

Notice of Hotel Development Business in Kyoto

Please note that this document is a translation of the official announcement that was released in Tokyo. The translation is prepared and provided for the purpose of the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version of the news release for complete and accurate information.

This is a notice about the development business start of "Inbound City-tourism Hotel" in Kyoto.

1 . Business Purpose

Due to the success of the tourism nation policy including relaxation of visa requirements, the needs of tourists to Japan is increasing significantly. Considering meeting the demands of accommodations from tourists to Japan could benefit the creation of society interests, we are developing the "Inbound City-tourism Hotel" where tourists including foreigners could experience beautiful nature and "omotenashi" hospitality of Japan. In this April, "SPRINGSUNNY", the first hotel of our collaborative brand with the Spring Group which is developing travel and air transport business in China, fully opened in Tokoname city, Aichi prefecture. As the result of our efforts on building the "heart-warming" hotel, the occupancy rate and average daily rate are improving remarkably.

In Shijo Kawaramachi, the largest shopping and entertainment district in Kyoto, with the purpose of opening the high-class flagship hotel, we purchased a land to start the development business.

The project land faces Kawaramachi-dori Street and is one minute's walk from Shijo Kawaramachi Crossing. It's the optimal location for visiting Kyoto, because from here, all the representative and well-known sightseeing spots are accessible by walk, such as Gion in typical Kyoto atmosphere, Pontocho lined with Ochaya (a place where guests are entertained by the performance of traditional Kyoto female entertainers), beautiful shining rivers Kamo-gawa and Takase-gawa, the Kitchen of Kyoto Nishiki Market, Yasaka-jinja Shrine, Maruyama Park, etc.

In "Japan Revitalization Strategy" with a goal of nominal GDP ¥600 trillion, the realization of Japan as a tourism nation is one of the major projects. Aiming at creating a "Japan which the world wants to visit", the government has been engaging in the action program consisting of the review of tourism related regulations and the effective use of tourism resources. Against this background, we consider that the business for Japan inbound tourists could make big contributions for national interests. Thus, from last year, we started the hotel business and are working on it actively with the intention of making it the second main pillar following our office business. As an ancient city of 1,200 years' history and tradition, Kyoto is attracting attention around the world. By developing the business project in Kyoto, we are trying to expand and spread our hotel brand which cherish Japan culture very much.

2. Acquired Noncurrent Asset and Business Overview

L o c a t i o n : Shimogyo-ku Ward, Kyoto City (Please refer to the attached map below.)

Registered Land Area: 887.24 m²

Building Plan: Steel-reinforced building, 10 storeys above ground and 1 basement storey, gross floor area 6,199.39 m²

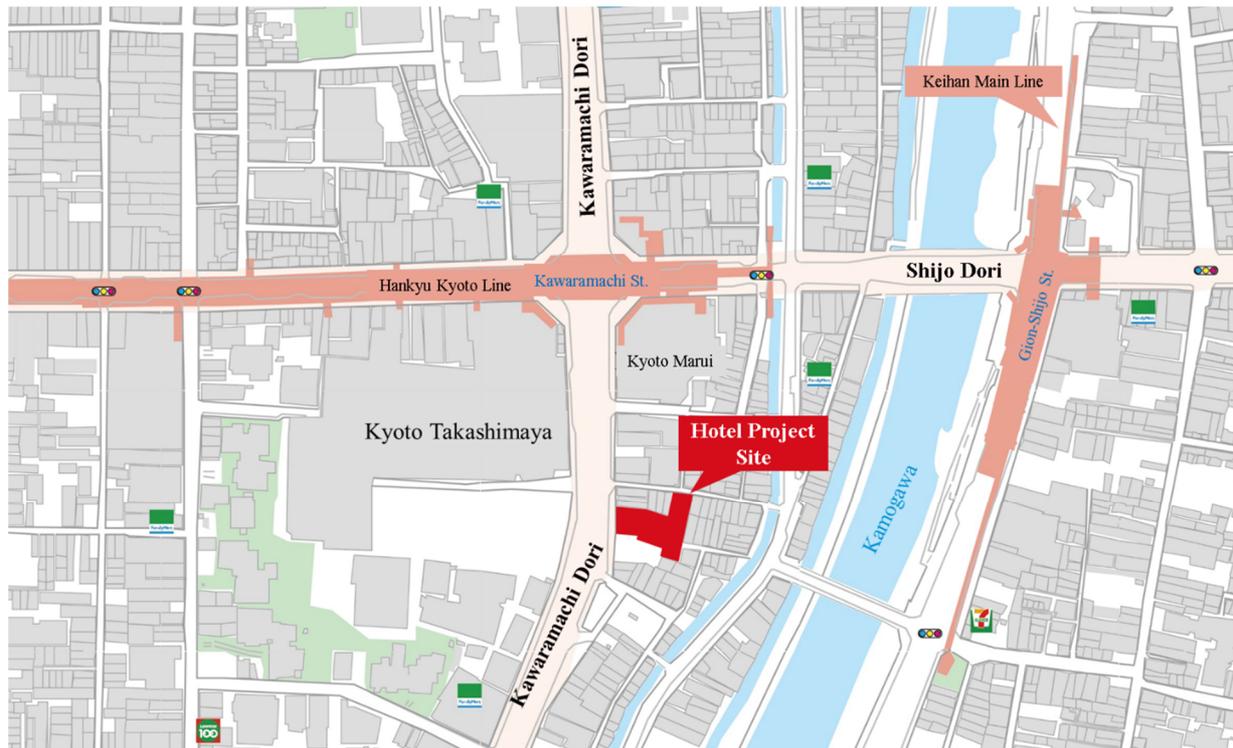
Summary of Facilities: 189 guest rooms (plan), restaurant, big bath, parking lot, etc.

A c c e s s : one minute's walk from Kawaramachi Station, Hankyu Kyoto Line; five minutes' walk from Gion-shijo Station, Keihan Main Line.

Opening date: the second half of 2018 (plan)

Note: All the schedule, building structure and scale are subject to change.

< the Land for Project >



3. Business Scale

The total project cost is expected to 10 billion yen.

About acquisition cost of the asset, we didn't get the disclosure agreement from acquisition destination, so we will keep it undisclosed.

4. About the Location

In Shijo Kawaramachi where the hotel land is located, there are many large-scale commercial facilities and restaurants. It's a very bustling area where lots of foreign tourists like to visit. One minute's walk from Kawaramachi Station by Hankyu Kyoto Line, five minutes' walk from Gion-shijo Station by Keihan Main Line, the access is very convenient. Big customer-drawing facilities, such as Kyoto BAL and mina Kyoto, are also within the walking distance. In this area, there is a lot of traffic and it is a place filled with many tourists.

We will fully utilize this good location and try our best to operate the high-class hotel specialized in stay-type accommodation.

5. About Foreign Visitors to Japan

JNTO announced that visitor arrivals of Japan in this August went up by 12.8% to 2.049 million from a year earlier, exceeded 2 million as the previous month and it is the highest number ever. As cumulative sum of year to date, the figure exceeded 15 million 2 month earlier and went up to 16.059 million. Besides the continuous promotion of trips to Japan, the increase of cruise ship calls and expansion of airline routes also have large effects on the steady growth of foreign visitors to Japan.

Moreover, many of these foreign visitors are visiting Kyoto and experiencing tradition and culture of Japan. The percentage of foreign visitors to Kyoto is 29.7% (According to "Consumption Trend Survey for Foreigners Visiting Japan" of Japan Tourism Agency), very high percentage within Japan ranked fourth after Tokyo, Chiba and Osaka. There are more than 17 world heritage sites such as Nijo-jo Castle and Kiyomizudera Temple. With the intention to share the valuable properties readily with international visitors to Kyoto, we are aiming at the operation of "heart-warming hotel" through this project.

6. Future Outlook

The acquisition of the noncurrent asset may only slightly influence the consolidated financial results for the Fiscal Year Ending March 31, 2017.