

Main Q&As of Business Results Presentation for FY2021

February 18, 2022

Q. Tell us about the leasing conditions of office buildings.

A. As for existing buildings, a certain degree of cancellation occurred in our portfolio partially due to the review of offices attributable to the COVID-19 pandemic, but we were able to make progress in refilling vacancies at a reasonable pace and maintain a vacancy rate lower than the market level in our portfolio.

Q. There are many competitive properties regarding leasing for the Yaesu Project. What are your strengths in leasing?

A. Tokyo Tatemono has been engaged in development in areas other than prime areas, such as Olinas Tower in Kinshicho, Nakano Central Park, and Hareza Tower in Ikebukuro, and has achieved results in leasing. The Yaesu Project and Gofukubashi Project in front of Tokyo Station are located in highly competitive areas for offices, and there is no need to be pessimistic with the power of such properties. In addition, as for sales, it is necessary to take all possible measures such as building good relationships with various companies including existing tenant companies and collaborating with brokerage companies, and the strengths of employees is essential when making such efforts. We believe that the resourcefulness of each employee is our strength. We would like to achieve results by using this resource.

Q. Are the assumed rents for Yaesu Project and Gofukubashi Project higher the initial plan?

A. We believe that the value of the area will enhance as development progresses, but we have not yet reviewed the planned figures in our company. However, we believe that the COVID-19 pandemic will end and things will return to normal in around 2025 when the Yaesu Project is slated to complete. We aim for an upside as we believe that we can achieve at least the initially assumed plan with the economic recovery.

Q. Do you intend to change the floor plan and other plans for Yaesu Project and Gofukubashi Project by eyeing the post-COVID-19 era?

A. As for tangible aspects such as floor plans, we cannot make significant changes as procedures such as the determination of urban planning have already been resolved, but we are making repeated considerations for devising tangible and intangible aspects. Large-scale redevelopments in which we participate including the Yaesu Project have the potential to sufficiently respond to the change in needs.

Q. How much is the assumed ownership interest of the Company in the Shibuya 2-chome Project?

A. We are not able to answer that question at this point in time.

Q. What are the characteristics of the medium-sized office brand "T-PLUS"?

A. We have developed and operated various sizes of office buildings until now. We also recently made efforts to lease rental rooms as customized offices where facilities such as the interior, fixtures and conference rooms are arranged in advance. We believe that efforts to expand T-PLUS by combining it with the above customized offices and "Expert Office", a serviced office brand we acquired last year, will lead to differentiation from other companies.

- Q. Nine logistics facilities are scheduled to be completed in the current fiscal year. Tell us about the leasing conditions and the revenue impact.
- A. The vacancy rate in the market is still at low level, and we feel that demand is strong. Our medium-sized logistics facilities have been announced also by tenant companies, and the number of cases in which such logistics facilities are leased in their entirety is also increasing. Specifically, it has informally been decided that T-LOGI Yokohama Aoba, Fukuoka, Narashino II, Honjo-Kodama and Osaka Nishiyodogawa Logistics Facility Project will be leased by tenants in their entirety. With regard to revenue impact, leasing profit will contribute to profits in or after the next fiscal year as upfront costs will initially incur, and because gain on sales of properties depends largely on the sales plan for each fiscal year, we are not able to provide an answer at this point in time.
- Q. Regarding cash flow in the current fiscal year, you plan to increase interest-bearing debt, investments in for-sale condominiums and properties for investors and investments in fixed assets. While assuming selective investment, how much is the probability of investment?
- A. There will be no change in the stance of selective investment, and we will continue to acquire sites at an appropriate price level by accumulating various ingenious ideas and efforts. Although investment plans for a single fiscal year are not necessarily completed, the fact that there are projects in which the cash out itself is slightly delayed and occurs in or after the next fiscal year even if the acquisition of the project is decided is one of the reasons, and we believe that a certain amount of stock has been secured.
- Q. Is the profit target of 75 billion yen under the medium-term business plan likely to be achieved?
- A. We believe that the commercial properties leasing business will remain strong, and the for-sale condominium business and property sales to investors will continue to perform well. Regarding property sales to investors, we were able to steadily accumulate a stock of prime properties for sale partially due to the realization of sales of properties which were initially unexpected to be sold, and we believe that there is sufficient possibility that the goal under the medium-term business plan can be achieved.
- Q. The assumed gain on sale of properties to investors has increased to 90 billion yen, and it seems that there is a bit of leeway until FY2024, which is the final fiscal year of the medium-term business plan. On the other hand, the progress in investment is slightly delayed. While aiming for consolidated business profit of 120 billion yen in around 2030, is it necessary to continue achieving the investment plan set forth?
- A. A jump-up is necessary to aim for 120 billion yen in around 2030 from the business profit of 75 billion yen targeted in fiscal 2024. In order to reach this profit level, it is necessary to incorporate a certain amount of gain on sales of properties to investors, but it is difficult to cover everything with the stock worth 385 billion yen, which is the current total investment amount. Therefore, we would like to continue investing at a certain pace by assuming selective investment.

- Q. There was an explanation that the business plan was reviewed in an overseas project. We believe that approximately 5 billion yen of business profit was initially assumed in overseas business for the final fiscal year of the medium-term business plan. Will you review this figure? Also, we would like to hear about the strategies related to overseas business in the future.
- A. For projects in Southeast Asia, partially due to the spread of COVID-19, the schedule has been slightly delayed, and the timing at which 5 billion yen of business profit can be recorded in overseas business may also be delayed. As for our overseas business strategy, we will continue to consider China and Southeast Asia as promising markets, and would like to make a certain degree of investment while also considering country risks by assuming selective investment.
- Q. As for the Dharmawangsa Project in Indonesia, you said you reviewed the business plan due to the impact of the spread of COVID-19. Can the recovery of loss be expected if the COVID-19 pandemic ends?
- A. The particularity that projects for which losses were recorded this time target wealthy people and that it is slightly difficult to forecast the future market led to the recording of a large amount of loss. However, as Indonesia is a market with growth potential, we will continue to make utmost efforts to aim for profits in the future market recovery phase.
- Q. Regarding overseas business, while 70 billion yen was planned to be invested over five years under the medium-term business plan, the actual result for the past two years was approximately 5 billion yen. What is your future plan?
- A. We will consider making investments more carefully based on the fact that losses were recorded for two projects in the current fiscal year.
- Q. Why is ROE increasing although the ROA indicated on page 30 in the material is decreasing? What is your forecast on the future ROE?
- A. This is because business profit, which decreased in the current fiscal year, is used for the numerator of ROA, while profit attributable to owners of parent, which increased in the current fiscal year, is applied to ROE. During the medium-term business plan, ROE of 8% to 10% is used as a standard. We would like to gradually increase ROE in the future while paying close attention to financial stability and controlling the balance sheet.
- Q. As for the quantitative plan in the medium-term business plan, EPS is not a goal but a reference value. We would like to confirm the commitment by the management regarding the growth of EPS.
- A. We intend to continuously achieve ever-increasing profit growth not only during the medium-term business plan but also towards around 2030 shown in the long-term vision. We would like to continuously increase EPS as well as stably increase dividends through profit growth.

End