

Results for the First Half of FY2020: Main Questions and Answers at Briefing for Investors

November 11, 2020

* This document provides information relating to the details of questions and answers provided in 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. It appears that an importance is attached to the interest-bearing debt to TOKYU EBITDA multiple in the current medium-term management plan. Describe your thoughts about equity accumulation and other measures? Also, provide financial indicators that you will focus on going forward.

- We have been focusing on cash flow-oriented management for past years while also keeping in mind the presentation of proper balance sheets. We aimed to reduce the interest-bearing debt to TOKYU EBITDA multiple to 5 by securing TOKYU EBITDA of 200 billion yen. Given the current business environment, however, it is difficult to meet that target.
- We are expecting to keep recovering from COVID-19 from next year and beyond. With this in mind, we will prioritize capital investments based on the amount of cash flow to be generated.
- In addition, we will seek to recover the portion of equity that we have lost in the current period while simultaneously maintaining appropriate returns to stakeholders.

Q. Is there any possibility that you will work on reviewing the existing business portfolio? (consideration of restructuring, the sale of assets, etc.)

- No significant reorganization is being reviewed at this time because we conducted a portfolio review sometime after we entered 2000. Even so, we will review the details of individual businesses appropriately with an eye on post-COVID-19 business opportunities.

(Questions on individual businesses)

Q. You have announced the optimization of train scheduling and moving-up of last train departure times. To what extent do you expect that the number of passengers carried will recover on a medium- to long-term basis? Describe the cost cutting effects of the two measures.

- We are considering reviewing the operation structure and building a business model on the assumption that the number of passengers would return to 90% of the normal year level by 2022.
- With respect to the railway business, we had been focusing on measures to alleviate congestion because the number of passengers carried had been consistently rising before the spread of COVID-19. Looking ahead, based on the assumption that the number of users of our services will not recover to where it was before in the post-coronavirus environment, we will take steps including the optimization of train scheduling and moving-up of last train departure times to maintain a balance between supply and demand.
- Since we are working on specific plans at this time, we will refrain from sharing information on the amount of cost reductions, etc.

Q. With respect to the Shinjuku TOKYU MILANO Redevelopment Plan, describe the possibility of changes in use and plans going forward, taking into consideration the current COVID-19 situation.

- Not only the project in Shinjuku, for large scale development projects, we examine plans on a regular basis since those projects have a long lead time from planning to completion.
- When it comes to the Shinjuku TOKYU MILANO Redevelopment Plan, the property is a complex building that consists of a hotel and entertainment facilities, namely, industries that are being seriously affected by COVID-19 at present. We will conduct a partial review of the project to create a facility that inspires the world by taking anti-COVID-19 measures from every perspective and factoring in post-COVID-19 environments while at the same time seeking to ensure business feasibility.

Q. Describe the recent status of you overseas business.

- Overseas business is steady in all countries in which we conduct business, namely, Vietnam, Thailand and Australia. Targets that we established in the three-year medium-term management plan are expected to be achieved.
- Particularly in Vietnam, condominium sales are strong on the back of growing domestic demand because the impact of COVID-19 was relatively minor.

Q. Describe specific initiatives under the alliance with Rakuten.

- We have already launched specific programs such as the provision of both Tokyu points and Rakuten points to customers who made purchases at the Tokyu Store Chain in September 2020, with a view to expanding the customer base and raising profitability. Similar programs have also been launched in the Tokyu Department Store and the Tokyu Hotels.

Q. Describe initiatives for structural reforms and measures for improving income and expenditures with respect to hotel operation.

- The full-year occupancy rate is expected to be in the mid-30% range in the current year. This reflects weak demand for hotels located in central Tokyo, our main market, although demand is recovering in regional hotels and resort-style hotels thanks to the effects of the Go To campaign.
- Based on the assumption that demand will return to 60% to 70% in the next fiscal year, we have been working on improving the break-even point while moving ahead with structural reform, and instituting measures that will take us to breakeven by 2022.
- We will continue to institute cost control measures going forward. In particular, since rents account for a large portion of our expenses, we will work on breakeven point improvements in the next year and beyond by taking a number of measures, including a change of scheme to consignment/outsourcing-based management and negotiations for rent reductions.