

April 28, 2021

Odakyu Electric Railway Co., Ltd. IR Office

Financial Results of the Fiscal Year Ending March 31, 2021—FAQ

Note: This document presents some of the anticipated questions relating to the Company's financial results 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)

Q1. What is the current status of the Company's main businesses?

Railways (Odakyu Electric Railway Co., Ltd.)	Number of people passing through ticket gates (as of April 20, 2021) Remained at approximately 75% of FY2019
Odakyu Department Stores	Sales in April (April 1–15, 2021) Remained at 70-80% of the same period in FY2019
Hyatt Regency Tokyo	Occupancy rate (cumulative total as of April 15, 2021) 11.6% Demand did not return after the suspension state of emergency, which was declared in January, and remained sluggish. We cannot predict a return to normal, and assume May will remain at the same level
Hakone area	Number of passengers using Hakone-Yumoto Station (April 11–17, 2021) Weekdays: (63%) Weekends and public holidays: (48%) (compared with FY2018)

Q2. What is the Company's operating status during the period of the state of emergency, which was declared on April 25, 2021? Furthermore, although the impact of the state of emergency is not included in the forecast of consolidated operations for FY2021, what kind of impact do you anticipate?

<Operating conditions of the Company's main businesses>

Transportation	■Railways (Odakyu Electric Railway Co., Ltd.) Suspension of service/reduction of number of trains on certain lines
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Merchandising	<ul style="list-style-type: none"> ■Department Stores (Shinjuku Store/Machida Store) Shortened operating hours for the food, cosmetics, and restaurant floors, and closure of other floors ■Stores and Retail Shortened operating hours for applicable in-station stores (restaurants), and regular operating hours for stores and 7-Eleven
Real Estate	<ul style="list-style-type: none"> ■Leasing Applicable stores closed, excluding stores that sell daily necessities
Other Businesses	<ul style="list-style-type: none"> ■Hotels Applicable food and beverage facilities have shorter operating hours, closing at 8pm, and will not provide alcohol beverages. Accommodation will have regular operating hours ■Restaurants Applicable stores have shorter operating hours, closing at 8pm, and will not provide alcohol beverages

*As of April 28, 2021

Although it is difficult to calculate the amount of financial impact due to the uncertainty of changes in demand trends caused by factors such as people staying at home, the main impacts of past state of emergency declarations are as follows.

(Reference) Impact of past state of emergency declarations on the Company's main businesses

The Company's Railway Business Transportation Revenue (Total of commuter/non-commuter passengers)	<p><April-May 2020> Remained at approximately 40% of the previous fiscal year</p> <p><January-February 2021> Remained at approximately 60-70% of the previous fiscal year</p>
Odakyu Department Store Sales	<p><April-May 2020></p> <p>Shinjuku Store/Machida Store: Remained at approximately 20-30% of the previous fiscal year</p> <p>* Temporary closure of all floors, except the food floor, at both stores (between April 8-May 25)</p> <p>* No closure during the state of emergency declared in January 2021</p>
Real Estate Leasing Business	Reduction in fixed rent amount due to factors such as temporary closures following the state of emergency

	<p>declaration in April 2020: ¥2 billion</p> <p>*No closure during the state of emergency declared in January 2021</p>
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Q3. As the business environment continues to change due to the spread of COVID-19, what kind of income and expenditure improvement policies are you considering going forward?

Transportation	Results of Railway Business of Odakyu Electric Railway	We do not believe that commuter pass user numbers will return to past levels since the distance traveled by customers is becoming shorter, due to the permeation of new lifestyles. In order to promote non-commuter usage, focused on going out to nearby places, we are realizing initiatives that promote the appeal of areas along the railway lines and are working to create demand for going out.
	Busses	By implementing reduced services, suspended services, and timetable alteration, where appropriate, in response to the decrease in passenger numbers, we will control costs, such as personnel and fuel costs.
Merchandising	Department Stores	<p>In order to expand EC (E-Commerce) revenues, in addition to expanding the products and categories handled by EC, we are conducting trials of a service to interact with customers through live video chat.</p> <p>In addition to revising the management systems of business, including the customer guidance and cleaning activities, we are implementing dramatic cost reductions, such as reducing the number of special events and switching to digital advertising.</p>
	Stores and Retail	<p>(Stores)</p> <p>Existing stores will strive to improve productivity by reducing waste loss and revising operations. We plan to open one new store per year from FY2022 onward.</p> <p>(7-Eleven)</p> <p>While existing stores strive to improve productivity by revising operations, we will revise cost structure by continuing to examine the possibility of withdrawing from unprofitable stores. We plan to open one to three new stores per year from FY2021 onward.</p>

Other Businesses	Hotels	<p>(City hotels)</p> <p>While reinforcing sales of day-use hotel rooms and take-out food, we are continuously considering new accommodation plans in order to meet the demands of new lifestyles. We will undertake business structure reform at Odakyu Group hotels by streamlining the organization and personnel through closure of numerous facilities, such as restaurants, and early retirement, and by reducing fixed costs.</p> <p>(Tourism resort hotels)</p> <p>We will strive to reduce costs by reinforcing initiatives to improve productivity at all locations, such as by revising the number of required personnel and controlling the increase in duties.</p>

Q4. What were the actual reductions for capital investments and costs in FY2020?

- We incorporated a reduction of ¥50 billion in capital expenditures into our full-year forecast as of February 2021. However, as a result of efforts to further reduce these expenditures, we achieved a reduction of ¥54.6 billion in FY2020.
- For costs, we incorporated a reduction of ¥45.7 billion into our full-year forecast as of February 2021. However, we have reviewed this amount on an ongoing basis and, as a result, we further reduced costs by ¥6.1 billion. Accordingly, actual reductions in FY2020 were ¥51.9 billion.
- (Reference)

	Amount of reduction*	Amount of fixed costs within the amount of reduction
Full-year forecast (as of February 2020)	¥45.7 billion	¥5.5 billion
Consolidated Operations for FY2020	¥51.9 billion	¥9.5 billion

*Excluding cost of sales in merchandising and real estate businesses and including ¥2.5 billion in fixed costs transferred to extraordinary loss following temporary closures

Q5. How do you see transportation revenue in the railway business of Odakyu Electric Railway recovering from FY2021 onward?

- In the case that the COVID-19 pandemic gradually abates, we believe that transportation revenue will recover, and we estimate that this revenue will remain at approximately 85% of the normal level from the second half of the fiscal year. From FY2021 onward, we will aim to reach a level of over 85% through initiatives aimed at increasing revenue. Conversely, since the forecast is unpredictable due to many uncertain factors, such as the possibility of future outbreaks and the status of vaccine supply, we will continue to closely observe passenger flow.

Q6. In FY2020, in-station stores continued to struggle. How do you anticipate these stores recovering in FY2021?

- As railway transportation passenger numbers recover, we expect in-station store revenue, including 7-Eleven and Hakone Soba, to also recover.

Q7. In the real estate leasing business, how do you view the current conditions surrounding office buildings and the future trend in demand?

- We believe market prices will steadily decline as buildings are increasingly reducing their asking rents and granting rent-free periods in contract conditions in light of the recent increase in vacant floor space in the Tokyo metropolitan area.
- In terms of our large-scale office buildings (Odakyu Daiichi Seimei Building, Odakyu Southern Tower), although some of our small to medium-sized tenants have reduced floor space or terminated their leases due to worsening business performance and the increase in people working from home, we have not had any contract cancellations from large-lot tenants at this time and have maintained high occupancy rates of over 90%, as of the end of March 2021.

Q8. What is the status of reservations at all Odakyu Group Hotels?

- At city hotels, there were no great changes in demand and reservations continued to be sluggish even after the state of emergency was lifted in March. The occupancy rates (based on reservations) from April onward are at the same level as the results for March.
- At Hakone resort hotels, there was a slight gradual recovery following the lifting of the state of emergency in March, and the occupancy rates (based on reservations) from April onward remain at around 30%. During the Golden Week holiday, we expect a certain recovery in demand, including approximately 70% of reservations at Hotel De Yama.
- The above stated occupancy rates (based on reservations) are all as of mid-April, and as a result of factors such as the state of emergency declared on April 25, trends in demand remain uncertain.

*Hakone resort hotels: Hotel De Yama, Hakone Highland Hotel, and Hotel Hatsuhana

Q9. From FY2021 onward, how do you see demand for hotels to recovering?

- We do not anticipate a dramatic recovery in demand for tourism in FY2021, and expect these difficult circumstances to continue.
- At city hotels, we do not anticipate a recovery in inbound demand and predict circumstances to be particularly challenging.
- At Hakone resort hotels, we will continue to closely observe circumstances, since it is difficult to predict issues such as the recovery level after the lifting of the state of emergency and re-start of the Go-To Travel campaign.

Q10. What do you think about demand for and initiatives regarding tourism in the Hakone area from FY2021 onward?

- Since, at the current time, there is no forecast for recovery for inbound tourists, we will promote initiatives based on changes in social conditions, such as strengthening sales to customers arriving by car, with a focus on domestic tourists.

Q11. In FY2020, you recorded gains in the sale of investment securities. Will you continue to sell cross-shareholdings in FY2021?

- We are verifying the purpose and rationality of holdings from a qualitative perspective, such as the level of contribution to maintaining and developing the business relationship with issuing companies, and from the quantitative perspective, such as capital costs and dividend returns. While we will continue ownership of shares for which we recognize the significance of the holdings, we are reducing our ownership of shares whose significance has decreased by selling them.
- Since we still maintain a relationship with the issuing companies, we would like to refrain from providing specific stock names and reasons for selling.

Q12. Impairment losses were recorded in FY2020 in consideration of the construction plans for the Shinjuku West Gate development and other factors, however when will the Odakyu department store and Shinjuku Mylord close?

- We will commence construction in the planned area, including the Odakyu department store main store and Shinjuku Mylord, in FY2022, with completion of construction scheduled for FY2029.
- Since the details of our business plan going forward and the construction process are currently still under consideration, we will announce the details once they are confirmed.
- Furthermore, the Shinjuku West Gate HALC will continue to operate as normal.

Q13. When will you announce the numerical plan for the Medium-Term Management Plan?

- It is difficult to predict the circumstances of the COVID-19 pandemic, and we believe that making medium- to long-term predictions and formulating plans is not easy.
- At the current time, we are advancing initiatives for a period of structural reform, with the financial stability of “interest bearing debt balance of ¥700 billion and interest bearing debt/EBITDA ratio 7.0 times” as a recovery standard in FY2023.
- Furthermore, the timing of a specific announcement is still yet to be determined.

Q14. “Accounting Standard for Revenue Recognition” and other standards were adopted from FY2021. What was the change from the previous fiscal year after deducting the impact of the adoption?

Millions of yen	FY2020	FY2021 Prior to accounting standard revision	Change
Revenue from operations	385,978	475,200	+89,221 (+23.1%)
Transportation	116,230	150,900	+34,669
Merchandising	157,685	195,300	+37,614
Real Estate	72,872	74,900	+2,027
Other Businesses	68,131	83,400	+15,268
Adjustments	△28,941	△29,300	△358

*There was no impact on operating income, ordinary income, and net income attributable to the owners of parent.

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 due to changes in the economic climate, etc.