

# Results in the First Half of FY2018 Presentation for Investments

November 12, 2018

FUTAKO  
TAMAGAWA

Tokyu Corporation

(9005)

<https://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.

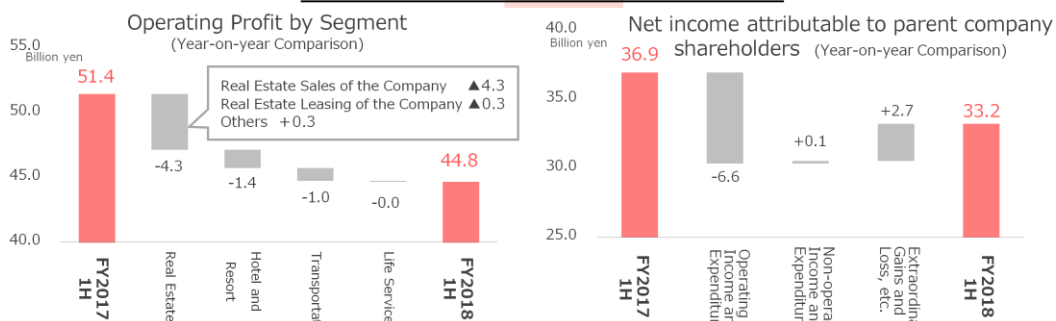


# I . Executive Summary

## Main Points in the Results for 1H FY2018

**[Year-on-year comparison]** Operating profit declined mainly due to temporary factors such as the absence of the posting of sales of highly profitable properties in real estate sales business in the previous fiscal year and expenses for the opening of Shibuya Stream in the real estate leasing business, as well as partial store renovations in the Tokyu Hotels, the impacts of natural disasters and a decrease in revenue from passengers without a commuter pass for climate reasons in the railway business.

(Unit:Billion yen)	1H Results	YoY Comparison
Operating Revenue	572.0	+ 6.7 (+ 1.2%)
Operating Profit	44.8	- 6.6 (- 12.9%)
Recurring Profit	45.1	- 6.4 (- 12.5%)
Profit attributable to owners of parent	33.2	- 3.6 (- 10.0%)



### <Main Points in the Results for 1H FY2018>

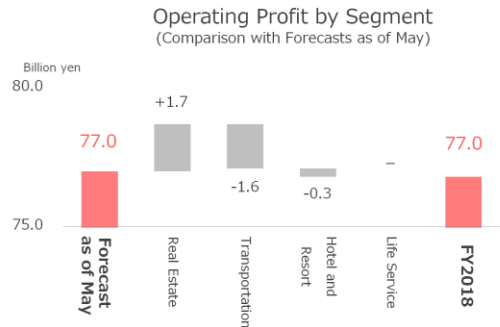
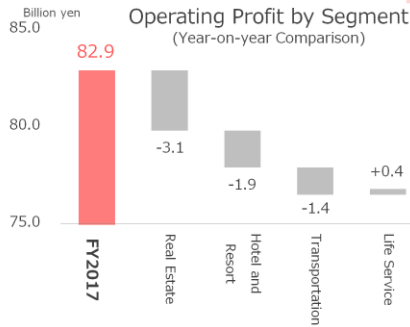
- Operating revenue increased 6.7 billion yen, to 572.0 billion yen, mainly reflecting a rise in revenue in real estate leasing operations.
- Operating profit decreased 6.6 billion yen, to 44.8 billion yen, primarily due to the absence of the posting of sales of highly profitable real estate in the previous year.
- Profit attributable owners of parent stood at 33.2 billion yen, a decline of 3.6 billion yen, despite the posting of gains on the sale of stock.

## Main Points in Forecasts for FY2018

**[Year-on-year comparison]** Operating profit declined due mainly to the absence of sales from the posting of highly profitable properties in real estate sales business in the previous fiscal year.

**[Comparison to May]** The operating profit of 77.0 billion yen remains unchanged despite a decline in profit in the Transportation and Hotel segments reflecting the effects of weather conditions and natural disasters in the first half, which was offset by an increase in profit in the Real Estate segment mainly due to a decrease in opening expenses for the opening of Shibuya Stream.

(Unit: Billion yen)	Full Year Forecast	YoY Comparison	Comparison with Forecasts as of May
Operating Revenue	1,160.0	+ 21.3 (+ 1.9%)	+ 7.7 (+ 0.7%)
Operating Profit	77.0	- 5.9 (- 7.1%)	- (-)
Recurring Profit	75.5	- 8.2 (- 9.8%)	- (-)
Profit attributable to owners of parent	51.0	- 19.0 (- 27.2%)	- (-)



### <Main Points in the Forecasts for FY2018>

○ The forecast of operating revenue has been revised in consideration of the results in the first half. On the profit level, however, profit attributable to owners of parent and net profit, which stand at 77.0 billion yen and 51.0 billion yen, respectively, remain unchanged from the initial forecasts.

○ The forecast of operating profit by segment for the first half has been revised due to a range of extraordinary factors.

## Main Points in Forecast for FY2018

- Operating profit by segment (comparison to forecast as of May) -

(Unit: Billion yen)	FY2018 Forecast	Forecast as of May.	Change	Remarks
Total Operating Profit	77.0	77.0	-	
Transportation	27.6	29.2	- 1.6	Railway business: Decline in revenues from passengers without commuter passes for climate reasons in the first half, increase in power costs, etc.
Real Estate	29.2	27.5	+ 1.7	Real estate leasing business: Decline in expenses for the opening of SHIBUYA STREAM, etc.
Total Life Service	16.4	16.4	-	
Retail	6.2	6.2	-	
ICT and Media	10.2	10.2	-	
Hotel and Resort	3.2	3.5	- 0.3	Impacts of natural disasters (Osaka earthquake and Hokkaido Eastern Iburi earthquake), etc.
Elimination	0.6	0.4	+ 0.2	



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### <Main Points in Revisions to the Forecasts for FY2018>

○ In the Transportation business, operating profit is expected to decrease 1.6 billion yen, reflecting the lower-than-expected revenue from passengers without commuter passes due to the impact of poor weather conditions in the first half, as well as an increase in power costs due to the high price of crude oil, among other factors. Even so, transportation revenue for the second half is expected to be in line with the initial forecast.

○ In the Real Estate business, operating profit in leasing operations is forecast to increase by 1.7 billion yen in total, reflecting lower-than-expected expenses for the opening of Shibuya Stream and additional profits in sales operations, as well as the generally solid performance of leasing operations.

○ In the Hotel and Resort business, operating profit is expected to decline 0.3 billion yen in consideration of the impact of heavy rain in the western part of Japan and earthquakes in Osaka and Hokkaido in the first half.

For the above reasons, operating profit is expected to be in line with the initial forecast on a consolidated basis as a whole.

## II . Conditions in Each Business

# Railway Operations Business

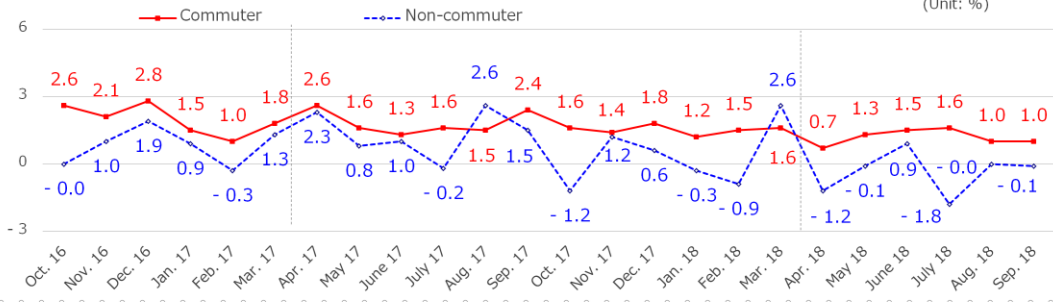
## Passengers Carried and Passenger Revenue

(Thousand people, Million yen)

		FY2018 1H Results	FY2017 1H Results	Change	FY2018 Forecast	FY2017 Results	Change
Number of Passengers Carried	Total	599,979	596,619	+ 0.6%	1,191,203	1,178,659	+ 1.1%
	Non-commuter	233,734	234,659	- 0.4%	470,822	468,163	+ 0.6%
	Commuter	366,245	361,960	+ 1.2%	720,381	710,496	+ 1.4%
Passenger Revenue	Total	70,837	70,705	+ 0.2%	141,511	140,239	+ 0.9%
	Non-commuter	38,148	38,370	- 0.6%	76,784	76,383	+ 0.5%
	Commuter	32,689	32,335	+ 1.1%	64,727	63,856	+ 1.4%

## Passengers Carried (Year-on-year Comparison)

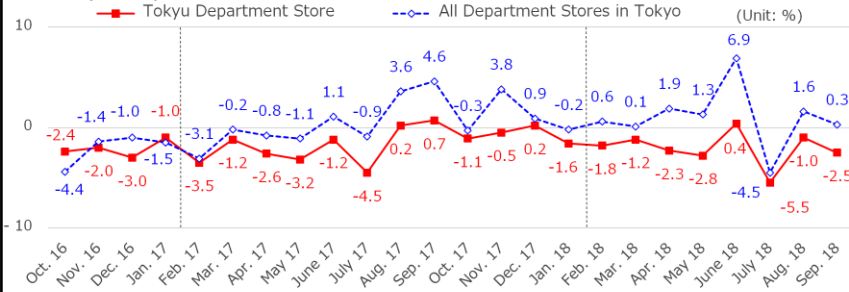
(Unit: %)





# Retail Business

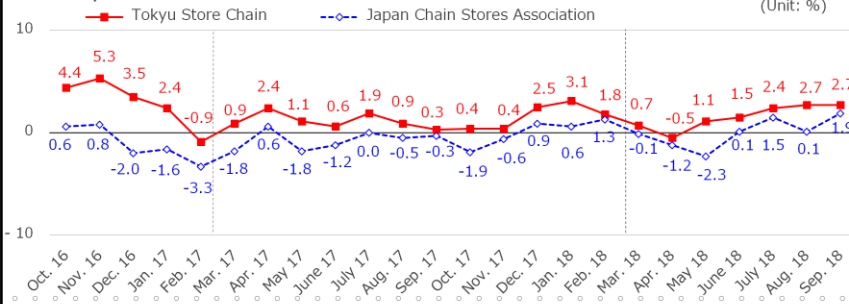
Tokyu Department Store: Sales (Year-on-year Comparison)



Sales by category

	2019/1 1H	
	Rate of YoY change	Share
Menswear/furnishings	-6.9	3.5%
Womenswear/furnishings	-6.9	16.3%
Other clothing items	-11.6	4.2%
Personal items	-0.7	9.3%
Miscellaneous goods	0.7	17.1%
Household articles	-15.3	2.9%
Food	1.2	44.9%
Others	-14.2	1.8%
Total	-2.2	100.0%

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

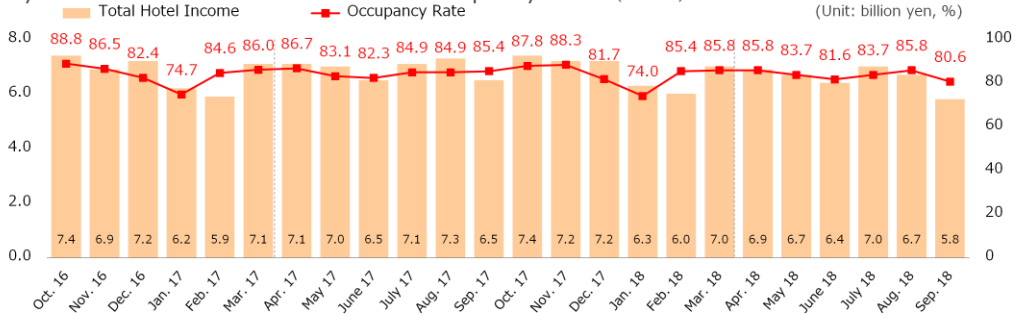


Sales by category

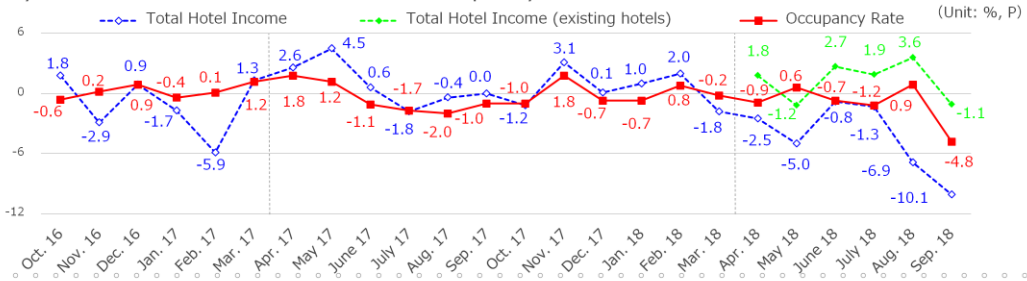
	2019/2 1H	
	Rate of YoY change	Share
Food	1.7	87.9%
Clothing	-1.4	1.7%
Livingware	1.2	4.9%
Others	-2.7	5.5%
Total	1.3	100.0%

# Hotel Business

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



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



# Inbound business updates

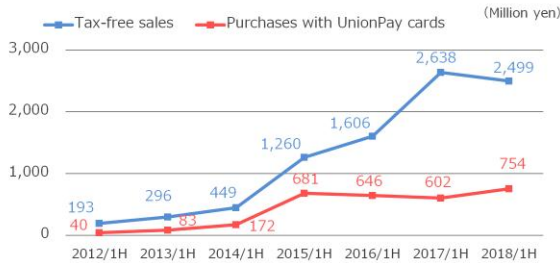


the Duty Free Sales Counter in the Tokyu Toyoko Store, West Bldg., 5F



Tourist information center at Shibuya Station on the Tokyu and Tokyo Metro lines

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



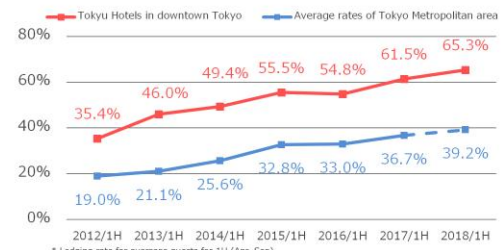
\* Total sales of the Tokyu Toyoko Store, Head Store, and ShinQs.

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



\* Tokyu Hotels here indicates the total of the all hotels in Japan.  
\* The foreign visitors arrivals are based on the statistical data by Japan National Tourism Organization (JNTO).

## <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 2018/1H is for the Apr-Jun period.  
\* Tokyu Hotels here indicates the total of the three hotels in Shibuya and the Capitol Hotel Tokyu.  
\* 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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Memo

### III. Progress in Management Plan and Recent Initiatives

## Basic Policies and Key Initiatives

### “Make the Sustainable Growth”

#### Basic Policies

- Sustainable “urban development”
- Sustainable “corporate development”
- Sustainable “HR development”

#### Key Initiatives

- (i) **Tirelessly pursue “safety,” “security” and “comfort.”** (Strengthen core railway business.)
- (ii) **Increase SHIBUYA’s global appeal.** (Realize “Entertainment City SHIBUYA.”)
- (iii) **Continuously improve the TOKYU area’s value and life value.** (Demonstrate Group’s all-round strength.)
- (iv) **Expand business through strategic alliances.** (Pursue collaborative creation with partners both inside and outside the Group.)
- (v) **Make progress on workstyle innovation.** (Deploy TOKYU workstyle reforms.)



# Tireless Pursuit of Safety, Security and Comfort

## Introduction of new train models/ Strengthening of transportation capacity

[Den-en-toshi Line]



- Introduced the new 2020 series model.
- Will replace the old model by fiscal 2022.
- Increased the number of express trains for services before the start of the morning rush hour.

[Oimachi Line]



- Introduced the 6020 series model.
- Made all express train services available with seven-car trains (seven-car instead of six-car trains).
- Increased the number of express trains for services in the morning and evening as well as at night.

## Provision of commuting comfort

Commencement of the fee-incurring seat reservation service on the Oimachi Line trains.

- Service to commence on December 14, 2018 (planned)
- Available for the service from Oimachi to Nagatsuda
- Available on five train services per day
- Fee: 400 yen



## Actions to pursue safe/stable transportation

- Commenced the operation of a support system for fall detection using security cameras installed in stations.

Automatically detects persons and other objects who have fallen or may fall from the platform.

Fall detected -> Notification



- Began testing a railway maintenance system utilizing geographical information and the point cloud technology, a first for Japan.

- Commenced a demonstration test from September 2018 on all lines of Izukyu Corporation.
- Improve accuracy and efficiency in maintenance through collaborative functions between trains equipped with laser scanners and cameras, and geographical information.



Work to prevent accidents and eliminate delays and congestion by enhancing the security level of railway services through advanced technologies, thereby maintaining safe, stable transportation.



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## <Tireless pursuit of safety, security and comfort>

○ We have been pursuing safety, security and comfort in the Railway business in accordance with the three-year medium-term management plan. As already announced, we introduced new train cars for the Den-en-toshi and Oimachi Lines and succeeded in enhancing transportation capacity due to a rise in the number of passengers per train car. We are also contributing to safe transportation through facilities equipped with advanced capabilities such as the preventive detection of train car failures through the data communication to/from the ground.

○ To further improve comfort, starting from December we will launch Q SEAT, the Company's first fee-incurring seat reservation service, for trains that leave Oimachi for Nagatsuda on weekday nights. We will continue to determine customer needs and enhance the appeal of the Tokyu lines through continuous efforts to improve services such as an increase in the number of trains running.

○ In addition, as presented here, to maintain safe, stable transportation, we will continue to work to prevent accidents by utilizing advanced technologies such as a system for fall detection and by strengthening efforts for facility inspections, thereby offering safe, stress-free railway services.

# Opening of Shibuya Stream

## (Shibuya Station South Block Project)

- Created to function as a mecca for creative workers.
- Opened on September 13, 2018.



Offices (14-35F)	Google LLC moved into all blocks. (One of the largest leasable areas in the Shibuya area)
Hotel (9-13F)	Shibuya Stream Excel Hotel Tokyu (Operator: Tokyu Hotels)
Facilities for incubation office, creation and communication (4F)	Facilities that support "creativity" are installed, such as an incubation office, cycle café and multi-purpose spaces.
Commercial facilities (1-3F)	30 stores opened in a space of approximately 3,000 m <sup>2</sup> , including: <ul style="list-style-type: none"> <li>• 1 store that commences operation in Japan for the first time</li> <li>• 13 stores featuring a new type of business</li> <li>• 7 stores that open in the Shibuya area for the first time</li> </ul>
Hall (Annex)	Accommodates approximately 700 people standing. Live events, mainly concerts, will take place.
Urban Core	A wellhole-style path is installed that leads to Shibuya Station from floors above or below ground.



Made Shibuya Station and Shibuya Stream directly connected and integrated by installing a pedestrian deck crossing National Route 246.



A new Tokyu Store featuring a new type of business was also opened.



Hall

### <Opening of Shibuya Stream>

○ Shibuya Stream opened in the area to the south of Shibuya Station on September 13 this year. The building is equipped with offices that will be occupied by Google Japan, as well as an incubation office and hall that enable creative workers to get together and develop human interactions

○ In addition, it has a through passage on the second floor that takes pedestrians from Shibuya Station directly to the Daikanyama area, as well as a place for recreation and relaxation that consists of a trail and square alongside Shibuya River. These features create a structure that is open to other parts of the town, and offer accessibility to the surrounding environment.



## Opening of Shibuya Bridge (Shibuya Daikanyama R Project)

- Created in a location halfway between Shibuya St. and Daikanyama St., the former railway site of the Toyoko Line.
- Contributes to Shibuya, the best place to visit in Japan, by improving accessibility in the wider Shibuya area in addition to a pedestrian trail along the Shibuya River.



### ■ Business concept

#### Reclamation and redevelopment of the former railway site to connect different cultures and multiple generations

Creation of a place that attracts a variety of people with a high level of sensitivity by establishing complex facilities whose appeal is not found in station-front areas.



### <Opening of Shibuya Bridge>

- Shibuya Bridge, another facility created by utilizing the former the site of the Toyoko Line in addition to Shibuya Stream, also opened.
- The facility, while responding to community needs such as hotels, cafes and daycare centers, plays the role of a bridge between Shibuya and Daikanyama with a free passage connected from the Shibuyagawa trail.

# Shibuya's Advantages – Sustainable Urban Development –

Best location in Shibuya for creative / IT industries and shared office spaces

Drives the creation of innovations by way of human communication

- **Shibuya Stream**  
(Opened) September 2018  
- Google
- **Shibuya Scramble Square**  
Planned for fiscal 2019 and 2027  
- Mixi  
- Cyber Agent

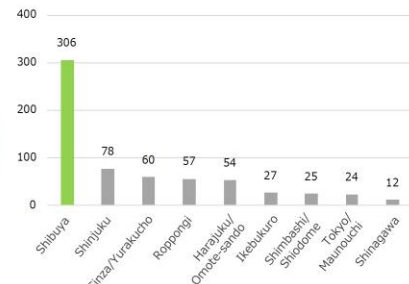
- **Shibuya Cast**  
April 2017  
- Baycrew's
- **Shibuya Hikarie** April 2012  
- DeNA - Adastria
- **Cerulean Tower**  
March 2001 - GMO



Creative Space 8/ (Hikarie)



Number of IT companies established in nine city areas after 2000



(Source) Report on a fact-finding survey of IT companies in Shibuya (December 2013) by Tokyu Research Institute, Inc. Data supplied by Japan Venture Research Co., Ltd.

## <Shibuya's advantages>

○ We are moving forward with a large-scale development that can be described as a once-in-a-century project. The project is based on the concept of not only constructing office buildings but also creating a stage for launching new creative projects that express the characteristics of Shibuya with respect to business and culture.

○ As presented here, even at offices operated by our company alone, companies in a wide range of creative industries and IT fields have occupied the space, where companies have gravitated to each other.

○ With interest in the rebuilding of the Shibuya Bit Valley rising among tenants recently, we will step up efforts to realize “Entertainment City SHIBUYA,” a city that creates constant movements through increasingly organic interactions among people.



<Accessibility in Shibuya>

○ The map covers areas extending vertically to the north and south where Omotesando/Harajuku and Daikanyama/Ebisu are located, respectively. In the same way as efforts to revitalize Shibuya River and build a walkway, Stream and Bridge, which were presented earlier, are expected to create a new human flow of people in the area to the south of Shibuya Station where the elevated railway bridge of the Toyoko Line and other facilities were installed previously.

○ Shibuya Scramble Square is expected to commence operation directly above Shibuya Station, which is shown in the center of the map. Equipped with an observation deck located 230 meters above the ground as well as offices and commercial facilities, the Square is expected to become a symbol tower that creates a new human flow of people.

○ As these efforts show, we will create “Greater Shibuya” or a wider Shibuya area with the appeal of an all-in-one block that fulfills the needs for work, life and play in a comprehensive manner, supported by distinctive blocks in the surrounding areas.

# Tama Den-en-toshi - Sustainable Urban Development -

Promote urban development through urban remodeling efforts with a focus on work styles that are not found in city centers, thereby aiming for the continuous inflow and settlement of young families.



## <Remodeling of Tama Den-en-toshi>

○ On this and the following pages, we will provide you with an update on two business-related projects that are being conducted mainly in the Tokyu Tama Den-en-toshi area.

○ One is the promotion of suburban remodeling.

We have been promoting the remodeling of Tama De-en-toshi in collaboration with government offices and communities. In recent years, through the redevelopment of Futako-tamagawa, we have succeeded in developing the area into a popular town for working that exists in harmony with the surrounding nature.

○ This year, as part of the next-generation suburban development that has been promoted jointly with Yokohama City, we opened a community facility in Tama Plaza so that people of multiple generations can visit it to fulfill their different needs such as shopping, medical care and childcare. In Fujigaoka, we concluded the Fujigaoka Urban Development agreement with a view to creating an area that functions as a medical and health promotion facility equipped with a station, hospital and park.

○ In addition, as already announced, next year we will open Grandberry Park, an amusement park featuring the fusion of a park and large-scale commercial facilities, in Minamimachida.

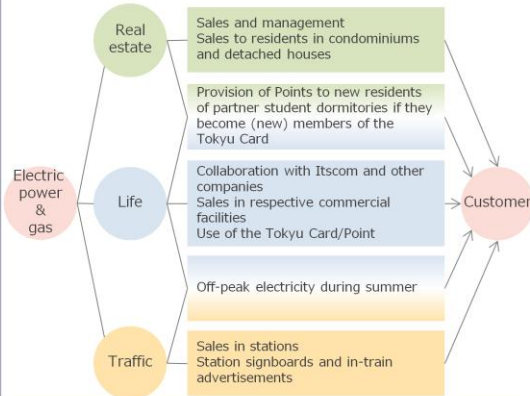
○ Going forward, we will continue to make the areas served by the Tokyu railway lines the most popular area in Japan to live, through remodeling that leverages the distinctiveness of each area and station.

# Expansion into the Gas Retail Business After Electric Power

Create added value by comprehensively leveraging multiple customer contact points and a range of networks.

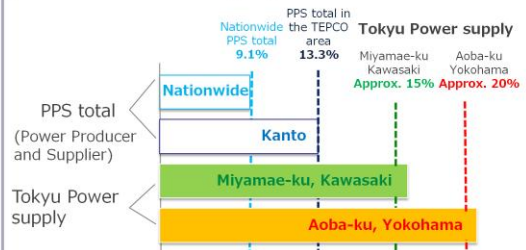
## Utilization of the Group's sales channels

- Sales collaboration with approximately 50 companies including the Tokyu Group companies and cable operators.
- Seek to acquire 300,000 households as subscribers to electric power and gas services, respectively.  
(As of Sep. 30, 2018: Approx. 160,000 HH for electric power and 30,000 HH for gas)



## Expansion of sales collaboration and steady penetration of services in respective areas

- Increase the number of target subscribers from 1.5 million households in the core area in the Tokyu Line area to 2.4 million households including surrounding areas through collaboration with cable operators.



Source: Based on the Company's conversion figures based on switching conditions and disclosed data in the low-voltage area in May 2018.

## <Expansion into the gas retail business>

○ We have announced the other initiative for the Tokyu line area, which is expansion into the gas retail business in addition to electricity.

○ By making electricity and gas a package, we will provide a reasonable service to build a better infrastructure for daily life. In addition, we consider that the service will increase the contact points with customers living in the Tokyu line area thanks to mutual collaborations with the Railway, Real Estate and Life Service businesses as well as credit card-based payments.

○ Approximately 20% of people living in Aoba-ku, Yokohama City have already subscribed to electric power services provided by Tokyu Power Supply. Looking ahead, we will step up our efforts to provide convenient and smart life services by establishing a tie-up with cable companies operating in the Tokyu area and/or surrounding areas.

# New Openings and Renewals of the Tokyu Hotels

Facilitate new openings and the renewal of existing hotels and strengthen competitiveness with an eye on the increasing number of visitors from overseas to Japan and the Olympics in 2020.

## Shibuya Stream/Excel Hotel Tokyu

- Opened on September 13, 2018.
- Spaces for interaction with a range of activities are provided on the fourth floor, featuring the integration of the front desk with the lobby, bar and dining facilities.
- Efficient management is implemented through a range of initiatives such as the introduction of Relay, a service robot, and the integration of reservation counters with other Tokyu Hotels in Shibuya.
- Number of guest rooms: 177



Robot that walks around automatically to provide services

## Renewal of Nagoya Tokyu Hotel

- Opened on October 1, 2018 after renovations.
- The front desk, lobby, guest rooms, and restaurants, among other facilities, were renovated to maintain the concept of European elegance and recover the brilliance enjoyed by the hotel at the time of its opening.
- Number of guest rooms: 564
- Opening: August 1987



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## <New openings and renewals of hotels>

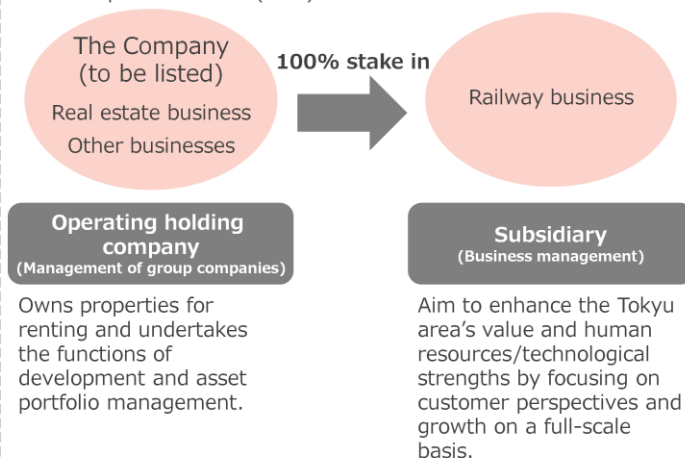
- Excel Hotel Tokyu recently opened in Shibuya Stream as well. With the opening of this hotel, we became an operator of four hotels in the areas surrounding Shibuya Station.
- We will move forward with efforts for efficiency improvements such as the integration of reservation functions. On top of this, we will drive streamlining efforts, thereby providing different types of competitive brand hotels.
- We are actively pushing forward with projects to open three new hotels and renovate existing hotels during this fiscal year. With an eye on the Rugby World Cup in 2019 and the Olympics and Paralympics in 2020, we are looking forward to accommodating many customers from various parts of Japan and abroad, thereby aiming to further enhance the value of our hotel brand.

## Initiatives to Spin off the Railway Business

- Aiming for sustainable growth -

**Aim to enhance management and execution performance while at the same time continuing with alliances between businesses that have been nurtured so far.**

■ After September 2019 (Plan)



\*To be implemented subject to the approval of the Company's ordinary general meeting of shareholders and permits by competent governing authorities.

October 1, 2018

### The Sustainable Strategy Promotion Committee was established.

The committee facilitates initiatives to spin off the railway business and efforts to examine businesses other than the railway business with a view to establishing an optimal management structure.



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### <Initiatives to spin off the railway business>

○ So far, the Company has been conducting the railway and real estate businesses directly and other businesses through subsidiaries such as Tokyu Department Store Co., Ltd., Tokyu Store Chain Co., Ltd. and Tokyu Hotels Co., Ltd., in principle. Even so, we are expected to further enhance the management of group companies to move forward with initiatives for the Company's sustainable growth. To meet these expectations, it is important to respond to diversifying customer needs and changes in the business environments surrounding the respective businesses with a keener sense of urgency.

○ Given this background, while we will definitely continue to operate the railway business as the Group's core business, we have decided that spinning off the business is essential for working on everything from a customer perspective and strengthening human resources and technological advantages, thereby achieving sustainable growth.

○ Even after the spin-off, the railway business company will continue to operate on a consolidated basis as a wholly owned subsidiary, while the Company will hold properties including those for leasing and perform the function of a developer and asset portfolio manager. In addition, with the sustainable strategy promotion committee that kicked off in October, we are considering the establishment of the optimal management system for all businesses, including those other than the railway business, from a medium- to long-term perspective.