

Results in the First Half of 2016/3: Main Questions and Answers at a Briefing for Investors

November 11, 2015

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

(Questions about overall issues)

Q. Please explain the progress of 70 billion yen-worth of investments in strategic projects in growth areas in the Medium-Term Management Plan?

- Most of the investments in strategic projects are investments to acquire properties for rent. We cannot give the property names, but the investments are making good progress.

Q. Please explain the effect the rising construction costs of development projects in progress has on the total amount of investment in the Medium-Term Management Plan?

- We have concluded agreements for all the major Shibuya redevelopment projects. The construction costs are higher than expected, but the increase in costs is offset by a number of initiatives and an increase in the rentable area. The construction costs are significantly affected by construction periods. The schedule for the East Building of the Shibuya Station Block has been moved up by 10 months. That has a positive effect, and we expect to achieve the investment yield that was initially planned for the project.

(Questions related to individual businesses)

Q. Is there new information about the New Airport Line (Kamakama line)?

- There has been no significant change. We have proposed a plan that can be carried out. We will coordinate and cooperate with Ota Ward, the national government, Tokyo, and the other parties involved.

Q. In the real estate sales business, the full-year forecast for the sales margin of Company-owned land is 5.8 billion yen, down from 9.1 billion yen in FY2014. Please explain the current state of real estate sales.

- In Funds Turnover-type sales where land is purchased and sold, the prices of land for sale and construction costs are high. We are not actively purchasing land through competitive bidding.
- The Company owns limited land for selling condominiums or detached houses.
- We are examining the use of land that is being leased for fixed terms, and considering whether to sell land and when to sell it. The sale of certain pieces of land has been postponed. If we decide not to sell land or postpone sales, profit from real estate sales will decline. In that case, we will gain income from leasing and secure a profit for the entire real estate business.

Q. Why did operating revenue in the real estate sales business fall short of the initial forecast?

- The decline in revenue in the real estate sales business is mostly due to postponing the posting of revenue.

Q. I guess that expenses for demolishing fixed assets in extraordinary losses are arising in association with development in Shibuya. Have all the expenses for the demolition of fixed assets been included? Will additional expenses be posted as construction makes progress?

- The possibility of posting additional expenses for the demolition of fixed assets is not zero. However, we have taken all the expected expenses into consideration, and do not think that there will be any significant additional expenses.

Q. There are a number of IT companies in the Shibuya area. They have their ups and downs, and the diversification of tenants will be needed in terms of their industries. What are your views?

- We expect IT companies to grow large, while large companies will become more like IT companies. We believe that Shibuya is a convenient place for a variety of companies marketing their products directly to customers using IT. We hope that Shibuya attracts not only IT companies but also other creative companies in

industries such as the fashion and entertainment industries.

Q. Please explain your projection of sales and profits, based on the assumption that your power retail business has 500,000 household customers.

- We cannot give specific figures at this time. We hope the power retail business will be profitable and generate good ripple effects.
- We are hoping the power retail business will make a profit, but are not aiming for a huge profit. We will emphasize customer service and offer rates lower than those of the competition to gain customers. We operate a range of life services, and can make profits by offering bundles of services.
- We will start the business in FY2016, and expect for it to move into the black on FY2018.

Q. You say that you aim to acquire 500,000 household customers in ten years. Do you have any specific plan to secure low-priced power sources?

- Yes, we do, but we cannot tell you the power sources out of consideration for the business partners.

Q. I feel that the focus of the growth strategy in the hotel business covers a wide range of sightseeing areas. Please explain your views on the state of hotels in regions across Japan and future growth.

- There were many hotels in the hotel business that posted losses. However, the situation has changed. The year-on-year occupancy rate has risen only slightly, but the unit price is steadily increasing.
- In the operation of hotels in different regions, we will mitigate risks by operating hotels jointly with other companies and operating them as a contractor. In metropolitan areas, where we definitely expect growth, we are considering making investments. However, unlike our approach in the past, we are not building hotels because there are properties. We are determined to build hotels at locations that are best suited for hotels.

Q. Will the airport operation business be profitable?

- Our target NOI yield when we start a new business is 5% to 6% or more. We are confident that we will achieve the target, and thus have decided to launch airport operation business. We believe that the airport operation business itself will be profitable.

Q. How much will Tokyu Corporation invest in total in the airport operation business?

- We cannot give a specific amount. The initial investment will be less than 10 billion yen, and it will not have a significant impact on management. The total capital expenditure by the SPC in the 30-year business period will be around 30 billion yen, which we do not feel to be a large amount.

Q. Is there any chance you might launch an airport operation business at other airports, such as Takamatsu Airport?

- I cannot say anything about Takamatsu Airport. We will gain experience in Sendai and consider individual projects.

Q. How will you obtain the expertise and human resources needed for airport operation? I understand that in other countries many airport operating companies use external resources. Is there a chance the Tokyu Corporation will use external resources?

- The Tokyu Group has owned an airline company and thus has knowledge about the airport operation business. We are involved in the transportation business of railway and bus operations, and do not feel there is a significant difference between our transportation business and the airport operation business.
- We are discussing developing a new form of airport operation business with the companies in the consortium. We believe that the airport operation business will grow. While the possibility of using external human resources is not zero, but we do not think we'll need to use them.

Q. Prefectures such as Aichi Prefecture are going to grant concessions for road operation. Will Tokyu Corporation possibly be a concessionaire if it expects synergy to be generated?

- The possibility is not zero, but Tokyu Corporation is not considering becoming the main operator in a business that will be given a concession. We will consider being given a concession in cooperation with other entities.

Q. Your outlook for the airport operation business seems to place a disproportionate emphasis on growth in inbound travelers. I guess there are causes for concern for this extended period of 30 years. Are you hedging against risks?

- We are concerned about inbound travelers, but believe that their number will continue to increase. We have two ideas for mitigating risks. The first involves making Sendai Airport a hub airport in the Tohoku region, and the second is increasing the amount of freight transport. Sendai and the Tohoku region have good products that can be exported, such as fishery products and agricultural products, and demand for the transport of these products may increase. It is important to first create a system that attracts people and goods.

End of Message