Results for the Fiscal Year of 2020 and Three-Year Medium-Term Management Plan

Main Questions and Answers at Briefing for Investors

May 14, 2021

*This document provides information relating to the details of questions and answers given at the presentation. Please note that this document is not a full transcription of the discussions held at the presentation. Rather, it is a concise summary that has been prepared by the Company.

(Questions on overall business)

Q: What are the fiscal 2023 arrival levels for the benchmarks, such as operating profit and the interest-bearing debt/ TOKYU EBITDA multiple, projected in the Medium-Term Management Plan? Tell us also the reasons for your decision against stating profits and management indexes for the final year based on certain assumptions about the end of COVID-19, and your plans for future updates if any.

- We have not stated target figures for the three years under the Medium-Term Management Plan because we have not been able to clearly forecast future conditions regarding COVID-19, such as how long the state of emergency declared now will be extended. We are hoping to state figures that are a little more specific at the earliest possible point, with the announcement of results for the first half. To start with, in fiscal 2021, we will focus on increasing our single-year operating profit by 50 billion yen from fiscal 2020.

- To deal with a downward swing in fiscal 2021, we have been executing structural reforms in our railway, hotel and department store businesses, which have been strongly impacted by the pandemic since fiscal 2020. We also have ideas, such as additional measures against further factors with a negative impact that may arise in the future. We are hoping to eliminate grounds for concern as quickly as possible. As a first step, we aim to make sure that we achieve our fiscal 2021 targets.

- Regarding the profit level in the third year under the Medium-Term Management Plan, we must point out the loss of operating profit of about 100 billion yen in fiscal 2020 due to the effects of COVID-19. Therefore, we are planning to restore the profit lost (100 billion yen) in the course of these three years, and hope that you will stay tuned for this.

- In addition, we will return the interest-bearing debt/ TOKYU EBITDA multiple to its level before the pandemic in three years. We will advance our businesses with a view to return the multiple to 7 times range.

Q: You gave mainly emergency responses to cost and investment cuts, and structural reforms in fiscal 2020. I believe you will advance structural reforms from now on, in addition to emergency responses. Tell us the details of cost reduction in the previous fiscal year and in the period from the current fiscal year.

- Fixed costs for many of the businesses undertaken by the Group are high. This is an assumption for cost reduction. To cut costs under the condition, we first reduced capital expenditure in fiscal 2020 from the pre-COVID-19 estimate of about 200 billion yen to around 100 billion yen.

- For railway capital expenditure, we cut it to 25 billion yen in fiscal 2020, compared with our original plan to spend 50 billion yen. We plan to spend 40 billion yen to 45 billion yen in fiscal 2021. We will make the size of capital expenditure in these two years smaller than the amount of depreciation and amortization. We will keep average capital expenditure in the two years to about 35 billion yen. In addition to cutting capital expenditure, we will continue executing current measures for cost reduction.

- Tokyu Department Store Co., Ltd. posted an operating loss of 6.3 billion yen in fiscal 2020. We will regain about 5.0 billion yen of the sum, and bring the loss to about 1.0 billion yen in fiscal 2021. We expect the company's sales to recover to about 180 billion yen (the figure before the application of the revenue recognition standard) from 150 billion yen. Based on the forecast, sales will be down about 15% from the fiscal 2019 level. We will execute structural reforms able to restore profits in the period under the Medium-Term Management Plan.

(Questions on Individual Businesses)

Q: Regarding strengthening the structure of the transportation infrastructure business on page 14 of the Medium-Term Management Plan, no measure for reducing the congestion rate was mentioned. Is there any medium-term measure you plan for in the post-COVID-19 demand recovery phase?

- Before the pandemic, we explained measures for reducing congestion in the Transportation Business.

- Regarding forecasts for future recovery in the number of passengers carried, we think the number of commuter passengers carried will return to about 70% of the previous level only in the period through fiscal 2023 while the number of non-commuter passengers carried will return to the pre-pandemic level. We expect the total number of passengers carried to come to about 85% of the previous level.

- Accordingly, we do not think the state of congestion before COVID-19 will return. However, we will keep taking measures, such as those for lowering peaks advanced already, for achieving the average passenger load factor of about 85%.

Q: Tell us the completion period and other specific details of the project for the integrated development of the current sites of the Tokyu Department Honten Store and the Bunkamura cultural complex.

- The development of sections directly connected to the Shibuya Station has progressed on the whole, with the exception of those under the second phase of the Shibuya Scramble Square project. In the ongoing second stage, districts under development have expanded to areas surrounding Shibuya Station. We will advance development in a wide area, covering the sections directly connected to Shibuya Station, districts right outside the Station and areas surrounding the Station. Shibuya is originally a neighborhood with diverse characteristics. Diverse people visit Shibuya for that reason. We are hoping to further diversify ourselves and keep the entertaining aspect of Shibuya so that many people can enjoy visiting this neighborhood.
- Taking a further step, we added living to preceding working and having fun as a theme in this Medium-Term Management Plan, to propose an urban lifestyle befitting Shibuya. We will execute measures that will expand and upgrade residential functions, demand for which has been high in the Shibuya area.
- We are thinking about creating buildings symbolic of the second phase mentioned earlier through the integrated development of sites where the Tokyu Department Honten Store and the Bunkamura cultural complex stand now. We would like to refrain from disclosing the details of this plan because the project will start in the course of this Management Plan and will be completed after the period under the Plan, and consideration is necessary for our relationships with partners.

Q: The vacancy rate appears to be climbing in the Shibuya area. Tell us about the present situation.

- The average vacancy rate in Shibuya as a whole appears to be rising. We know individual buildings in the area clearly show differences in their competitiveness.
- The vacancy rate has stayed basically firm for large properties the Company owns near the Shibuya Station. There have been media reports about partial contract cancellations, but demand remains steady among tenants such as tech companies that have seen improving results under the pandemic. We will advance leasing and other efforts to catch up with their demand.

Q: Tell us your approach and other details regarding development and business strategies in suburban Tokyu areas.

- Regarding our business models for Tokyu areas, we have made no major change from the approach adopted in our Long-Term Management Initiative, which was formulated before the pandemic. Results for large condominiums and detached houses in Tokyu areas have surpassed our forecasts, supported by factors such as attention to suburbs that resulted from lifestyle changes under the effects of COVID-19.
- Regarding houses, as well as properties in immediate proximity to train stations, there is demand for properties located some distance from stations, as long as infrastructure has been laid down for them. To meet that demand, we will keep reexamining decrepit properties along Tokyu lines including the Den-en-toshi Line.

**Q: In the hotel business, are you considering options such as withdrawing from regional hotels, including Tokyu REI hotels, or downscaling?
Please describe the prospects for making them profitable.**

- In the hotel business, the impact of COVID-19 has focused on Cerulean Tower and Capitol Hotel. In contrast, occupancy rates have been relatively high at regional hotels. Our regional hotels are not that large in scale. For that reason, we think achieving a sufficient recovery in the performance of our hotels in urban centers is essential before considering withdrawing from regional hotels. In other words, we must take successive measures so that customer traffic does not fall after the end of the pandemic.
- We will continue to advance structural reforms in the hotel business. However, we expect this business to remain in the red in fiscal 2021. We aim to return it to profitability from fiscal 2022 onward.