

**Financial Results in the Second 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 second 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 October 2020**

**Q1: How did the Company perform in its main business areas in October?**

Railways (Odakyu Electric Railway Co., Ltd.)	Number of people passing through ticket gates (as of October 22, 2020) Slight increase compared with September 2020
Odakyu Department Stores	Sales (as of October 18, 2020) Slightly down year on year * Sales declined significantly in October 2020 due to the slump in demand directly after the consumption tax hike and the impact of store closures following Typhoon No. 19 (Hagibis).
Hyatt Regency Tokyo	Occupancy rate (as of October 18, 2020) Slight increase compared with September 2020
Hakone area	Number of passengers using Hakone-Yumoto Station (October 18–24, 2020)  Weekdays: (-19%) Weekends and public holidays: (-6%) * Please note that, because performance in FY2019 was impacted by the suspension of operations on certain sections of the Hakone Tozan Railway following Typhoon No. 19 (Hagibis), comparisons are with figures in FY2018.

## Capital expenditures and costs

Q2. What is the status of efforts to reduce capital expenditures and costs?

- We incorporated a reduction of ¥38.8 billion (¥20.0 billion at the Company and ¥18.8 billion from certain growth investments and Group companies, etc.) in capital expenditures into our full-year forecast as of July 2020. However, as a result of efforts to further reduce these expenditures, we believe we can cut an additional ¥2.5 billion. Accordingly, we anticipate a reduction of ¥41.3 billion in the full-year forecast that we have just recently announced.
- For costs, we incorporated a reduction of ¥35.8 billion into our full-year forecast as of July 2020. However, we have reviewed this amount on an ongoing basis and, as a result, we believe we can reduce costs even more. We therefore anticipate a reduction of ¥42.1 billion in the full-year forecast that we have just recently announced. Furthermore, as of the second quarter, we have cut costs by ¥18.9 billion through efforts to reduce personnel, repair, and advertising expenses, among others.

(Reference)

	Amount of reduction*	Amount of fixed costs within the amount of reduction
Full-year forecast (as of July 2020)	¥35.8 billion	¥5.0 billion
Full-year forecast (current)	¥42.1 billion	¥5.5 billion
(2Q results)	¥18.9 billion	¥2.6 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

## Transportation

Q3. The business environment for the railway business is changing due to the impact of the COVID-19 pandemic. What kinds of initiatives will you implement in response to these changes going forward?

- As a result of the impact of the COVID-19 pandemic, people's behavior is changing. Accordingly, we believe that the number of users of our railways will not return to the level that it was before the outbreak of the virus. In particular, we understand it will be difficult for sales of commuter passes to recover as new lifestyles become entrenched in society (teleworking, online classes, etc.).
- Under this kind of operating environment, we will strive to increase revenue per customer on a non-commuter pass basis by extending the distance each customer travels on our railways. We will also implement measures to expand the number of passengers by increasing frequency of use. Furthermore, we will continue to drastically review costs and pursue other measures to reduce costs.

Q4. Did the resumption of operation of the Hakone Tozan Railway have an impact on travel to the Hakone area?

- Since the state of emergency was lifted, there has been a trend of recovery in terms of travel to the Hakone area. We believe that the resumption of operation of the Hakone Tozan Railway helped strengthen this trend.
- Also, in addition to the implementation of the Go To Travel Campaign, we will continue to offer discount travel passes to the Hakone area that target residents of Kanagawa prefecture. In these ways, we will aim to further encourage travel to the Hakone area.

## Merchandising

Q5. Why did sales decline year on year in Stores and Retail despite the fact that the demand for eating at home continued to increase in the store division?

- The Store and Retail business comprises two companies: Odakyu Shoji Co., Ltd. and Hokuo Tokyo Co., Ltd.
- In the Odakyu Shoji store division, the performance of existing stores has been solid, with sales increasing significantly on the back of higher sales of fresh foods, etc.

However, due to temporary closures of convenience stores and restaurants within stations and a decline in customers at such locations due to less frequent railway use, overall sales decreased year on year.

- Sales also declined year on year at Hokuo Tokyo, owing in part to permanent and temporary store closures.

## **Real estate**

**Q6. How do you view the current conditions surrounding office buildings and the future trend in demand?**

- 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 moved out due to worsening business performance, we have not had any contract cancellations from large-lot tenants at this time. At the Odakyu Daiichi Seimei Building, we have increased floor space through renovations and have already found tenants for this space. Additionally, at Odakyu Southern Tower, we have tenants who have increased their office floor space due to the fact that the building is located right next to Shinjuku Station. By incorporating this kind of demand, we have been able to maintain a high occupancy rate.
- With that said, a downward trend is expected in the office building market, and there is a possibility that contract cancellations and requests for reduced rents will gradually increase going forward. Accordingly, we will focus our attention on future market trends.

**Q7. To what degree was the financial impact of rent concessions following the COVID-19 pandemic?**

- The financial impact of rent concessions on fixed rent following temporary closures, centered on the period of the state of emergency, came to roughly ¥2.0 billion.

## **Other businesses**

**Q8. Could you talk about the impact of the Go To Travel campaign on the hotel business?**

- Occupancy rates in areas outside of Tokyo have been relatively steady, with occupancy rates in the Hakone area being particularly strong. In fact, approximately 80% of bookings in September were made by users of the Go To Travel campaign.

- Furthermore, bookings for hotels in Tokyo increased only slightly after Tokyo was added as a location covered by the Go To Travel Campaign. However, occupancy rates in the Hakone area since October have been strong, with some hotels seeing over a 20% increase compared with October 2019, although occupancy rates during that time were impacted by typhoons.

**Q9. Could you provide information about hotel occupancy rates (i.e. bookings) in the Hakone area since October?**

- The occupancy rates in October for Hakone resort hotels were in the range of 70%–90% (preliminary results). Currently, it appears that occupancy rates in November (based on bookings) will be around the same level as the preliminary results for October.  
\* Hakone resort hotels include: Odakyu Hotel de Yama, Hakone Highland Hotel, and Hotel Hatsuhana

**Q10. As occupancy rates for hotels in Tokyo are stagnant, what efforts are you promoting to spur demand?**

- We are devising and selling new plans, such as day-use plans. In addition, we are expanding takeout menus as well as introducing new menus that offer seasonal dishes.
- In addition to the Go To Travel campaign, we are offering shared local coupons and implementing sales promotions to acquire users of the Motto Tokyo campaign.

## Adjustments

Q11. Starting from this presentation material, “Adjustments” now includes the revenue from operations and operating income of each subsegment. If this change was applied to the Company’s first-quarter performance, how would the figures look?

(Figures)

Millions of yen	First Quarter of FY 2019	First Quarter of FY 2020	Change
Revenue from operations	129,150	70,366	△58,783
Transportation	45,660	22,583	△23,077
Railways	34,561	17,036	△17,524
Busses	9,182	5,045	△4,137
Others	1,916	501	△1,415
Merchandising	52,207	29,588	△22,618
Department Stores	33,596	13,003	△20,593
Stores and retail	16,857	15,047	△1,810
Others	1,752	1,537	△215
Real Estate	13,601	11,619	△1,982
Sales	3,286	2,803	△482
Leasing	10,315	8,815	△1,500
Hotels	26,270	13,116	△13,154
Hotels	6,847	1,542	△5,304
Restaurants	5,101	1,568	△3,532
Others	14,321	10,004	△4,317
Adjustments	△8,590	△6,540	2,049

Millions of yen	First Quarter of FY 2019	First Quarter of FY 2020	Change
Revenue from operations	13,766	△14,482	△28,249
Transportation	9,767	△10,932	△20,699
Railways	8,828	△7,651	△16,480
Busses	751	△2,726	△3,478
Others	187	△554	△741
Merchandising	819	△1,393	△2,213
Department Stores	1,532	△1,276	△2,808
Stores and retail	76	△43	△119
Others	△789	△74	715
Real Estate	2,110	2,775	664
Sales	△991	45	1,036
Leasing	3,102	2,730	△372
Hotels	1,053	△4,944	△5,998
Hotels	209	△3,484	△3,693
Restaurants	103	△862	△965
Others	741	△597	△1,339
Adjustments	15	12	△2

**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.