

Property Revival Business: Convert Existing Stock and Achieve Highest and Best Use
Xymax's Approach to Hotel Business

Xymax Corporation (Head Office: Minato-ku, Tokyo, Representative Director: Masafumi Shimada, hereinafter "Xymax") started a new business, in which we convert existing office buildings and retail properties into hotels. Simultaneously, we also launched a hotel business. The hotels we provide include not only the converted hotels but also hotels newly-constructed for the purpose of promoting effective use of land.

For many years, companies in Japan owned and used properties in various ways in their business, but as times go by, the value of using the properties decreased in some cases or the use of some properties no longer meets people's demand. The idea of converting into hotels came when Xymax was thinking about conversions of struggling properties. We decided to proceed with this idea of converting them into hotels since demand for hotel is expected to grow.

Our office-to-hotel conversions will start from the opening of the hotels in Osaka and Kyoto cities in this March. These hotels were old office buildings before the conversion. The first hotel of our retail-to-hotel conversions is expected to open at the end of this year. In this remarkable project, a former roadside retail property will be converted into a hotel. (Details of these hotels are provided at the bottom of this release.)

Up until now, hotels in Japan are roughly either relatively high-priced hotels, which are mixed-use properties accompanying not only accommodation but also banquet halls and wedding ceremony venues, or limited-service hotels, which are mostly dominated by so-called "business hotel" with single-bed rooms. There is a limited availability of hotels with rooms for a group of two or more people at relatively affordable room rates, and such hotels are in urgent need to accommodate the growing number of travelers from abroad. To respond to such demand, Xymax will develop and operate limited-service hotels where standard rooms have two or more beds.

Xymax is targeting the rapidly increasing ASEAN tourists and is in the process of forming collaborative marketing alliances with leading companies in ASEAN countries. As our first collaboration framework, Robinsons Land Corporation^{*1} in the Philippines and Xymax signed a marketing alliance agreement to collaborate in marketing activities of Xymax's hotels, and potentials for possible investment are currently under study. Other than the ASEAN projects, we are collaborating with China's Shanghai Spring Investment Management Co., Ltd.^{*2} to form a cooperative relationship between the demand side and the supply side of the hotel.

The hotel business will continue to be the core part of Xymax's property revival business. We are planning to provide approximately 1,500 hotel rooms and 10 hotel buildings in the next three years.

*1 Robinsons Land Corporation

Robinsons Land Corporation (RLC), winner of Euromoney's Overall Best Managed Company in the Philippines for two recent consecutive years, is one of the Philippines' leading real estate developers in terms of revenues, number of projects, and total project size. It is engaged in the development and operation of shopping malls and hotels, and the development of mixed-use properties, office and residential buildings, as well as land and residential housing developments, including socialized housing projects located in key cities and other urban areas nationwide. RLC is the real estate arm of JG Summit Holdings, Inc., one of the leading conglomerates in the Philippines. Companies under the conglomerate include Cebu Pacific Air and Universal Robina Corporation.

*2 Shanghai Spring Investment Management Co., Ltd.

The hotel investment arm of Shanghai Spring Group in China.

Shanghai Spring Investment Management Co., Ltd. is going to work on the hotel business related to the group's airline and travel businesses.

The company was established in Shanghai's free-trade zone in 2015. It also launched a subsidiary in Japan.

■ Hotels Scheduled to Open

1. karaksa hotel Osaka Shinsaibashi I (Scheduled opening: March 2016)

| | |
|-------------------|--|
| Address | 1-6-9 Bakuromachi, Chuo-ku, Osaka City, Osaka Prefecture |
| Site Area | 385.66 sqm |
| Gross Floor Area | 2,545.35 sqm |
| Structure / Floor | Reinforced concrete (below-ground floor) and steel frame (above-ground floors) / Building with 9 floors above ground and 1 floor below ground |
| Completion | January 29, 2016 |
| Renovation | Design: D&A Inc. Contractor: JDC Corporation |
| Guest Room | 69 |



Entire Building



Front Entrance

2. karaksa hotel Kyoto I (Scheduled opening: March 2016)

| | |
|-------------------|--|
| Address | 12-13 Mibubojocho, Nakagyo-ku, Kyoto City, Kyoto Prefecture |
| Site Area | 191.85 sqm |
| Gross Floor Area | 1,121.00 sqm |
| Structure / Floor | Reinforced concrete (1st floor) and steel frame (2nd-7th floors) / Building with 7 floors above ground |
| Completion | January 25, 2016 |
| Renovation | Design: D&A Inc. Contractor: JDC Corporation |
| Guest Room | 36 |



Entire Building



Front Entrance

3. Osaka Izumisano Project (Scheduled opening: End of 2016)

| | |
|-------------------|--|
| Address | 588 Kashoji, Tajiricho, Sennan-gun, Osaka Prefecture |
| Site Area | 12,539.65 sqm |
| Gross Floor Area | 6,208.97 sqm |
| Structure / Floor | Steel frame / Building with two floors above ground |
| Completion | Expected to be around October 2016 |
| Renovation | Design: D&A Inc. Contractor: JDC Corporation |
| Guest Room | 136 |

Contact us for further information

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