FY2021 Results :
Main Questions and Answers at Briefing for Investors

May 17, 2022

* 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 Individual Businesses, Etc.)

Q. Please tell us about the reduction of operating expenses in the railway operation business, both temporary and ongoing reductions.

- We cut about 5.0 billion yen in operating expenses in the Railway Business in FY2020. This amount will be reduced by the same amount in FY2021 as an absolute amount and plan to continue to cut costs by about 4.5 billion yen this fiscal year.
- On the other hand, due to rising electricity costs, we expect an overall reduction in operating expenses of approximately 3 billion yen.
- We cut costs by about 20.0 billion yen from FY2019 on a consolidated basis, including the Railway Business. We think this amount of cost-cutting is sustainable.

Q. I think a number of one-off expenses will be recorded this fiscal year, including expenses related to the opening of the Tokyu Shin-Yokohama Line and the completion of Tokyu Kabukicho Tower. Please explain how special factors will be reflected in expenses.

- Of one-off expenses, the expense related to the opening of Tokyu Kabukicho Tower is the largest, and costs related to the completion of the tower are concentrated in this fiscal year.
- Capital expenditure in this fiscal year includes a one-off increase related to Tokyu Kabukicho Tower. Except for the one-off increase, however, we think capital expenditure has almost returned to normal.
- As for the one-off expense related to the Tokyu Shin-Yokohama Line, disposal cost of fixed assets will increase to a certain extent from a year earlier in connection with the opening of the line this fiscal year.

Q. You assume that the business environment for office leasing in the Real Estate Leasing Business will be about the same as at the end of the previous fiscal year. In what way do you expect revenue from commercial facilities and entertainment facilities to recover?

- In FY2020, the Company recorded a loss of 6.8 billion yen from rent reductions and exemptions mainly at commercial facilities. The loss from rent reductions and exemptions was reduced to 0.5 billion yen in FY2021. We expect no rent reductions or exemptions this fiscal year.
- Rents for commercial facilities are mostly fixed rents, and the effect of COVID-19 on the Company was minor and insignificant.
- Hotel assets are also subject to rent reductions and exemptions. However, the Company is changing contracts to management contracts (MCs) for example, contracts for The Capitol Hotel Tokyu and Cerulean Tower Tokyu Hotel and the impact on the impact on the real estate rental business itself has been contained.

Q. Your forecast for the Hotel Business is based on the assumption that you will achieve an income and expenditure balance in the second half of FY2022. Please explain your assumptions.

- We assume that the occupancy rate will be 69％ in the full year and about 75％ in the second half, and based on the assumption, we expect breakeven in the second half of FY2022.
- While we expect a recovery in the occupancy rate, we expect that it will take time for the price per room to recover. The guidance may appear slightly conservative, but I think the forecast is reasonable in light of the current situation.
- The occupancy rate in April was in the 60％ range, which is a little higher than expected. Taking into consideration the increasing flow of people and a recovery in the number of customers, we aim to achieve a level higher than the announced forecast.

Q. The Hotel Business restructuring plan that has been announced reduces risk. Is it possible that the profit level will be lower because of that factor when demand recovers in the future?
Also Please explain the profit level when inbound tourism recovers and what steps you will take to raise the price per room.

- We have 12,000 rooms and will increase by approximately 4,000 rooms in the next about ten years through management contracts (MCs). However, there is no significant change in the overall scale of the hotel business.

- We will terminate the contracts for hotels where the price per room is relatively low in the regions when the contracts expire. Meanwhile, the number of luxury hotels, such as Tokyu Kabukicho Tower, and high-grade hotels will increase. As a result, we expect that the price per room will naturally rise.
- Regarding numerical targets for the future, We first aim to move into the black and then to achieve a recovery to the level of profit we had before the COVID-19 pandemic, 3.0 billion yen to 4.0 billion yen, in about five years. We aim for a profit level higher than the pre-COVID level after that.

(Other Questions)

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

- We aim to improve operating profit by about 100 billion yen from FY2020, when an operating loss of 31.6 billion yen was posted due to COVID-19, in FY2023, the final year of the medium-term management plan. Based on this assumption, we project operating income of 60.0 billion yen to 70.0 billion in FY2023.

Q. What are the Company's views on the parent-subsidiary listing? Certain competitors appear to be delisting.

- We are not at a point where we can disclose our specific thinking about the parent-subsidiary listing. We are always considering the best approach for our consolidated subsidiaries and our relationships with them from many different perspectives, in consideration of relationships and compatibilities among businesses in the Group and corporate governance.