the above, it is scheduled to separately acquire the shares of the Company which Tokyu Recreation holds.

Number of shares: approximately 3 million shares (the ratio of those shares to the total number of issued shares: 0.27%) Total amount: 2.6 billion yen (rough estimate)

Share buyback

We plan to continue to adopt a flexible approach toward share buybacks taking into account our cash flow and balance sheet performance.



<Acquisition of Own Shares>

To improve capital efficiency and execute flexible capital policies, we will acquire treasury stock at a maximum of 10 billion yen for the third consecutive year.

In terms of funds, investment in growth has been progressing as initially planned, and we now see an overall picture of growth investment in the period of our management plan.

In terms of balance sheets, results have been far exceeding the initial plan in changing management circumstances. We expect steady capital accumulation.

In this situation, we expect steady capital accumulation if we make growth investments and believe that we need to review our capital and liabilities structure.

We will continue to consider flexible acquisitions of our own shares, taking cash flows and balance sheets into consideration.