

Results for the First Half of FY2018: Main Questions and Answers at Briefing for Investors

November 12, 2018

*This document provides information relating to the details of questions and answers given at the presentation. Please note that this document is not a full transcription of the discussions held at the presentation. Rather, it is a concise summary that has been prepared by the Company.

(Questions on initiatives for spinning off the railway business)

Q. In the initiatives for spinning off the railway business, what is the reason that you did not take the form of a pure holding company?

- We use the name “operating holding company,” but we are not concerned with the form. With our perspective of building the optimum management structure of our company, which engages in urban development, while our company, an operating holding company, undertakes the functions of development and asset portfolio management, a subsidiary that will be established undertakes the functions of the highly-specialized railway business. That is the form we have chosen.
- As for each business such as real estate leasing and retail, we will consider building the optimum management structure that is suitable for business features.

Q. I would like to know about the impact on your real estate business. Will there be any impact on your policy of development outside your railway lines?

- We do not believe that there will be a negative impact from the spin-off. The operating holding company prepares strategies on the railway business, and our method of advancing urban development while cooperating with the strategic department of the real estate business will not change going forward.
- There is no change as to the development policy of the real estate business outside our railway lines, either. Good examples include housing sales overseas and the airport operation business in Sendai. We will continue to carry out business in which our company’s business model or strength can be utilized even outside our railway lines.

Q. With respect to the Sustainable Strategy Promotion Committee, please tell me what you discuss, including the timing and members. I would also like to know the status of discussions besides the spin-off of the railway business.

- The president serves as the Chairman, and one of the Vice Chairmen is a director in charge of the railway business. This Vice Chairman mostly discusses the spin-off of the railway business. Another Vice Chairman is the executive vice president. The Committee undertakes discussions and examinations to establish the optimum management structure for other businesses, including the ones to be discussed.
- I am afraid that I cannot tell you about the specific details, but we will discuss matters promptly. We are not setting a target for our 100th anniversary in 2022, but we would like to show our management structure for the next 100 years.

(Questions on individual businesses)

Q. Regarding the bustle of Shibuya, the number of passengers carried in 1H was sluggish, and I would like to know what the situation is now.

- Shibuya Stream opened on September 13, and we acknowledge that it has been well received. The number of office workers is expected to increase because Google Japan LLC will move in there over the next year.
- Shibuya Scramble Square will open in the next fiscal year. In the current medium-term management plan, the number of passengers carried is expected to post slightly more than a 1% increase every year by factoring in the opening effects of those projects.
- Passengers carried and non-commuters were slow due to the impact of bad weather in 1H, but the increase remains unchanged.

Q. Regarding the increase in the capital of Tokyu Fudosan Holdings, I would like to know about your company's future collaboration with the company.

- We put up business expansion through alliance as one of the key initiatives in the medium-term management plan, and Tokyu Fudosan Holdings is an important partner. In particular, the two companies are deepening their collaboration regarding the redevelopment of Shibuya, so we subscribed to the stock offerings of Tokyu Fudosan Holdings.

Q. I would like to know the progress of strategic projects as to capital expenditure.

- We did not include subscription to the stock offerings of Tokyu Fudosan Holdings in the single-year budget, but we regard it as being included in the strategic project investments shown in the medium-term management plan at this point in time.
- As for others, we will acquire new properties, etc. and strive for expansion/growth centered on the wider Shibuya area.

Q. I would like to be informed of the progress of the overseas business.

- The condominium sales project in Vietnam was completed in 1H. We recently embarked on a high-rise condominium project in which we established a JV with Mitsubishi Estate Co., Ltd.
- We are advancing our built for sales housing business in Thailand. We have continued to forge a good collaboration with a local partner, and a new project is underway.

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