Financial Analysis (Fiscal 2022)

Operating Environment and an Overview of Results

In fiscal 2022, the Japanese economy continued to recover gradually, owing to progress both in keeping COVID-19 infections down and economic activities. However, uncertainties surrounding the future were further exacerbated by political risks including Russia's prolonged incursion into Ukraine, strained U.S.-China relations, cross-strait issues between Taiwan and China, increased energy and raw material prices, and global monetary tightening.

In the real estate sector, trends in the office building leasing market remained firm centered on properties in prime city center locations. While there were some consolidations and downsizing of offices following changes in workstyles, there were also efforts to increase floor space within buildings and relocate for expansion based on an awareness of the importance of facilitating real communication. Despite sluggish sales and customer numbers mainly in the first half of the year due to COVID-19, the retail facility leasing market remained in a recovery trend from autumn mainly due to increased visitors as people's awareness toward the pandemic changed.

The hotel operation market continued to confront challenging conditions in the first half of the year for lodging-focused as well as resort hotels mainly due to the impact of entry restrictions. However, this market recovered rapidly from autumn mainly in the Tokyo metropolitan area driven by the easing of entry restrictions, the return of inbound demand thanks to the yen's depreciation, and the revitalization of domestic travel through the National Travel Assistance program. Turning to the logistics facility leasing business, the scale of the market continued to expand on the back of such factors as the upswing in new supply. This largely reflected the rising demand for logistics facilities associated with growth in E-commerce. In the property sales market, trends were strong as purchase demand among customers remained high due to growing interest and the diversification of needs concerning living environments, as well as continued low interest rates.

In this business environment, the Mitsui Fudosan Group opened TOKYO MIDTOWN YAESU (Chuo-ku, Tokyo) as the third TOKYO MIDTOWN property following those in Roppongi and Hibiya under the vision of transmitting JAPAN'S VALUES to the world. This property received high marks from tenant companies for recognizing the irreversible changes in work styles caused by COVID-19 and proposing an office you want to go to in the post-pandemic era that supports optimal work styles to meet diverse needs and comfortable, premium business lifestyles. 50 Hudson Yards (New York, USA), which is positioned as the flagship property for the Group's overseas business, received high marks from companies that strategically view offices as spaces that encourage collaboration, providing value to both companies and employees, and was completed amid favorable leasing conditions. In addition, the newly opened Mitsui Shopping Park LaLaport SAKAI (Sakai City, Osaka) got off to a good start by attracting many customers based on the creation of a facility centered on sports and entertainment. Furthermore, through precise marketing centered on luxury hotels such as FOUR SEASONS HOTEL TOKYO OTEMACHI (Chiyoda-ku, Tokyo), we have identified strong accommodation needs with the return of inbound travel from autumn in order to differentiate ourselves from competing facilities.

In addition, we recognize that contributing to the building of a sustainable society through the resolution of various social issues is the social mission of the Group, which upholds the "&" logo principles. In particular, we position the realization of a decarbonized society and diversity and inclusion initiatives as our most important issues and are actively working on them.

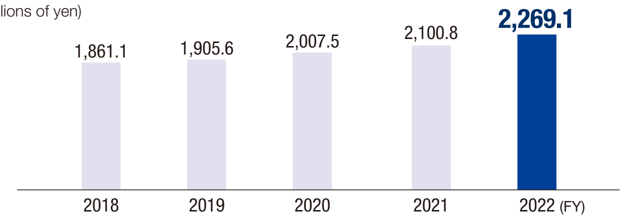
Regarding the realization of a decarbonized society, based on the Group Action Plan to Realize a Decarbonized Society formulated in November 2021, we have steadily promoted various measures, such as achieving Net Zero Energy Building (ZEB)/Net Zero Energy House (ZEH) level environmental performance in all of our new properties, actively utilizing renewable energy sources such as green power in all our facilities in Japan, and expanding the mega solar business. We have also raised funds through sustainable finance, including the issuance of a record amount of green bonds among Japanese real estate companies to fund the development of TOKYO MIDTOWN YAESU. As a result of these efforts, Mitsui Fudosan was selected for the CDP 2022 Climate Change A List, the highest ranking in the climate change category, for the second consecutive year by the CDP, a nonprofit organization that performs environmental surveys and disclosure.

In promoting diversity and inclusion, based on the Diversity and Inclusion Declaration and Initiative Policy, we have designated promoting active roles for women as a particularly important theme, and in turn promoted Group-wide initiatives such as providing opportunities to learn about diverse management styles by holding roundtable discussions with role models from outside the Company, created mechanisms for each division and department to discuss and formulate measures to promote women's activities and then proactively implement them, and formulated and implemented road maps for the promotion of women's activities at each Group company. As a result of these initiatives, the Mitsui Fudosan Group was selected as a Nadeshiko Brand, an initiative where METI and TSE jointly select enterprises that are industry leaders for their outstanding efforts in encouraging women's success.

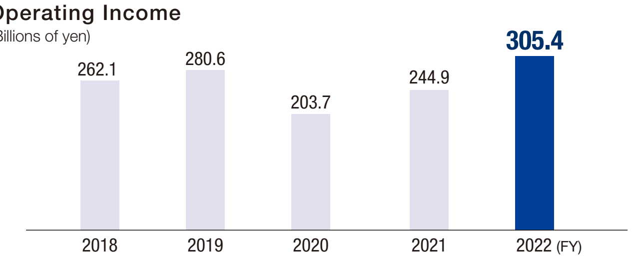
In addition, the entire Mitsui Fudosan Group has been working on important ESG issues by promoting its Business and Human Rights initiatives, such as making the Sustainable Procurement Standards known Group-wide and among its suppliers, and expanding the scope of its due diligence efforts for human rights, as well as formulating the Mitsui Fudosan Group Biodiversity Policy, which states that the entire Group will conduct business activities with consideration for biodiversity and will also pay attention to the impact of its supply chain on biodiversity.

Revenue from operations, operating income, ordinary income, and profit attributable to owners of parent exceeded consolidated business results forecasts announced during the fiscal year under review on the back of these various measures.

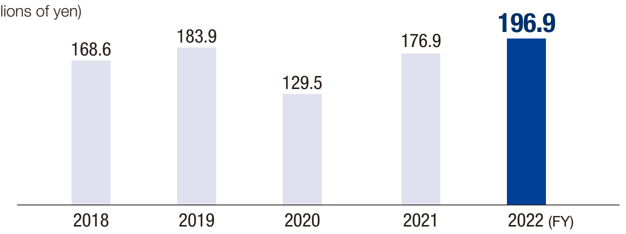
Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Profit Attributable to Owners of Parent
(Billions of yen)

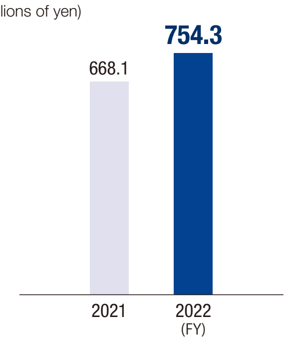


Segment Information

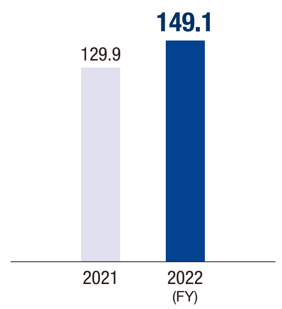
Leasing

In overall terms, both revenue from operations and operating income in this segment reached record highs climbing ¥86.1 billion and ¥19.1 billion, respectively. In addition to growth in revenue and profit from 50 Hudson Yards (USA/office), this is mainly due to the year-on-year recovery for existing retail facilities and contributions from the opening of LaLaport FUKUOKA (Retail) and LaLaport SAKAI (Retail). Meanwhile, the office vacancy rate in the Tokyo metropolitan area was 3.8% on a non-consolidated basis as of the end of the fiscal year under review (a 2.6-percentage-point improvement from 6.4% at the end of the third quarter).

Revenue from Operations
(Billions of yen)



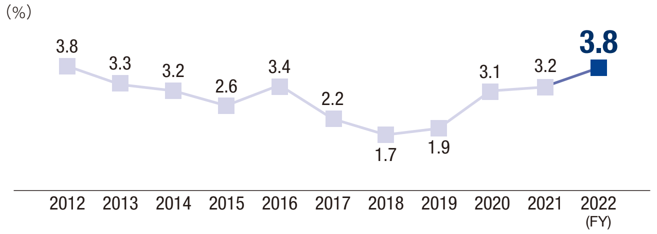
Operating Income
(Billions of yen)



(Millions of yen)

(FY)			2021	2022
Office Buildings and Retail Facilities	Revenue	Office Buildings	¥389,811	¥426,928
		Retail Facilities	226,218	261,394
	Total Leased Floor Space (1,000 m²)		5,788	5,975
	Office Buildings	Owned	1,894	1,960
		Managed	1,502	1,491
	Retail Facilities	Owned	1,758	1,873
		Managed	634	651
Other	Revenue		52,137	65,984
Total Revenue			668,167	754,306
Total Operating Income			129,983	149,153

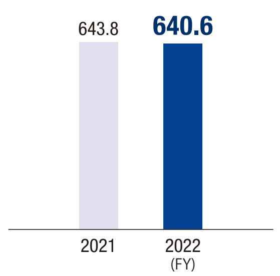
Vacancy Rate for Tokyo Metropolitan Area Office Buildings (non-consolidated)
(%)



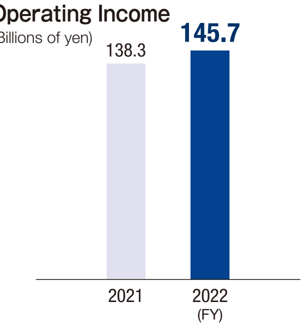
Property Sales

Revenue and earnings in the Property Sales to Individuals (Domestic) category increased mainly owing to progress in PARK COURT CHIYODA YONBANCHO unit deliveries. In the Property Sales to Investors and Individuals (Overseas), etc. category, we promoted the sale of domestic and overseas properties to investors through ongoing asset turnover, and posted operating income of over ¥100 billion, the same as in the previous fiscal year. In overall terms, revenue from operations in the Property Sales segment decreased ¥3.1 billion. In contrast, operating income reached a record high climbing ¥7.3 billion. The contract completion rate was 77.5% for the 3,350 new condominium units in Japan planned for sale in the next fiscal year.

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Fiscal Year-End Inventories (Property Sales to Individuals [Domestic])

(Units)

(FY)	2018	2019	2020	2021	2022
Condominiums	141	128	150	82	55
Detached Housing	30	58	17	7	0
Total	171	186	167	89	55

(Millions of yen)

(FY)			2021	2022
Property Sales to Individuals (Domestic)	Condominiums			
	Tokyo Metropolitan Area	Revenue	¥180,674	¥196,655
		Units	2,539	2,324
	Other	Revenue	25,995	38,983
		Units	669	872
	Subtotal	Revenue	206,669	235,638
		Units	3,208	3,196
	Detached Housing			
	Tokyo Metropolitan Area	Revenue	36,149	34,787
		Units	467	418
	Other	Revenue	2,335	104
		Units	40	2
	Subtotal	Revenue	38,485	34,892
		Units	507	420
		Revenue	245,155	270,530
		Units	3,715	3,616
		Operating Income	24,028	39,368
Property Sales to Investors and Individuals (Overseas), etc.		Revenue	398,696	370,132
		Operating Income	114,315	106,342
Total Revenue			643,851	640,662
Total Operating Income			138,343	145,711

Segment Information

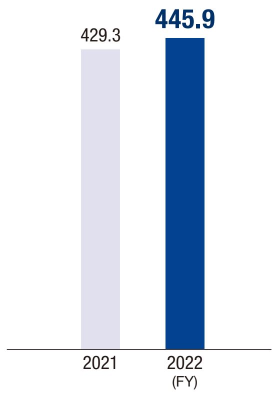
Management

In the Property Management category, revenue and earnings increased owing to a variety of factors, including successful efforts to reduce costs and the year-on-year increase in occupancy rates in the Repark (car park leasing) business. While revenue rose, earnings declined slightly in the Brokerage, Asset Management, etc. category. The upswing in revenue was largely due to the increase in project management fees. The slight downturn in earnings mainly reflected the increase in expenses in the Rehouse (brokerage for individuals) business. In overall terms, both revenue from operations and operating income in the Management segment reached record highs climbing ¥16.5 billion and ¥6.1 billion, respectively.

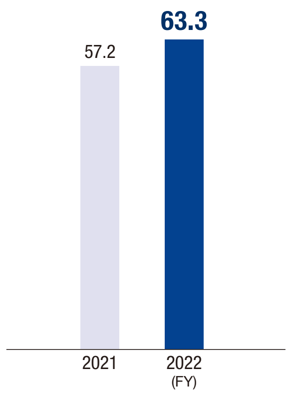
(Millions of yen)

(FY)		2021	2022
Property Management	Revenue	¥321,572	**¥334,973**
	Operating Income	31,296	**37,547**
Brokerage, Asset Management, etc.	Revenue	107,777	**110,950**
	Operating Income	25,909	**25,836**
Total Revenue		429,350	**445,924**
Total Operating Income		57,205	**63,383**

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



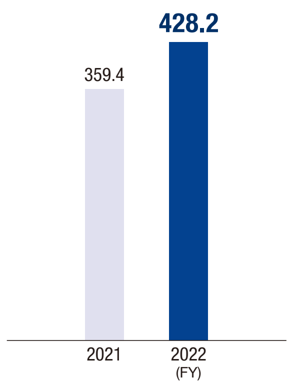
Other

Overall revenue from operations in the Other segment increased ¥68.7 billion, while the operating loss contracted ¥25.4 billion, with net sales hitting a record high, on the back of a substantial improvement in RevPAR at hotels and resorts as well as upswings in the number of operating days and visitors at TOKYO DOME.

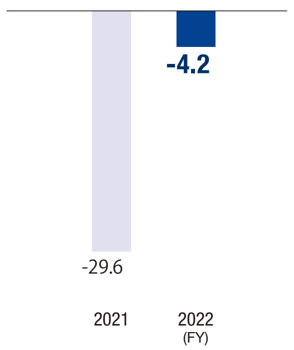
(Millions of yen)

(FY)	2021	2022
New Construction Revenue	¥158,307	**¥150,741**
Facility Operations Revenue	46,803	**93,930**
TOKYO DOME Revenue	59,388	**73,142**
Other Revenue	95,000	**110,394**
Total Revenue	359,499	**428,209**
Total Operating Loss	-29,641	**-4,239**

Revenue from Operations
(Billions of yen)



Operating Loss
(Billions of yen)



Consolidated Financial Position

Assets

As of March 31, 2023, total assets stood at ¥8,841.3 billion, an increase of ¥633.3 billion from the end of the previous fiscal year. This was mainly due to such factors as the increase of ¥111.9 billion in real property for sale (including real property for sale in progress, land for development and advances paid for purchases), the upswing of ¥378.9 billion in tangible and intangible fixed assets largely as the result of new investments, and the increase of ¥41.1 billion due to the fair market valuation of investment securities. Capital expenditures were ¥386.5 billion and depreciation and amortization was ¥125.2 billion.

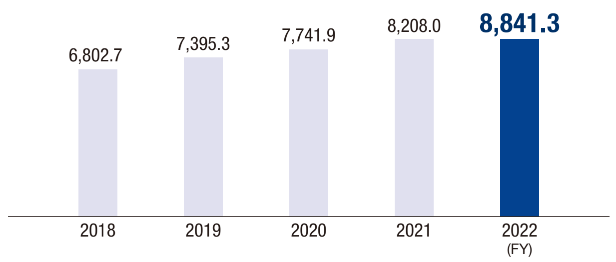
Liabilities

Interest-bearing debt (the total of short-term debt, non-recourse short-term debt, commercial paper, bonds redeemable within one year, non-recourse bonds redeemable within one year, corporate bonds, non-recourse bonds, long-term debt, and non-recourse long-term debt) stood at ¥4,048.5 billion on an overall consolidated basis as of March 31, 2023, an increase of ¥381.2 billion from the end of the previous fiscal year. Mitsui Fudosan has established committed lines of credit totaling ¥400.0 billion with several financial institutions to ensure access to funds and adequate liquidity. The Company had not accessed these lines of credit. The current ratio (current assets/current liabilities) as of March 31, 2023, was 183%, a decrease compared with 201% as of March 31, 2022.

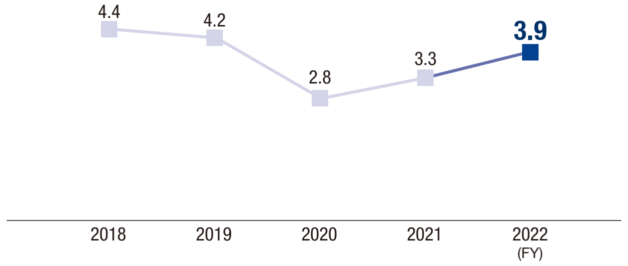
Net Assets

Total net assets as of March 31, 2023, stood at ¥3,031.2 billion, an increase of ¥117.4 billion compared with the end of the previous fiscal year. This increase was mainly attributable to upswings of ¥109.0 billion in retained earnings and ¥57.2 billion in foreign currency translation adjustment, and despite a ¥44.8 billion decrease in net unrealized holding gains on securities. The equity ratio as of March 31, 2023, fell to 32.8% from 34.1% as of the end of the previous fiscal year, while the debt/equity ratio increased to 1.40 times from 1.31 times. Net assets per share increased to ¥3,107.37 from ¥2,942.11 as of the previous fiscal year-end.

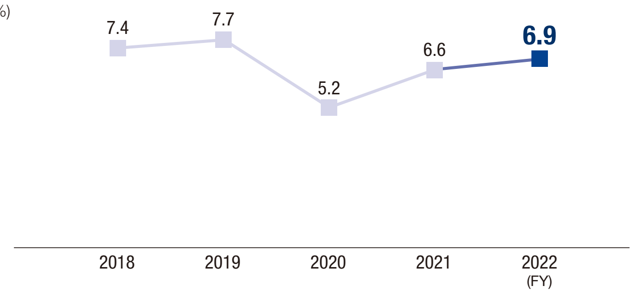
Total Assets
(Billions of yen)



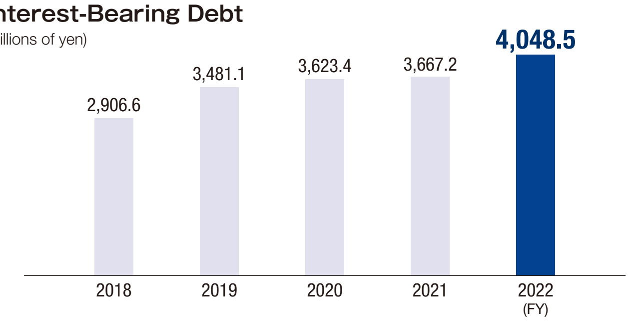
ROA
(%)



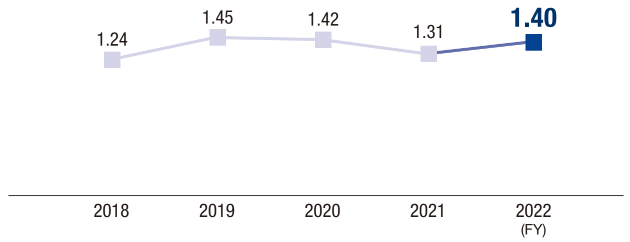
ROE
(%)



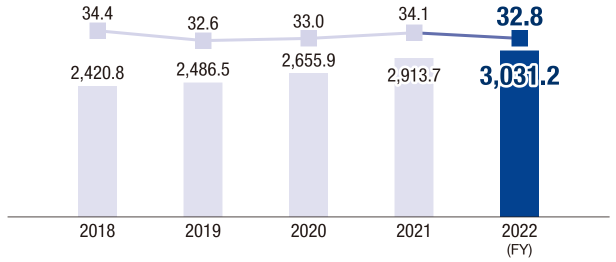
Interest-Bearing Debt
(Billions of yen)



Debt/Equity Ratio
(Times)



Net Assets and Equity Ratio
Net Assets (Billions of yen) Equity ratio (%)



Consolidated Cash Flows

Consolidated Cash Flows

As of March 31, 2023, cash and cash equivalents totaled ¥132.3 billion, a decrease of ¥10.3 billion from the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities came to ¥297.7 billion. Principal cash inflows included income before income taxes of ¥295.9 billion and depreciation and amortization of ¥125.2 billion. Major cash outflows included ¥109.8 billion in income taxes paid and refunded.

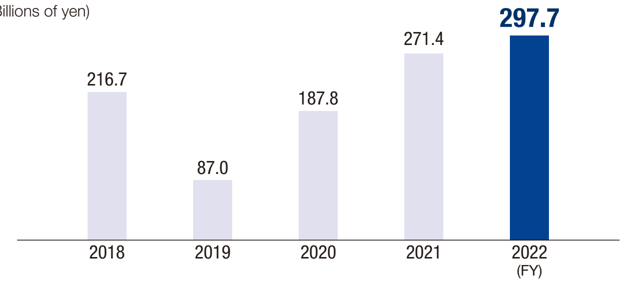
Cash Flows from Investing Activities

Net cash used in investing activities was ¥422.0 billion. Cash outflows included the purchase of tangible and intangible fixed assets of ¥362.7 billion and the purchase of investment securities of ¥94.8 billion. Cash inflows included proceeds from deposits from tenants of ¥51.7 billion and proceeds from sale of investment securities of ¥50.5 billion.

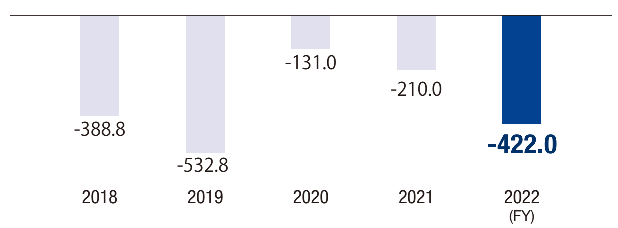
Cash Flows from Financing Activities

Net cash provided by financing activities was ¥111.4 billion. The principal cash inflow came from the procurement of debt.

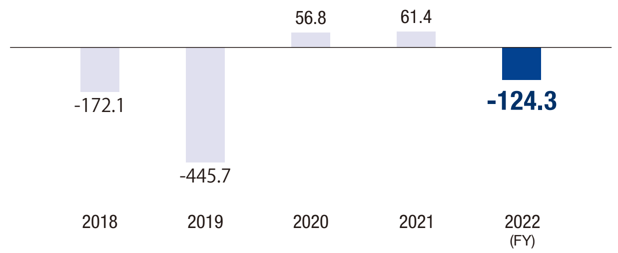
Cash Flows from Operating Activities
(Billions of yen)



Cash Flows from Investing Activities
(Billions of yen)



Free Cash Flows
(Billions of yen)



Note: Free cash flow = Cash flow from operating activities + cash flow from investing activities

Rental Properties

Mitsui Fudosan and some of its consolidated subsidiaries have rental properties including office buildings and retail facilities in the Tokyo metropolitan area and other areas. In fiscal 2021, profit on such properties amounted to ¥127,249 million (with leasing revenue recorded in revenue from operations and leasing expenses recorded in cost of revenue from operations). An impairment loss of ¥8,048 million and a gain on sale of property and equipment of ¥6,682 million were recorded (with impairment loss recorded as an extraordinary loss and the gain on sale of property and equipment recorded as extraordinary income). In fiscal 2022, profit on such properties amounted to ¥146,478 million (with leasing revenue recorded in revenue from operations and leasing expenses recorded in cost of revenue from operations), and loss on retirement of non-current assets was ¥2,204 million (loss on retirement of non-current assets recorded as an extraordinary loss). The carrying amount recorded on the consolidated balance sheets, the change during the fiscal year, and the market value of these properties are as shown on the right.

(Millions of yen)

(FY)	2021	2022
Rental Properties Carrying Amount Recorded on the Consolidated Balance Sheets		
Balance as of the Beginning of the Period	¥3,029,628	**¥3,106,54**
Increase (Decrease) during the Period	76,920	**326,650**
Balance as of the End of the Period	3,106,548	**3,433,199**
Market Value at the End of the Period	6,136,879	**6,695,820**
Difference	3,030,331	**3,262,621**

Notes: 1. The carrying amount recorded on the consolidated balance sheets was calculated by deducting accumulated depreciation and amortization and accumulated impairment losses from acquisition costs.
2. Market value at the end of the fiscal year is calculated by the Company's own appraisal team and was based, in principle, on Japan's Real Estate Appraisal Standards.
3. The main increases and decreases in the balance sheet during fiscal 2021 were an increase in real estate acquisition (¥183,902 million) and decreases due to transfers to real property for sale (¥41,166 million) and real estate sales (¥37,626 million).
4. The main increases and decreases in the balance sheet during fiscal 2022 were an increase in real estate acquisition (¥319,630 million) and decreases due to transfers to real property for sale (¥9,850 million).

Shareholder Returns

The Company strives to increase shareholder value by boosting corporate value through the reinvestment of earnings over the medium to long term, and likewise returns profits to shareholders based on comprehensive consideration of such factors as the business environment and its performance and finances. With regard to the reinvestment of earnings, based on the recognition of the importance of stable and continuous shareholder returns, the Company strives to undertake the stable payment of dividends while also flexibly repurchasing its own shares in a bid to enhance capital efficiency. As far as the total shareholder return ratio is concerned, the Company is targeting a ratio of around 45% of net income attributable to shareholders of the parent company.

Annual dividend per share for fiscal 2022	¥62
Own shares being repurchased From February 15, 2023, to March 20, 2023	¥30.0 billion
Total shareholder return ratio of profit attributable to owners of parent	44.9%

Outlook for Fiscal 2023 (Year Ending March 31, 2024)

In fiscal 2023, Mitsui Fudosan is expected to report revenue from operations of ¥2,300.0 billion, up ¥30.8 billion year on year. Operating income is estimated to increase by ¥24.5 billion to ¥330.0 billion and ordinary income is estimated to decrease by ¥20.3 billion to ¥245.0 billion. Profit attributable to owners of parent is forecast to increase by ¥13.0 billion to ¥210.0 billion.

Segment Forecasts

As a result of partially revising the method of performance management within the Group, we established a new reportable segment, Facility Operations, from fiscal 2023, while the previous four segments (Leasing, Property Sales, Management, and Other) have been reclassified into five segments: Leasing, Property Sales, Management, Facility Operations, and Other segments. With the establishment of a new segment, the Facility Operations and a part of the Tokyo Dome categories included in the Other segment until fiscal 2022 have been consolidated into the Facility Operations segment, and the Facility Operations business has been renamed Hotels and Resorts, while the Tokyo Dome business has been renamed Sports and Entertainment. In addition, the New Construction under Consignment business, which is included in the Other segment, has been consolidated with the Renovation business and Component Material Sales business, which are also included in the Other segment, and has been renamed the New Construction under Consignment and Reform, etc.

Leasing: Both revenue and earnings are projected to increase owing to a variety of factors including contributions from TOKYO MIDTOWN YAESU, 50 Hudson Yards, and LaLaport SAKAI, completed during the fiscal year under review, and the recovery in facility sales at retail facilities.

Property Sales: Overall earnings are forecast to rise against a decline in revenue owing to an improvement in operating margins and increase in the number of units sold in the Property Sales to Individuals (Domestic) category and the ongoing replacement of assets in the Property Sales to Investors category.

Management: Revenue is expected to increase and earnings decrease. In similar fashion to the fiscal year under review, this largely reflects continued firm trends in the brokerage for individuals and Repark (car park leasing) businesses and in contrast increases in DX-related and personnel expenses at each Group company.

Facility Operations: Overall revenue and earnings are projected to increase and the segment to return to the black. This takes into account successful efforts to capture domestic and overseas travel demand in the hotels and resorts category and factors in the Group's ability to attract customers in its TOKYO DOME business as well as a recovery in food, beverage, and merchandise demand.

Other: Overall revenue and earnings are projected to increase and the segment to return to the black. This reflects a recovery in domestic and overseas orders in the New Construction under Consignment business.

Dividends

Taking into consideration a comprehensive range of factors including earnings for fiscal 2022 and the aforementioned shareholder returns policy, the Company paid a cash dividend of ¥62 per share (interim and year-end dividends of ¥30 and ¥32 per share, respectively) for the fiscal year ended March 31, 2023. (The annual dividend for the fiscal year ended March 31, 2022 was ¥55 per share (interim and year-end dividends of ¥22 and ¥33 per share, respectively).)