Three-year Medium-term Management Plan Investor Briefing: Main Questions and Answers

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TOKYU CORPORATION

Please note in advance that this is not a transcription of the entire Q&A session, but a brief summary prepared by the Company.

Q1. You are planning sales of assets worth 70 billion yen over three years. Please give a specific idea of the properties you will target for sale, and any criteria, etc. for selecting properties to be sold.
Additionally, while it may also depend on market conditions, is there a likelihood that the size of the sales will fluctuate?

A1. We have a specific idea of the properties to be sold, but as replacements could be made depending on future market conditions and profit levels, it is possible that the general size of the 70 billion yen in asset sales could fluctuate. Regarding selection criteria for the properties to be sold, we have been considering properties by taking into account various perspectives including the real estate market condition, area, extent of unrealized gains, etc. It's difficult to set a one-size-fits-all standard, but decisions are made from the perspective of enhancing the asset portfolio overall.
As we have long stated, rather than purely seeking gains on sale, we want to generate good funding for the development of Shibuya and areas served by Tokyu lines based on the cyclical reinvestment approach. By attracting investors who support our urban and community development approach and making cyclical and cumulative investments together in Shibuya and each of the hubs along Tokyu lines, we hope to enhance our competitiveness in the Shibuya and other Tokyu line areas at an accelerating rate. Note that for core properties in the Shibuya area and areas served by Tokyu lines, we intend to maintain management of the overall properties and also envision revenue contributions through a fee business, so we are not considering selling the properties in their entirety.

Q2. We would like to know about the setting of the 8% ROE in the final year of the plan. How do you intend to improve ROE considering that your core businesses are the Transportation Business and Real Estate Business, two businesses generally regarded as challenging in terms of improving ROE? Are there any businesses that can contribute to efficiency, such as by strengthening asset-light businesses?

A2. First of all, we believe that the real estate business as a whole does not necessarily have low yields. The running ROA of the lease business appears low, but by taking part in good projects and generating development profits, it is possible to secure a return including profits when exiting portions of the business. We want to ensure total return combined with the sales business. By promoting the cyclical reinvestment model through investment in an area in a cyclical and cumulative manner, the value of the area increases and the cap rate lowers. Through these initiatives, we will increase capital gains and improve total return.
Meanwhile, from the perspective of improving yields in running operations, we would like to increase returns in combination with other segments. For example, Tokyu Store Chain, hotels, and other businesses contribute real estate rents to the Company and also record profits from their own businesses, contributing to higher yields.
In addition, we aim to improve overall consolidated ROA by combining fee businesses (real estate management and hotel management contracting), which involve minimal invested capital.
The term “asset-light” is mentioned, but our policy is not to use it. Efforts to shift from

an asset-heavy status to asset-light were already completed in the 2000s. Going forward we will strengthen fee businesses and others that we can propose from our position as an asset owner, for example hotel management contracts, which we can offer because we understand the position of real estate owners.

Q3. In real estate development, you mentioned the possibility of adjusting course under conditions of rising interest rates or construction costs. Specifically what methods of course correction do you envisage?

A3. For redevelopment projects, we believe that even if construction is started, there is a possibility that it will be delayed from our projected construction period or the timing of completion may be pushed back due to a labor shortage on the general contractor side. In addition in large-scale redevelopment projects, it is also necessary to consult with parties outside the Company, and it is possible that a consensus cannot be reached due to factors such as soaring construction costs.
There may be redevelopment projects which involve methods to seek new partners, and some may be shared out during the construction phase, while others may be shared out after construction is completed. We will determine the best method for each project.
Due to rising construction costs, schedules for the development plans of other companies will also be delayed beyond market expectations. If the external environment remains constant and no new properties come on the market, occupancy rates for existing properties may decrease and rents may increase. That is why we make solid investments in existing properties and support profits with those properties.

**Q4. Regarding shareholder returns, a payout ratio of 30% is set as a medium-to-long-term goal, but the payout ratio is currently in the low 20% range. Roughly what timing are you looking at to achieve this goal?
Additionally, there have been more detailed references to the acquisition of treasury stock than in the past. Which do you think is effective for corporate value, dividends or the acquisition of treasury stock? Also, is it correct to assume that the acquisition of treasury stock is separate from the 40 billion yen in shareholder dividends?**

A4. Our medium-to-long-term goal for shareholder returns has long been stated as a 30% payout ratio and this policy remains unchanged. And regarding the acquisition of treasury stock, we will flexibly implement it and further improve EPS and dividends per share in light of our goal of achieving net income of 70 billion yen in 2026. The acquisition of treasury stock is separate from the 40 billion yen in dividends. We would like you to stay tuned in the future as more precise decisions will be made while looking at market conditions going forward. In terms of methods for shareholder return, as to which is better, dividends or treasury stock acquisition, varies depending on various conditions including the level of share prices. As treasury stock is one of the possible investment targets, appropriate decisions will be made based on circumstances.

**Q5. The share price after the announcement of the plan fluctuated a lot for a private railway company, suggesting that the details of your plan differed from market expectations.
Is there anything you want to emphasize to the market?**

A5. Regarding the share price today (March 26), we would like to apologize for any concern this has caused since it is right after the announcement of the plan. We believe the decline was a temporary adjustment to the share price which had been going up, in part due to the recent rise in expectations.

As for what we would like to emphasize to the market, we have been strongly emphasizing the importance of yield and efficiency since I took on this post, and it is reflected in the metrics in our plan. We have provided even more detailed information in the numerical information listed on page 24 and onward. This information has been prepared based on our intention as well as to enhance the transparency of our disclosure, so we encourage everyone to check these details. Lastly, as we have entered an era of rising interest rates and increasing prices, we hope to enhance corporate value by providing customers with value-added services and working to pass on costs through prices.

Q6. Please tell us again about the relationship with your publicly listed affiliates. Are there any changes to your relationship with Tokyu Fudosan Holdings? In addition, Tokyu Construction Co., Ltd. is a contractor with a high ROIC. Do you have the option of increasing your equity stake to increase its equity method contributions?

A6. Tokyu Land Corporation is an important business partner, including for the joint development of the Shibuya area, but we believe its business model is different from our TOD model.
Our business involves long-term urban and community development mainly in areas served by Tokyu lines to create added value for the areas. In addition, we have our own hotels, supermarkets, and other functions necessary for urban development, which is a different strength from that of Tokyu Land Corporation, and we hope to develop our businesses by leveraging one another's strengths. For equity method companies including Tokyu Construction Co., Ltd., at this point we have no plans to increase our equity stakes.

Q7. What assumptions did you use when planning the three-year management indices? What assumptions did you make in terms of revenues in the real estate business and other businesses, cost factors, and so on?

A7. In FY2024, the profit in real estate sales will show a year-on-year decline in part as a rebound from the large number of domestic home sales in FY2023. The real estate sales market environment stays favorable, but it is highly volatile. On page 24, we broke down operating profit to real estate sales and others, in order to show that profit other than real estate sales grows steadily.
On the cost front, we expect personnel expenses to rise around 5% on a consolidated basis, partly as a result of spring labor negotiations. We expect electricity costs remain largely on par with FY2023 levels and project increased construction costs and other costs of around 30%, but these figures have been incorporated under capital expenditure.

Q8. In FY2026 you project that recurring profit will increase by 10 billion yen and net income will increase by 12 billion yen compared with FY2025 levels. Are there any special factors such as asset sales to commit to the ROE of 8.0%?

A8. We have incorporated the sale of fixed assets to some degree over the three years, but we have not incorporated any large gains on sale such as the sale of the Tokyu Yotsuya Building in FY2021. We believe that we can achieve an ROE of 8% through steady improvements in operating profits in businesses other than real estate sales as stated on page 24, and this is a result of each business and company steadily accumulating profits.

Q9. For the hotel business, what potential is there for growth in ADR and occupancy rates?

A9. Regarding occupancy rates, we are currently limited to the high 70% range in part due to personnel shortages, and we hope to increase this metric. We are seeing the effects of personnel shortages on both guest room operation and foods and drinks division, but our plan incorporates strengthened recruitment measures and we will continue to devise ways to address this issue.

In terms of improving ADR, investment in our existing businesses will become important. In addition to capital expenditures involving general contractors for store renovations and other activities, we will also conduct repair work as appropriate, leading to higher customer evaluation. In addition to investment, we will ensure thorough revenue management and raise the ADR in each area by implementation of the ultimate dynamic pricing to present optimum prices based on past data and the status of nearby hotels. The number of repeat guests will not increase unless service keeps up with prices, so we are committed to providing high-quality services so that guests, including inbound guests, will visit hotels by Tokyu several times.

The Hakuba Tokyu Hotel is an example of renovations we would like to highlight. There were guest rooms facing the parking lot which made operations difficult. We remodeled two of these rooms into a single large guest room 68 square meters in size, and also renovated the interior in the style of a mountain cabin. As a result, we were able to capture demand from inbound guests, particularly from Asia, and managed to secure a high ADR that was more than double the unit price of the original single room. We aim to continue making these proactive investments reflecting the changes in the market.

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