

**The Main Questions and Answers**  
**during the Briefing on Fincial Results for FY2019 (Year ended November 30, 2019)**

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\*Certain questions and answers have been edited to facilitate understanding.

**Hotel Business**

**Q What is your stance on the ownership of hotels? Will you continue to own them, or will you sell them?**

A We have ten hotels. Six of them are under development and are inventories. The remaining four, which are leased or run by us, are non-current assets. We are not insistent on continuing to own all ten hotels. After the opening of the hotels, we will watch the trends of GOP (gross operating profit) and will determine which properties we should continue to own and which properties we should sell. We will comprehensively consider which hotels we should continue to own to achieve long-term growth in the same way as office and residential properties.

**Q You said that ADR appears to have peaked. Do you plan to convert more properties into hotels, utilizing Tosei's strengths?**

A Cocone Ueno is the only Tosei hotel that has been converted from an office property. In the current market environment, we expect higher profits from office properties in central Tokyo if we continue to leave them as they are than if we convert them into hotels and pay high renovation costs. It is therefore difficult to convert properties into hotels. However, rises in office rents appear to be limited in locations outside central Tokyo, for example Chiba's Makuhari area, and we will consider converting office properties into hotels in these locations.

**Others**

**Q In the weather forecast for asset classes in the presentation material, the office has a sun symbol. I have the impression that before the global financial crisis, you actively developed office properties. Do you not consider office properties to be assets that you should handle proactively?**

A A large supply of office properties is expected in 2023, but we expect the office market to be favorable before this. That is why we gave the sun symbol to the office.  
It is true that the number of our company's new office development projects is declining. Of a total expected disposition value of 126.7 billion yen, the expected disposition value of our office facilities in the Revitalization Business and the Development Business is 43.1 billion yen. The development of office properties has been decreasing recently because we consider that we can maximize profits if we develop hotels of all asset types (offices, residential properties, and hotels, among other properties) on land that we have acquired. However, ADR at hotels is not falling but appears to have peaked, and after the Olympics, office properties may make more profits than hotels in the same location.

**Q What are Tosei's strengths in purchases of logistics properties?**

A We do not acquire large properties with a total floor area of 20,000 tsubo to 50,000 tsubo, which major companies acquire, but focus on small and medium-sized properties with a total floor area of 3,000 tsubo to 10,000 tsubo. As for location, our targets are locations in the greater Tokyo area and that are within 7 km from highway interchanges and to which the employees can commute by bus. We have accumulated expertise in attracting tenants and make investments in a manner which ensures that we have less risk. We conclude lease reservation agreements before we start construction. Those are the features of our business.

**Q Suppose the period of the next medium-term management plan is three years—will the market environment remain brisk or slow down? What are your assumptions regarding the next medium-term management plan? If the market slows, how will you achieve profit growth? To what extent will you increase the ratio of the Stable Business?**

A When we formulated the current medium-term management plan, we did not expect that the market would remain as brisk as it is now. (We expected that there would be an adjustment phase.) As the Olympics will end, we will carefully examine our assumptions regarding the next medium-term management plan. The ratio of the Stable Business is likely to be in the 40% to 50% range.