

**FY3/2017 2Q Financial Results Briefing  
Summary of Question and Answer Session**

Q1

What has been the impact of the Kumamoto earthquake on first-half and current performance?

A1

The negative impact in the first half was ¥2.7 billion—¥1.9 billion in 1Q and ¥0.8 billion in 2Q. We expect this impact to disappear in 3Q, owing to the Kyushu Tourism Revival Campaign, including “Kyushu Reconstruction Discount” products. We also plan to increase Kyushu exposure to customers through the “Nagasaki Destination Campaign,” which runs from October to December.

Q2

What are Ryoju Properties’ strengths and future growth strategies?

A2

One of the company’s strengths is the stable revenues that can be expected from the leasing business it has developed in good locations, with offices and other buildings tenanted by Mitsubishi Heavy Industries’ group companies. In addition, in the Tokyo metropolitan area the company owns a number of excellent development properties. Demand for these properties should be stable, as they are located within 10 minutes’ walk of a station, allowing for good commuting directly to the metropolitan center. By developing these properties and increasing their values, we expect the company to increase its profits and corporate value.

Q3

What are the amounts of Ryoju Properties’ depreciation, interest-bearing debt and goodwill generated? Is the acquisition price of ¥97.0 billion appropriate?

A3

Depreciation is slightly less than half of operating income (around ¥4.0 billion). The company has essentially no interest-bearing debt. The final amount of goodwill remains to be determined through discussions with our accounting auditor, but we expect the amount to be between ¥10 billion and ¥20 billion, and closer to the first figure.

The acquisition price was determined using the DCF method, and after on-site checking the approximately 400 properties to be acquired, appraisals were conducted on each of them. Taking into account these appraisal values and synergies through the share acquisition, we believe that a certain premium is warranted and have decided the price is appropriate. In addition, some properties are raw land, currently unused dormitory and company housing sites in good locations. These sites can be developed to increase their value, generate future profits, and enhance corporate value.

Q4

With condominium prices rising, particularly in the Tokyo metropolitan area, why have you chosen this timing to make a share acquisition?

A4

The appropriateness of the acquisition price was explained in response to the previous question. We will be acquiring a bundle of development properties at once, but rather than pursuing their development all at once, we will seek to optimize the timing of business development by looking carefully at market situations and properties for which development should be prioritized. We have ample cash reserves to develop these properties over a medium-term span, and we believe it will be possible to ascertain development timing.

Q5

A high percentage of the properties Ryoju Properties holds are in the Kanto and Kyushu regions. What is the purpose in JR-West, which is located in Osaka, holding properties in Kanto and Kyushu—areas where the company has no feel for the land? Wouldn’t developing business in Kansai offer better synergies with your railway operations?

A5

First, we plan to utilize properties within our area (around 36% of the total), where we can best leverage our strength. At the same time, in the Tokyo metropolitan area there are a number of leasing properties in extremely good locations, and demand is firm, making them attractive. One major benefit of this share acquisition is that it helps to strengthen our purchasing function in the Tokyo metropolitan area. By leveraging

this advantage and building up expertise in the Tokyo metropolitan area, we should be able to expand our business.

Q6

Do you have any intentions to acquire the remaining 30% of shares in Ryoju Properties that Mitsubishi Heavy Industries will hold?

A6

We believe Mitsubishi Heavy Industries will be a solid partner for us. First of all, we will work together with Mitsubishi Heavy Industries, benefiting from its expertise and striving to increase Ryoju Properties' corporate value.

Q7

You have invested in growth excess cash in addition to that indicated in your medium-term management plan. With the current investment in Ryoju Properties, this amount is to be around ¥110.0 billion. Does the share acquisition lower the possibility for shareholder returns with this excess cash?

A7

This share acquisition will use up a large portion of this excess. With regard to the total amount available, we will monitor cash flow carefully, including for next fiscal year. If any excess is available at that point, we will determine how best to use that cash, based on our priorities for its use.

Q8

Do you have any intentions to increase shareholder returns in your next medium-term management plan?

A8

Going forward, we plan to discuss shareholder return levels.

END