

Major Q&A items at the results announcement presentation for FY March 2013

Q: Please explain the reason for the strong trends, as well as Mitsui Fudosan's strength, in retail facilities.

A: Through our 30 year history in managing retail facilities, we have strengthened relations with our tenants, and have become able to sense any changes in them. Based on this expertise, we conducted the renewals of four major Lalaport properties, had more visitors than we expected, and higher spend per customer. I think these are the reasons behind the strong results. Going forward, we will continue to accurately grasp changes among customers, and adjust our merchandising strategy accordingly.

Q: Please tell us about the room for future openings of retail facilities, such as the Outlet Parks, and the room for future growth.

A: Although Outlet Parks cover a very broad geography, there still are regions not covered by existing facilities. We will carefully select good locations, and acquire land actively.

Q: The operating margin guidance for Property Sales to Individuals is 5.7% for FY March 14, which is still low. Can you achieve your target of 7.0% in FY March 15?

A: We are not happy with the current OP margin. We would like to, and are confident that we can, achieve 7% in FY March 15, leading to the 8% target for March 18.

Q: Please share with us your outlook on construction cost and sales price increases, as well as the expected timings of the increases.

A: For construction costs, we have already locked in the costs for up to FY March 15, through negotiations with the construction companies. So, the concern is for FY March 16 onwards. As for the sales prices, now is not the time to raise them. We expect sales prices to go up once Abenomics is successful, leading to the expansion of employment and increases in wages, together with the comprehensive reform in social welfare removing people's concerns.

Q: Why is your Leasing business performance better than what is outlined in the Long-term Business Plan?

A: Income has improved due to a combination of the following:

- Retail facilities doing better than initially expected
- The profit reduction being less than expected for existing buildings, partly thanks to cost improvements
- Profit increase from SPC consolidation being larger than expected, and
- The Yen trending weaker than expected.

Q: How has the market environment changed since you came up with the Long-term Business Plan? Can we assume that you are doing better than expected in terms of the quantitative targets outlined in the Plan?

A: As a result of Abenomics, the number of visitors increased and the speed of contracts being signed has accelerated in relation to the sale of new properties. The speed of transactions has also accelerated in the second-hand housing market.

In the office leasing market, tenant companies that are benefiting from the weaker yen are enjoying better results, and we expect demand for office floor space to continue to improve.

However, we are not overly optimistic.

In retail, the sales of high-end goods is improving, but we still do not see the effects of Abenomics for general consumer goods.

When we prepared the Long-term Business Plan, we assumed a recovery in transaction volume in the real estate investment market, as well as a 50,000 unit/year market for the residential sales market in the Tokyo Metropolitan area. So far, the actual trends are within our expectations, and we do not feel the need to revise our Plan upwards.

First, we would like to achieve the operating income target of 160 billion yen in FY March 14. We will think about FY March 15 after that.

Q: What is your outlook on office rents and cap rates?

A: Since last year, we have started to see rents be revised upwards in some cases, and we expect to see more of that in this fiscal year. Cap rates could continue to compress, with the rise in REIT share prices and the decline in the implied cap rates of REITs.

Q: How will Abenomics impact Mitsui Fudosan's capex plans and leasing activities?

A: Out of the various Abenomics policies, the so called "Three Arrows", Mitsui Fudosan will be most impacted by the growth strategy, so we need to carefully watch the outcome and consider strengthening our investment plans. In terms of deregulation, we plan to conduct various lobbying activities to achieve deregulation needed in urban & neighborhood development, and actually develop neighborhoods based on such deregulation.

Q: In relation to the neighborhood development of Nihonbashi, please tell us what to expect in terms of rent levels, tenant diversity, killer contents, etc.

A: Although Nihonbashi has a lot of potential, we still feel a shortage in the infrastructure and environment for working here. For example, we are short in residential properties for lease, hotels to accommodate business needs, shopping and dining facilities, entertainment facilities such as cinemas, and medical facilities which foreign people can use.

The targeted tenant companies are extremely cooperative, and rents in the area are on the rise. We will conduct value-adding neighborhood development and accelerate these positive trends.

Q: Are you conducting lobbying activities in relation to the special economic zones, which is part of Abenomics?

A: We look forward to deregulation from the demand side, not from the supply side. For example, we would welcome tax incentives, boosting employment (including the employment of foreign people), deregulation in the medical area, etc.

Q: Are you considering doing anything in relation to "integrated resorts"?

A: We are continuing our studies on casinos, which will be at the core of integrated resorts. It is up to whether or not the Casino Law will be passed, and we are monitoring the discussions.

Q: Will the Hibiya and Otemachi projects start operations during the Long-term Business Plan period?

A: For Hibiya, it might start operation in FY March 18. Otemachi will be after that.

Q: When will you launch the logistics REIT?

A: It's still too early to say, but we would like to list it when it reaches a certain size.