

# Results in FY2015: Main Questions and Answers at a Briefing for Investors

May 16, 2016

\*This document provides information that refers to the details of questions and answers at the presentation. Please note that the document is not a full transcription of the discussions at the presentation. Rather, it is a succinct summary that the Company has prepared.

## (Questions about overall issues)

Q. Please describe the assumptions of FY2016 forecasts by business segment.

- In the Company's railway operations in the transportation business, we expect a 0.9% increase in the number of passengers to be carried, which is attributable partly to the effect of an increase in purchases before the consumption tax hike. We forecast a year-on-year decline in operating profit. However, with the exception of expenses carried forward from the previous fiscal year, we expect operating profit to effectively rise from the previous fiscal year.
- In the real estate business, real estate sales of the Company are expected to fall, as expected before, because we acquire properties after we assess profitability. Operating profit in the real estate leasing of the Company is expected to rise significantly year on year due to the full-year contribution of Futako-Tamagawa Rise. Rents for a number of rental properties are on an upward trend. In the real estate business overall, we can say that the ongoing structural transformation is steadily making progress.
- In the life service business, operating revenue is forecasted to rise significantly due to the inclusion of Tokyu Recreation in the scope of consolidation and the commencement of the business of Tokyu Power Supply. We will continue working to improve the profit ratio in the retail business.
- In the hotel and resort business, we will raise the price per room. We will operate some hotels as a contractor. We will enhance the quality of hotel management and make a profit.

Q. Please explain your stance on the acquisition of your own shares.

- The acquisition of our own shares itself is not our goal. We will make decisions comprehensively, taking into account growth investment, safe investment, and the improvement of financial standing.

Q. Your interest-bearing debt is on the rise. Are you considering allowing the debt ratio to exceed your plan?

- We have not been rapidly raising the debt ratio. We have been increasing interest-bearing debt within a certain range, considering the balance between capital and interest-bearing debt. We hope that you understand that we are increasing interest-bearing debt as planned.

Q. Please describe progress in strategic acquisitions in growth investment and room for expansion beyond the plan.

- We have been acquiring properties that have been in use and land for future development. Acquisitions are making progress within the planned range. We are not considering any acquisitions that go far beyond the planned range.

## **(Questions related to individual businesses)**

Q. Please explain your thoughts on the privatization of Takamatsu Airport.

- We are not considering the privatization of Takamatsu Airport.

Q. Please explain your views on the reasonableness of the target of 4.1 million passengers in FY2020 and the status of the invitation of LCCs at Sendai Airport.

- The number of inbound tourists visiting Tohoku is only 0.8% of the total number of inbound tourists (the number of foreign guests that stayed in Tohoku / the number of foreign guests that stayed in Japan). As for tourism in Tohoku, we aim to work with local governments to raise the percentage 1 to 2 percentage points. It is important to develop attractive tourist routes, enhance the appeal of the region, and rediscover tourism resources. We believe that we will definitely achieve the target.
- The invitation of LCCs has been making good progress, although we cannot mention any specific LCCs.

Q. Please explain the underlying concept and schedule for the redevelopment of Minamimachida and Saginuma.

- We believe that the most important thing in the development of rail service areas is reinvesting profits resulting from development to maintain and enhance the value of the areas continuously. In Minamimachida and Saginuma, we will develop the station and other properties together as we have done in Musashikosugi and Futako-Tamagawa to enhance added value.
- It is important to redevelop new areas every year and continue to attract attention instead of concentrating on redevelopment projects just before the Tokyo Olympics. We intend to keep on developing rail service areas.

Q. Please tell us about the progress of urban development in Binh Duong New City, Vietnam.

- Saplings are growing in each project, but it will take time for them to bear fruit. We originally thought that the development of condominiums would take around ten years, but now we think that it will take even longer, perhaps more than 20 years. We would like to reinvest profits from development and ultimately make it a stable source of earnings.

May 16, 2016

Q. Please tell us about the progress of land development in the Yanchep area in Western Australia.

- There are plans to extend the railway to the land that we own by 2020, so we do not need to sell the land soon. We are running the project in a way that ensures we are not short on cash. We have high hopes for the future performance of the project and are building it up steadily.

Q. Please explain how you intend to take advantage of your capital and business alliance with Tokyu Recreation and develop the Shinjuku Tokyu Milano site.

- Our redevelopment in Shibuya is based on the Entertainment City Shibuya concept. We believe that it is impossible to attract people if they do not have fun. Movies bring people pleasure as one factor of entertainment. People will grow tired of buildings after they visit them once or twice, so that is why entertainment is important. We are thinking of ways to give people more entertainment.
- The movie theater cannot earn as much rent as the office if only its value as real estate is taken into consideration. However, the movie theater can enhance the value of the entire area around it. The alliance enables us to maximize value through our unique complex development.
- In developing the Shinjuku Tokyu Milano site, we are studying a plan for revitalizing the site, making the most of its location in Shinjuku's Kabukicho, where entertainment facilities were concentrated, instead of a mere redevelopment plan centering on a movie theater, because we are involved. We are working out a plan for restoring Kabukicho to its former glory. Unfortunately, I cannot announce the details of the plan yet.

Q. You said that you have gained customers in the power retailing business as planned. However, the number of customers appears to be insufficient compared to figures of your competitors. Please explain your policy and earnings plan in the future.

- We do not regard the power retailing business as a separate business. We will develop it from a long-term perspective, considering ways to combine the power retailing business and other Tokyu services to eliminate inconvenience and make our customers feel that our services are beneficial. We will not try to gain new customers through mere price competition.
- When we consider only the areas served by Tokyu's railway lines, we have a larger share than our competitors. We do not feel our present number of customers is the least bit small.
- Although customer acquisition costs are incurred, we plan to record a profit in FY2018.

Q. Please tell us the price per room at your hotels in FY2015 and your price per room forecast for FY2016.

- In FY2015, the price per room rose around 10% year on year. In FY2016, we plan to raise the price around 10% year on year.

Q. Please describe your hotel opening policy, in particular your policy on opening hotels in your development projects.

- It is important to believe that we can increase demand by meeting customers' requests instead of opening hotels because we expect to make a profit. In the past, we had thoughts of owning land and buildings to open hotels all by our own. Now, we believe that it is important to increase added value and meet our customers' expectations in fields where we are strong, such as by operating hotels as a contractor.
- We are considering the prospects of opening a number of hotels. Our purpose is not merely opening new hotels. The important thing is customer satisfaction, so we will continue to carefully assess demand.

End of Message