

## Investor Day 2019 Part2

Date / Time: May 16th, 2019  
5:20pm – 6:00pm Q&A  
Attendees: Masayuki Hyodo, President and CEO  
Toshikazu Nambu, GM, Media & Digital Business Unit  
Nobuki Ando, GM, Living Related & Real Estate Business Unit

### What is the reason for profit growth in the real estate business? And what is the outlook from FY2020 onwards?

First, when comparing the leasing business and development/sales and condominium business, the latter has a higher ROA. In leasing business, we have been working on a large-scale project mainly in the Kanda area in mid to long-term. And we have accelerated our fund and REIT businesses using external capital, and these are contributing to our profit growth. Regarding the outlook from 2020 onwards, we recognize that the prices in real estate market are rising, and we don't consider that the profit will keep growing in the same manner for development/sales and condominium business. On the other hand, in leasing business, we are working step by step to accumulate the fixed assets. We intend to increase the profit with an uncommon approach among other real estate companies by utilizing our platform business. In addition, in medium to long term, we will grow our asset management business, which we manage other people's assets, and overseas businesses. (Ando)

### Regarding Fyffes, what is the difference from what you originally envisioned prior to the acquisition and when do you think the profit will recover?

As it's pointed out, there is a large gap between the level of the current EBITDA and the level at the time of the acquisition of this company. There are three main portfolios. Bananas and pineapples business, which we have steadily acquired expertise in Asia banana business. And melon business, which has the largest market share in the U.S. Then the mushroom business that has production in Canada.

Two years ago, in the banana and the pineapple business, the revenues were severely damaged since there was a part of cost increase and couldn't be hedged. As we have already formulated an improvement plan for this area, the profit is gradually returning to the original plan. Melon business is recovering in the current fiscal year after suffering a loss on disposal when the market was in downturn in the last fiscal year. The greatest challenges are in the mushroom business. There are some obstacles to production

control and other issues, and we are now spending human resources and CAPEX on these issues. We estimate that the profit will recover in FY2020 to FY2021. (Ando)

As for the overseas smart platforms and digital media business, I would like to ask you how you are going to generate revenues.

Regarding the overseas smart platform business, we are going to expand the model like the telecommunication business in Myanmar, focusing on developing countries in Asia.

First, the overseas smart platform is considered in two stages. The first stage is getting involved in the telecommunications infrastructure, such as base stations, data centers, call centers, and gain returns by subscriptions or communication charges.

However, as you know, the world of telecommunications is quickly commoditizing. So, as second stage, we use the network to provide added value, such as games, books, entertainment, finance, and insurance, services that contribute to daily life. (Nambu)

How much we can expect from the introduction of RPA and the Digital Transformation (DX) projects to contribute to financial performance? I would like to ask you how the trials, the projects you are preparing for, and the projects you are executing will have positive effect on your financial results.

First about RPA, by using robotics to control the process that was previously done manually by humans, you can save tens of percent of individual time. Now, we employ a time-based KPI of man-hour savings. However, this also considers transferring personnel to more productive assignments or other optimal arrangements. We intend to further deepen our method of quantifying the effects.

I also think there are several ways to scale DX. We are in the stage to consider how to quantify it in the future. As for M&A, we are trying to improve the profitability by introducing DX. (Nambu)

Could you tell us how you differentiate yourself from other companies in terms of data utilization and DX?

The core value of DX lies in the expansion and penetration of on-site operations. When I mention sites, I have in mind BtoC and BtoB. With BtoC, for example, J:COM delivers service to 5.48 million households, and through their viewing data, we can obtain various information assumed from the content watched. With 10,000 staff members, we can understand the issues that need to be addressed, while providing technical support. There is depth in the information. Assuming that households have an average of two people, we cover about 10 million people, so in that sense, we have access to a big

amount of data.

On the other hand, Summit is visited by 400,000 people every day in Japan, Tomod's is visited by nearly 20,000 a day. In that sense, we want to secure the data and use it for marketing by further incorporating the data in the future of BtoC.

Regarding BtoB, we've got a good deal of people and time in the manufacturing industry, either alone or together with various manufacturers. We have a lot of experience in managing businesses with significant stake. So we can set the aim of getting involved in areas where the efficiency of the manufacturing industry can be improved. I think we have unique strength in such communication.

We also employ AI and data engineer experts in our organization and groups the similar tasks to accelerate the initiatives. (Nambu)

Please let me know what are the expectations for CDO, or the level of expectation in the coming several years. I'd like to know the directions of such expectations, what kind of future you are envisioning.

We, as management, have an assumption of levels to be achieved after the current medium-term management plan. In order to get on the growth curve, it is absolutely essential that the DX, such as a partnership with startups, is actually quantified through joint efforts of the CDO and the CSO.

In the first year of the Medium-Term Management Plan, we have reached the point of establishing an internal system. We hope to have each business division develop a KPI that will connect to deliver the results this year and afterwards. (Hyodo)

(End)