

Major Q&A items in the results announcement presentation  
for the second quarter of the year ending March 2014

Q : Your leasing income is already around 10 billion yen higher than 95 billion yen, which is the target for fiscal year 2014 in your Long-Term Business Plan. What has improved since the time you set your plan?

A : The retail properties which opened last year did better than expected, and there was income growth in the SPCs which started to be consolidated since last year. For the office buildings, there was a decline in expenses, while leasing revenue did not decline as much as we expected. As a result, our income ended up better than expected.

Q : You plan to generate around 15% of your total FY 2017 operating income from the international operations. What is the current pace of your international investments?

A : Our property acquisition network is expanding, and in the U.S., we acquired a residential property for lease, as well as offices. We have also set up an office in San Francisco, in order to expand our business. In the U.K., several properties are expected to open between the middle to the end of next year. We were able to newly acquire One Angel Court and the BBC Development Project, through our network with a local partner.

In China, we are working together with a partner we can trust. We decided to open a Lalaport in Shanghai, through a master lease structure which we believe to have low risk. In South East Asia, we are able to acquire various businesses including residential and outlet mall projects in Singapore, Malaysia, Thailand and Indonesia.

As explained, we are building a wide network overseas, and steadily seizing investment opportunities. In the future, by potentially entering new countries and cities, we believe we can achieve our 15% income target.

Q : In terms of the current office market, has there been a change in the recovery compared to 3 or 6 months ago? How much rent increase do you expect for your class A buildings going into next year?

A : Since the beginning of the fiscal year, we were expecting some recovery in rents, which is being realized, and there is no change to the overall trend. We want to think about next year onwards based on the feel we get from leasing activities conducted in the autumn onwards.

Q : How are you controlling your costs for your "condominiums for sale" business, when land prices and construction costs are going up?

A : Yes, we are expecting some cost increases in relation to land acquisition. As for construction costs, we believe it is important to control them rationally, by having general contractors work on the design and construction, or to proactively utilize construction methods in which the general contractors have expertise, instead of making one-sided requests for cost reductions.

For Mitsui Fudosan Residential, we set up a team focused on procurement this April, to achieve economies of scale.

Q : Are you seeing signs of the unit prices of condominiums going up? In which areas/locations are you able to raise unit prices?

A : In central Tokyo, we are starting to see properties for which the sales price exceeds our initial expectations, and this trend is starting to expand to other areas. However, this trend is not uniform in all properties. We are seeing price increases in properties which have plans and specifications that match the needs of customers.

Q : In relation to the National Strategic Economic Growth Areas, what kind of development do you have planned in the Yaesu area?

A : For Yaesu, we will apply the same concept we have in Nihonbashi. We would like to conduct development which will create new businesses, such as developing a transportation terminal.

Q : Please explain about the mega solar business. The objective, as well as the types of synergies you expect with your other businesses. Please share any quantitative targets if you have any.

A : We are conducting the mega solar business as part of the CRE strategy of our tenants and other clients. This is a new business for us, and we are applying some risk premium to the business.

Q: Do you think you will achieve income growth that outpaces your peers?

A : Mitsui Fudosan can be expected to achieve well-balanced growth in its Leasing, Property Sales and Management businesses. For our retail facilities business, we have a strong pipeline leading to 2016. We also have a sufficient pipeline for our office business, and we expect growth in our international business to lead to income growth.

Q : Is your office portfolio differentiated in any way from your peers?

A : We are strongly focused on offering offices that are earthquake resistant, and have strong disaster-prevention aspects. We are spending 20 billion yen for BCP-related work on our existing offices, as well as conducting seismic reinforcement work for the Shinjuku Mitsui Building, which our tenants recognize and evaluate.

Q : What are your strategies / policies in relation to Integrated Resorts? Do you have any plans for areas other than Tokyo, for example Osaka etc.?

A : There is no change in our policy, and we will consider Integrated Resorts while monitoring how the Bill is drafted, as well as the discussions conducted. There is nothing to mention in relation to the area at the moment.

Q: The vacancy for Tokyo Metropolitan offices has risen to 4.5% in this second quarter. What is your strategy for tenants that are paying high rents, in terms of rent renewals and leasing?

A : Some of our 3,000 tenants have been using our offices for a long time. We plan to hold discussions with each tenant separately, regardless of the rent levels being high or low. We have not changed our vacancy outlook of around 3% at the end of March 2014.

Q : What kind of impact are you expecting from BCP projects, such as the Specially Designated Power Supply Business in Nihonbashi?

A : The Specially Designated Power Supply Business is precisely part of BCP, and we will work actively on it in the future. We have yet to find customers for the electricity, but we position the Specially Designated Power Supply Business not only as part of BCP but as an investment from which we can generate revenues.

Q : Are there any synergies with your business that can be expected in relation to the Imperial Hotel, such as rebuilding?

A : We are currently holding discussions, through study groups, for the Imperial Hotel. We plan to decide our policy in relation to the various synergies that can be achieved, and rebuilding is one of the options.

Q : What projects do you have coming up in areas other than Otemachi and Hibiya, in Yaesu or Ginza 6-chome for example?

A : We have plans for Yaesu, but for Ginza, we still have not decided our strategy. We are currently considering various options, including rebuilding the property.

Q : What is driving the growth in your retail facilities? Is it from average customer spend, the number of visitors, or are you doing something else to achieve growth?

A : The main driver is the renewals of the facilities, and in some cases we are replacing more than half of the tenants through renewals.

Q : Is the main driver for income growth going to be capital gains from the strong retail facility pipeline?

A : We would like to combine leasing income from ownership together with capital gains from properties for sale to achieve income growth.