

## Financial Results in the First Quarter of the Fiscal Year Ending March 31, 2021—FAQ

This document presents some of the anticipated questions relating to the Company's financial results in the first quarter of the fiscal year ending March 31, 2021, together with answers to these questions. If you have any queries, etc., please contact the IR Office of Odakyu Electric Railway Co., Ltd. (+81-3-3349-2526).

### **Current performance, as of July 2020**

#### **Q1: How has the Company been performing in its main business areas in July?**

Railways (Odakyu Electric Railway Co., Ltd.)	Number of passengers carried (as of July 22) Roughly the same as in June
Odakyu Department Stores	Sales (as of July 26) Slightly down compared to June
Hyatt Regency Tokyo	Occupancy rate (as of July 15) Roughly the same as in June
Hakone area	Number of passengers using Hakone-Yumoto Station (July 19–25) Weekdays: Up 59% Weekends and public holidays: Up 28% *Please note that, because performance in FY2019 was affected by the raising of the Owakudani volcanic activity warning level, the year-on-year comparison is based on comparison with FY2018.

### **The impact of the coronavirus epidemic**

#### **Q2: The Company has announced that it is adjusting its medium- and long-term strategy in response to the impact of the coronavirus epidemic. What concrete progress has been made in this regard?**

- The Company recognizes that the impact of the coronavirus epidemic will inevitably lead to a temporary downturn in operational performance and a worsening of financial performance. There are also some unavoidable changes in customer behavior that are expected to affect the Company's business over the medium and long term.
- Under these circumstances, although the Company's strategy for creating value in the future remains unchanged, given the need to respond to the urgent issue of reduced revenue, the Company is putting in place systems that will make it possible to generate sustained profits in each business area.

- At the same time, the Company is reviewing its methods of generating value in a changed environment, its organization and internal systems, and its approach to business management, etc., from a medium- and long-term perspective, and it is anticipated that the results of this review will be reflected in the new business strategy and the new medium-term business plan.

### **Outlook for FY2020**

**Q3: When the financial results for FY2019 were announced, the Company explained that it would be taking steps to reduce expenditure. What concrete steps have been taken to cut expenditure? Will the expenditure items that have been cut this time end up being added back in during or after the next fiscal year?**

- The Company has been implementing a very thorough adjustment of its expenditure. Investment and expenses have been cut by a total of around 25 billion yen compared to the original estimate.
- More specifically, in regard to expenses, savings of around 5 billion yen have been made on station facility repair costs and on advertising expenses, etc., while in regard to capital expenditure, there has been a reduction of around 20 billion yen in expenditure on the construction of new rolling stock, etc.
- While some portion of the expenditures that have been cut may be added back in during or after the next fiscal year, the Company will continue to monitor the situation and review its expenditure.

### **Fund procurement**

**Q4: What measures are being implemented in the area of cash management?**

- The Company has implemented certain measures earlier than originally planned, and has undertaken additional fund procurement. In concrete terms, from March onwards the Company has completed the raising of a combined total of around 170 billion yen through the issuing of commercial paper, corporate bonds, etc.
- In addition, in order to be prepared for a possible worsening of the cash flow situation in an emergency, the Company has put in place a system whereby the Company can enjoy priority access to loans from some of the financial institutions with which the Company does business, which could be said to have ensured cash flow stability to at least some extent.

(For reference) As of the end of the first quarter of FY2020, the Company's cash and time deposits stood at 74,053 million yen.

## Transportation

Q5: Regarding the benefits from multiple double track construction, how does the Company see this developing from FY2020 onwards?

- With regard to the original target (which was to increase revenue by at least 5 billion yen by the early 2020s compared to FY2017), given the difficulty in accurately determining the impact of the coronavirus epidemic, the Company will be monitoring the situation and making adjustments as necessary.

Q6: Regarding the Company's railway business, the spread of the coronavirus epidemic has been accompanied by an increase in teleworking, etc., which seems likely to have had an impact on railway business revenue. Is the Company considering adjusting its fares?

- The decline in economic activity and changes in working practices etc. that have accompanied the coronavirus epidemic have led to a substantial decline in the number of passengers carried, and there is a strong possibility that passenger numbers may not return to pre-coronavirus levels in the future.
- Nevertheless, the Company feels that fare adjustment cannot be implemented immediately simply on the grounds that there has been a substantial fall in revenue.
- The Company will continue to study and analyze the current state of rail transport usage, the changes in people's lifestyles, etc., and will implement measures to ensure that safe, reliable rail transport provision can be maintained.

## Merchandising

Q7: Regarding the stores and retail business, it would seem that, during the period when people were being encouraged to stay at home because of the coronavirus epidemic, demand for eating at home should have risen. How does the Company see the current demand situation and the anticipated future trends?

- With people being encouraged to stay at home, and with the widespread adoption of teleworking, there does appear to have been an increase in demand for eating at home; for example, there has been a noticeable increase in sales of perishable foods.
- As there is currently no clear picture as to when the coronavirus epidemic can be expected to end, with a strong likelihood that the current business environment will continue for some time, the Company anticipates that a similar trend in demand for eating at home will continue to be seen in and after the second quarter.

## Real estate

Q8: Regarding the real estate sales business, there is a continued reluctance to spend

money because of the impact of the coronavirus epidemic. Is this having an effect on real estate sales contracts?

- With regard to sales of newly-built detached houses and apartments by Odakyu Real Estate Co., Ltd., although the company closed many of its sales centers during the period when the state of emergency was in effect, currently, the epidemic does not seem to have had any significant impact on the sales contract situation.
- On the other hand, taking into account the possibility that, in the future, due to the impact of the coronavirus epidemic, customers' enthusiasm for purchasing real estate properties may be depressed, and there may also be delays in the commencement and completion of construction projects, the Company has adjusted its original sales plan, and now forecasts that the total number of units sold in FY2020 will be 316.

Q9: Regarding the real estate leasing business, to what extent was performance in the first quarter affected by fixed rent reductions and waivers?

- The total impact of fixed rent reductions and waivers—mainly related to temporary job layoffs, etc.—during the period when the state of emergency was in effect was around 2 billion yen.

Q10: Regarding the real estate leasing business, how does the Company see the trends in demand for office space developing over the medium and long term?

- As there is currently no clear picture as to when the coronavirus epidemic can be expected to end, the office space market as a whole has become depressed, and in the case of the Company's large-scale office buildings, there is a possibility that there may be an increase in the number of tenants asking for rent reductions or to terminate their lease. However, the Company anticipates that there will continue to be a certain level of demand for office buildings in urban areas that offer a high level of convenience. In addition, with more and more enterprises seeking to have their business locations more widely distributed, the trends in demand for office space in suburban locations will warrant keeping an eye on.

#### **Other businesses**

Q11: Regarding the hotel business, what is the Company's strategy for the period from FY2021 onwards?

- With regard to the Company's strategy for the period from FY2021 onwards, as it is currently difficult to forecast precisely when the market will start to pick up again or what the new normal will be once the recovery begins, going forward the Company will

continue to review its strategy on an ongoing basis.

(For reference) Hotel business development from FY2021 onwards:

- Hakata district, Fukuoka City: Lodging-focused, condominium-type hotel development (scheduled to open in the spring of 2022)
- Mirissa, Sri Lanka: Resort hotel development (scheduled for 2022)

**Q12: Could the Company provide information about hotel occupancy rates (i.e. bookings)?**

- The occupancy rates in July for Hakone resort hotels were in the range of 30–50% (preliminary results). Currently, it appears that occupancy rates in August (based on bookings) will be around the same level as the preliminary results for July.

\* Hakone resort hotels include: Odakyu Hotel de Yama, Hakone Highland Hotel, and Hotel Hatsuhana.

### **Inbound tourism**

**Q13: Regarding inbound tourism demand, when does the Company anticipate that demand will start to pick up again, and what kind of measures will the Company be implementing in this area?**

(Demand trends)

- Inbound tourism demand is unlikely to recover until such time as Japan relaxes the restrictions on entry to Japan by foreign nationals.
- If the Tokyo Olympics and Paralympics are actually held in 2021, then demand should gradually start to recover starting from around April 2021, but a full recovery should not be expected until FY2022 or after.

(Measures)

- Currently, besides providing information to overseas travel agencies and using social media etc. to implement PR for individual tourist areas, the Company is also using its websites etc. to disseminate information about the measures being implemented to prevent infection on transport services and facilities.
- In the future, the Company will be monitoring the situation, and will implement measures as necessary to be ready for an upturn in tourism demand.

### **Domestic tourism**

**Q14: With the Japanese government having launched the GoTo campaign to promote domestic tourism, is the Company implementing any measures that relate to domestic tourism demand?**

- The Company intends to implement PR activities focused on the best things to see along the Odakyu Line, for example by inviting people to submit photographs via Instagram, and by launching the “My Favorite Odakyu” project to generate PR films relating to the Odakyu Line, etc.
- In addition, Odakyu Travel Co., Ltd. has created a special website tailored to the GoTo campaign.

**Remarks**

Figures about business plans, future forecasts and strategies other than historical facts are forward-looking statements reflecting management’s view.

Since the forward-looking statements are based on information available at the time of disclosure, the actual results may differ from these forecasts.