

Tokyu Fudosan Holdings Corporation
Main Questions and Answers in the Briefing session
on the Financial Results for Fiscal Year Ended March 31, 2021

Q. Since the residential sales business is to be part of the urban development business segment, the land bank development ratio is expected to be small. Do you have a policy to increase it? Will you also be enlarging the renewable energy business, which is now an independent segment? What is your stance on investment in these businesses?

A. The changes in the business segments will not affect our stance on investment. Regarding the segment revision, we have regrouped our businesses by the similarity of their growth scenarios into two types, the asset utilization type and the human capital utilization type. In each of the two groups, urban development, strategic investment, property management and operation and real estate agents segments have been defined.

Regarding your question, the residential sales business is one of the businesses where we aspire to achieve continuous growth in the future. We will increase the pipeline, and continue to invest in the high-efficiency infrastructure industry business as we have done to date.

Q. How do you expect to regain profits in the Tokyu Hands business and the wellness business?

A. The Tokyu Hands business and the wellness business are major businesses that have been severely impacted by the COVID-19 pandemic. Basically, we will reduce fixed costs with the goal of contracting operating loss to 1.6 billion yen in the wellness business and to 0.5 billion yen in the Tokyu Hands business, according to our budget for the fiscal year ending March 31, 2022. (The wellness business recorded an operating loss of 11.4 billion yen and the Tokyu Hands business recorded a 4.4 billion yen operating loss for the fiscal year ended March 31, 2021.) For the Tokyu Hands business, we have already executed drastic measures such as cost reduction and store closures, and we will continue to take measures like these in the current fiscal year. We will work to improve the wellness business's resilience. In the hotel business, we will wait for domestic travel demand to turn around.

Q. The premise underlying the targets in the long-term vision is that profit attributable to owners of parent will grow faster than operating profit, and I think that it will be difficult to attain a ROE of 10%. Are you taking the acquisition of treasury shares into account? Is it possible to achieve the 10% ROE goal through only the growth of profit without increasing shareholder returns?

A. We hope that you understand that the targets in the long-term vision are the approximate goals we wish to reach through the growth we envision. We believe that profit attributable to owners of parent will exceed 75 billion yen if our business activities are able to earn an operating profit of 150 billion yen or more. At the moment, we are in the process of developing a Mid-Term Management Plan. First, we would like to present a roadmap to fiscal 2025.

Q. Are you planning to post an extraordinary loss as a precondition for the net profit of 30 billion yen planned for the fiscal year ending March 31, 2022? Will it be for one year only or for the next few years?

A. Our budget for the fiscal year ending March 31, 2022 anticipates an extraordinary loss of approximately 15 billion yen. No details have yet been determined. We will continue to revise assets and operations with a view toward building a solid business portfolio. We will strive to increase ROE by improving efficiency.

We will explain the timeline for the revision of the business portfolio in the Mid-Term Management Plan that is currently being developed.

Q. Roughly how large will the gain on sales of properties be in the asset-utilizing business? The human capital-utilizing business have difficulty maintaining profitability. How will ROA and ROE be increased by reducing fixed costs and closing stores?

A. We define businesses that use funds and intellectual property as asset-utilizing business. Another reason for the segment revision is our stated policy of increasing cyclical reinvestment in the future after stable profit is increased mainly in the leasing business during the previous Mid-Term Management Plan. The Urban Development business segment earned asset sales of 360 billion yen and there was a gain on asset sales of around 50 billion yen total during the four-year period of the preceding Mid-Term Management Plan. We will aim for this to be higher during the next Mid-Term Management Plan.

In human capital-utilizing business, we will work to reduce costs, increase

labor productivity and implement a common strategy addressing digital transformation (DX). We will share a large number of contact points with customers on a platform. We will take the good opportunity of reforming the structure of our business to achieve further growth through DX.

Q. What will be sales and profit be like in the renewable energy business after all the projects in that business that have yet to begin operating do so?

A. Decisions have been made for projects worth around 230 billion yen with a rated capacity of around 1,000 MW. Basically, this business is a power sales business based on feed-in tariff (FIT) rates, and has a higher rate of return than the urban development business. In combination with non-fossil certificates, it helps meet the RE100 target. At first, we were thinking of selling it for cyclical reinvestment. Now, we plan to hold it in the near future to leverage it to meet the RE100 target and earn stable revenue from selling power at FIT rates, although we will be selling off a part of the business. We wish to engage in offshore wind power and other large-scale renewable energy projects in the future. We expect to see sales revenue increase to nearly double the current level if all projects begin operating.

Q. What is the future of the Shibuya redevelopment projects? Do you expect a net operating income (NOI) yield of around 5% as in the past?

A. The projects are mentioned on page 33 of the document about the long-term vision. The schedules for some large-scale redevelopment projects are fluid. However, several projects other than the Jingumae 6-chome, Daikanyama and Sakuragaoka Block projects are in progress. We will address the large-scale redevelopment of not only the Greater Shibuya Area but also other areas. We will steadily complete these projects and increase the NOI yields to attain the growth of profits.

For the projects that have been determined to date, NOI yields are forecast to be around 5% as in the past.

Q. It seems that you are assuming profit growth through investment. Will you prioritize growth investment over the acquisition of treasury shares?

A. We understand that the acquisition of treasury shares is an effective means of providing shareholder returns. However, as you have seen the pipeline, we are prioritizing growth investment to use our financial position for the

implementation of large-scale development projects. For the time being, the acquisition of treasury shares is a low priority. Looking at the period until 2030, we will prioritize the allocation of funds to growth investment until the mid-2020s. After that, we will consider shareholder returns in view of the demands for funding, market conditions and our financial and capital structure.

Q: The environmental management style may sometimes result in higher costs. How do you balance in ways in which businesses can operate in environmentally-friendly and still remain profitable? What is the Company's strategy for balancing them? Also, what related developments do you expect to see in the market?

A: Regarding environmental management, although it is our own way of thinking, we aim for carbon minus in 2025. The power generation capacity of our renewable energy business has grown to the scale of a nuclear power plant. This makes us believe in the economic viability of our environmental initiatives. We expect that our renewable energy business will help the Group's earnings continue to grow through the adoption of green leasing practices for commercial facilities and the promotion of hotels' use of energy from renewable energy sources. The Group's approach strives to address socially significant issues and its brand image based on this approach will also significantly contribute to the growth of business.

Q: What is your future outlook for the growth of the renewable energy business?

A: Details will be laid out in our Mid-Term Management Plan. However, we aim to achieve significant growth in the renewable energy business as this appears to be one of the areas with high potential demand, given the government's strategy to see renewables play a significant role in Japan's energy mix. Meanwhile, we will invest in economically viable projects in view of the lowering of FIT rates and facilities costs.

Q: What pace of growth do you project for the years approaching 2030? Do you expect that the business will show the first half is gradual and the second half is accelerating towards 2030?

A: Unless there are exceptional circumstances, we do not expect a significant difference in the pace of growth in the initial and latter half of the period up to 2030. We aim to achieve earnings growth on the strength of investments in urban redevelopment projects planned at the moment and accelerated

initiatives in cyclical reinvestments. We expect that growth in the profits of the real estate agents and property management and operation will be higher than in sales without significant investment.

Q: Currently, more companies in Japan are looking to unwind cross-shareholdings. Will you be actively following this trend? What is your strategy regarding this?

A: The equity shares held by the Company for business purposes, which is a means of cross-shareholding, are worth some 3.0 billion yen today. This is not a significant amount as the Company's assets total over 2.0 trillion yen. We will maintain a flexible cross-shareholding policy depending on the returns of the individual stocks held. Regarding the shares of the Company's stock cross-held by financial institutions, we are not in a position to comment.

Q: Your target ROE and ROA look more or less in line with other companies in the real estate industry. Does this suggest that these targets should be interpreted as an upper limit of ROE or ROA for companies holding huge assets in the real estate business? I believe it is possible for you to achieve higher ROE and ROA. What is your view on that?

A: It appears to me that quite a few companies in the industry happen to set their targets for ROA and ROE at 5% and 10%, respectively, and this has become interpreted as an indicator of targets generally shared across the industry. As we have illustrated in our presentation about the Group long-term vision, it looks likely that we will be able to achieve higher targets through the rearrangement of our business portfolio. We will take steps to rearrange the business portfolio as illustrated on page 26 of the long-term vision.

Q: You mentioned that you will identify business areas that will be implemented, revised and implemented, launched, and fundamentally restructured or withdrawal when developing your long-term vision. Which businesses do you plan to fundamentally restructured or withdrawal? What is the reasoning behind these decisions?

A: I would suggest you refer to Business Portfolio Management illustrated on page 27 of the long-term vision. As illustrated on that page, we have evaluated individual business areas in detail both qualitatively and quantitatively and regrouped them together into categories of those that will be implemented,

those that will be revised and implemented and those that requiring fundamentally restructured. I think some of the businesses will be specific business which is withdrawal as a result of the fundamental business restructuring process. The structural reform process is underway as we confront the pandemic, and nothing will be sacred. I have no comment on specific business withdrawing at this stage.

Q: You referred to the prime market in your briefing. Are there any issues the ratio of outside directors?

A: We are committed to ensuring complete corporate governance. Our goal is to continue to reinforce our corporate governance following the relevant guidelines in view of the prime market.

Q: What is this business aimed at empowering a diverse workforce?

A: Our Group slogan, "WE ARE GREEN," calls for initiatives to evolve with diverse forms of green power, and this slogan foresees a workforce from diverse backgrounds ten years from now. "WE ARE GREEN" symbolizes our strong commitment to achieving a diverse workforce and business that we will be able to translate into a competitive advantage for our future growth. I hope that the slogan will help employees have a wider perspective and take a keen interest in the exploration of the new business opportunities ahead. Ten years ago, we did not expect the infrastructure/industry business to be one of our primary business sectors. We will strive to grow as the Group under the "WE ARE GREEN" slogan.