

President Small Meeting - Main Questions and Answers

October 6, 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: October 6, 2026

Attendees:

Masahiro Horie, President and Representative Director

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. What is management discussing regarding the current underperforming stock price and PBR below 1x, and how will you improve the stock price? Are there plans to set targets for metrics like PBR? Since the company's messaging remains largely unchanged, isn't there a need for fundamental shifts to boost the stock price?

A1. We are far from satisfied with our current valuation, which does not reflect our intrinsic corporate value. Along with inflationary cost increases, rising construction costs, and higher interest rates, downward pressures also stem from railway fare revisions lagging economic trends. We view our exclusion from the MSCI ACWI as another factor. In an era of positive interest rates, we must change our traditional valuation metrics and perspectives. Personally, I focus on the EV/EBITDA multiple. It is currently around 10x and unsatisfactory, compared to historical levels of around 15x. We intend to set new target levels. To raise the stock price, it is crucial to increase multiples by fostering growth expectations and steadily increasing EBITDA. Additionally, we will review the appropriate level of interest-bearing debt given rising interest rates. While our stock price is heavily impacted by headwinds facing the entire railway and real estate sectors, we aim to break free from blanket valuations. We recognize it as an issue that our differences are not fully communicated to the market – namely, our careful selection of locations and asset classes in the real estate business, and the continuous population growth along our railway lines.

Q2. What is the expected pace and timeline for profit growth? I understand that the earnings contributions from the ongoing redevelopments around Shibuya Station will fully materialize around 2030 when they are completed. Should we take a mid-to-long-term view until then, or can we count on profit growth sooner? Please elaborate on your key growth drivers, including major redevelopments.

A2. Regarding profit growth, we aim to quickly raise operating profit (excl. real estate sales) from the current fiscal year's ¥95.5 billion to ¥100 billion. Our current medium-term management plan emphasizes above-inflation profit growth driven by not only external growth like developments but also internal growth. Since Shibuya Station redevelopments require upfront investments causing a non-revenue period, steadily realizing the potential of existing businesses and assets is crucial in the interim. Our growth drivers include rising office rents and higher percentage rents from retail facilities and hotels. Beyond rents, we can boost our top line through railway network expansions (e.g., Tokyu Shin-Yokohama Line) and increased ridership driven by a growing resident, worker, and visitor population. We will demonstrate growth potential from two perspectives: the expanding overall wallet size due to continuous population growth along our lines, and our ability to increase our share of that wallet to expand revenue opportunities. While our own Shibuya redevelopments will fully contribute to profits around 2030, earlier completions of other companies' projects will boost Shibuya's working and visiting populations, leading to greater use of our retail, entertainment, and hotel facilities. With data showing about one-third of Shibuya visitors using our railways and buses, we expect increased ridership and continued population growth along our lines, allowing us to expand revenue opportunities across our diverse businesses.

Q3. With the cost of capital rising due to higher interest rates, what are your business strategies and thoughts on securing returns that exceed this cost?

A3. We will relentlessly drive the internal growth initiatives outlined in our current management plan and execute optimal pricing strategies. Given projected population growth along our lines through 2040, we must capture this upside across our diverse businesses. By managing cost increases in line with inflation and executing pricing strategies to grow our top-line beyond the inflation rate, we aim to generate returns exceeding our cost of capital. Furthermore, we will boost ROA by expanding highly efficient, capital-light fee businesses. For example, by securing AM/PM contracts after selling partial real estate stakes, we capture stable revenue streams and elevate overall ROA, thereby delivering inflation-resilient profits.

Q4. Regarding future capital allocation, how do you envision the balance among interest-bearing debt reduction, growth investments, and shareholder returns? The Company targets total return ratio of 40%, which lags behind industry peers. How do you view this and can we expect enhanced returns in the next management plan?

A4. We have abundant investment opportunities around Shibuya Station and along our railway lines. Given external changes such as spiking interest rates, we are currently reviewing our future capital allocation and prefer to refrain from specifics at this moment. Turning to shareholder returns, maintaining a 40% total return ratio remains our baseline policy at present, as outlined in our briefing session. While we recognize that shareholder returns are essential, we also possess prime investment opportunities and intend to allocate capital toward growth investments as well. Currently, large-scale CAPEX is underway, with numerous redevelopment pipelines awaiting not only in Shibuya but also at key hubs along our lines. By steadily generating robust returns from these projects, we commit to meeting our shareholders' expectations.

Q5. When you became President, we received your message emphasizing the business portfolio to improve ROA and held high expectations. However, three years have passed, and from an outside perspective, ROA has not significantly improved, while PBR has gradually slipped below 1x. Could you share the changes you have implemented over the past three years to raise ROA in areas including capital allocation, organizational authority, human resource allocation, and evaluation systems?

A5. Drawing on my experience at Tokyu REIT, I have rigorously prioritized asset efficiency since before my appointment, and I finally see this mindset permeating our entire organization. Our current management plan champions the dual engines of "internal growth" and "external growth," successfully shifting our previous external-growth-heavy focus toward maximizing asset efficiency and property value. Regarding capital allocation, we have been optimizing our business portfolio through continuous recycling, add-ons, and new investments in businesses and assets, even at a granular level. Organizationally, we are driving a company-wide mindset shift. For instance, I engage directly with general managers to spark behavioral changes and bridge the gap between management and frontline staff, including younger employees, thereby accelerating our decision-making.

Q6. With the external environment deteriorating due to rising interest rates and surging construction costs, how will you address concerns over declining returns on reinvestments around Shibuya Station? Regarding the “conglomerate premium” you have been advocating since taking office, investors now have a better understanding of the business model. Showing numerical targets would help the market price it in; how do you plan to present this in the next management plan?

A6. Prime assets in Tokyo, such as Shibuya, naturally command lower cap rates. While standalone yields may appear low and seem to drag down our corporate ROA, our greatest advantage lies in capturing post-opening rent increases – including at surrounding properties – and income flows driven by a growing workforce in non-leasing businesses. In fact, while real estate leasing generates half of our operating profit in Shibuya, the remaining half comes from transportation, retail, and hotels. In Shibuya, completions of other companies' properties by 2030 will further boost the working population. Because our railway business operates with a high proportion of fixed costs, this incremental demand drops directly to our bottom line, while our nearby commercial facilities also capture spillover spending. To visualize these synergies, we intend to disclose ROA by area and segment. Currently, about 80% of our total operating profit comes from the Tokyu line areas, roughly broken down into 20% from Shibuya and 60% from the rest of our lines. We aim to better communicate this substantial contribution from non-Shibuya areas. We will unlock Shibuya's potential through ongoing developments while driving growth along our broader railway lines by expanding our wallet share.

Q7. In this transition to an era of inflation and positive interest rates, asset-heavy companies generally monetize certain assets to fund new growth investments and expand corporate value. What are your views on this? Also, considering your current ¥3T balance sheet and persistently low, stable cap rates despite rising interest rates, what is your future balance sheet management strategy?

A7. We do not simply hoard our assets, including real estate; rather, we constantly evaluate portfolio optimization through asset recycling and other measures. For instance, highly convenient and competitive properties directly connected to stations will remain on our balance sheet, allowing us to capture upside from income growth with anticipated value enhancements like rent increases. Conversely, maintaining low cap rates amidst rising interest rates depends heavily on location and other conditions. We will consider off-balancing certain properties based on risk-return

profiles and locational criteria. As for balance sheet size, it currently stands at roughly ¥3T due to development projects and inventory buildup. Although subject to temporary fluctuations, we do not intend to expand our balance sheet indefinitely and consider ¥3T a baseline. Given highly volatile factors like interest rates and construction costs, we will carefully assess and optimize our asset size as we formulate the next management plan.

Q8. What are your views on future railway fare revisions? If you were to file another application, what timeline and magnitude do you envision? Furthermore, what do you consider an ideal fare system? Please share your thoughts.

A8. We implemented fare revisions ahead of peers post-pandemic, completing the review period just this August. Current financials are tracking in line with our expectations from the previous revision, and encouragingly, ridership is trending upward. Given numerous variables, including future inflation and CAPEX, specifying a timeline or magnitude for the next revision is difficult at this stage. However, amid rising prices and minimum wages, railway fares are now relatively underpriced. Personally, I believe the current fare system is based on demand growth driven by population expansion. With Japan's overall population now declining, its sustainability poses a challenge. Delivering safe, comfortable railway services and convenient transport infrastructure requires adequate investment, cost coverage, and robust staffing. From an urban development perspective, we will determine appropriate fare levels that generate reasonable profits for continuous reinvestment into our areas.

Q9. Your overseas business has been progressing steadily. What are your targets for its future business and profit scale? How do you position this business, and what is your current strategy for its scale?

A9. As of the end of FY2025, our overseas asset allocation stood at around 4–5% of total assets, but we intend to increase this ratio. Based on FY2025 results, while profit scale in Western Australia remains modest, its ROA exceeds 7%. The business in Vietnam delivers an ROA of just under 5% and holds substantial headroom for profit expansion. Our overseas operations focus on long-term, area-wide development, reinvesting local profits to enhance regional value. Although this model requires time, we recognize these areas as promising engines for robust future growth.

Q10. What are your views on the shareholding ratio and your relationship with Tokyu Fudosan Holdings?

A10. Our stance remains unchanged: the current dynamic between us and Tokyu Fudosan Holdings is optimal. While we both operate in real estate, our business models differ fundamentally. We are an "urban and community developer and operator" committed to continuous reinvestment along our railway lines. Our model internalizes the external economic benefits generated by our railway and bus operations across diverse businesses to drive value creation. Despite differing business models, Tokyu Fudosan Holdings is a crucial partner sharing our brand. For example, regarding Shibuya Station redevelopments, undertaking all the abundant ongoing opportunities independently would be difficult. Forming a strategic partnership with Tokyu Fudosan Holdings under the shared Tokyu brand is vital to elevating the entire area's value. From this perspective, we deem our current relationship optimal.