UNIZO Holdings Company, Limited

STRONGER FOOTHOLD 2021
Strengthening the Management Structure

Fourth Medium-Term Management Plan
(Fiscal Years ending March 31, 2020 – March 31, 2022)

April 16, 2019
First Section, Tokyo Stock Exchange
Securities Code: 3258

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1. Macroeconomic Environment

1-1 Macroeconomic Environment

Global Financial & Economic Conditions

- In Japan, even though weakness has appeared in some export sectors, gradual economic recovery is likely to continue. Factors that warrant attention include effects of trade friction between China and the United States, increasing uncertainty about the Chinese economy, progress in negotiations over the British vote to leave the European Union, and effects of negotiations over the Trade Agreement on Goods (TAG) between the United States and Japan.
- In the United States, even if economic growth centered on consumer spending and capital expenditure continues, growth may slow. Factors that warrant attention include trends in short and long-term interest rates, effects of trade friction between China and the United States, developments in the United Kingdom after leaving the European Union, and the evolution of the 2020 US Presidential election.
- Financial and currency markets warrant attention as instability is expected to increase due to effects of increasing global economic uncertainty.

Business Environment

(Office Buildings in Japan)
- Vacancy rates in Tokyo’s five central wards have fallen to below the 2% level; upward trend in rents in some areas, including central Tokyo, continues.
- Market appears to be gradually nearing peak.

(Office Buildings in the United States)
- Vacancy rates continue to fall in leading cities; rents, however, are flat in some cities.
- Market appears to have mostly peaked.

(Hotels)
- Pace of growth in number of hotel guests from abroad has somewhat slowed, and Japanese guest numbers are on a downward trend.
- New or expanded hotel capacity continues to come on line at high level.
- Competition expected to grow fiercer going forward, and risk of weakening in occupancy rates and revenue per room warrants attention.
### 2. Background of Formulation for Fourth Medium-Term Management Plan

#### 2-1 Background of Formulation for Fourth Medium-Term Management Plan

**Business environment has made it difficult to expand assets via new investments**

**For fiscal year ended Mar. 2019, expect to achieve numerical target for net income for last fiscal year (fiscal year ending Mar. 2020) of Third Medium-Term Management Plan (fiscal years ending Mar. 2018 - Mar. 2020) one year ahead of schedule**

- Also expect to achieve target for net income deducting extraordinary income (loss)*1

#### Results outlook

**Fiscal year ended Mar. 2019**

<table>
<thead>
<tr>
<th>Revenue from operations</th>
<th>56.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>17.6</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>11.7</td>
</tr>
<tr>
<td>Net income</td>
<td>11.9</td>
</tr>
</tbody>
</table>

Net income deducting extraordinary income (loss)*1 = 8.3

#### Third Medium-Term Management Plan

<table>
<thead>
<tr>
<th>Numerical targets*2</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>51.6</td>
</tr>
<tr>
<td>16.6</td>
</tr>
<tr>
<td>11.0</td>
</tr>
<tr>
<td>7.2</td>
</tr>
</tbody>
</table>

Unrealized gains*3 (Mar. 31, 2019 outlook):

- Rental office bldgs. and other properties for lease*4: 136.4
- Hotels & other: 86.0

Unrealized gains: difference between book value and appraised value for commercial real estate as of March 31, 2019. Calculation basis: rental office buildings and other properties for lease, self-operated hotels, and other assets

FX rate: calculated using JPY/USD 111.01

*1 Net income deducting extraordinary income (loss) = Ordinary income x (1 - tax rate)

*2 Announced on Apr. 28, 2017

*3 Unrealized gains: difference between book value and appraised value for commercial real estate as of March 31, 2019. Calculation basis: rental office buildings and other properties for lease, self-operated hotels, and other assets

*4 FX rate: calculated using JPY/USD 111.01

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3. Basic Policy and Vision of STRONGER FOOTHOLD 2021

3-1 Basic Policy and Vision of Fourth Medium-Term Management Plan STRONGER FOOTHOLD 2021

Basic Policy

• Aiming toward Growth and Advancement globally, the UNIZO Group will Strengthen its Management Structure

• Portfolio will be managed mainly through capital recycling, and unless there is a change in the business environment, for the time being, no capital raising via new-share issuance by public offering and assets to be acquired within extent of cash inflows from investing activities

Vision

1. Build asset portfolio with strong risk resistance and high profitability
2. Sustainable income improvement
3. NOI yield*1 +1.0% improvement or greater
4. Maintain equity ratio above 20%

*1 NOI yield = operating income before depreciation and amortization ÷ weighted average book value for commercial real estate
(Calculation basis: rental office buildings and other properties for lease, self-operated hotels, and other assets)
### Build asset portfolio with strong risk resistance and high profitability

- Amount of property sales: about ¥200 billion
  
  (Including over ¥100 billion sold during fiscal year ended Mar. 2019)

### Sustainable income improvement

- Revenue and income expected to decline due to property sales in fiscal year ending Mar. 2020. Plan to achieve revenue and income growth without assuming asset expansion in two-year period covering fiscal years ending Mar. 2021 - Mar. 2022
  
  - By fiscal year ending Mar. 2022, plan to increase ordinary income by about 20% vs fiscal year ending Mar. 2020 through higher revenue and cost efficiency improvements
  
  - Reduce expenditures via efficiency improvements: Efficiency target Over ¥500 million reduction by fiscal year ending Mar. 2022

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<tbody>
<tr>
<td></td>
<td></td>
<td>Change</td>
<td>Change</td>
<td>Change</td>
</tr>
<tr>
<td>Revenue from operations</td>
<td>56.0</td>
<td>45.3 (19.1%)</td>
<td>45.7</td>
<td>47.1</td>
</tr>
<tr>
<td>Operating income</td>
<td>17.6</td>
<td>13.5 (23.3%)</td>
<td>14.5</td>
<td>15.4</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>11.7</td>
<td>8.8 (24.8%)</td>
<td>9.8</td>
<td>10.4</td>
</tr>
<tr>
<td>Net income*</td>
<td></td>
<td></td>
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</tbody>
</table>

* As real estate market conditions have a large impact on property sales prices, at present extraordinary income (loss) is difficult to forecast, and numerical targets for net income are not set.

### Numerical Targets

4-1 Numerical Targets

1. JPY interest rates: flat over 3 years
2. USD interest rates: flat over 3 years
3. FX: flat at ¥110/$ over 3 years

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4. Numerical Targets

4-2 Numerical Targets

**NOI yield**\(^*1\)  +1.0% improvement or greater (outlook for fiscal year ended Mar. 2019: 4.7%)

- Improve yield on asset portfolio via capital recycling
- Improve income via higher revenue and cost efficiency improvements

\(^*1\) NOI yield = operating income before depreciation and amortization ÷ weighted average book value for commercial real estate
(Calculation basis: rental office buildings and other properties for lease, self-operated hotels, and other assets)

**Maintain equity ratio above 20% (outlook for fiscal year ended Mar. 2019: 16.3%)**

- Maintain equity ratio stably above 20%
  - Improve portfolio to steadily build more income (including extraordinary income [loss] booked due to property sales), which will strengthen financial base and raise equity ratio stably above 20%
## 5. Business Strategy
### 5-1 Real Estate Business (1) – Basic Policy, Numerical Targets

**Basic Policy**
- **Japan**
  - Thoroughly implement efficiency improvements to lower expenditures
  - Strengthen income base
- **Overseas**
  - Thoroughly implement efficiency improvements to lower expenditures
  - Strengthen leasing
  - Improve property management abilities

### Numerical Targets

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</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>43.3</td>
<td>33.5</td>
<td>(22.6%)</td>
<td>33.4</td>
<td>(0.3%)</td>
<td>34.1</td>
<td>+2.1%</td>
<td>+1.8%</td>
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<tr>
<td>Operating income</td>
<td>16.4</td>
<td>12.6</td>
<td>(23.2%)</td>
<td>12.6</td>
<td>0.0%</td>
<td>12.8</td>
<td>+1.6%</td>
<td>+1.6%</td>
</tr>
</tbody>
</table>

Note: Figures for segment revenue from operations and operating income are before intersegment eliminations and adjustments.
5. Business Strategy
5-1 Real Estate Business (2) – Action Plan (Japan)

**Thoroughly implement efficiency improvements to lower expenditures**

- Reduce leasing costs via in-house leasing utilizing the publicization of the UNIZO Brand in Tokyo’s 5 central wards
- Lower costs via centralized procurement as the UNIZO Group, including the Hotel Business, for items such as electricity
- Decrease costs via revising service procurement methods, such as expanding procured services open to bidding, unbundling property management service ordering, and other means

**Strengthen income base**

(Existing Tenant Sales)
- For tenants paying rents below market rates, thoroughly implement rent increases to levels above market rates
- For tenants paying rents above market rents, make efforts to keep these tenants and raise rents further
- Stabilize revenues by continuing to move tenants from ordinary lease contracts to fixed-term lease contracts

(New Tenant Sales)
- Aim for zero downtime and 0% vacancy
- Aim for fixed-term lease contracts set at above-market rents, keeping previous tenants’ rents in mind

(General Sales)
- Work together with UNIZO Hotel and promote efforts to pitch building tenants and trading partners to join the hotel corporate membership program
5. Business Strategy
5-1 Real Estate Business (3) – Action Plan (Overseas)

Thoroughly implement efficiency improvements to lower expenditures
- Thoroughly improve efficiency and lower costs by reorganizing outside procurement methods (e.g. ordering methods)
- Lower capital investment and maintenance costs

Strengthen leasing
(Existing Tenant Sales)
- Aim for zero downtime
- Promptly ascertain and meet tenants’ needs for changes in floor space
- Strengthen risk management

(New Tenant Sales)
- Maximize focus on quickly filling vacancies

Improve property management abilities
- Bring functions in house where cost reductions can be expected
- Accumulate know-how and develop staff related to US property management operations
## Basic Policy

- Thoroughly implement efficiency improvements to lower expenditures
- Improve profitability through introduction of new Hotel Membership Program
- Improve profitability for each hotel according to its individual characteristics
- Manage hotels under management contract appropriately
- Publicize three-brand strategy
- Develop staff
- Ensure smooth openings for new hotel locations

### Numerical Targets

<table>
<thead>
<tr>
<th></th>
<th>Fiscal year ended Mar. 2019</th>
<th>Revenue from operations</th>
<th>Operating income</th>
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</thead>
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<tr>
<td></td>
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<td>12.9</td>
<td>1.9</td>
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<td></td>
<td>Change</td>
<td>Change</td>
<td>Change</td>
<td>Change</td>
</tr>
<tr>
<td></td>
<td>12.0</td>
<td>12.5</td>
<td>13.2</td>
<td>+5.6%</td>
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<tr>
<td></td>
<td>(7.0%)</td>
<td>4.2%</td>
<td>10.0%</td>
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<td></td>
<td></td>
<td>12.5</td>
<td>+20.0%</td>
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<tr>
<td></td>
<td>(10.5%)</td>
<td>47.1%</td>
<td>76.5%</td>
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<td>3.0</td>
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</table>

Note: Figures for segment revenue from operations and operating income are before intersegment eliminations and adjustments.
5. Business Strategy
5-2 Hotel Business (2) – Brand Development

Thoroughly develop 3 brands and further raise brand awareness

- Thoroughly develop and publicize the three hotel brands - HOTEL UNIZO, UNIZO INN, and UNIZO INN Express - and offer superior service and the convenience of outstanding locations to a global customer base

HOTEL UNIZO
- A hotel brand that enables sales in a high price range and maximizes profitability by increasing added value through luxurious interiors, exteriors, facilities, and fixtures

UNIZO INN
- A hotel brand that enables sales in a middle price range and maximizes profitability by providing an ample level of highly convenient facilities and fixtures

UNIZO INN Express
- A hotel brand that enables sales in a low price range and maximizes profitability by strategically selecting the most necessary facilities and fixtures
### HOTEL UNIZO

**(as of Apr. 16, 2019)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Opened</th>
<th>Rooms</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOTEL UNIZO Ginza-itchome</td>
<td>Chuo Ward, Tokyo</td>
<td>Jan. 2015</td>
<td>305</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Ginza-nanachome</td>
<td>Chuo Ward, Tokyo</td>
<td>June 2016</td>
<td>224</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Shimbashi</td>
<td>Minato Ward, Tokyo</td>
<td>Oct. 1978</td>
<td>233</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Shibuya</td>
<td>Shibuya Ward, Tokyo</td>
<td>May 2010</td>
<td>186</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Yokohama-kei-West</td>
<td>Nishi Ward, Yokohama</td>
<td>Nov. 2018</td>
<td>156</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Kyoto Shijo Karasuma</td>
<td>Shimogyo Ward, Kyoto</td>
<td>Oct. 2014</td>
<td>281</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Osaka Umeda</td>
<td>Kita Ward, Osaka</td>
<td>Apr. 2018</td>
<td>220</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Osaka Yodoyabashi</td>
<td>Chuo Ward, Osaka</td>
<td>Apr. 2009</td>
<td>333</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Osaka Shinsaibashi</td>
<td>Chuo Ward, Osaka</td>
<td>Jan. 2018</td>
<td>186</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Fukuoka Tenjin</td>
<td>Chuo Ward, Fukuoka</td>
<td>Oct. 2007</td>
<td>159</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Hakataeki Hakataguchi</td>
<td>Hakata Ward, Fukuoka</td>
<td>Sept. 2018</td>
<td>217</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Nagoya Ekimae</td>
<td>Nakamura Ward, Nagoya</td>
<td>June 2019*1</td>
<td>210*1</td>
<td>ON/OP</td>
</tr>
<tr>
<td>HOTEL UNIZO Kyoto Karasuma Oike</td>
<td>Nakagyo Ward, Kyoto</td>
<td>Winter 2020-2021*1</td>
<td>317*1</td>
<td>ON/OP</td>
</tr>
</tbody>
</table>

*1 Opening period and number of rooms subject to change
*2 Provisional name
*3 ON/OP: Own and operate; OP: Operate

### UNIZO INN

**(as of Apr. 16, 2019)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Opened</th>
<th>Rooms</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNIZO INN Sapporo</td>
<td>Chuo Ward, Sapporo</td>
<td>Jan. 2016</td>
<td>224</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Asakusa</td>
<td>Taito Ward, Tokyo</td>
<td>July 1992</td>
<td>121</td>
<td>ON/OP</td>
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<tr>
<td>UNIZO INN Kandaeki-West</td>
<td>Chiyoda Ward, Tokyo</td>
<td>Aug. 2017</td>
<td>219</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Hatchobori</td>
<td>Chuo Ward, Tokyo</td>
<td>July 2003</td>
<td>148</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Kanazawa Hyakumangoku Dori</td>
<td>Oyamamachi, Kanazawa</td>
<td>Nov. 2017</td>
<td>220</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Nagoya Sakae</td>
<td>Naka Ward, Nagoya</td>
<td>May 2014</td>
<td>252</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Kyoto Kawaramachi Shijo</td>
<td>Nakagyo Ward, Kyoto</td>
<td>July 2017</td>
<td>242</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Kobe Sannomiya</td>
<td>Chuo Ward, Kobe</td>
<td>Jan. 2018</td>
<td>199</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Hiroshima</td>
<td>Naka Ward, Hiroshima</td>
<td>Sept. 1985</td>
<td>171</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Osaka Kitahama</td>
<td>Chuo Ward, Osaka</td>
<td>July 2019*1</td>
<td>291*1</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Hiroshima Ekimae*2</td>
<td>Minami Ward, Hiroshima</td>
<td>Spring 2020*1</td>
<td>250*1</td>
<td>ON/OP</td>
</tr>
</tbody>
</table>

### UNIZO INN Express

**(as of Apr. 16, 2019)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Opening</th>
<th>Rooms</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNIZO INN Express Morioka</td>
<td>Morikawa-Nishi Dori, Morikawa</td>
<td>Apr. 2018</td>
<td>259</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Express Kanazawa Ekimae</td>
<td>Horikawa Shinmachi, Kanazawa</td>
<td>Apr. 2019</td>
<td>392</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Express Kagoshima Tenmonkan</td>
<td>Higashi Sengokuchou, Kagoshima</td>
<td>June 2019*1</td>
<td>295*1</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Express Hakodate Ekimae</td>
<td>Wakamatsucho, Hakodate</td>
<td>Winter 2019-2020*1</td>
<td>277*1</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Express Utsunomiya*2</td>
<td>Shukugo, Utsunomiya</td>
<td>Autumn 2020*1</td>
<td>319*1</td>
<td>ON/OP</td>
</tr>
<tr>
<td>UNIZO INN Express Osaka Minami Honmachi*2</td>
<td>Chuo Ward, Osaka</td>
<td>Spring 2021*1</td>
<td>503*1</td>
<td>ON/OP</td>
</tr>
</tbody>
</table>

*1 Planned hotels

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5. Business Strategy

5-2 Hotel Business (3) – UNIZO Group’s Hotels (List)

Continue nationwide development under three brands.
5. Business Strategy

5-2 Hotel Business (4) – UNIZO Group’s Hotels (Map)
Thoroughly implement efficiency improvements to lower expenditures

- Fundamentally reduce costs by reorganizing procurement systems and lowering commissions by expanding in-house sales

Improve profitability through introduction of new Hotel Membership Program

- Acquire new members to expand in-house sales capabilities

Improve profitability for each hotel according to its individual characteristics

- Implement pricing strategy for each hotel that matches its individual characteristics
- Attract visitors from abroad and strengthen corporate sales

Manage hotels under management contract appropriately

- Execute appropriate administrative functions and communications with entities that outsource to UNIZO

Publicize three-brand strategy

- Continue to entice customers by publicizing brand concepts and slogans on advertising media and UNIZO webpages

Develop staff

- Implement training that instills as a core action the enticing of guests to join Hotel Membership Program
- Enact training to enable staff to provide a sense of Japanese hospitality, and good service to guests from abroad

Ensure smooth openings for new hotel locations

- Hire and train staff for new hotel locations in a timely way; thoroughly manage opening schedules
Thoroughly implement efficiency improvements Group wide, including at headquarter functions

Further strengthen risk management system

Further raise awareness of the UNIZO Group

Systematize CSR efforts and begin releasing CSR information
Disclaimer

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