

※ 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 the Medium-term Management Plan)

Q. Regarding the planned amount of operating profit of 70.0 billion yen for the final fiscal year of the Medium-term Management Plan, I believe that demand is now recovering beyond your expectations, while there are also negative factors, such as energy costs that are higher compared with the time when you formulated the plan. In light of those positive and negative factors, please tell us once again what you think about the planned amount of 70.0 billion yen for the next fiscal year, including the potential for any upside.

- The greatest uncertainty is the increase in energy costs. We expect the costs for FY2022 to be about two times higher than the forecast in May.
- At present, the recovery in demand is exceeding expectations. At the moment, however, we intend to keep the planned operating profit for the next fiscal year unchanged at 70.0 billion yen, reflecting the uncertainty over the rising energy costs.

Q. When you announced the previous Medium-term Management Plan (FY2018 to FY2020), you set the operating profit target for FY2022 at 110.0 billion yen. Can you target this level of operating profit again? Please give us a picture of what the assumptions will be when targeting an operating profit of 110.0 billion yen.

- This time, we announced the planned operating profit of 70.0 billion yen for FY2023, the final fiscal year of the Medium-term Management Plan, by assuming a recovery to the FY2019 level, which is the level before the COVID-19 pandemic.
- We believe that operating profit has subsequently reached a level which permits us to aim for the 100.0 billion yen that was targeted under the previous Medium-term Management Plan.
- However, we assume that demand in each business will only recover to around 90% due to COVID-19. We believe that, given the structural reforms advanced in each business, we have built a business structure that enables us to generate profits and achieve the target level even in this environment.

## (Questions on Individual Businesses)

Q. Regarding the real estate sales business, you said you will step up initiatives in the future. Please provide a quantitative picture of the future scale of the real estate sales business, such as whether it will expand or not.

- We are driving the Asset Recycling Building Business. To generate a stable profit, we have set asset recycling as our rough target while holding an inventory of around 40.0 billion yen.
- Until several years ago, our real estate sales had been focused on residential sales. In recent years, we have been proactive in working on the Asset Recycling Building Business. We understand that we have accumulated expertise to a certain extent.
- Regarding the Real Estate Sales Business, consolidated sales of the overall Group including Tokyu Corporation are around 50.0 billion yen, and sales from residential sales constitute almost half of that amount.
- In residential sales, we achieved a total sales volume of around 700 units in Japan and overseas last year. The value for the current fiscal year is around 600 units, and almost half of them are overseas properties, including those in Vietnam and Thailand.
- We will continue stable supply in the housing business as well. We plan to generate the other half through the Asset Recycling Building Business.

Q. Regarding the real estate leasing business, please tell us how much sales have been generated from properties that were opened before the COVID-19 outbreak, such as SHIBUYA SCRAMBLE SQUARE and Minami-Machida Grandberry Park, including deviations from the initial plan.

Please also tell us whether your rental income will also increase on a percentage basis if sales increase at the commercial facilities.

- Sales generated by properties that were opened in FY2019, or before the COVID-19 outbreak, such as SHIBUYA SCRAMBLE SQUARE and Minami-Machida Grandberry Park, are around 90% compared to the initial plan at present, which applies mostly to commercial facilities. We believe that it will recover to around 95% next fiscal year.
- In our commercial facility business, fixed rents constitute 85%. While the amount of variable rents will not increase significantly, we understand that the risk on the downside has been averted.

Q. Please tell us to what extent you expect Tokyu Kabukicho Tower to contribute to profit in ordinary years, when demand has been saturated after its opening.

- We expect that the operation of Tokyu Kabukicho Tower will normalize in four or five years after its opening, with income of the overall building expected to be around 6.0 billion yen. We will secure 15% to 20% of the income as operating profit. This is what the project will be like.
- Regarding entertainment facilities in the building, we have already received informal offers of plays to be performed at the theater for a period of years. With this and other developments, we are feeling once again that the field of entertainment is attracting rising attention, partly reflecting the ongoing normalization after COVID-19 and a recovery in demand from inbound tourists.
- In addition, we aim to provide a high level of services in the overall building. Above all, at the hotel, we are considering service provision at a higher unit price.

Q. Please tell us the current situation about the ratio of inbound tourists at the Group's hotels in central Tokyo.

In addition, regarding the hotel business included in the Real Estate Business, I think that revenue and profit will improve at The Capitol Hotel Tokyu and Cerulean Tower Tokyu Hotel with the recovery in demand from inbound tourists. To what extent does demand need to recover for the hotel business to move into the black?

- Currently, the ratio of foreign guests is 50% to 60% at both The Capitol Hotel Tokyu and Cerulean Tower Tokyu Hotel. Considering that it had been almost zero until six months ago, we feel that it has recovered considerably.
- On the other hand, the ratio of foreign guests at these hotels had been around 70% before COVID-19. We therefore believe that the ratio still has room to grow.
- Regarding the overall hotel business, we believe that operating profit will recover to around 80% overall if the occupancy rate recovers at large-scale flagship hotels including The Capitol Hotel Tokyu, Cerulean Tower Tokyu Hotel, and The Yokohama Bay Hotel Tokyu. At present, the occupancy rate has recovered to around 70% to 80% at Cerulean and other hotels in central Tokyo. We therefore understand that we will soon achieve an income and expenditure balance.

Q. Regarding "Progress of structural reform of hotel business" on page 18, you show changes in breakeven net sales at Tokyu Hotels. Please tell us what you think it will be like in the future.

- At present, the occupancy rate at our hotels has recovered to around 80%. We also expect results for this fiscal year to exceed the initial forecast. Therefore, we would at least like to achieve an income and expenditure balance next fiscal year.
- Regarding the promotion of management contracts (MCs) in the structural reform of hotel business, we currently lease many of our hotel properties from third parties. We will therefore enhance measures to win MCs in the medium term, aiming to conclude MCs for 15 hotels with 4,000 rooms by around FY2030.
- Assets are owned by Tokyu while Tokyu Hotels is in charge of operating them. Therefore, there will be no major change in the overall hotel business. Changes will happen in the future when a company other than Tokyu Hotels is selected as the operator while the asset is owned by Tokyu. We will select brands that are suitable for the individual properties, such as the Swire Group we selected for the redevelopment project at the site of Tokyu Department Store.
- Looking forward, we would like to develop it into a business that will begin to generate operating profit of 3.0 billion to 4.0 billion yen in around FY2025.

Q. My question is about the future potential of the hotel business. What developments do you expect concerning the hotels in Akasaka and Toranomon, which you have decided to close at present?

- Regarding the one in Akasaka, we have no announcement to make because the asset is held by the Tokyu Fudosan Group. Because the hotel was built more than 50 years ago, we think that the Group is also considering use for other purposes. We believe that the one in Toranomon will be in a similar position.

## (Other Questions)

Q. Regarding shareholder returns, you have gone so far as to say in the presentation material that "The number of outstanding shares has been rising due to the conversion of Tokyu Recreation Co., Ltd. into a wholly owned subsidiary. We will then continue to flexibly consider the acquisition of treasury shares," among others. Have your views on the acquisition of treasury shares changed in the last six months?

Please also provide us with a rough idea of when you will acquire treasury shares.

- We will acquire treasury shares flexibly, making sure the timing is right. This approach remains unchanged.
- On the other hand, in the last one to two years, the business has had to deal with the challenge posed by the impact of COVID-19. Therefore, from FY2023 onward, when the business environment is expected to have been eased and operating profit will return to the FY2019 level, we will flexibly acquire treasury shares when the time is right.