

FY2019 Results Analyst and Investor Briefing (Tele-Conference)

Summary of Q&A Session

May 14, 2020

Q

How long have the Company's construction sites in Japan been closed? How does the shutdown impact the Company's business performance?

A

- Regarding the shutdown of construction sites announced by the Company on April 17, which were in principle to last until May 6, approx. 60% of sites were shut down for more than 10 days.
- With construction sites reopening from May 7 in consultation and agreement with respective owner, the Company sees that the shutdown has minimal impact on its business results.
- In order to ensure the safety of everyone involved, including the local communities, the Company has been taking even stricter measures to prevent infections and to contain the spread of COVID-19 since restarting its construction sites.

Q

What impact does COVID-19 have on construction demand in and outside Japan?

A

- Because some building construction projects in Japan have been discussed canceling or reconsidering, the Company will be paying close attention to trends in construction demand.
- Over the medium- to long-term, however, the Company sees that investment in large-scale redevelopment projects centered on the Tokyo metropolitan area and investment aimed for functional advancements as well as labor saving are expected to continue.
- In the U.S. and Europe, while some projects in the aircraft and automobile manufacturing industries have been postponed, the market for distribution warehouse construction is expected to expand in parallel with growing e-commerce.
- In Asia, there are many production facility projects planned by Japanese manufacturers, but negotiations with these companies have made little progress.
- In Oceania, COVID-19 will affect demand for hotel construction due to significant damage on the tourism industry.

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How will COVID-19 impact forecasts for overseas subsidiaries and affiliates in fiscal 2020?

A

- In the U.S., although construction sites were not shut down in most of the states in which we operate, the Company expects the impact of such factors as regulations requiring social distancing to be comparable to a month's shutdown. In real estate business, distribution warehouse development is in good shape.
- In Asia, the Company has assumed shutdowns of different lengths for each country in factoring the impact of the pandemic. In forecasts for real estate business, the Company has taken into consideration declining occupancy rates at hotels, shopping centers, and other facilities.
- In Europe, construction sites have been operational with no major negative impact. As in the U.S., the distribution warehouse development business is also in good shape.
- In Oceania, construction sites are reopening in New Zealand after a shutdown of a month-and-a-half. In Australia, construction sites were not shut down, but the Company has released a slightly conservative earnings forecast in anticipation of slower construction progress due to the impact on supply chains and workers.

Q

Is it possible to charge owners increased construction costs caused by COVID-19 overseas?

A

- It is difficult to say with certainty as each country's policy and each contract is different.
- In the U.S., there are cases where this would be accepted as it is covered by a force majeure clause in a contract.

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What is the view on the contract awards forecast for the Company's building construction business in fiscal 2020?

A

•Because the Company has a certain number of secured projects, for some of which final contracts were not closed in fiscal 2019, the Company expects to see 1 trillion yen taking some negative effects of COVID-19 into consideration.

Q

Is the gross profit margin forecast for the Company's construction business in fiscal 2020 not a concern?

A

•The Company does not expect any increase in construction costs and does not see any reason for concern.

Q

Does the Company plan the share buyback?

A

•The Company plans to consider repurchasing its shares once COVID-19 is under control enough to stabilize the economic environment.

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What progress has there been on the investment plan under the ongoing Medium-Term Business Plan (Fiscal 2018-2020)? What type of sustainable growth investments have been made?

A

- New investment in domestic real estate business is expected to exceed the plan of 160 billion yen. Recoup of investment is also in good shape with the value-enhanced sale of acquired properties.
- In overseas real estate business, both new investment and recoup of investment in distribution warehouse business in the U.S. and Europe are strong. In Asia, we are pursuing investments in long-term income-producing properties.
- Over the past two years, the Company has recouped 33 billion yen in Japan and 54 billion yen overseas from dispositions in real estate business.
- In terms of sustainable growth investments, the Company capitalized on a self-elevating platform (SEP) ship holding company and acquired a Polish company which specializes in student dormitory development and management.
- While specific areas of investment may increase or decrease, the Company desires to achieve total new investment of 500 billion yen as the plan is intended to contribute to company business performance over the medium- to long-term.