Conference Call on First Quarter FY2023 Financial Results – Main Questions and Answers

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TOKYU CORPORATION

* Please note in advance that this is not a transcription of the entire Q&A session, but a brief summary prepared by the Company.

Q1. In real estate leasing, the office vacancy rate shows that the occupancy rate remains high, but the average rent has declined slightly. What are the main factors for this?

A1. The main factors are changes in properties and tenants. The unit rent appears to have fallen, but the office rent remains favorable, chiefly in the Shibuya area. We do not expect any significant changes.

Q2. Please describe the performance of Tokyu Kabukicho Tower, including the hotels, since it opened.

A2. The two brands of hotels have been performing roughly as expected for the three months since their opening. Of the two brands, HOTEL GROOVE SHINJUKU in particular is performing well. As at any other hotels, we have challenges at these hotels, including securing adequate human resources in the food and beverages division.

Q3. I have a question about a revision to the full-year forecast regarding real estate sales. Will you change your profit plan for sales of whole buildings?

A3. We do not plan to change our plan regarding sales of whole buildings. We have revised our full-year forecast for real estate sales upward expecting expenses to fall as residential properties are selling well.

Q4. You forecast a full-year loss of 1.5 billion yen in the hotel business of the Hotel and Resort Business. What was effective profit excluding one-off negative factors, including startup costs for the two hotels in Tokyu Kabukicho Tower and Sapporo Stream Hotel? What was the profit of the entire hotel business including the hotel business of the Company in the Real Estate Business?

A4. The forecast as of May included one-off expenses of approximately 4.0 billion yen, including startup costs for the two hotels in Tokyu Kabukicho Tower and Sapporo

Stream Hotel. As of the first quarter, we estimate that the one-off expenses are approximately 3.5 billion yen. If we excluded the estimated one-off expenses, operating profit at the existing hotels is approximately 2.0 billion yen. We forecast that operating profit in the hotel business of the Company in the Real Estate Business will be approximately 2.3 billion yen in the full year, 1.5 billion yen more than the forecast as of May. Operating profit in the entire hotel business is thus forecast to be 4.3 billion yen. For the entire hotel business, ADR and RevPAR are exceeding their pre-COVID levels.

Q5. By how much did results in the first quarter exceed the forecast as of May?

A5. Operating profit in the first quarter was 30% to 40% more than the forecast as of May.

Q6. You expect that the impact of the rise in energy costs will be approximately 4.0 billion yen less than forecast in May. Did you calculate the impact of energy costs using the electricity prices in the first quarter? How did you calculate the impact of the rise in energy costs when you revised it?

A6. We changed our estimate of the impact of the rise in energy costs based on a calculation using estimated electricity rates in the first half of the fiscal year. We need to monitor uncertainties, including demand in the winter, to calculate the impact in the second half and we changed the expected impact as of May only slightly. We calculated the forecast as of May assuming that energy costs will rise significantly, and we have controlled certain costs through our own cost management efforts. If energy costs fall, we may spend more on expenses to increase competitiveness. A reduction of energy costs may not necessarily equal an increase in profit.

Q7. You have revised your full-year forecasts as of May upward regarding the number of passengers carried and revenue from fares at Tokyu Railways. Do the revised forecasts reflect only the number and amount by which the results in the first quarter exceeded the forecasts?　What are your forecasts from the second quarter?

A7. The revised full-year forecasts reflect only the number and amount by which the results in the first quarter exceeded forecasts. In addition to the greater-than-expected revenue from fares in the first quarter, we took into consideration a last-minute increase in demand for commuter passes in March, before the fare revision. Some data shows that the number of three-month commuter passes sold in June was fewer than the number in March. We need to monitor sales of commuter passes in September, when six-month commuter passes will be purchased, and from October. Thus, we did not change the forecast as of May for the second quarter and thereafter.

Q8. What is your evaluation of the revenue and profit at Tokyu Railways in comparison with the projections made when you applied for and received approval of the fare revision?

A8. The forecast as of May for the number of passengers carried is based on the number about a year after the application for the approval of the fare revision. In May it was forecast that the number of passengers carried would decline 14.1% from FY2019. The number fell 13.4% in the first quarter. The number of passengers carried exceeded the forecast as of May, albeit slightly.

Q9. Of the variables that will affect results, the number of passengers carried in the railway business and ADR in the hotel business will have significant effects. Is this right?

A9. In the railway business, it is difficult to predict power costs, but we can say that an increase in revenue due to an increase in the number of passengers carried will lead to an increase in profit. In the hotel business, an increase in labor costs caused by the labor shortage is an issue in the industry. Regardless, we basically believe that an increase in ADR will result in an increase in profit.