November 2024

Odakyu Electric Railway Co., Ltd.

Principal Questions and Answers from the Financial Results for Institutional Investors and Analysts for the First Half of the Fiscal Year Ending March 31, 2025

Q1 Is there further scope to withdraw from unprofitable businesses or sell assets in order to improve ROA?

- The rebuilding of the business portfolio and the sale of large properties have run their course during the period of structural transformation, but we will continue to replace assets as needed in view of changes in profitability and a review of their significance in the portfolio.
- We have been steadily unwinding our cross-shareholdings, which currently account for less than 10% of net assets. We will continue to consider further reducing this balance going forward.

Q2 The Cost of revenue calculation guidelines had been partially revised. What is the likelihood of a fare revision being implemented?

- The plan figures for FY2026 do not include any revisions to fares in the railways business.
- Unless the current trends of rising prices and soaring labor costs change significantly, however, we believe fare revisions will be unavoidable as we head toward FY2030. As this is still some way off, we will continue to monitor the external environment and our earnings, etc., and consider fare revisions as an option toward achieving ¥27.0 billion in operating income from transportation segment in FY2030.

Q3 What is the impact of rising prices and labor costs on your business? In particular, have you been able to pass these on to sales prices and rents in the real estate business?

- In the railways business, we are actively pursuing transformative measures to save labor and streamline, including a target of cutting headcount by 30% by FY2035 (versus FY2020). Our cost and capital investment budgets take into account rising prices and labor costs, and we will continue to monitor these trends and consider revising our plans and raising fares.
- In the real estate business, the rising cost of construction is an issue. That said, the new building construction work on our largest project, the Shinjuku West Gate Development Project, began in March 2024, and the rising cost of construction is factored into the total investment of approx. ¥130 billion to a certain extent. Moreover, approx. ¥50 billion has already been paid. Also, in the real estate sales business, we have been able to steadily pass on the higher costs to selling prices, while in the leasing business, we are negotiating rents as needed in line with market conditions.
- In the hotel business, tourism demand is growing strongly, and we anticipate that our investments in increasing the value of our facilities will be recouped by raising the unit prices of guest rooms.

Q4 Odakyu Construction used to part of the Group, but does having a construction subsidiary affect your ability to respond to rising construction costs?

- Odakyu Construction, which was transferred out of the Group in FY2008, was a mid-sized construction firm. We are now able to appropriately control costs and quality by issuing contracts to major and highly specialized construction firms outside the Group.
- Although having a construction company in the Group may have made it possible to grasp detailed industry trends and other developments, we believe the impact of that advantage was limited.

Q5 You announced a share buyback in August. What was the background to the decision, and what is the impact on ROE?

- Regarding shareholder returns, based on the assumption of a 30% shareholders' equity ratio, the Company will implement stable dividends and flexible share buybacks, with a target total consolidated payout ratio of at least 40% on average for FY2023 through FY2026. In accordance with this basic policy, the Company resolved in August to buy back up to ¥20.0 billion in shares in light of its financial condition and stock price level.
- The buyback is funded by the sale of shares in affiliated companies and cross-held shares to rebuild the business portfolio and improve capital efficiency.
- Although the impact of this buyback alone on ROE will be limited, we will continue to consider and flexibly implement measures to enhance shareholder returns.

Ｑ６ I believe that Kanagawa Chuo Kotsu, an equity-method affiliate, is a listed parent/subsidiary pair. What is the future direction of this relationship?

- We are fully aware that there are negative opinions about parent-subsidiary listings due to governance issues. On the other hand, the Company and Kanagawa Chuo Kotsu are collaborating on the premise of creating business synergies, and we do not believe any issues such as conflicts of interest between the Company and other shareholders, which are generally referred to, have arisen.
- I assume you are asking if the Company is considering dissolving the parent-subsidiary listing. Nothing has been decided at this time.

Note: This document is not a word-for-word transcription of questions and answers at the result briefing, but rather a summary prepared by the Company that contains additions and revisions.