

Results for the First Half of FY2021:

Main Questions and Answers at Briefing for Investors

November 10, 2021

- * 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 General Matters)

Q. What are your views on the numerical targets for the final year of the medium-term management plan?

Do you think that you can achieve the profit level before the COVID-19 pandemic by revising fares, selling real estate, implementing structural reforms, and taking other actions?

- The recovery from the COVID-19 pandemic is slow in certain businesses. The future of the business environment remains uncertain, and we cannot tell what will happen. We would like to first make sure that we achieve the targets for the first fiscal year.
- It will be difficult to achieve the profit level before the COVID-19 pandemic in FY2023. As we explained when we announced the medium-term management plan in May, we hope to raise the profit to 70% to 80% of the level before COVID-19.

(Questions on Revision to Fares)

Q. Are you considering any scheme other than full-cost pricing, which you have employed before, when you revise the fares?

Please explain the background to the revision to the fares you are considering?

- We are examining a revision to the prices, using full-cost pricing.
- We have developed high-level facilities, including platform fences with doors, and will incur costs for maintaining and upgrading the facilities. That is one of the reasons for considering the revision. Assuming that the number of commuter ticket users will not return to the level before the COVID-19, we think we need to revise the fares to continue to provide the present high-level service, in addition to making management efforts.

Q. You said that effective revenue is expected to increase less than 10% after the revision to the fares. Do you think that passenger revenue and profit in the railway business will return to the levels before the COVID-19 pandemic after the fares are revised, even if demand after the COVID-19 pandemic is at the level that you expect. If the number of passengers carried returns to the level before the COVID-19 pandemic, might you drop the revision to the fares?

- Passenger revenue in FY2020 declined about 43.5 billion yen from FY2019 before the COVID-19 pandemic. Passenger revenue this fiscal year is expected to be around 100 billion yen. If the trend of passenger revenue continues, passenger revenue is simply calculated to increase about 10 billion yen if the fare is raised 10%. We will consider taking steps to reduce the burden on users, particularly the elderly and the generation raising children, and will give utmost consideration to household expenditure.
- Specifically, we will consider leaving student commuter ticket prices unchanged to curb the burden on the generation raising children. We will also consider taking steps for the benefit of children and the elderly.
- The recovery in the use of commuter tickets is slow and teleworking has taken root. For those reasons, the number of passengers carried is not likely to return to the level before the COVID-19 pandemic by the spring of 2023. Consequently, we would like to revise the fares.
- If actual results are significantly different from the revenue and spending plan at the time of application for the fare revision, we will consider return to customers and other actions.

Q. It will take slightly more than a year before the revised fares will be effective in the spring of 2023 from the application for the revision in January 2022. Please describe the schedule from now on.

- Fare revisions need to be approved by the government, and we cannot determine the schedule.
- We need to change our system to receive fares, change facilities, including fare tables, and make the revision fully known to customers. Considering that, we expect that the fare revision will become effective in the spring of 2023.

(Questions on Other Businesses, Etc.)

Q. Please explain the criteria for choosing properties to be sold in the Asset Recycling Building Business.

- In the Real Estate Business, our main strategy has been recovering funds through rent revenue. Considering early-stage contributions to consolidated profits and capital efficiency, we think selling properties that are purchased after renovating and adding value to them is an important option.
- The properties in the Shibuya area are basically to be retained. Meanwhile, we will continue to sell properties in other areas if we decide the sale is the best option after assessing the situation, including the real estate market.

Q. Please explain progress in initiatives for a recovery in revenue in the hotel business and how long it will take for other structural reform initiatives to produce effects.

- We have urban hotels and resort hotels, among other types of hotels, and have a number of brands. Each brand has different targets. Our initiatives for a recovery in revenue are limited to TsugiTsugi, a flat-rate flexible accommodation service targeting young people, and cooperation with the hotels of Tokyu Land Corporation, among other initiatives. The occupancy rate at hotels is not likely to rise, and we are considering multiple uses of hotel rooms. We will enhance our sensitivity to tap into new wealthy customers.
- We aim to return to breakeven in the Hotel and Resort Business during the next fiscal year. At present, we see a downturn. It is difficult to return to breakeven if we depend only on domestic demand. We will undertake further structural reforms.
- There was strong demand for urban hotels from inbound tourists. We face a difficult situation without a recovery in demand. The food and beverages division accounts for a large percentage of revenue, but its recovery is slow. It remains difficult to return to breakeven next fiscal year.

Q. Please describe your relationship with Tokyu Recreation Co., Ltd. and its position as a consolidated subsidiary, including synergies and your policy on parent-subsidiary listings.

- Tokyu Recreation Co., Ltd. is a company engaging in the entertainment business of the Group.
- We believe that we will advance the entertainment business, using the expertise of Tokyu Recreation Co., Ltd. At present, we are considering maintaining the present relationship.