

We would like to ask about the buildings after rebuilding at Yaesu and Midosuji.

Categories, designs, and specifications of the new buildings are under consideration. For Midosuji, the new building could be built a little higher than the current one because of the slight relax of height restrictions. For Yaesu, while there would be no increase in space if we build an office building, we can utilize advantageous space regulation if we build a hotel there. However, the surrounding environment will also have to be taken into consideration. The reason for the early announcement is to avoid causing inconveniences for current tenants, and this rebuilding policy has been released accordingly.

What is the relationship with Mitsui O.S.K. Lines?

Although Mitsui O.S.K. Lines owns 51% of the shares of the Company, their core business is shipping and there is no direct relationship in terms of business. However, Mitsui O.S.K. Lines has an overseas network that the Company does not have, and our connections in Vietnam have been made using various information from Mitsui O.S.K. Lines. Accordingly, we would like to expand business by receiving introductions at locations where Mitsui O.S.K. Lines has local representatives and agents, etc. in future overseas projects.

What is the likelihood of the investment plan of 120 billion yen in the New Medium-term Management Plan?

The plan is to make a total investment of 120 billion yen, and we believe that it is feasible to make an investment of 15 billion yen because the priority measure of maintaining and strengthening the competitiveness of existing assets is almost finalized. While some of the other investments are being negotiated, we do not know what will happen in the future because it depends in part on the counterparty and some investments are still in the negotiations and bidding phase. Please understand that the details cannot be stated yet.

How is the Yaesu and Midosuji rebuilding revenue incorporated in the New Medium-term Management Plan?

The revenues and profits from the rebuilt buildings are not included in the next five years because the new buildings will not start operation before FY2022. It is also assumed that profits from the existing buildings will be reduced as a result of tenant withdrawals and the losses due to demolition works will be incurred. In addition, accelerated depreciation will have to be recognised until demolition. Overall, operating income from the two buildings will turn to red figures.

What is the reason for “30%” being kept as the dividend payout ratio despite the dividend payout ratio being increased from “30% or higher” to “30% to 35%”?

We would like to have stated that the dividend payout ratio will be “approximately 35%.” However, the phrasing “30% to 35%” has been used because profits will fluctuate based on future rebuilding plans, etc. We do believe it will be possible to maintain a dividend of 19 yen for FY2018 as well.

There is an expenditure of 4.6 billion yen as an investment in a company accounted for by the equity method. What specifically is the aim of this investment?

The investment in a company accounted for by the equity method in the previous fiscal year was an investment in the third project in Vietnam in August last year. Although there were originally plans to proceed with the project over a long term, the Company closed the project because an early exit was decided on. The details cannot be stated due to confidentiality obligations with our partner.

Please tell us once more how the closure of the buildings with rebuilding plans around 2020 has been incorporated in the results for FY2020.

Revenues will be about half the level of FY2018 as tenants will withdraw along with the closure. Because the remaining book value has to be depreciated by the closure, there will be zero contribution in terms of profits.

What are factors causing profits to increase or decrease in the New Medium-term Management Plan? In addition, please tell us about a price increase in the Osaka area.

There have been nearly record-breaking level improvements in vacancy rates in both Tokyo and Osaka. Particularly in Osaka, a corresponding price increase is assumed as a base in the plan. However, this will take effect upon the rent revisions at the time of renewal because the tenant renewal period is 3 to 5 years. Although rebuilding at Yaesu and Midosuji will have a negative impact on income and profits, these rent revisions will have a positive impact in FY2020 and FY2022.

What is the approach towards the domestic investments of 65 billion yen?

Although Shinjuku, Akihabara, and Aoyama were considered as somewhat expensive or risky investments in the past, looking back now they can be seen as extremely good buys. However, although we are currently aiming for investments like those, we are not sure whether it is currently the right environment for such purchases or negotiations. The real estate market is slightly overheated, and is in a bubble economy in a sense. There are many competitors who don't have real estate as their core business entering the market, and it is difficult to acquire properties. Accordingly, we would like to make broader range of investments with expanded coverage such as joint purchases, purchases of building complexes with hotels rather than buildings dedicated to office, or properties in satellite cities near Tokyo or regional areas.