# Message from the CEO

**We will steadfastly bring to fruition the Group's long-term vision under the "& INNOVATION 2030" banner, formulated in concert with all stakeholders, and together, build a robust future for the Group and Japan.**
**"Transforming the city Transforming the future"**

Takeshi Ueda
President and Chief Executive Officer
Mitsui Fudosan Co., Ltd.

## Introduction

Japan's Nikkei Stock Average hit a record high for the first time in 34 years in February this year. As someone who experienced the peaks and troughs of Japan's bubble economy and so-called "lost 30 years," I am witnessing this historical milestone conscious of the enormous swell that continues to emerge on the back of evolving trends. At this critical tipping point, the Group announced details of its new Group Philosophy and the Group's long-term vision "& INNOVATION 2030" this spring. In formulating our Philosophy and long-term vision, and in my capacity as President, I had the opportunity to exchange views with various stakeholders, including investors. Our long-term vision, in particular, embodies the many valuable comments and opinions of investors, who have supported us over an extended period of time. The Company's Executive Management Committee and Board of Directors have deliberated on how we can maximize the Group's corporate value over the medium to long term on numerous occasions. Taking the aforementioned into consideration, I am proud to say that our long-term vision, which was formulated in concert with our long-term investors, provides the road map toward the optimal solution.

Working hand-in-hand with stakeholders, I look forward to building a robust future for the Group and Japan guided by this new long-term vision. "Transforming the city Transforming the future."

### Corporate Message

(Formulated in April 2024)

**Transforming the city**
**Transforming the future**

## Looking Back on "VISION 2025" and Our Understanding of the External Environment

Under its long-term vision, "VISION 2025," announced in May 2018, the Group completed eight large-scale mixed-use developments in central cities and such large-scale projects as Hudson Yards in New York, expanded the scope of its operations on a global scale, overcame difficulties imposed by the COVID-19 pandemic, and has grown steadily toward its goals. We overcame the COVID-19 pandemic and have steadily grown toward achieving our goals. Regarding our shareholder return policy, we raised our total shareholder return ratio, which combines the stable payment of dividends with the continuous buyback of shares, from our initial target of 35% to 45% in fiscal 2021.

Meanwhile, we recognize the need to address pending issues with respect to our balance sheet and efficiency. The balance of the Group's balance sheet, for example, has exceeded initial projections. The is due to such factors as unforeseen fluctuations in foreign currency exchange rates, rapid inflation, and subsequent shifts in policies encompassing interest rate hikes, as well as stagnant real estate market conditions in Europe and the United States, and the acquisition of prime investment properties, including Tokyo Dome, in excess of expectations.

Turning to the external environment, the world is undergoing a major paradigm shift. Looking ahead, changes in operating conditions can be expected to intensify with the upswing in geopolitical risks, the transition to an inflationary society and an increase in global interest rates, currency fluctuations, widespread acceptance of new workstyles, rapid growth of generative AI, efforts to address climate change, and other factors.

Taking into consideration the status of domestic wage increases by the corporate sector and achievement of commodity price targets, the Bank of Japan lifted its negative interest rate policy. As a result, we are witnessing the shift to unprecedented monetary easing. During the prolonged period of deflation, markets failed to fully appreciate added value, consumer sentiment waned, and it became difficult to pursue new ideas. Today, Japan is finally breaking free from deflation and is primed to embark on a new era of innovation.

Message from the CEO

## Aspirations Underpinning the Group's New Philosophy

How then should we interpret this external environment?

I am convinced that the coming era represents a tremendous opportunity for the Mitsui Fudosan Group. It is clear that in the coming days, added value will be fairly evaluated, and that the significance of our overwhelming ability to create added value will become increasingly evident.

The world is undergoing a major transformation. For the Group to continue creating new value, we must refrain from settling on the status quo, and change our mindset, transform ourselves, and evolve.

With this in mind, I have taken a fresh look at the Group's origins, redefined our Philosophy, and summarized the aspirations that we wish to fulfill into three missions. These missions codify our commitment to nature and an abundant earth, shining brightly through innovation, and providing people with inspiration and happiness. For details, see P.005

In addition, we summarized our Philosophy and newly established a corporate message that indicates the direction in which the Group is moving.

The Mitsui Fudosan Group is guided by the Corporate Message: "Transforming the city Transforming the future." In a society that is beset by a high degree of uncertainty and a harsh future outlook, we have expressed our strong desire to "transform the future" by "transforming the city" in concert with our stakeholders, unafraid of change, for a brighter future. For details, see P.005

While formulating our Philosophy, we reviewed the Group's key issues and identified a new set of "GROUP MATERIALITIES" based on deliberations by the Executive Management Committee and Board of Directors. In specific terms, we streamlined these GROUP MATERIALITIES to six priority issues and reset non-financial KPIs. For details, see P.039

Our Philosophy and GROUP MATERIALITIES outline the core concepts that underpin the Group's corporate activities. We will ensure that all employees reaffirm the DNA passed down by our predecessors, clarify our mission and priority issues for the future, and evolve into a Mitsui Fudosan Group that is finely attuned to the new era.

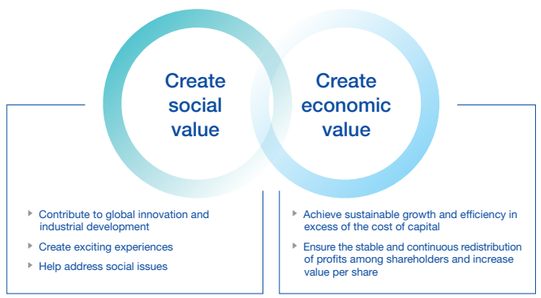
## A Complete Picture of the Group's New Long-Term Vision & INNOVATION 2030 For details, see P.041

Based on our Philosophy and GROUP MATERIALITIES, we will work to bring the Group's *DREAM* to a *REALITY* through our *VISION* with an eye firmly placed on the next era. Against this backdrop, "& INNOVATION 2030" defines our policy as a company that will continue to create new value for society in the years to come, while efforts to contribute to the creation of added value for society as an industry developer outline our vision around 2030. To achieve each of these ends and growth going forward, we have identified three paths as business strategies and will engage in management with an equal focus on the three financial strategies of enhancing growth, promoting efficiency, and providing shareholder returns.

## The Group's Vision

The Mitsui Fudosan Group has continued to support life science and other industries not only through hard (real estate development) activities but also through the provision of places and communities by bringing together the expertise and knowledge of the companies, society, and people that comprise them.

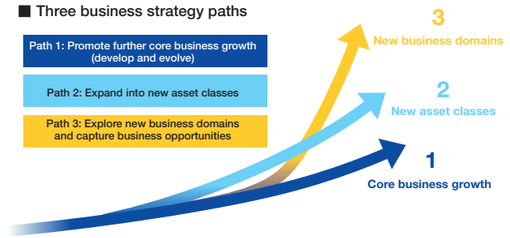
Our goal is to evolve into an industry developer that transcends the traditional boundaries of a real estate developer by around 2030. As an industry developer, we will work to create both social and economic value as two wheels of a cart by strengthening Japan's industrial competitiveness and creating new industries.




## Business Strategy

In an effort to realize our vision, we will promote a business strategy that consists of three core paths. In addition to a growth strategy in existing real estate domains, we will practice "ambidextrous management" with the dual aim of capturing business opportunities in new business domains.

■ Three business strategy paths




## Path 1: Promote further core business growth For details, see P.045

### (1) Decouple from the market

Decoupling refers to the achievement of high profitability regardless of the external environment through differentiation and other means. As our track record of central city mixed-use developments and premium condominiums indicates, the Mitsui Fudosan Group's strengths lie in the competitive advantage of each of its assets as well as its ability to generate new market demand while also decoupling from the market by developing and providing innovative high-value-added products and services to customers.

The provision of added value coupled with demand for its fair evaluation are prerequisites for top-line growth in periods of prolonged inflation. Against this backdrop, and buoyed by its comprehensive and mixed-use asset capabilities, the Group will work to secure stable and continuous revenue and earnings growth by creating new added value in its creation of neighborhoods and stimulating new demand.

For example, the Tsukiji District Development Project, which recently selected a prospective operator, is a neighborhood creation initiative designed to transform the future with the next 100 years of society in mind. Drawing on the District's history, the project looks to revitalize the Tokyo aqua metropolis, bring excitement, promote interaction and innovation, engender the admiration of locals, and attract people from around the world. For details, see P.037

Strengthening the Mitsui Fudosan Group network is another important theme. With this in mind, we will generate new demand for our valued customers by establishing a single network that seamlessly links services by asset.

### (2) Accelerate efforts to realize added value generated through development

Reflecting earlier on VISION 2025, I commented on the need to improve efficiency. In addition to securing stable leasing income from the properties that we own, I believe that we must accelerate the pace at which we promote an Income Gain, Capital Gain, and Management business model cycle as we work to achieve increased efficiency going forward. From a large-scale development perspective, we will also proactively utilize third-party funding from various entities, including institutional investors from the business kickoff stage, and work to improve business efficiency.

To continuously achieve added value in the future, it is vital that we accelerate the pace of asset turnover while also capturing new business opportunities. On these two points, the Mitsui Fudosan Group has already earmarked an investment of approximately ¥1 trillion in major projects through fiscal 2030 with the amount of new value added generated projected to reach around ¥500 billion.

I am confident that this cycle of generating and realizing high added value through development will enable us to enhance the quality of the portfolio through the ongoing replacement of assets in the future and to secure sustainable, stable, and continuous gain on sales.

### (3) Further develop and evolve overseas business

Two trophy assets completed at Hudson Yards in Manhattan, New York, have further strengthened the leasing income that forms the bedrock of our overseas business. Over the past several years, the Group has also engaged in numerous rental multifamily housing, Mitsui Lab, and office building developments, primarily in North America, and has steadily accumulated a number of seed properties for sale to investors. In addition to enjoying income gains from the upswing in properties in operation, the Group's future overseas business expansion endeavors will transition to a phase that is driven by efforts to realize added value through development and the sale of properties. In this manner, we will shift our focus to business development through the turnover of assets. In the sale of properties, we will monitor domestic and overseas interest rates as well as investment market trends in a bid to maximize capital gains, and make smart decisions on when to sell and when to buy in the local market.

Message from the CEO

## Path 2: Expand into new asset classes

For details, see P.047

### (1) Sports and Entertainment Business

In the post COVID-19 era, we again realize that real value stems from various sources, including sports. Meanwhile, the more the global trend toward digitalization progresses, I believe we will witness an era in which a growing number of people will seek out higher added value in emotional experiences and real-world, sense-based experiences that cannot be obtained digitally. Quick to recognize the emergence of this era, we acquired TOKYO DOME CORPORATION through a takeover bid. Drawing on that company's expertise and know-how in stadium management, we acquired the Chichibunomiya Rugby Stadium reconstruction business. We are also involved in arena operations in Funabashi and are promoting the creation of neighborhoods utilizing the power of sports and entertainment as one of our key themes.

Moreover, we combined the retail facilities and sports and entertainment businesses and established a single division. As a group, we are working to gain a competitive advantage and secure strengths not found in other companies by generating new synergies through collaboration between the two businesses.

### (2) Mitsui Lab and Office Building Business

People across all corners of the globe witnessed firsthand the fusion of technology and biomedicine through the accelerated development of a vaccine in the aftermath of COVID-19, reminding us of the role that innovation plays in paving the way for the future. This in turn highlights the growing importance of global-scale life science initiatives in the coming years. One of the industries in which Japan can compete on the global stage is the life science field.

The Mitsui Fudosan Group is committed to the development of Japan's life science field. Since 2016, we have endeavored to build an ecosystem that encourages the creation of life science innovation by "building communities" and "developing places" mainly in Nihonbashi. Each life science base around the world is built on an established community and is supervised by a governing body. In collaboration with interested members in academia, we established Life Science Innovation Network Japan, Inc. (LINK-J), in Nihonbashi and put in place a platform for the life science community. In addition, we are pioneering the promotion of R&D rental lab and office development in close proximity to the city center. The life science R&D environment in Europe and the United States has already experienced change over the years with the mainstream trend shifting from the traditional "suburban, closed, and ownership-type" R&D facility to today's "urban, open, rental-type" base. For example, a concentration of life science companies has located in the Boston-Cambridge area, most of which are rental labs and offices.

Distinguished by their low remote work and high attendance rates, these labs and offices are recognized as a stable asset class with high operating levels. In recent years, the supply of rental labs and offices has skyrocketed in the United States.

In light of the aforementioned global trends, we repositioned rental labs and offices as a seed for the next stage of growth and will further expand this business both in Japan and overseas. We will work to help resolve R&D environment issues, capture new demand, and create new markets.

### (3) Further expand business domains, including strengthening the data center business

Data centers are forecast to experience growth in line with the rapid digitalization of society in recent years. These assets have a high affinity with retail and logistics facilities, and as a strength of the Group, we believe we can demonstrate our competitive advantage compared with other companies in our industry by leveraging our know-how in this field.

In addition to the "solar power generation" and "offshore wind power" businesses, we will focus on business development that precisely meets the needs of the times, including "school facilities," to further expand our business domains.

## Path 3: Explore new business domains and capture business opportunities

For details, see P.049

With the aim of cultivating new fields that transcend the real estate domain, this third path can be expected to serve as a new source of revenue. The Mitsui Fudosan Group has built a diverse customer base through various business development activities over the past 80 years. Expanding beyond the conventional landlord-tenant bond, these relationships are evolving into robust ties built on broad and deep joint businesses and research.

In this instance, we will take full advantage of our customer base strengths, build networks that go beyond the boundaries of the traditional real estate developer, and upgrade our development menu of places and communities. One specific example is the "Aerospace" field. In partnership with JAXA and other volunteers from industry, government, and academia, we established "cross U" as a co-creation platform for the aerospace business and have already initiated activities. cross U operates two aerospace hubs in the Nihonbashi area to provide aerospace business players with places and a community. During the first year of activities, cross U expanded to 252 members, making it one of Japan's largest aerospace business communities, based in Nihonbashi. The scope of aerospace development is broad, encompassing industries as diverse as the mobility, green tech, robotics, data science, and life science fields, and is expected to expand from the related business and market scale perspectives. Looking ahead, we will continue to contribute to the development of the aerospace business in Japan.

In this format, we intend to identify new industry fields that will drive the next generation of Japanese industry and nurture new sources of revenue for the future through various means, including investments as a major player.

As a framework designed to help bring these aspirations to fruition, we recently established the Innovation Promoting Division. As far as financing is concerned, we have also put in place an M&A investment budget of over ¥400 billion and a start-up equity investment limit of over ¥100 billion through fiscal 2030.

Over the period of the Group's stated vision, we will explore new promising industrial fields, allocate management resources, including human and financial capital, and paint a picture of renewed growth for both the Group and the next generation of burgeoning industries as an industry developer.

## Financial Strategies

For details, see P.053

Moving on, I would like to elaborate on our financial strategies aimed at realizing our vision. As a company that is inextricably tied to the capital markets, we recognize the need to earn the confidence of investors by not only creating social value but also steadfastly enhancing economic value to continue creating the future through the creation of new value backed by the creation of neighborhoods. To this end, we must stably maintain, manage, and expand the three key objectives: enhance growth, efficiency, and shareholder returns. Focusing equally on each of these objectives, we will efficiently employ the capital entrusted to us by investors, promote underlying sustainable growth, and expand shareholder returns commensurate with growth. Sharing this aspiration with investors, we see this as the most appropriate path to maximizing our corporate value.

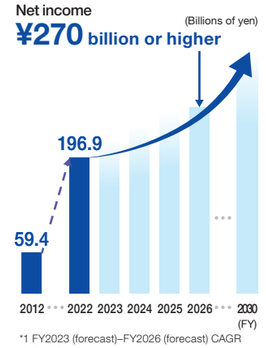
### [1] Improving growth potential

From a growth potential perspective, we will work to achieve stable and continuous profit growth and enhance cash-generating capabilities by steadfastly carrying out each of the measures outlined in our previously mentioned business strategies. In particular, we have set the business and net income targets of ¥440 billion or higher and ¥270 billion or higher, respectively, in fiscal 2026, and will aim for further sustainable growth around fiscal 2030, a long-term milestone.

In similar fashion to the past, we have positioned the EPS growth rate as an important KPI and an indicator of net income growth and source of shareholder returns. We will also target an EPS CAGR of 8% or higher/year from fiscal 2023 to fiscal 2030, exceeding the 7% target under "VISION 2025," while taking into account organic profit growth through our mainstay business and the flexible and continuous repurchase of own shares.

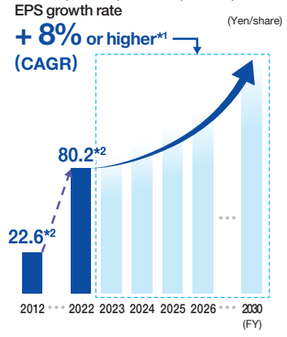
■ Profit attributable to owners of parent

FY2026
Net income
**¥270 billion or higher**




■ Trends in EPS

FY2023 (forecast)–FY2030 (forecast)
EPS growth rate
**+ 8% or higher*1**
**(CAGR)**




*1 FY2023 (forecast)–FY2026 (forecast) CAGR
*2 The Company conducted a stock split of its common shares on the basis of 1 share to 3 shares effective April 1, 2024. Data adjusted on a post-stock-split basis.

### [2] Improving efficiency

Next, I will comment on "efficiency" in line with our approach toward balance sheet control.

From a balance sheet asset control perspective, we will endeavor to improve the Group's ROE by ramping up efforts to accelerate the turnover of assets and realize added value while taking into consideration the scale of total assets and the need to enhance the asset portfolio's quality. We will promote the turnover of assets based on a total balance sheet approach, taking into consideration not only the disposition of existing real property for sale but also such factors as fixed assets, strategic shareholdings, and stocks held purely for investment purposes. At the same time, we plan to allocate proceeds to investments for future growth.

As another measure designed to improve ROE, we will firmly implement our universal Income Gain, Capital Gain, and Management business model cycle as a means to expand assets under management and management revenue through such means as the consignment of management following the sale of assets and promotion of development business activities utilizing the capital of other parties.

Turning to our approach toward controlling balance sheet liabilities and equity, the Group's main real estate development and neighborhood creation–oriented businesses are characterized by the heavy long-term use of the balance sheet. As such, it is extremely important that we maintain and enhance financial soundness in preparation for long-term fluctuations in financial markets and unforeseen circumstances. Over and above the need to improve ROE, we will therefore work to secure a balance between the scale of interest-bearing debt and maintaining financial soundness while promoting proper financial leverage control based on the Group's D/E ratio.

Message from the CEO

## [3] Enhancing shareholder returns

As the manager of a business, I am acutely aware that a stable and continuous approach toward returns as the basis for sustainable growth is of the utmost importance to investors who support the Company over the long term. In formulating our vision, we have decided to further enhance shareholder returns in light of our stable cash flow underpinned by a robust asset portfolio, confidence in our ability to expand future cash-generating capabilities, and the balance between such factors as profit growth and equity. Guided by our new shareholder return policy, we will strengthen the total payout return ratio to 50% or higher for each period over the next three years.

In addition, we have decided to lift our dividend payout ratio from around 30% to around 35% each fiscal year to ensure stable dividends even in the event of a future pandemic or financial crisis.

We have also introduced continuous and progressive dividends in an effort to better clarify our policy on shareholder returns with a view to increasing dividends in tune with sustainable profit growth.

At the same time, we will adopt a flexible and continuous approach toward the repurchase of own shares over the next three years. We believe that the repurchase of own shares should be undertaken in an ongoing flexible and agile manner, while taking into consideration a comprehensive list of factors, including the level of the Company's stock price and an awareness toward increasing the value per share, which will lead to a greater sense of market security and confidence. On this basis, we are cognizant of the need to ensure the continuity of own share repurchase activities in combination with the payment of dividends as well as efforts to further increase liquidity. To this end, we have set the ratio of own shares, which represents the total payout return ratio less the dividend payout ratio, at 15% or higher. Furthermore, we recognize that the repurchase of own shares is an important factor that affects EPS growth and efforts to improve ROE. With this in mind, we will continue to consider more effective ways to increase, improve, and strengthen the three key objectives: enhance growth, efficiency, and shareholder returns.

**Expand shareholder returns**
Stable and continuous shareholder returns
▼
**Total payout return ratio 50% or higher each period**

**Strengthen dividends**
Increase in dividends linked to sustainable profit growth
▼
**Dividend payout ratio Around 35% each period, introduce continuous and progressive dividends**

**Growth and increase in value per share**
▼
**Flexible and continuous repurchase of own shares**

# Infrastructure That Supports Our Business Strategy: Human Resources, DX, and ESG

In closing, I would like to convey our thoughts on human resources, DX, and ESG, which form the infrastructure that supports our business and financial strategies.

## [1] Human Resources (the Importance of D&I)

For details, see P.063

Human resources who take the initiative while mobilizing their knowledge and networks, not only in the real estate sector but also in all other industries, are essential for the Group to initiate innovation across various industries as an industrial developer. As the world's values diversify amid dramatic changes in the business environment, it is equally important to embrace diversity within the organization in order to accurately grasp customers' needs and social requirements.

Put another way, D&I lies at the core of the Group's strategy. It is critical that every facet of our organization, including the decision-making layer, comprises diverse human resources. Our goal is to become a corporate group in which human resources with diverse backgrounds and values can maximize their capabilities, share information through the exchange of opinions, stimulate a positive chemical reaction, and create new added value. To achieve this goal, we will engage in Group-wide efforts to raise the level of human resource capabilities, the source of value creation, and actively secure human resources and knowledge to accelerate innovation. Supporting the activities of diverse human resources, we will also further develop the Group's One-Team organization that brings together the strengths of the Mitsui Fudosan Group.

## [2] About DX (Developing DX Business Personnel)

For details, see P.071

Changes in behavior due to the digital shift and such emerging trends as generative AI are evolving at an accelerating pace while triggering global transformation. The inference here is that DX is sparking dramatic change in traditional values irrespective of the industry and across all fields. Against this backdrop, the environment surrounding the real estate industry is expected to become increasingly diverse with disparate ways in which people live and work.

Under these circumstances, the Mitsui Fudosan Group will pursue diversity in its human resources in the real estate DX field as well as in the development of an infrastructure to ensure AI and digital support to deepen DX with the aim of establishing a business model that combines the real and digital and further promoting innovation. Rather than simply secure professionals well versed in the DX and digital fields, it is important that the Group's pool of DX professional recruits actively interact with existing business staff and evolve into DX business personnel with a deep understanding of both DX and the Company's business.

We will link efforts to develop DX business personnel with expertise in both DX and business to a new level of competitiveness going forward.

## [3] About ESG (The Era of Sustainability Management)

For details, see P.075

Historically, Mitsui Fudosan has employed quantitative financial indicators to measure trends in its corporate value. Having said this, we are today entering an era in which the driving force behind sustainability management, which works to increase corporate value through both the financial and non-financial perspectives, will come to the fore. In particular, the surging wave of global-scale climate change is a phenomenon that transcends national borders and is ravaging a single earth. To solve this issue, the entire supply chain must be connected as a "chain of self" toward the realization of a sustainable society. In order to solve this issue, the entire supply chain must work in unison to realize a sustainable society.

Working to fulfill its social responsibility to build and develop social infrastructure, the Mitsui Fudosan Group formulated the Group Action Plan to Realize a Decarbonized Society in 2021. We will work diligently to implement and achieve this plan. Against this backdrop, the Group is also committed to sustainable forestry and is involved in protecting natural forests taking into consideration the need to conserve biodiversity in the roughly 5,000 hectares of forest it owns in Hokkaido. Furthermore, based on the Mitsui Fudosan Biodiversity Policy, formulated in 2023, we will endeavor to realize the Nature Positive concept.

As far as corporate governance is concerned, we have on numerous occasions taken steps to consider the structure of the Board of Directors required to bring & INNOVATION 2030 to fruition. In conjunction with these considerations, we increased the ratio of outside directors by adding one outside director with extensive knowledge of the finance and capital markets as well as insight into corporate management. Also recognizing the importance that diversity plays in the composition of the Board of Directors, we will continue to pay close attention to efforts aimed at improving the soundness, transparency, and efficiency of management.

# In Closing

Guided by the "&" Logo Principles, the Mitsui Fudosan Group's neighborhood creation goal is to provide a neighborhood platform, build communities, and develop places where various people and businesses can gather. In creating ecosystems from which new demand and needs can be expected to emerge, the Group is working to stimulate innovation while creating new industries and value. With the passage of time with people and companies, the neighborhoods that we create will become more appealing, which in turn will attract even more people and businesses. This virtuous cycle will help promote industry and corporate growth, increase the competitiveness of cities, and advance economic development. This kind of value creation is the Group's raison d'être and its social mission.

Through the announcement of & INNOVATION 2030, we will continue to engage in dialogue with stakeholders and work to create both social and economic value as two wheels of a cart while sharing the direction that the Group should take. I also believe that one of my key missions as president is to build a track record that exceeds expectations and increase shareholder value.

We will continue to take on the challenge of creating new value through the creation of neighborhoods, together with long-term investors who share the Group's vision for the future.

As we work to achieve our established goals, I ask for the continued support and understanding of all stakeholders.