

Principal Questions and Answers at the Results Briefing for the First Half of the Fiscal Year Ending March 31, 2018

Question about the Next Medium-Term Management Plan

Q1: What is the company's stance on shareholder returns during the term of the next medium-term management plan?

- Our current basic policy on shareholder returns is to strive to further improve the financial results by reinvesting cash provided by operating activities in priority fields and growth fields and to continue to pay stable dividends with a target consolidated dividend payout ratio of 30%.
- We intend to continue this basic policy during the term of the next medium-term management plan.

Questions about the Benefits of Completion of Multiple Double Tracks

Q2: Previously, "Aim for an operating revenue increase of approximately 5.0 billion yen in FY2020 compared to FY2015" has been announced as a benefit of completion of multiple double tracks. Today, it was explained that the company will "Aim for a revenue increase of more than 5.0 billion yen." What are the reasons for and amount of the increase above 5.0 billion yen?

- The previously announced benefit of completion of multiple double tracks (a revenue increase of approximately 5.0 billion yen) was calculated in FY2015 based on the results of a demand forecast prepared by an external organization. The forecast assumed switching to the Odakyu Line from other railway lines due to transportation improvement during morning rush hours and an increase in commuter pass revenues.
- There are two major increase factors in addition to this previously calculated benefit.
- The first is strong performance in the number of passengers carried against a backdrop of improvement in the employment environment and an underlying revenue growth trend compared to FY2015, when the benefit was calculated. (Reference information: 480 million yen year-on-year increase in commuter pass revenues in FY2016)
- The second is increased frequency of Limited Express Romancecar trains.
- As a result of completion of multiple double tracks, we plan to add four Limited Express Romancecar trains during morning rush hours, which is forecast to result in a revenue increase of approximately 200 million yen.

Q3: You explained that the revenue increase of approximately 5.0 billion yen will result from switching from other railway lines because of completion of multiple double tracks. What is the basis for that point of view?

- Since completion of multiple double tracks will make possible transportation improvement in the form of congestion alleviation and shortening of travel times, we believe that a change in the dividing line between use of the Odakyu Line and other lines will occur, particularly in use for travel to the city center.
- We also anticipate switching to the Odakyu Line via Noborito and Machida Stations, which are transfer stations with JR Lines.

Question About Development in Areas along the Odakyu Line

Q4: What is the current status of consideration of the Shinjuku Station West Exit area redevelopment plan?

- We get a strong sense that consideration by the government authorities has begun to move forward in earnest, as exemplified by formulation by the Metropolis of Tokyo and Shinjuku Ward on June 20 of this year of New Community Development for Shinjuku, a guideline that lays out a future vision for Shinjuku and the direction for community development.
- In response to this guideline, on June 28 the Shinjuku Site Redevelopment Steering Committee was set up to consider urban infrastructure development policy, space and landscape development policy and other matters concerning the immediate vicinity of Shinjuku Station and other involved districts, and consideration of community development and infrastructure development is progressing.
- Since the Company participates as a member of the steering committee, we will engage in discussions with government authorities and stakeholders in line with the progress of the committee, continue to communicate our views to the authorities, and strive to ensure that our ideas are reflected in policies concerning community development and infrastructure development. We would like to draw up a redevelopment plan that will prevail in intercity competition and launch concrete development activities as soon as possible.

Questions on Inbound Tourism

Q5: What factors have contributed to the strong duty-free sales at Odakyu Department Store?

- Factors that contributed to the increase in duty-free sales at the Shinjuku Store in the first half of FY2017 were year-on-year increases in the number of purchasers and spending per customer.

- Although China accounts for approximately 60% of the number of duty-free purchases by country at the Shinjuku Store, as a result of factors including the impact of an increase in customs duties by the Chinese government in FY2016, a change in the purchasing trend from high-priced merchandise to cosmetics and other consumable items has occurred. Despite an increase in the number of purchasers, growth in spending per customer was sluggish.
- However, in addition to strong sales of consumable items, sales of high-priced merchandise regained momentum as a result of continuation of sales promotion activities and the impact of foreign exchange. This resulted in an increase in spending per customer and strong duty-free sales.
- The strong performance has continued in the second half, with the preliminary figures for duty-free sales at the Shinjuku Store showing that sales for a single month exceeded 1.0 billion yen for the first time and reached a record high.

Q6: What are the trends in inbound tourism in businesses other than Odakyu Department Store, and what initiatives are being implemented to capture demand?

- The number of inbound tourists in the Hakone and Enoshima/Kamakura tourist areas is rising sharply, and unit sales of Hakone Freepass and Enoshima/Kamakura Freepass, local excursion passes, are on pace to reach a record high in the current fiscal year.
- Last year, the Company set up a representative office in Bangkok, Thailand to engage in provision of information about tourist areas along the Odakyu Line and gather information locally in Southeast Asia, a region from which a further increase in inbound tourisms to Japan is expected. To leverage the expertise developed through this initiative for the purpose of promoting attraction of customers from Europe, we have decided to open a representative office in Paris, France.
- Also, we continue to engage in product development, and in December of this year we plan to introduce the Hakone/Kamakura Pass, a new excursion pass, as a measure to encourage tourists to spend more time in areas along the Odakyu Line.
- Although this product was developed to meet the needs of inbound tourists who wish to visit both the Hakone and Enoshima/Kamakura areas, another aim is to induce tourists to walk around, experience, and enjoy the attractions of Shimo-Kitazawa, Gotokuji, and other areas we want tourists to visit by allowing pass holders to enjoy unlimited rides on all Odakyu lines.
- In October we opened in Shinjuku INBOUND LEAGUE, a business site dedicated to inbound tourism.
- With this facility, which consists of offices for inbound tourist-related venture businesses, a share house for foreign nationals, and event space, we aim to engage in new product and service development by collaborating with venture businesses.

- We will continue to strive to capture inbound tourism demand by means including implementing measures unconstrained by the boundaries of our existing businesses.

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