Message from the CFO

We are maintaining a sound, stable financial foundation and enhancing sustainable growth and efficiency to further increase our corporate value.

Wataru Hamamoto

Managing Director,
Senior Executive Managing Officer

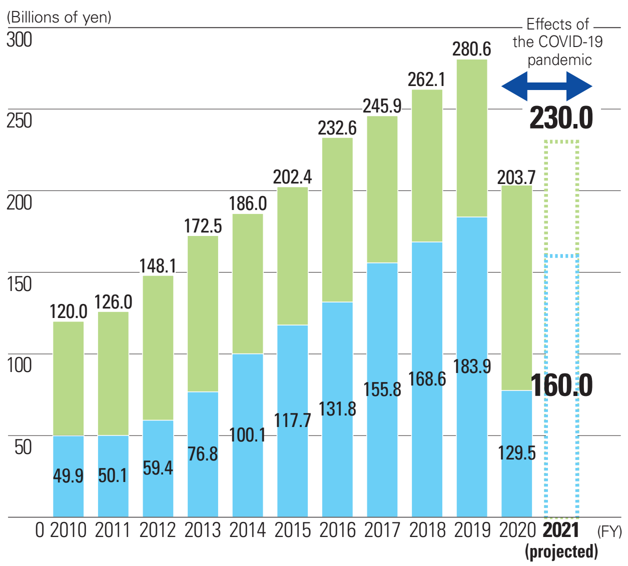
Overview of Fiscal 2020 Business Results

In fiscal 2020, we achieved record-high property sales to investors, strong sales and steady delivery of Property Sales to Individuals (Domestic), and increased profit from office building leasing. At the same time, we experienced a significant decline in profits primarily in the first quarter due to the closure of retail facilities, hotels, and resort facilities following emergency declarations under the COVID-19 pandemic, a decline in the operation of Mitsui Car Park Leasing (rental parking lots), and continued impacts of the pandemic from the second quarter onward. We recorded revenue from operations of ¥2,007.5 billion, operating income of ¥203.7 billion, and ordinary income of ¥168.8 billion. Profit attributable to owners of parent was ¥129.5 billion, reflecting the recording of extraordinary gains and extraordinary losses stemming from the sale of assets as part of balance sheet control and the recording of extraordinary losses related to the pandemic. Revenue from operations was our highest ever.

Emergency declarations were issued twice in Japan during fiscal 2020. Acting on the basis of requests from the government and other parties, our Group placed the health and safety of customers and employees first and carried out closings and shortening of business hours at retail facilities, hotels and resort facilities, and other properties. We also enacted measures including rent reductions for retail tenants facing business continuity concerns at facilities owned by the Company. Amid such an environment, to an extent that presented no issues in maintaining employee employment and no hindrance to fund procurement thanks to our sound financial position, we placed an emphasis on stable and continuous shareholder returns, maintaining an annual dividend of ¥44 per share for the fiscal year while performing repurchase of shares limited to ¥15.0 billion. As a result, total shareholder return ratio was 44.2% of profit attributable to owners of parent.

Total assets on the balance sheet were ¥7,741.9 billion, an increase of ¥346.6 billion from the end of the previous fiscal year. Consolidated interest-bearing debt was ¥3,623.4 billion and net assets were ¥2,655.9 billion. As a result, we have maintained a healthy financial standing with a debt/equity ratio of 1.42 times and an equity ratio of 33.0%.

Operating Income/Profit Attributable to Owners of Parent



Status for the First Half of Fiscal 2021 and Business Results for the Full Year

The COVID-19 pandemic situation continues to bear close monitoring. According to the full-year outlook we announced on May 14, 2021, despite a move toward recovery in the economic environment due to the progress of vaccination, the speed of recovery is uncertain and effects of the COVID-19 pandemic will remain throughout the fiscal year. Taking into account this assumption and the emergency declaration issued on April 25 just before our announcement, we forecast revenue from operations of ¥2,150.0 billion, operating income of ¥230.0 billion, ordinary income of ¥205.0 billion, and profit attributable to owners of parent of ¥160.0 billion.

In the first half, declarations of emergency and priority measures for contagion prevention were subjected to expansions of covered area and extensions of length. Under these circumstances, our business was affected primarily in retail facilities and hotels, resulting in slightly weaker performance than initially forecast.

In the second half, over 70% of Japan's population had received a second dose of vaccine as of November 1, and new COVID-19 infections are declining. We expect a degree of recovery in our business.

Based on these factors, despite some degree of lingering pandemic effects, we believe that full-year performance will settle within the range of our initial outlook.

As impacts on specific businesses will change with the status of the pandemic, we will continue to closely monitor conditions.

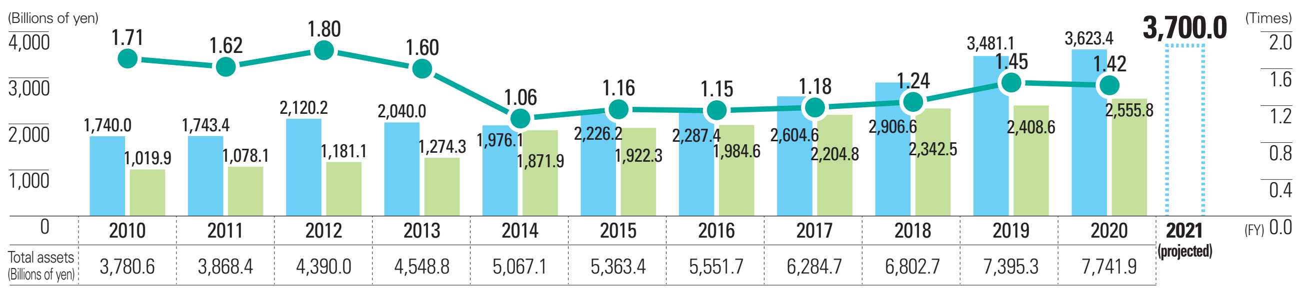
Toward Further Expansion of Our Corporate Value

As the Group's main businesses of real estate development and neighborhood creation-oriented businesses are characterized by the heavy long-term use of balance sheets, it is extremely important that we maintain and enhance financial soundness in preparation for long-term fluctuations in financial markets and unforeseen circumstances. Recognizing this, we aim to enhance sustainable growth and efficiency through proper management of our balance of interest-bearing debt and debt/equity ratio, while implementing a balanced combination of investment and recovery.

As a specific measure, our Group is engaging in ongoing balance sheet control with total assets of approximately ¥8 trillion and interest-bearing debt of approximately ¥4 trillion as a guideline for the time being. At present, in addition to making the Tokyo Dome Group a consolidated subsidiary and making new investments at 50 Hudson Yards through Mitsui Fudosan America, we have recovered funds through the sale of Shinjuku Mitsui Building and Iidabashi Grand Bloom, and are proceeding in parallel with continuous asset replacement to expand our business scale through growth investment and to improve ROA. By diversifying our fund procurement, raising the ratio of fixed interest rates and long-term borrowings, staggering repayment periods, securing committed lines of credit totaling ¥400 billion, and managing interest-bearing debt with a debt/equity ratio of about 1.4 times, we are maintaining financial soundness.

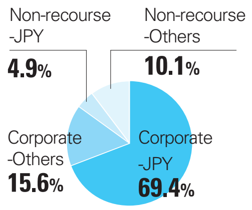
Under long-term financial strategy with an eye on the cyclically fluctuating real estate markets and interest rate trends, we will continue working to further increase our corporate value by achieving both sustainable growth and improvement of efficiency, through carefully selected investments that are mindful of business-specific recovery cash flow and through the maintenance and strengthening of our financial foundation.

Interest-Bearing Debt, Etc.



Fund Procurement and Credit Rating Situation

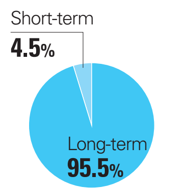
Interest-Bearing Debt



Interest Rate Situation

Consolidated 1.08%
Japanese currency 0.64%
Foreign currency 2.34%
*As of March 31, 2021

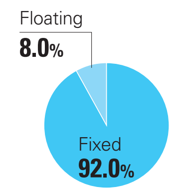
Ratio of Long-Term Debt



Average Duration
6.31 Year

* Excl. Non-recourse
As of March 31, 2021

Ratio of Fixed/Floating-Interest Debt



*Excl. Non-recourse
As of March 31, 2021

Credit Rating

Rating agencies	Long -term	Short -term	Outlook
Moody's	A3	-	Stable
Standard & Poor's	A	A-1	Negative
R&I	AA-	a-1+	Stable
JCR	AA	J-1+	Stable

*As of November 5, 2021