Analyst Meeting Q&A

For the Fiscal Year Ended March 31, 2012

Q:Operating income in the holding businesses was ¥89.7 billion for the fiscal year endedMarch 31, 2012. Thisis an improvement from the targetmade at the announcement of the Long-term business plan. Does this mean that the business environment is more favorable than when the Long-term business plan was drawn up?

A: We do feel the business environment is more favorable than when we developed the Long-term business plan. Compared to the forecasted operating income of ¥84.6 billion in the holding businessesfor the fiscal year ended March 31, 2012, the actual performance in these financial results indeed improved by approximately ¥5.0 billion; although, this does not mean that the target operating income presented in the Long-term business plan increased by ¥5.0 billion,becausethere is a difference in precision in assembling numbers. However, we believe that this was a solid achievement toward the target operating income in the holding businesses of ¥120.0 billion for the fiscal year ending March 31, 2018.

Q: You say there is a perception in the field fora recovery in demand for office space. In which industries and which business categories is there such a demand? Large scale buildings are continuously placed on the market; however, what is the forecast for demand for office space in Tokyo?

A: We feel that demand isrelatively strong in IT related industries. Overall, in the entire Tokyo area, companies with growing business performance have strong needs to increase floor space and consolidate office space, and especially in the Nihonbashi area, demand from companies including pharmaceuticals, which are historically based in and have regional ties to the area, are very strong. As can be seen in the recent example of Nihonbashi, we feel that demand for office space in Tokyo should not be considered for the entire area but should be considered for each individual area of Tokyoin detail. For example, when we consider cases handled by us, demand for Gate City OHSAKI and Tokyo Midtown,even though not located inthe central areas of Tokyo such as Otemachi or Marunouchi,are steady, thus, we feel that consumer demand is diversified for each area of Tokyo and each building. We intend to continuously provide detailed services consistent with demand in each area.

Q: Among your office building portfolios, which areashave strong demand from tenants and are easy to conduct business with?

A: We would say Nihonbashi. We are developing the Nihonbashi area with a policy to create neighborhoods. We believe that as development progresses, customers would further value its potential in the future.

Q: In the property market for investors, you explained that a volume of real estate transaction remains flatat this point due to discrepancies between prices offered by buyers andsellers. Does this also mean your property acquisition is slow due to discrepancies in prices? Inthe future when the price discrepancies are eliminated in the market, will there be any changes in your policies forproperty acquisition?

A: In the plan for the fiscal year ending March 31, 2013, among the ¥330.0 billion new investments in real properties for sale, approximately 1/3 of that amount is planned for the “property sales to investors” category. Thus we are going to proceedwith new investment this fiscal year. Our policy is to purchase properties to which we can add value with our developmentprojectsare more challenging and have higher risks, but they have an advantage in that we can purchase these properties at stable prices without becoming involved in market-wide price competition.

Q: I see that ¥160.0 billion is planned on capital investment for this fiscal year and approximately 60% of this amount is for additional investment on existing projects. Which areas are targeted for this new capital investment? What is the ratio of overseas investment in overall capital investment?

A: No specific areas including their use and development methods are selected for new capital investment at this point.The ratio of overseas investment is scheduled to be approximately ¥40.0 billion out of ¥160.0 billion. However, we will not be making purchases just to spend our budget. We will be carefully selecting profitable properties for investment. The overseas investment includes an investment for development projects for the propertyin London purchased in the last fiscal year.

Q: In the property market for investors, which properties will be sold, for example, offices, rental housing units, or retail facilities? The completed housing inventories have a certain level of unrealized gains, but why is operating income for this period only around ¥8.0 billion? Does this mean that you prioritized a recovery of funds for this fiscal year and plan to record capital gainsin the latter half of the Long-term business plan?

A: Which properties to sell will be selected from available properties in individual negotiations with potential buyers?The ¥8.0 billion operating income forecast is calculated under certain assumptions and is not calculated by adding up properties to be sold on a list.

Q: In a REIT results briefing, it is said that cash flow increases after free-rent periods expire. Doesn't the expiration of free-rent periods for office spaces result in an increase in cash flow in this company?

A: We also experience an increase in cash flow after free-rent periods expire. Income from existing buildings will continue to beadjusted in the fiscal year ending March 31, 2013, but we expect it to settle during the fiscal year ending March 31, 2014.

Q: How do you feel about buy-backs?

A: We understand that some say, "a company should buy back its own shares to bring the stock price back to reasonableprices"; however, we do not intend to buy back our own shares just for that reason. Our policy is to invest capital in attractive projectsand create added value to raise ROA and ROE in order to respond to shareholder expectations.

Q: Regarding the sale of assets, such a sale may reduce income from leasing. In addition, your balance sheet is sound; therefore, it seems that the sale of assetsis not necessary. Given that, is it necessary to aggressively sell assets? While some people believe this, how much of your tangible assets do you plan to sell this fiscal year? Andwill such a sale generate extraordinary loss?

A: As announced in the Long –term business plan, we plan to sell fixed assets with a total book value of ¥200.0 billion over six years. Thus, we plan to sell if an opportunity to sell properties arises in this fiscal year, but we do not plan to sell any specific properties at this time. Therefore, extraordinary loss or extraordinary gain from the sale of a specific property is not included in the plan for this fiscal year.

Q: The “property sales to individuals” category has a profit ratio lower than that of your peer companies. Is this due to direct costssurrounding thetiming of land acquisitions or is it due to indirect costs including selling expenses and fixed costs?

A: Properties acquired at higher costs before the financial crisis in the fall of 2008 are the primary factorbehind the loweringof the profit ratio; however, we recognize that indirect costs also contribute to it. Improvement of profit ratio in this business category is one of the subjects in the Long-term business plan. As for cost reduction, we are working on reducing direct costs by purchasing materials in bulk for the entire group while concurrently reviewing other costs including selling costs and fixed costs.

Q: Is 10% of profit ratio for the “property sales to individuals” category possible as a result of those efforts?

A: In the Long-term business plan, the target operating incomeforthe “property sales to individuals” category is set to be in the vicinity of 8% for the fiscal year ending March 31, 2018. We will definitely work on improving the profit ratio by eliminating unnecessary costs; however, we would also like to continue to be who we are as Mitsui Fudosan,that is highly valued by our customers, and we will not let excessive costreduction activitieshinder that, if they ever would.

Q: In leasing office spaces, in my perception, your sales strategy isto strive to fill all the spaces when an office building is completed no matter what the market conditions. As discussed earlier, if the market is expected to improve in the future, I think the strategy for leasing should be modified according tomarket conditions. What are your thoughts about this? In addition, how much of the spaces are in leasing contracts so far in the area of Nihonbashi Muromachi East Area Development Plan which is planned to complete in the next fiscal year?

A: We certainly do not focus on rushing into leasing out all space when a building is completed. We aim at keeping our rent ranges and filling spaces when a building is completedsimultaneously. The leasing segment is our core business, so we act strategically in leasing office spaces to tenants from the viewpoint of the entire company. Therefore, we place a significant amount of effort on sales to potential tenants,includingsales activities by our executives. Under this policy, for buildings in the Nihonbashi Muromachi East Area Development, we are in discussion with various customers. Fortunately, we have received anoverwhelming number of inquiries, and the project is running smoothly.

Q: You plan to sell fixed assets. Which assets are to be sold? How do you select properties to sell? Will the portfolio in the medium- to long-termbe diversified to cover regional area office buildings or will it be concentrated onTokyometropolitan area office buildings? What kind of asset allocation do you have in mind?

A: The selection of properties to sell depends on the portfolio. We strive for urban development in which we can work with other landowners and neighbors so that they can be happy with the results of development in areas including Nihonbashi, Hibiya, and Otemachi. In these urban developments, we view the projects from a long-term viewpoint, including the areas surrounding the developments. We base our policies on owning the properties we develop as a principle. On the other hand, when we invest in development, it is important to have a strong balance sheet. We may sell buildings outside the areas of our urban development, which are generating stable income, to REITs or other funds to replace assets.

Q: What is the future plan for rebuilding the Hibiya Mitsui Building and Otemachi 1 cho-me Mitsui Building? It is said they will “bear fruit” of income after the Long-term business plan, but as for the Hibiya area, it has been a long time since the Sanshin Building was demolished in an area where development was planned and nothing seems to have been done during this time. What is the future plan there?

A: We like to refrain from commenting on thosedevelopmentsbecause of ongoing negotiations with landowners in the surrounding areas, joint developers, and local governments. As you mentioned, those developments will contribute to income only after the fiscal year ending March 31, 2019; however, we are currently deeply committed to those developmentsin order to realize developments worth the wait.

Q: In the“leasing retail facilities” category, you mentioned that renewals are planned for some properties this fiscal year and that a decrease in income may occuras a result. How much of an increase in income can be expected with those renewals? In other companies, it is said that store sales have sometimesincreased by 50%.

A: In our retail facilities, for example in our flagship “LaLaport Tokyo Bay” facility, we repeatedly increased floor space and performed renewals in the last 30 years to improve income. Renewals planned this time,of course, aim at an increase in income in addition to maintaining our competitive edge.

Q: Among the new investment of ¥284.0 billion in Real Property for Sale in the fiscal year ended March 31, 2012, how much is the investment for "property sales to investors"?

A: In the "property sales to investors" category, new investmentfor real property for sale for the non-consolidated period was approximately ¥60.0 billion. You can consider this amount as the new investment amount for "property sales to investors" on the balance sheet. The investment amount includes construction investments for existing properties.

Q: In the earnings forecasts, it is planned to increase sales in the "property sales to investors" category to ¥125.0 billion for the fiscal year ending March 31, 2013 from ¥64.1 billion in the fiscal year ending March 31, 2012. What are the key factors for that?

A: Our model for cooperation with investors consists of properties sales to J-REIT and private funds and receiving management services from them, and this is a core of our business models; thus we intend to further promote this business.

Q: Is there any risks for vacancies in your existing properties due to tenants moving to new buildings?

A: Due to an impact from temporary vacancies in Yokohama Mitsui Building completed at the end of the fiscal year, the vacancy rate of the Company's office buildings at the end of March was 4.4%, up from the end of December, because of the effects from new buildings. However, the vacancy rate was down for the existing buildings, and we currently do not have a problem of "vacancy after tenants moving to new buildings" in our existing buildings.

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