

Three-year Medium-term Management Plan  
(FY2015 - 2017)  
"STEPS TO THE NEXT STAGE"

Presentation for Investments

March 27, 2015

TOKYU CORPORATION

(9005)

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

SHIBUYA

## Contents

I . Background to the Preparation of the Latest Management Plan	2
II . Long-Term Vision & Long-Term Corporate Strategy	4
III . Basic Policies in the FY2015-2017 Management Plan	9
IV . Key Initiatives	17
V . Projected Figures	31

### 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 . Background to the Preparation of the Latest Management Plan

# Background to the Preparation of the Latest Management Plan

## FY2012-2014 Topics

### Established a railway network

- March 2013 - Mutual direct train service between Toyoko Line and Tokyo Metro Fukutoshin Line started
  - March 2014 - The number of passengers carried by the Tokyu Line annually surpasses 1.1 billion people
- In FY2012-2014, we estimate the volume of passengers carried increased **5.0%**

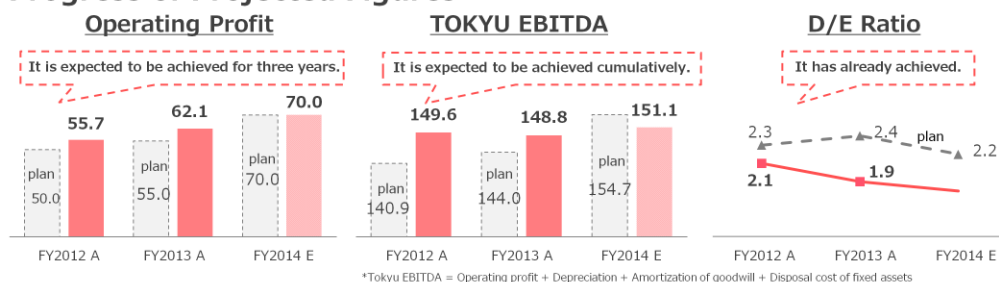
### Continued to implement safety measures

In FY2012-2014, we invested a cumulative 54.7 billion yen into safety measures

### Development of the Tokyu railway area, such as Shibuya and Futako Tamagawa

- April 2012 - Opening of Shibuya Hikarie
- April 2013 - Opening of Musashi Kosugi Tokyu Square
- October 2013 - Opening of Azamino Gardens
- April 2015 - Opening of Futako Tamagawa Rise Phase II (plan)

## Progress of Projected Figures



## Review of the Previous Management Plan

To develop the railway network, we started mutual direct train services between Toyoko Line and Tokyo Metro Fukutoshin Line in March 2013. As a result of the railway network development and the Tokyu railway area development, the volume of passengers carried is expected to rise 5% during the period of the previous Management Plan.

We have continued implementation of safety measures and have invested 54.7 billion yen over the last three years, and we recognize that it is necessary to continue to take further safety measures in the future.

With respect to the development of the Tokyu railway area, such as Shibuya and Futako Tamagawa, Shibuya Hikarie, the leading project of the Shibuya redevelopment, opened in April 2012, and the Futako Tamagawa Rise Phase II is expected to open in April 2015.

The projected figures of targets for operating profit, TOKYU EBITDA and D/E ratio, are all expected to more or less reach the projected level.

## II . Long-Term Vision & Long-Term Corporate Strategy

# Forecasting Changes to Our Business Environment

## 1. Demographic changes

- Population decline, low birthrate & aging population
- Continues to be a heavy concentration of the population in Tokyo
- Trends show people returning to central city areas to live

## 2. Changes in consumer behavior and customer contact points

- Changes in consumer attributes and lifestyles
- Popularity of smart devices
- Expanding use of Big Data

## 3. New business opportunities emerging

- Infrastructure development is focused in the heart of Tokyo  
Preparation for the 2020 Tokyo Summer Olympic, Paralympic Games/special wards
- Expansion of international wing at Haneda Airport to increase inbound traffic
- System reforms owing to heightened awareness of environmental and energy issues

## 4. Competition in the global arena

- Contraction of domestic market
- Sharp growth in markets in Asia
- Rapid increase in competition between international cities



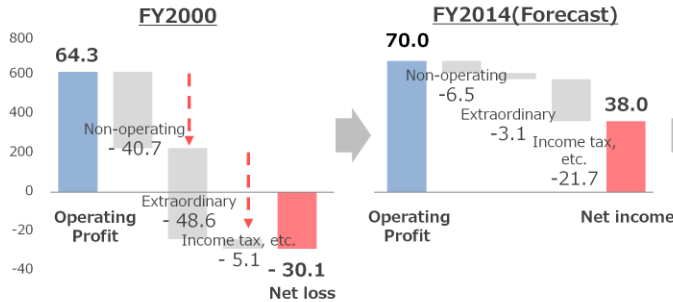
## Understanding of the Business Environment, Preconditions for Plan Development

Firstly, we have picked out four points that require special attention concerning changes in the external environment, such as the 2020 Tokyo Summer Olympics and Paralympic Games, as described above.

We have established a new management plan by taking into account these four points: “Demographic changes,” “Changes in consumer behavior and customer contact points,” “New business opportunities emerging” and “Competition in the global arena.”

# Changes to Profit Structure and Balance Sheet

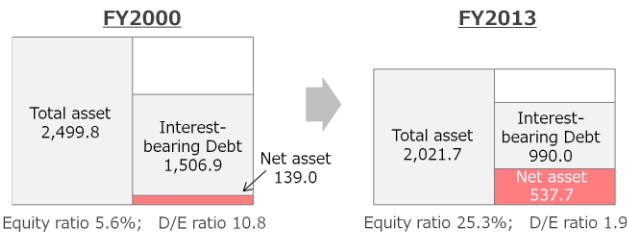
## Profit Structure



Profit should trend solidly moving forward as we have been constantly tackling profit structure issues at the operating, ordinary, and net income levels, time and again in previous management plans.

- The benefit to operating profit from a decline interest payments is likely to be fully reflected in recurring profit
- Going forward we aim to consistently secure net income in the neighborhood of 40 billion yen owing in part to a decrease in extraordinary losses

## Balance Sheet



Improvement in the health and soundness of our balance sheet

- Given the positive change in our profit structure owing to healthier operations, we believe we are currently maintaining an adequate balance between assets and liabilities
- We aim to smoothly build capital moving forward. Accordingly it will be crucial to focus on capital efficiency.

## Internal environment

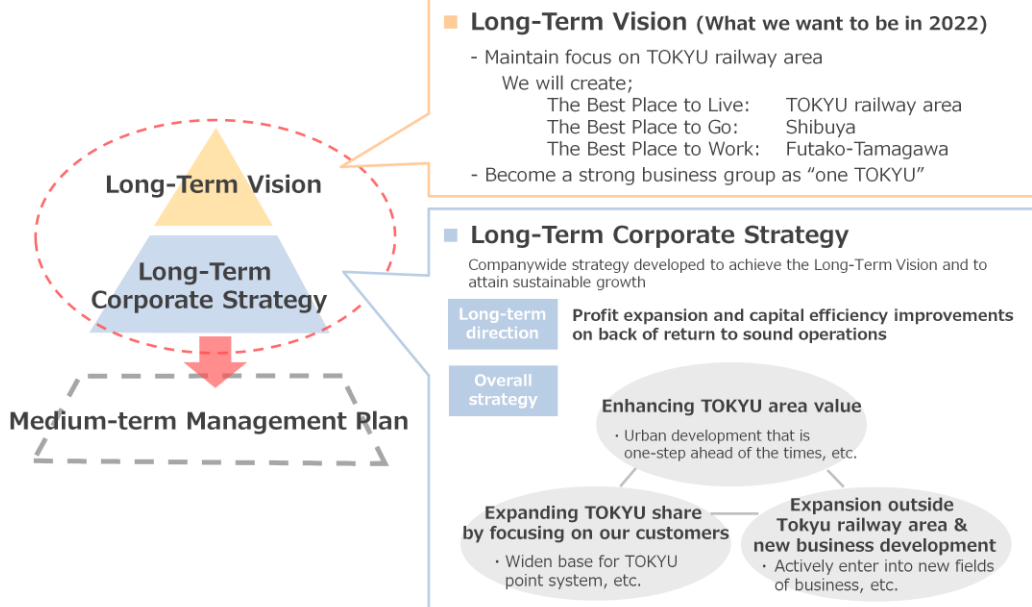
Since 2000, Tokyu Corporation has significantly improved its profit structure and balance sheet as a result of several previous management plans.

As illustrated in the upper graph, "Profit Structure," due to a decline in interest payments as a result of a cutback in liabilities and a fall in extraordinary losses reflecting the progress of restructuring, Tokyu Corporation is likely to secure a net income of approximately 40 billion yen in a steady manner in the future.

In the "Balance Sheet," the lower graph, Tokyu Corporation has steadily increased capital and it believes that its balance sheet is generally sound at present. On the other hand, it understands that, by taking into account capital building in the future, it also requires a focus on capital efficiency.

# Long-Term Vision & Long-Term Corporate Strategy

\*2022 will mark the 100<sup>th</sup> anniversary of the founding of TOKYU CORPORATION



## Long-Term Vision & Long-Term Corporate Strategy

When I, Nomoto, was appointed as President, I set out a Long-Term Vision about what we want to be in 2022, the year of the 100th anniversary since Tokyu Corporation was established, and we will continue to pursue the vision.

(i) Focus on the TOKYU railway area to maintain the “three best categories in Japan.”

(ii) Become a strong business group as “one TOKYU.”

Moreover, as part of the Long-Term Corporate Strategy to achieve such a vision, we have set out a long-term direction, which is a shift from returning to sound operations to profit expansion and capital efficiency improvements, and positioned three initiatives: “Enhancing TOKYU area value,” “Expanding the TOKYU share by focusing on our customers” and “Expansion outside the TOKYU railway area and new business development,” as the overall strategies.



## KPIs in Long-Term Corporate Strategy (FY2022)

	Target indices	Target levels
Earnings indices	TOKYU EBITDA*	200 billion yen
	Operating Profit	100 billion yen
Soundness index	Interest-bearing Debt / TOKYU EBITDA Multiple	5 - 6 times

\*TOKYU EBITDA = Operating profit + Depreciation + Amortization of goodwill + Disposal cost of fixed assets + Dividend income + Investment gains from equity method



### KPIs in Long-Term Corporate Strategy

#### Target indices in FY2022 for Long-Term Corporate Strategy

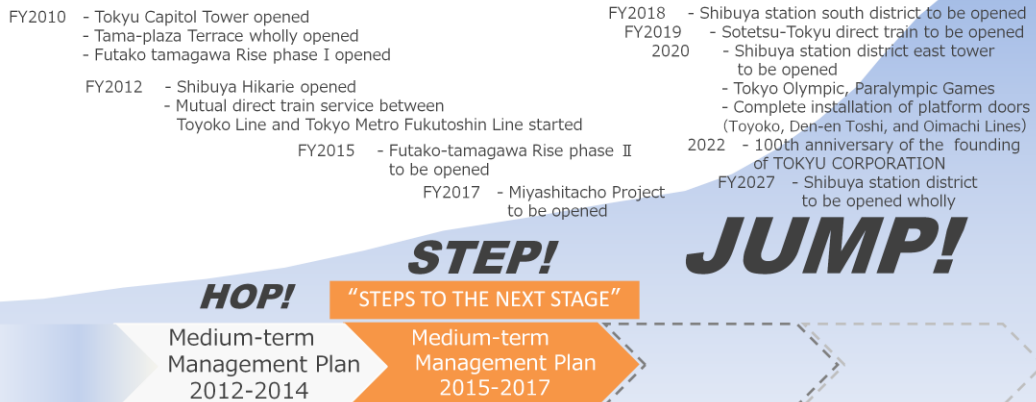
- TOKYU EBITDA: 200 billion yen
- Operating profit: 100 billion yen

In addition, we will begin to target a soundness index as given below.

- Interest-bearing Debt / TOKYU EBITDA Multiple: 5-6 times

### III. Basic Policies in the FY2015-2017 Management Plan

## Position of the FY2015-2017 Management Plan



- This is a step toward our next stage, the completion of our large-scale development project
- Design and implementation stage for long-term business strategies and growth measures
- To achieve rapid progress in the future, we plan to steadily moving forward with existing projects while also actively venturing into new business domains by leveraging our expertise, and focusing investments into growth areas

## Position of the FY2015-2017 Management Plan

The time period of the FY2015-2017 Management Plan is the period until the time when large-scale projects, such as large-scale facilities around Shibuya station and the opening of Sotetsu-Tokyu direct train services, are completed. This is also the period of a step toward our next stage. It is an important three-year period when we will steadily carry out the existing projects and focus investments into growth areas for our significant jump in the future.

Moreover, in an intangible aspect, these three years will be the period when we will take on new initiatives, such as the reestablishment of the Retail Business and lifestyle and work style innovations.

To represent these initiatives, we have decided to adopt a slogan, "STEPS TO THE NEXT STAGE."

## Overall Structure of the FY2015-2017 Management Plan

### “STEPS TO THE NEXT STAGE”

#### Basic Policies

We plan to cultivate prospects in the TOKYU area and undertake new challenges for growth to take a step toward our next phase of expansion

#### Key Initiatives

- i. Offer greater security and enriched satisfaction
- ii. Development of the TOKYU area and further promotion of the real estate business
- iii. Promote lifestyle and work style innovations
- iv. Embark on new challenges by leveraging group management resources



## Overall Structure of the FY2015-2017 Management Plan

Taking into account the situation as described above, we have set out basic policies for the FY2015-2017 Management Plan. “We plan to cultivate prospects in the TOKYU area and undertake new challenges for growth to take a step toward our next phase of expansion.”

Accordingly, four key initiatives have been set out as follows.

- i. Offer greater security and enriched satisfaction
- ii. Development of the TOKYU area and further promotion of the real estate business
- iii. Promote lifestyle and work style innovations
- iv. Embark on new challenges by leveraging group management resources

Later I will explain the details of these key initiatives.

## KPIs

### Companywide management indicators

Management indices	FY2014 Forecast	FY2017 Targets
TOKYU EBITDA*	158 billion yen	169 billion yen
Operating Profit	70 billion yen	75 billion yen
Interest-bearing Debt / TOKYU EBITDA Multiple	5.9 times	5.8 times

\* TOKYU EBITDA = Operating profit + Depreciation + Amortization of goodwill + Disposal cost of fixed assets + Interest and dividend income + Investment gains from equity method

### Reference indicator

Return on Equity (ROE)	7.3 %	8.0 %
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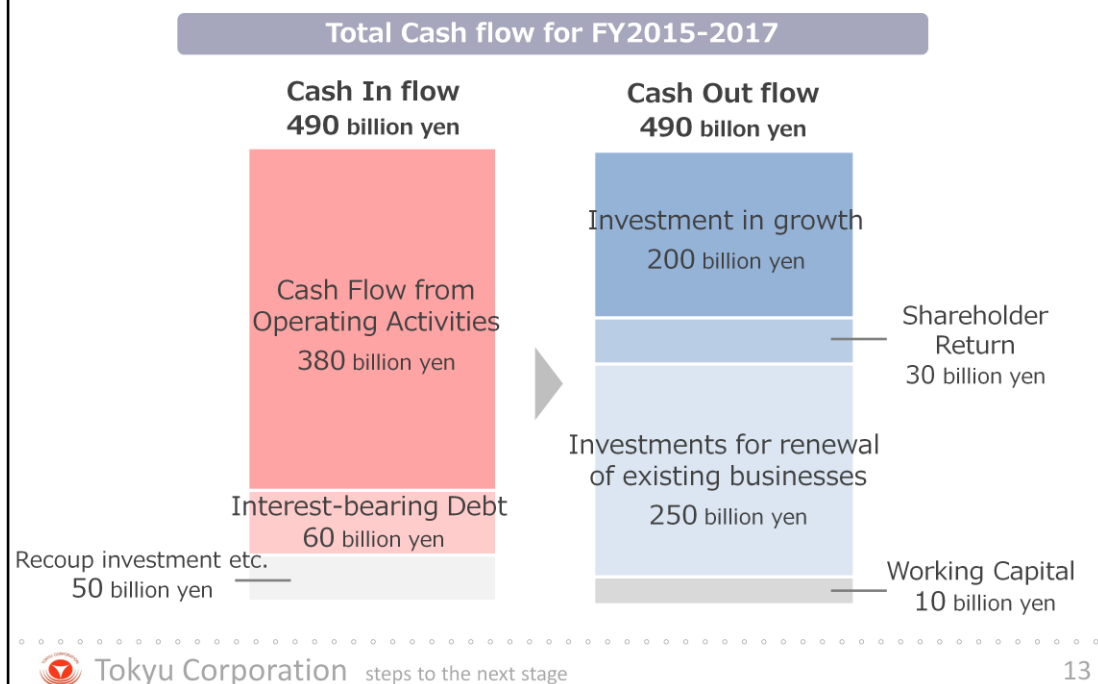


## KPIs of the FY2015-2017 Management Plan

We have set out targets for FY2017, the final year of the FY2015-2017 Management Plan, as follows.

- TOKYU EBITDA: 169 billion yen
  - Operating profit: 75 billion yen
  - Interest-bearing Debt / TOKYU EBITDA Multiple: 5.8 times
- Moreover, we will set out the return on equity (ROE) at 8.0% for FY2017 as a reference indicator.

## Cash flow Plans in FY2015-2017



### Cash Flow Plans in FY2015-2017

We plan a total cash-in flow of 490 billion yen in the three years under the FY2015-2017 Management Plan.

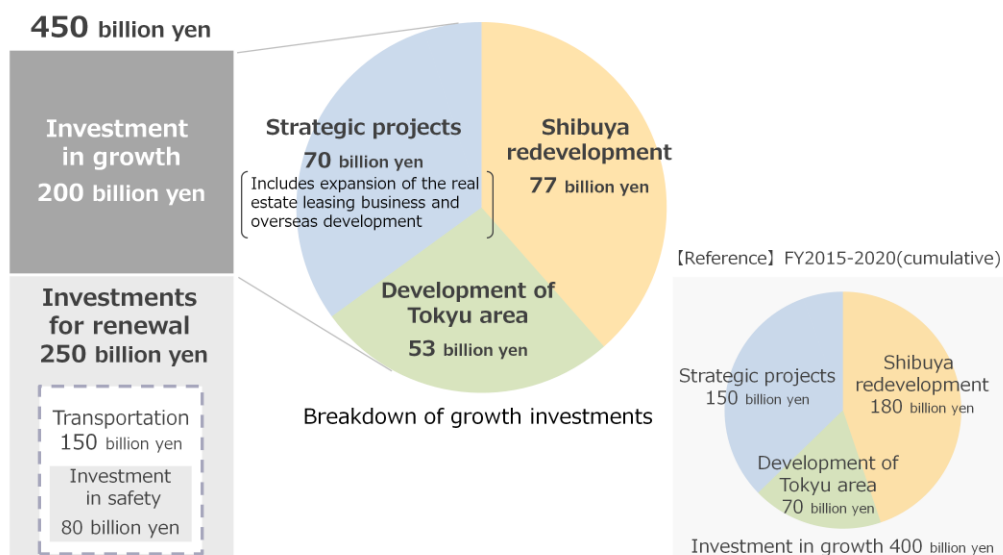
We will invest 200 billion yen in growth areas by using an interest-bearing debt of 60 billion yen.

For shareholders, dividends of 30 billion yen will be distributed.

We will allocate 250 billion yen to investments for renewal of the existing businesses.

## Investment Plans in FY2015-2017

Capital expenditures & investments FY2015-2017 (cumulative)



Tokyu Corporation steps to the next stage

14

## Investment Plans in FY2015-2017

Total capital expenditures and investments will amount to 450 billion yen during the three years.

As a growth investment, a total of 200 billion yen will be invested in Shibuya redevelopment, development of the TOKYU area and strategic projects.

Moreover, we will allocate 150 billion yen to the Transportation Business, and 80 billion yen from such investments will be invested in safety as a part of our efforts to further ensure comfortable and safe services.

In addition, in the next six years up to 2020 when the Tokyo Olympic and Paralympic Games will be held, we will steadily carry out the existing projects by making investments of the total 400 billion yen in growth, while we will proactively explore new business areas and expand earnings.

## Business Segment Management Indicators

Segment*	Management indices	FY2014 Forecast	FY2017 Targets	[Reference] FY2020
Transportation	Number of Passengers Carried (Comparison with FY2014)	1,118 million people	1,150 million people (+2.9%)	1,186 million people (+6.1%)
Real Estate (Real Estate Leasing)	TOKYU EBITDA	50.8 billion yen (32.7 billion yen)	51.0 billion yen (36.7 billion yen)	63.6 billion yen (50.4 billion yen)
Life service	Operating Profit Margin	1.8 %	2.5 %	3.4 %
Retail		0.7 %	1.3 %	1.7 %
ICT and Media		5.0 %	6.0 %	7.5 %
Hotel and Resort		3.3 %	4.3 %	5.4 %
Operating Profit		70.0 billion yen	75.0 billion yen	90.0 billion yen

### Business Segment Management Indicators

Moreover, starting from the FY2015-2017 Management Plan, we will begin to set out target management indicators by business segment. The target management indicators are:

- The number of passengers carried in the Transportation Business
- TOKYU EBITDA in the Real Estate Business
- Operating profit margin in the Life Service Business and the Hotel and Resort Business

By strengthening each business segment, we will ensure that an operating profit of 75 billion yen in FY2017 will be achieved, and we will aim to reach an operating profit of 90 billion yen in FY2020.

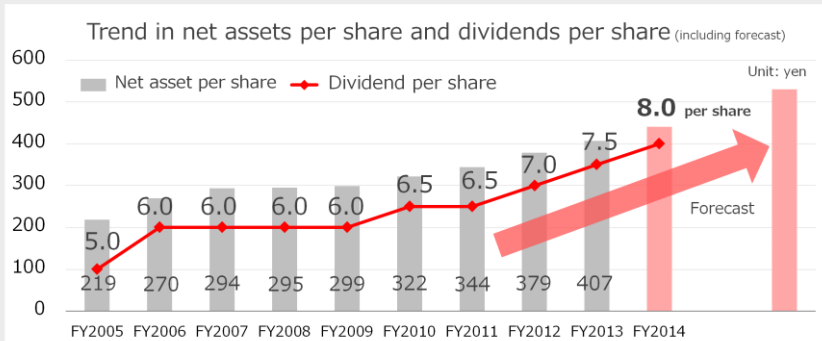


## Basic Stance on Shareholder Returns

### Dividend policy

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

\* DOE: Total amount of dividends / Consolidated average equity during the term



### Share buyback

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



## Basic Stance on Shareholder Returns

We will continue to set a Dividend on Equity (DOE) of 2% as the basic guideline for the dividend policy, and aim to pay a steady and continual dividend and higher dividends.

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

## IV. Key Initiative

### Pursue greater railway security and safety for our customers

- Make platforms and railroad crossings safer taking into account that our community and environment is changing due in part to impact from a low birthrate and aging population
- Expand safety measures as precaution for major earthquakes or large-scale natural disasters

#### Enhance facilities for better safety

##### ■ Install platform doors

By 2020, complete installation at all 64 stations on the Toyoko, Den-en Toshi, and Oimachi Lines



Platform doors

##### ■ Install sensors

Install highly-functional sensors at all railway crossings to further improve safety



The use of lasers to detect obstacles

##### ■ Promote construction that mitigates disasters

Review design criteria that factors in estimates for irregular weather conditions and large-scale earthquakes and reflect results of review into facilities



Review design criteria for snowfall

#### Strengthen safety infrastructure

##### ■ Accident prevention

Establish specific measures that reflect the outcome of serious accidents in the past, forecasts for various types of accidents, and the individual conditions of each site.



Disaster drill

##### ■ Emergency response

Strengthen capabilities to properly respond to incidents caused by irregular weather conditions and various other types of trouble

##### ■ Swift communication

Quickly use various mediums to transmit information on accidents and train operations



Information monitor



Pursue Greater Railway Security and Safety for Our Customers.

I will now explain individual initiatives for the four key initiatives that I mentioned above.

The first key initiative is to “Offer greater security and enriched satisfaction.”

In further pursuit of greater railway security and safety for our customers, we will make an effort to improve our facilities, such as the installation of platform doors and fences and the implementation of safety measures at railway crossings, while we will strengthen the safety infrastructure to deal with the rising impact from large-scale earthquakes and natural disasters.

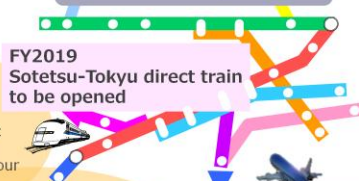
**Expand services to enrich the lives of our customers**

- Aim to increase transportation convenience and also improve train stations functions to become a mode of transportation for people in a wide area
- Energize towns and communities by providing new value that integrates transportation, retail, and services that support daily life

Improve convenience for people using bus or bicycle to our train stations (bike parking, etc.)



Enhance railway network



**Improve transportation convenience**

Improve convenience as a mode of public transportation by improving connections with buses and other, and by enhancing our network

FY2019 Sotetsu-Tokyu direct train to be opened

Promotional tickets, etc.

**Create demand for tourism and encourage people to visit major towns along the Tokyu line**

Encourage people to travel wider areas. This includes the promotion of mutual direct transportation and foreign tourists.



Triangle thicket



Yokohama china-town gourmet thicket

**Improve station functions that support daily life**

Improve the quality of the lives of our customers through station development and a lineup of various services

New Airport Line

Develop stations into a base for daily activities



etomo ichigao

Expand Services to Enrich the Lives of Our Customers

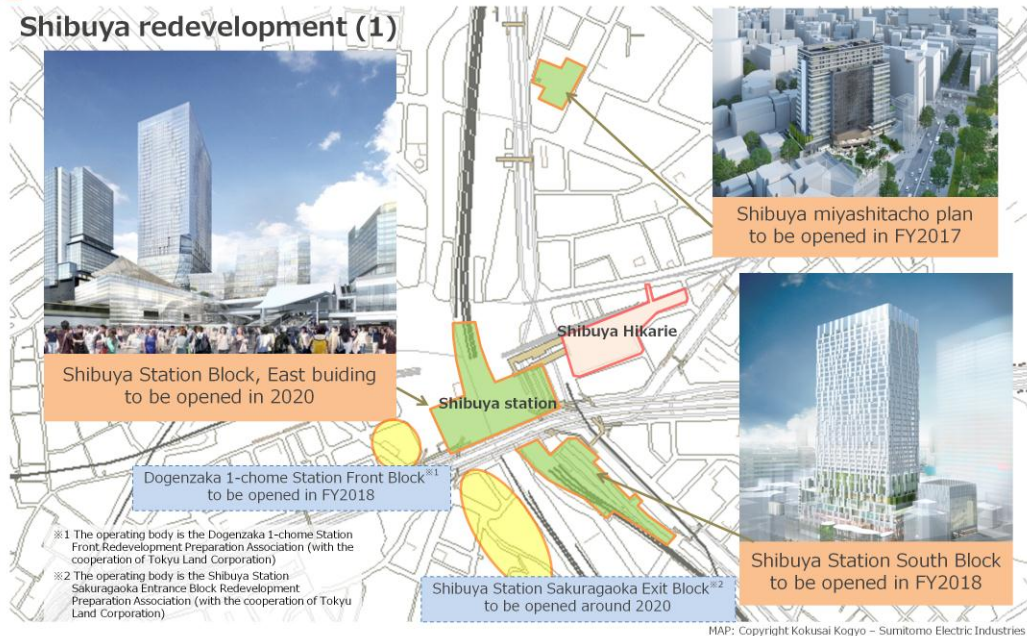
While we take safety initiatives, we will expand our services to enrich the lives of our customers through transportation.

Specifically, we will strive to create the TOKYU area as a place that people wish to live in or visit by promoting three initiatives: “Improve transportation convenience,” “Improve station functions that support daily life” and “Create demand for tourism and encourage people to visit major towns along the Tokyu line.”

Key Initiative 2

Development of the TOKYU Area and Further Promotion of the Real Estate Business

Shibuya redevelopment (1)



## Shibuya Redevelopment

The second key initiative is the “Development of the TOKYU area and further promotion of the Real Estate Business.”

Firstly, regarding ongoing Shibuya redevelopment, the Shibuya Miyashitacho plan that recently held a groundbreaking ceremony will be completed for opening in FY2017.

The Shibuya Station South Block will open in FY2018.

Shibuya Station Block East building, which is the highest building in the Shibuya district, will open in 2020.

In addition, with the opening of the Dogenzaka 1-chome Station Front Block and the Shibuya Station Sakuragaoka Exit Block that are under development by the Tokyu Land Corporation, Shibuya will make a significant advancement.

## Shibuya redevelopment (2)



Establish cluster of ICT and creative industries, and industrial ecosystem



Create and promote the "SHIBUYA LIFE STYLE," which will captivate people around the world



Enhance media/locations where people can express and communicate their ideas through contents and interactive applications that will catch the world's interest

## Entertainment City SHIBUYA

- Shibuya has opportunities for everyone in the areas of expression, communication, and challenge
- Movements emerging from the chaos of Shibuya
- Its style has gained the world's attention and is a place where people crave to go

We will create  
"The Best Place to Go: Shibuya"



Create an environment that promotes culture, collaborations, and creativity



Produce an "urban theme park" that will attract people from around the world



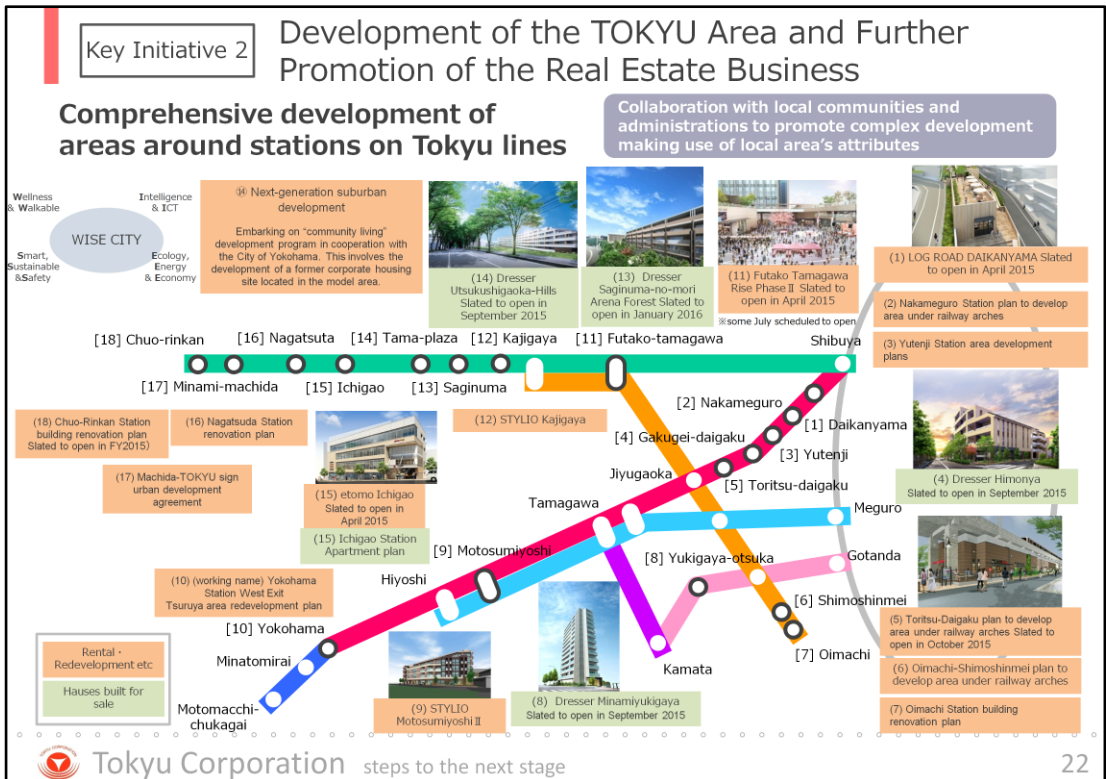
Create an urban infrastructure befitting "the best place to go" in Japan



(Continued) Shibuya redevelopment

Moreover, we will proactively engage in the development of Shibuya not only in tangible aspects, but also in intangible aspects.

By taking advantage of the characteristics that Shibuya, the town of cultural creation, inherently possesses, we will take initiatives, including the further integration of ICT and the creative content industry which is the creation of content that attracts a global audience and the expansion of media and venues that transmit such contents to the world. In this way, we will develop "Entertainment City Shibuya" and create "The best place to go: Shibuya" as an "Urban theme park" that attracts global attention in terms of both tangible and intangible aspects.



## Comprehensive Development of Areas around Stations on Tokyu Lines

Even though the development of large-scale facilities on Tokyu lines, such as Futako-tamagawa and Tama-plaza, have almost been completed, we will continue to proactively develop areas on Tokyu lines.

In the "Next-generation suburban development", an initiative in cooperation with Yokohama City, we have carried out a business model in Tama-plaza that utilizes the site of a former corporate dormitory. In this way, not limited by only using land owned by us, in the future we will promote development by cooperating with local communities and governments.

**Strengthen consulting business on the use of assets along Tokyu lines****Further expansion of the real estate leasing business**

<Employ business model that focuses on investment cycle in real estate leasing business>



## Strengthen Consulting Business on the use of Assets along Tokyu Lines

As for cooperation with local communities, through consulting services related to the asset management of customers who live along Tokyu Lines, we will acquire business opportunities. Meanwhile, we will focus on developing towns in the way that the value of customers' assets and the appeal of the TOKYU area will improve.

## Further Expansion of the Real Estate Leasing Business

As part of the efforts to expand our real estate leasing business, we will promptly promote a business model that focuses on the investment cycle by concentrating on the acquisition and the development of properties and other facilities in Shibuya, central Tokyo and the TOKYU area whose added value is expected to rise, as well as cooperating with Tokyu REIT and other institutions.



## Lifestyle innovations



## Lifestyle Innovations

The third key initiative is to "Promote lifestyle and work style innovations."

Firstly, with respect to lifestyle innovations, in 2016 Tokyu Corporation will be the first railway company to enter the electric power retail business, and provide "IENAKA" (domestic) services by bundling CATV, security and other businesses that are managed by the Group so that our customers will be able to receive more convenient and economical services.

Moreover, we will sequentially introduce new services to the TOKYU point program, including "transportation points" that will improve the appeal for our railway customers.

We will also develop a system where customers can always conveniently, smoothly and easily access various TOKYU products and services, thus delivering new lifestyle value to our customers.

## Work style innovations

## Supporting growth industries

- **Nurture industries and human resources to be highly globally competitive**

(Establish training and development facilities in Shibuya Station South Block)

- **Offer support for diverse work styles**

(Establish exchange centers as a part of Shibuya Hikarie, Futako-Tamagawa Rise and Shibuya Miyashita-cho development plan)



Shibuya Hikarie  
(Creative Lounge MOV)



Futako Tamagawa Rise  
(Catalyst BA)

## Create an environment where employees can be active and shine

## Diversity management

- Promote the active role of women in the workplace (goal: 40 female management-level employees in 2020)
- Provide an environment in which employees can work but also have time to take care of their children or nurse a sick or elderly family members
- Increase opportunities to work from home
- Set up after-school daycare centers at TOKYU Group businesses that operate on holidays

**Selected as Nadeshiko Brand for 3 straight years**



\*Only 6 companies listed on the 1st section of the Tokyo Stock Exchange have been selected for three consecutive years

## Boost employee motivation &amp; job satisfaction

- Establish an in-house system to train employees to become entrepreneurs
- Health management initiatives  
⇒ **selected by METI as a company that properly manages the healthcare of its employees**



## HR management from the viewpoint of consolidated management

- Optimally assign employees to positions groupwide by data visualization for personnel information
- Systematically train and assign management candidates to optimal positions
- Improve operational efficiency by centralizing group HR functions



## Work style innovations

Supporting growth industries, we will propose new working styles to our customers by providing venues that respond to a variety of work styles.

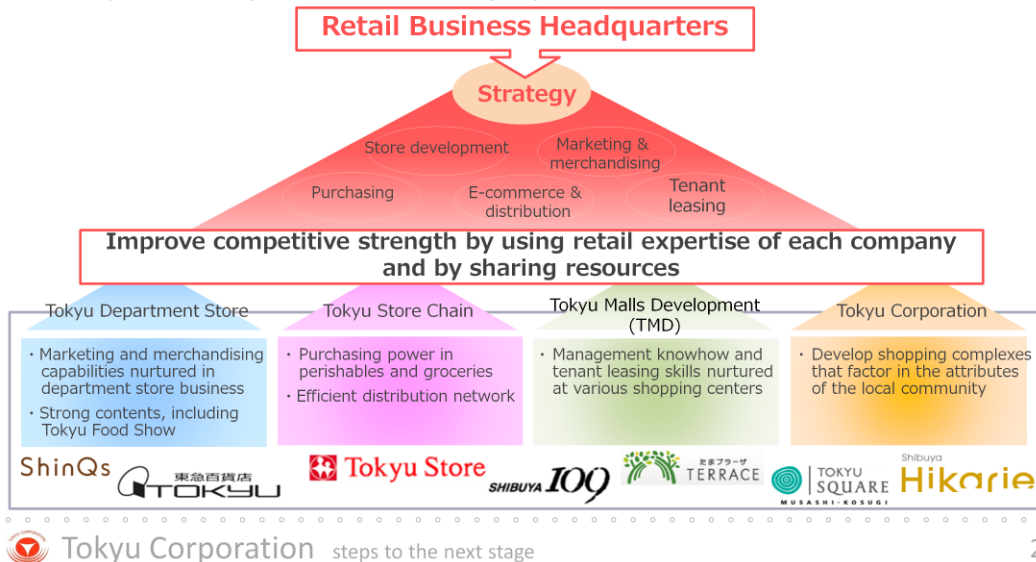
On the other hand, for our employees, we will strive to create an environment where they can be active and shine. Tokyu Corporation has been selected for the third consecutive year as the Nadeshiko Brand as a company that proactively uses female employees. We will continue to promote diversity management, including the promotion of the active role of women and the provision of after-school daycare centers that operate on holidays at the TOKYU Group businesses.

Moreover, to boost employee motivation and job satisfaction, we have established an in-house entrepreneur training system in which employees who propose new businesses are able to advance such businesses on their own.

We will promote work style innovations for both our customers and employees.

**Strengthen structure for promoting retail business**

Aim to establish a retail business division to unify our consolidated retail businesses. By developing powerful headquarter functions we can develop a system that leverages the comprehensive capabilities of the overall group



Strengthen the structure for promoting the retail business

The fourth key initiative is to “Embark on new challenges by leveraging Group management resources.”

First of all, to strengthen the structure to promote the retail business, we will internally establish a new Retail Business Headquarters as a powerful headquarters that overlooks consolidated retail businesses, such as department stores, shops and shopping centers.

Within the retail industry, the competition is escalating and borders among business categories are disappearing. In response, we will improve competitiveness by taking advantage of the strength of Tokyu by using expertise of each company’s and the sharing of resources.

## Main initiatives in retail business

## Tokyu Department Store

- Reform store management system

Build an efficient management system by continuing to revamp purchasing and cost structure, and by reviewing employee job assignments

- Create new growth engines

Expand new business formats, including multi-store development of specialty stores, including Tokyu Food Show Slice, and overseas expansion

- Expand customer contact points

Reach new customer segment using new merchandising editing and through collaborations with new TOKYU point program services



TOKYU  
Food Show Slice

mikke  
By Tokyu Department Store

## Tokyu Store Chain

- Enhance strength of chain stores

Promote management efficiency, including capacity expansion at processing centers, and standardization of operational flow. Improve merchandising strength by boosting price competitiveness, expanding deli functions, improving shopping convenience for perishables, and increasing private brand development

- Implement individual store management

Renovate and increase activity at stores by developing stores that serve diverse consumer needs, which are likely to change due to the aging population and increase in working women

- Expand customer contact points

Expand formats for further growth, in part through collaborations with new TOKYU point program services, expansion of the online supermarket, and the development of new platforms



Private brand development



New platforms; Food Station



## Main Initiatives in the Retail Business

This section will explain the direction of initiatives taken by Tokyu Department Store and Tokyu Store Chain, the Company's mainstay retail businesses.

While the two companies will make efficiency improvements and take measures for growth, they will make the most of the expansion of customer contact points to achieve growth by collaborating with the new TOKYU point program services.

**Tapping into inbound demand**

Drive inbound tourists to facilities along Tokyu lines or domestic group facilities

**Strengthen measures to attract inbound tourists to Shibuya**

- Improve access to Haneda Airport (New airport line and expand bus network)
- Offer regular tours and charter buses

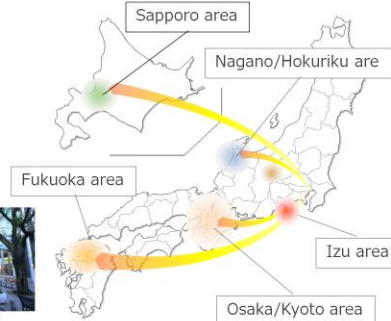


**Attract inbound tourists to domestic group facilities**

- Strengthen tour coordination functions (plan attractive products, develop sales channels)
- Chauffeur customers to hotels and shopping facilities

**Attract inbound tourists to places along Tokyu lines and create a welcoming infrastructure**

- Offer free Wi-Fi
- Expand duty free services
- Strength multilingual support



**Tapping into Inbound Demand**

Targeting inbound tourists that will increase in the future, first we will strengthen measures to attract inbound tourists to Shibuya, and then drive them to the TOKYU area and the Group’s domestic facilities to achieve earnings expansion.

Key Initiative 4

Embark on New Challenges by Leveraging Group Management Resources

Hotel business initiatives

Brand strategy

Realign three brands incorporating customer perspective  
Also renovate existing facilities and improve services to boost brand value



Hotel opening strategy

Promote hotel openings in major cities and tourist spots in anticipation of inbound demand



The Park Front Hotel at USJ

Confirmed hotel opening plans

July 2015 Futako-Tamagawa Excel Hotel Tokyu  
August 2015 The Park Front Hotel at USJ



Futako-Tamagawa Excel Hotel Tokyu

Inbound strategy

Improve brand recognition overseas to secure inbound tourists from the US, Europe, and Asia outside Japan (partner up with overseas hotels, etc.)

Strength of Tokyu hotels

- Offer various services ranging from luxurious to middle class offering
- Develop hotels in major cities throughout Japan

Hotel Business Initiatives

We will promote the Hotel Business through three strategies: the brand strategy, the store opening strategy and the inbound strategy.

Tokyu Hotels were restructured to three brands from the perspective of customers in April 2015. Accordingly, we will renovate the existing facilities and improve services to further enhance the brand value.

Moreover, we will promote the opening of hotels in major cities and tourist spots, and attract not only domestic tourists, but also those from the West and Asia, which will improve the brand recognition overseas.

## Overseas expansion

Utilize knowhow cultivated in businesses in Japan and abroad

**Sriracha, Thailand**

Housing leasing business targeting Japanese in areas where there are clusters of Japanese companies

**Bangkok, Thailand**

Open Bangkok Tokyu Department Store in Paradise Park

**Binh Duong, Vietnam**

Urban development business in Binh Duong New City



China

Hong Kong

Thailand

Vietnam

Australia

**Wuhan, China**

Consulting business through joint venture with New Beacon Group (Tokyu Department Store)

**Hong Kong, China**

Open first overseas SHIBUYA 109 store in the large-scale "Harbour City" shopping complex (scheduled to open in autumn 2015)

**Yanchep, Australia**

Urban development project in outlying suburb of Perth



- Tap into economic growth in Southeast Asia
- Expand business development and opportunities by partnering with local companies



## Overseas Expansion

We will continue to promote overseas businesses by utilizing the knowhow that has been cultivated in businesses in Japan and abroad.

New developments include the housing leasing business targeting Japanese in Thailand, as well as the openings of the No. 2 Bangkok Tokyu Department Store and SHIBUYA 109 in Hong Kong.

To tap into economic growth in Southeast Asia, we will continue to expand business opportunities in the future by promoting operations through partnership with local companies.

These are the details of the four key initiatives.

## V . Projected Figures

I would like to omit explanation about the projected figures as provided below because the details will be duplicated.

I believe that the next three years are an important period when we have to steadily perform our duties in order to significantly expand in the future.

To achieve the idea of “What we want to be” that is set out in the vision and improve the corporate value for the long-term, the management and all employees should be united to steadily promote businesses by firmly promoting the existing businesses, proactively entering new business domains and focusing investments in growth areas.



## Projected Figures

	FY2014 Forecast	FY2015 Plan	YoY Comparison	FY2017 Plan	Comparison with FY2014
Operating Revenue	1,068.8	1,082.0	+ 13.2	1,099.3	+ 30.5
Operating Profit	70.0	65.0	- 5.0	75.0	+ 5.0
Non-operating Revenue	10.0	11.0	+ 1.0	11.6	+ 1.6
Non-operating Expenses	16.5	18.0	+ 1.5	17.3	+ 8.0
Recurring Profit	63.5	58.0	- 5.5	69.3	+ 5.8
Extraordinary Gains	3.9	19.5	+ 15.6	6.1	+ 2.2
Extraordinary Losses	7.0	6.0	- 1.0	4.0	- 3.0
Net Income	38.0	44.0	+ 6.0	49.0	+ 11.0
Return on Equity (ROE)	7.3%	8.1%	+ 0.8P	8.0%	+ 0.7P
TOKYU EBITDA*	158.0	152.0	- 6.0	169.0	+ 11.0
Interest-bearing dept at end of period	926.8	939.9	+ 13.1	985.4	+ 58.6
Interest-bearing Debt / TOKYU EBITDA Multiple	5.9	6.2	+ 0.3P	5.8	- 0.1P

\* TOKYU EBITDA = Operating profit + Depreciation + Amortization of goodwill + Disposal cost of fixed assets  
+ Interest and dividend income + Investment (gain) loss from the equity method



## Projected Figures

	FY2014 Forecast	FY2015 Plan	YoY Comparison	FY2017 Plan	Comparison with FY2014
Total Operating Revenue	1,068.8	1,082.0	+ 13.2	1,099.3	+ 30.5
Total Operating Profit	70.0	65.0	- 5.0	75.0	+ 5.0
Transportation					
Operating Revenue	199.3	200.7	+ 1.4	202.7	+ 3.4
Operating Profit	22.7	23.2	+ 0.5	23.5	+ 0.8
Real Estate					
Operating Revenue	199.1	202.9	+ 3.8	207.7	+ 8.6
Operating Profit	32.6	25.8	- 6.8	30.5	- 2.1
Life Service					
Retail	478.7	478.9	+ 0.2	486.2	+ 7.5
Operating Revenue ICT and Media	162.2	165.6	+ 3.4	171.9	+ 9.7
Total Life Service	640.9	644.5	+ 3.6	658.1	+ 17.2
Retail	3.5	4.0	+ 0.5	6.4	+ 2.9
Operating Profit ICT and Media	8.1	8.8	+ 0.7	10.3	+ 2.2
Total Life Service	11.6	12.8	+ 1.2	16.7	+ 5.1
Hotel and Resort					
Operating Revenue	93.8	99.6	+ 5.8	100.2	+ 6.4
Operating Profit	3.1	3.2	+ 0.1	4.3	+ 1.2
Elimination etc.					
Operating Revenue	- 64.3	- 65.7	- 1.4	- 69.4	- 5.1
Operating Profit	0	0	+ 0	0	+ 0



# Change of Segments

To facilitate comparisons before and after the segment change, expected figures for fiscal 2014 are written for both new and old segments.

## Existing Segments

<b>Transportation</b> Operating Profit <b>24.7</b> Billion yen
<b>Real Estate</b> Operating Profit <b>33.0</b> Billion yen
<b>Life Service</b> Operating Profit <b>6.4</b> Billion yen
<b>Hotel and Resort</b> Operating Profit <b>3.0</b> Billion yen
<b>Business Support</b> Operating Profit <b>2.9</b> Billion yen



## New Segments

<b>Transportation</b> Operating Profit <b>22.7</b> Billion yen				
<b>Real Estate</b> Operating Profit <b>32.6</b> Billion yen				
<b>Life Service</b> Operating Profit <b>11.6</b> Billion yen				
<table border="1"> <tr> <td><b>Retail</b></td> <td>Operating Profit <b>3.5</b> Billion yen</td> </tr> <tr> <td><b>ICT and Media</b></td> <td>Operating Profit <b>8.1</b> Billion yen</td> </tr> </table>	<b>Retail</b>	Operating Profit <b>3.5</b> Billion yen	<b>ICT and Media</b>	Operating Profit <b>8.1</b> Billion yen
<b>Retail</b>	Operating Profit <b>3.5</b> Billion yen			
<b>ICT and Media</b>	Operating Profit <b>8.1</b> Billion yen			
<b>Hotel and Resort</b> Operating Profit <b>3.1</b> Billion yen				
Liquidate the business support segment				

\*1: We plan to establish the **retail business** and **ICT & media business** subsegments and position them under the **life service business** segment. We will then transfer the shopping center business to the **retail business** and the advertising business and Tokyu Agency, Inc. to the **ICT & media business**.

\*2: We are set to transfer Tokyu Agency, Inc. and major group companies engaging in railway construction and other operations to their respective service support business segments. In line with this, we plan to **liquidate the business support business segment**.

