CFO's Small Meeting - Main Questions and Answers

June 11, 2026
TOKYU CORPORATION

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

Meeting Summary
Date: June 11, 2026
Attendees:
Hirohisa Fujihara, Director and Senior Managing Executive Officer
Masahiro Umehara, Senior Executive Officer
Kyosuke Toda, Executive Officer and Manager of Finance & Accounting Strategy Headquarters
Hiroaki Nishimura, General Manager of Accounting Group of Finance & Accounting Strategy Division
Yuki Osawa, Senior Manager of Accounting Group of Finance & Accounting Strategy Division

Main questions and answers

Q1. There have been various changes in the external environment and your management strategy since the announcement of the current Long-term Management Initiative, making your long-term vision unclear. This seems to be weighing on the stock price. The rising cost of equity and the lack of catalysts until the opening of the Shibuya redevelopment projects are causing a discount on the stock. Do you plan to present your long-term vision in the near future?

A1. As FY2026 is the final year of our current Medium-term Management Plan, we must formulate the next management plan, spanning 7–10 years, in order to present our post-Shibuya redevelopment vision. There are investors seeking short-term (2–3 years) quantitative targets in addition to long-term directions, thus we are currently holding internal discussions in light of various feedback. We will present our policy by the end of this fiscal year at the latest.

**Q2. What will be the new growth drivers under your next management plan? As you have increased investments in inventory, will real estate sales be a driver?
You have also implied fare revisions, strategic M&A, and other activities. Please describe the future growth drivers.**

A2. One of the growth drivers will be the real estate leasing business, where we promote the redevelopment of the area around Shibuya Station. Upon the completion of the three major projects, the Shibuya Upper West Project (opening scheduled in FY2029), the Central and West Towers of Shibuya Scramble Square Project (opening scheduled in FY2031), and the Miyamasuzaka District Type 1 Urban Redevelopment Project (opening scheduled in FY2031), the rent revenue from large-scale properties around Shibuya Station will increase from the current level of around ¥45 billion to ¥90-95 billion. Further, revenue from other businesses (e.g. railways, commercial facilities) is also expected to increase as workers and visitors increase. Regarding railway fares, we are not positioned to apply for another fare revision right now. Considering inflation and other factors, if we need it for the sustainable growth of our business, including ensuring safety, increasing convenience, we will consider revising fares again at the appropriate time. In the meantime, we expect contribution from the upward rent revision in real estate leasing in Shibuya and the other Tokyu line areas as well as the inflation-sensitive Life Service Business (in particular, the retail business including Tokyu Store and other commercial facilities) and Hotel Business. The steady profit growth will be made by appropriate price pass-through and a rise in the hotel ADR.

Q3. What would be the ROE level in the future? It had trended upward until 2025, when it reached 10%, but it is expected to decline year on year in FY2026 and FY2027. What are factors causing this? When will ROE increase?

A3. Currently, we are in a phase in which we are accumulating assets, and our ROA is not increasing significantly due to large upfront capital expenditures, including those for the redevelopment of the area around Shibuya Station. This is a major factor in the ROE decline. In addition, shareholders' equity is increasing due to our strong performance, which makes it difficult to increase ROE dramatically. We have received critical comments about the projected decline in ROE, and aim to maintain and improve our ROE, even with low yields. ROE is expected to turn upward when the redevelopment projects in Shibuya become fully profitable. We would like to consider the appropriate level of ROE while monitoring the progress of the Shibuya projects and the growth of other businesses. In the meantime, as management, we would like to increase balance sheet efficiency, including unwinding cross-shareholdings and liquidating some real estate, taking the greatest possible care to prevent an ROE decrease. We believe that it is important to clearly explain the reasons for any decrease in ROE and present our long-term vision regarding its increase.

Q4. Operating profit for FY2027 is projected at ¥112.0 billion, representing marginal growth from 110.0 billion yen in FY2026. Frankly, this guidance lacks investment appeal, especially when combined with a projected decline in ROE. If management is truly focused on enhancing corporate value, what is the intention behind presenting such a conservative outlook?

A4. The intention behind this disclosure is to demonstrate our management stance of achieving profit growth and maintaining stable expansion, even amid various cost increases—primarily labor—and the risk of rising energy costs stemming from the situation in the Middle East. We also made this disclosure with the hope that our existing shareholders will continue to hold our shares. However, as pointed out, the operating profit growth rate lacks significant impact. We have received similar feedback from investors and recognize that this does not appear attractive. Going forward, we will strive to present our growth potential and the enhancement of added value more clearly, and we intend to incorporate these elements into our next management plan.

Q5. I understand the narrative of internal growth driving NAV increases, primarily through your properties around Shibuya Station. How will this be reflected in shareholder value? Also, what are your thoughts on shareholder returns after the completion of the Shibuya redevelopment projects?

A5. Internal growth is supported by rising office rents. In contract renewals with existing tenants, rents have increased by about 10-15% without strong demands for rent-free periods, indicating a highly favorable situation. Office demand in Shibuya is exceptionally strong; rents for new tenants range from ¥48,000 to the high ¥50,000 level per tsubo, reflecting an excellent business environment. As income catches up with the rising NAV, we aim to reflect this in our stock price. We also expect revenue growth from percentage rents in retail and hotel tenants. Furthermore, our business model allows for additional profits from operating these facilities. We intend to reflect this growth in our management indices, which should also lead to higher stock prices. Regarding shareholder returns, our 2019 Long-term Management Initiative aimed to raise the dividend payout ratio to around 30% after the opening of large-scale Shibuya projects. Although preconditions have changed significantly due to the COVID-19 pandemic and project delays, with the opening of these major projects now in sight, we are considering how to incorporate them into our next management plan.

Q6. Regarding business portfolio management, what criteria do you use to make decisions such as business withdrawals?

A6. Our policy is not to make decisions immediately based only on numerical criteria, such as profit margin or ROA. We still have some low-margin businesses, but their scale relative to the entire company has shrunk. Therefore, we make decisions by determining whether those businesses are essential to the Company despite their low profitability. While it is difficult to share explicit numerical criteria, we continue to internally consider options, including external sales, for businesses that have fallen behind market trends and are difficult to recover under our management.

Q7. The sluggish stock prices across the railway industry seem partly due to the institutional inability to flexibly revise fares. Do you believe the railway business can achieve continuous profit growth during inflation? What is your view?

A7. The lack of flexibility in fare revisions during inflation is recognized as an industry-wide issue. However, the fare system is based on the total cost method, and the fundamental principle is to implement appropriate measures, such as investments for safety and convenience, and to recover costs through fare revisions, when necessary, as compensation for high-quality service. We would like to act in line with this principle. At the same time, recognizing the difficult stock market environment for the industry, various stakeholders understand the importance of enhancing the capital market presence of railway companies. Other than fare revisions, various countermeasures and collaborative efforts, such as sharing maintenance capabilities among companies with through services for efficient operations, could be considered and are occasionally discussed at meetings of finance officers in the industry.

Q8. An increasing number of railway companies have mentioned fare revisions. However, those that have already implemented revisions have seen their profits decline after peaking at the time of revision, due to further inflation-driven cost increases. Given this business structure, what mechanisms or creative measures do you think are necessary to prevent profit from declining again after fares are revised? Is it possible to continue to increase profits to compensate for the cost of capital in the railway business with the current fare system?

A8. From the viewpoint of securing revenue, it would be ideal to be able to pass on increases in costs due to inflation via fares, just like airline surcharges, but this is difficult at present. We will discuss whether it is better to significantly revise fares all at once like our recent revision (a 12.9% fare increase, the first in 27 years), or to gradually revise fares in response to inflation, thus reducing the gap between fare levels and consumer prices. At the same time, we understand that we need to take an initiative to steadily increase passenger volume. Currently, annual ridership is approx. 1.12 billion. Compared to 2019, commuter pass users are at 85%, non-commuter users at 108%, and the total is 94%. While we have recovered from the pandemic drop, growth seems to have plateaued. We are currently advancing developments around Saginuma and Fujigaoka stations. We believe it is also crucial to promote reverse-commute ridership through wayside development and secure revenue from non-railway businesses.

Q9. Regarding the Shibuya redevelopment projects, what are your thoughts on the risk of delays to the currently announced completion schedules, given rising construction costs and delays seen in other development projects?

A9. In the 2019 Long-term Management Initiative, we planned to complete the development projects in Shibuya between 2024 to 2027. However, we changed this schedule due to the COVID-19 pandemic and the additional time required to reach agreements with stakeholders. These changes are reflected in the current plans. In some projects, construction has already begun, and we do not anticipate that the completion of any of the three major projects will be postponed.

Q10. How will the real estate sales business contribute to performance in the future? With rising land prices intensifying competition for site acquisition, isn't it becoming difficult to secure projects that exceed a certain hurdle rate?

A10. The residential real estate market, particularly for condominiums, has remained strong. Properties within a ten-minute walk from a station are selling exceptionally well, with prices rising. In addition, favorable mortgage lending from major financial institutions is fueling the market boom. However, sales performance varies depending on the location, especially for properties more than ten minutes away from stations, so we believe a cautious approach is necessary. There is also a risk that the supply of materials could be stagnant due to the worsening situation in the Middle East. As the rising prices of land and materials make project acquisition more difficult, the renovated pre-owned condominium market has been increasingly active, and housing supply aimed at addressing vacant homes and renovations is growing. Going forward, the composition of our property portfolio will be more important.

Q11. Will the position or scale of the overseas real estate business change significantly? Will overseas business (in Australia and Vietnam in particular) be future growth drivers? Please also explain the possibility of accelerating business scale and profit growth, and the level of risk you are willing to take.

A11. In Binh Duong New City, Vietnam, we currently supply an average of 700 to 1,000 condominium units annually while also managing commercial facilities. Our initial supply plan of 10,000 units for the entire city has expanded to 18,000 units, with 3,000 already sold. We believe sustainable, stable supply will continue. While suddenly doubling the business scale is difficult, our policy is to improve yields alongside better supply-demand conditions. Inflation is expected in Vietnam, and rising personnel costs have allowed us to increase selling prices, while construction costs have not grown significantly, making the market very attractive.
In Australia, a brisk mining business (rare earths, LNG, etc.) has caused housing shortages. Supply and demand are favorable, resulting in excellent sales results in our current areas. However, rapid expansion is not feasible as the target state's population is limited to roughly 3 million. Long-term, we believe we can build our overall overseas business to generate 10 billion yen in operating profit by 2030. Currently, we are expanding business with a focus on APAC and, in the future, may expand into neighboring countries but not into completely new regions. Our overseas expansion relies on a locally rooted, long-term business model. While fully leveraging our current assets, we will build a new project pipeline looking 10 to 15 years ahead. Since teaming up with excellent local partners is our style, it is not easy to make significant inroads into many countries.

Q12. What are your thoughts on the future growth prospects of hotel business amid the increasing demand generated by inbound tourists? With occupancy rates already high, further increases may be difficult, but is it possible to raise the ADR? What measures will you take to achieve this?

A12. The average occupancy rate across all hotels is 79.6%, and ADR is ¥26,681 now. At Cerulean Tower Tokyu Hotel and Capitol Hotel Tokyu, the ADR is ¥70,000-100,000. However, we are not able to provide all of our guest rooms because it is difficult to secure employees. We can increase revenue further if the staffing problem is resolved and all rooms are utilized. We are also increasing prices at restaurants in response to the soaring prices of ingredients, but our prices remain cheap compared to other countries, leaving room to pass costs on via prices, including banquet fees. Regarding inbound tourists, the decline in visitors from mainland China has been a blow, but this has been fully offset by the repeat tourists from Southeast Asia, Taiwan, Hong Kong, and South Korea, and the inbound ratio remains stable. We expect that it will not decline significantly in the future, and improved Japan-China relations could provide additional upside. Further, we joined the Global Hotel Alliance (GHA) in 2026, which will be greatly advantageous to us in terms of customer traffic. Previously, tourists from East Asian countries were our main customers, but now there will be a large number of customers from new regions, including Europe and the United States, and we believe this will fully cover any decline in inbound demand.

Q13. What is your financing situation? In particular, could you explain the target investors for the bond-type class shares, the timing for determining the coupons, and how you make decisions regarding financing methods and purposes given various options such as straight bonds? Also, what are your thoughts on credit ratings?

A13. Our current financing status is that net interest-bearing debt has exceeded ¥1.3 trillion, with a net interest-bearing debt/EBITDA ratio of 6.8x. While fixing interest rates for about 70% of our debt suppresses sudden spikes in interest expenses, our interest-bearing debt continues to trend upward, increasing our financial burden. Regarding future financing activities, we are considering short-term financing due to the high interest rates for long-term bonds.

The background to considering the issuance of bond-type class shares is the need to secure medium- to long-term financing capacity from a funding perspective. We aim to design these shares to be sold nationwide, primarily targeting retail investors, rather than limiting them to the Tokyu line areas.

We determine financing methods not by simply comparing all of our options side by side, but by balancing the availability for us and the hurdles that each method involves. For example, current conditions do not allow us to easily issue 15-year or 20-year straight bonds. Considering the conditions, 5-year bonds are realistic. We included bond-type class shares as an option because they offer the benefit of not significantly impairing our credit rating or EPS. Under previous low interest rates, we did not necessarily have to have a strong awareness of our credit rating. Moving forward, however, we expect that spreads will fluctuate depending on our rating, making awareness of this increasingly important. Instead of simply checking the current interest rate and cost, we also consider the long-term use of funds and flexibly make the best choices by monitoring the financing market situation.