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Securities code: 8801, First section of TSE/OSE

Mitsui Fudosan Group: Long-Term Business Plan

Notice of Release of New Challenge Plan 2016 (Long-Term Business Plan 2007-2016)

Mitsui Fudosan is pleased to announce its new long-term business plan, entitled New Challenge Plan 2016, which begins in fiscal 2007. The new plan draws on the successes of the current plan (Challenge Plan 2008, covering the period from fiscal 2003 to fiscal 2008), which enabled the Group to swiftly achieve earnings growth and a stronger financial base.

1. Background and Goals of New Challenge Plan 2016

With respect to Challenge Plan 2008, we have achieved our target for operating income. We also great improved our D/E ratio and attained earnings growth while strengthening our financial base—two years ahead of schedule. Moreover, we achieved this growth while maintaining a good balance between our three core real estate businesses (holding, trading, and management), and we made significant contributions to urban renaissance. In these ways, the plan was a major success.

Meanwhile, the operating environment surrounding the Group is characterized by a changing population structure, including a low-birthrate and graying society, and a rapid shift to a mature society, symbolized by increasing variety of choices due to diversification in values. Our nation is also maturing with respect to the economy and asset stock, characterized by intensified competition in the private sector, streamlining of the public sector, and increasing volume of high-quality asset stock, as well as the shift in consumer emphasis from saving to investing.

These structural changes will serve to heighten demands for highly convenient, safe, reliable urban living and more varied choices linked to affluent lifestyles. We will also need to address demand for rejuvenation of high-quality asset stock and the need for effective use and securitization of assets, including those held by the public sector. At the same time, the market will increasingly call for the real estate investment market to expand as a worthy recipient for investments.

At the same time, cross-border real estate investments are growing, and globalization of corporate activities is heightening the need for overseas solutions. Also, competition among cities in East Asian economic regions is growing, and the number of inbound visitors to Japan, including businessmen and tourists, is rising. These factors underscore the growing globalization of the Japanese economy.

In this context, it will become more and more important to address the international competitiveness of Japanese cities, meet the needs of overseas institutional investors, including J-REITs, and address the solution-related requirements of companies operating overseas.

Taking these structural socioeconomic changes into account, we are seeking to build on the successes of Challenge Plan 2008 by reforming our business model and advancing as a “group with a wealth of growth and earnings potential.” To this end, we formulated a long-term business plan, called New Challenge Plan 2016, which began in April 2007.

2. Period Covered by Plan

In order adopt a long-term perspective of structural socioeconomic changes and steadily advance our business on a global basis, we decided on a 10-year period for the plan, from April 2007 to March 2017 (fiscal 2007 to fiscal 2016). The plan is divided into two stages, as follows.

(1) Stage I: Fiscal 2007 to fiscal 2011
During this period, we will determine the direction of the plan and implement growth strategies. Specifically, we will further strengthen our three core real estate businesses (holding, trading, and management) and nurture future growth areas.

(2) Stage II: Fiscal 2012 to fiscal 2016
While ensuring further growth of our core businesses, we will pursue full-scale global development, with the businesses that we have nurtured serving as strong support pillars.

3. Strategies

(1) Customer-focused management

(a) Embracing a multifaceted approach to changing customer needs and markets, we will seek to become a “real estate solutions partner” that creates new levels of value. In this role, we will progress and grow in tandem with our customers. Specifically, the entire Group will strive to become a “solutions partner,” fulfilling the “solution and service provider” position that we have espoused to date, but with expanded functions and roles.

(b) By creating urban environments filled with appeal, we will establish a reputation as a partner in value creation and strengthen our competitiveness.

(c) We will target sustained improvements in brand value.
- Office buildings: “Workers first”
- Retail facilities: “Life solution communities”; “Growing together”
- Housing: “Best partner in living and lifestyles”

Through the above strategies, we will pursue synergistic improvements in our product brand and the Mitsui Fudosan corporate brand, thus further raising overall corporate value.

(2) Business model reform

(a) We will target earnings growth based on a good balance between our core real estate businesses—holding, trading, and management.

(b) We will advance our operations by adopting diverse business techniques.

(c) Using a business model that delivers solid growth balanced between our core businesses, we will nurture future-oriented businesses in such areas as overseas projects and resorts.

(3) Groupwide management

(a) We will create frameworks adapted to growth of our business fields. We will build systems that are responsive to changes in legislation, such as enactment of the Financial Instruments and Exchange Law (Japanese version of the Sarbanes-Oxley Act in the United States). We will also further strengthen intra-Group teamwork while expanding alliances outside the Group to further enhance our responsiveness to customer needs.

(b) We will promote nurturing, skills development, and recruitment of competent human resources. Our people are our most valuable asset, and for this reason we will seek to nurture and develop the skills of our people in Japan and overseas, and in all Group member companies. We will also attract superlative people from outside the Group. Moreover, we will recruit people across a wide spectrum, including women, the elderly, and foreigners.

(c) Through extensive reengineering at a Groupwide level, we will create high levels of added value and reassess our cost structure.

Underlying Commitments for Implementing Strategies

(1) Place top priority on delivering safe, reliable products and services to meet the trust and expectations of customers.
(2) Continuously pursue initiatives aimed at saving energy, reforestation, and cutting carbon dioxide emissions, based on a strong commitment to social contribution.
(3) Deliver accurate information and services to customers, develop new products, and raise business productivity while placing top priority on protecting personal and confidential information (using ICT and technological innovation).
(4) Embracing diversity and heterogeneity, seek to become professionals with highly specialized knowledge and skills, and build frameworks that give rise to innovative thoughts and concepts, serving as a “real estate solutions partner.”

4. Growth Strategies for Core Businesses

(1) Holding business

(a) We will strengthen the earnings capacity of assets by swiftly bringing properties on stream, especially highly competitive and profitable office buildings and retail facilities.

(b) We will maintain core investments in stable markets, such as Tokyo, while pursuing geographical diversification in other regions and countries.

(2) Trading business

(a) In the “housing sales for end-users” category, we will promote large-scale, highly competitive projects and swiftly establish a system for supplying the market with 7,000 housing units per year. We will also enhance the variation of our products and services, including housing for small families and the elderly, as well as resorts.

(b) In sales for investors, we will broaden the variation of projects and sales techniques in order to maximize business opportunities. To enhance variation of projects, we will strengthen alliances outside of the Group.

(3) Management business

(a) To further boost growth of J-REITs and private funds, we will strive to expand assets under management. Paralleling the aforementioned expansion of sales for investors, we will expedite our growth as the “No. 1 company in the real estate investment market.”

(b) We will step up our involvement in masterleasing and developmentmanagement, as well as renovations, conversions, and other management business aimed at rejuvenating assets, both in city centers and regional areas.

(4) Urban renaissance

(a) Through a combination of our core businesses, we will work hard to create highly appealing, mixed-use urban spaces in such locations as Nihonbashi, Hibiya, Iidabashi, Gotanda, Ohsaki, Toyosu, and Kashiwanoha Campus City.

(b) In addition to inner-city and metropolitan areas, we will boost initiatives in other areas, such as Kansai, Nagoya, and Sapporo, while promoting urban renaissance and regional rejuvenation in key regional cities.

5. Main Strategies for Reinforcing Our Business Foundation and Raising Corporate Value

(1) Corporate value enhancement and capital strategies

(a) We will manage our operations with a particular focus on ROE, while also taking other performance indicators (such as ROA) into account.

(b) We will seek to achieve earnings growth while maintaining financial soundness.

(c) Cash dividends will be linked to performance, and for the time being we will target a payout ratio of around 20% of consolidated net income per year.

(d) We will consider share buybacks in a flexible manner while comprehensively monitoring various factors, such as our financial position and share price.

(2) Strengthen corporate governance

(a) We plan to increase the number of outside directors, from one to two.

(b) We will reassess the remuneration system for directors and abolish the directors' retirement benefit system. At the same time, we will increase the correlation between remuneration and our business performance.

(3) Entrench compliance and internal controls

(a) We will establish an internal control system related to financial reporting, and ensure that the system is extensively applied.

(b) To address the enactment of the Financial Instruments and Exchange Law, which regulates the real estate securitization business (including beneficiary rights and private funds), we will comprehensively reform the mindsets of people throughout the Group and reinforce the relevant systems.

(4) CSR initiatives

(a) As a corporate citizen, we will continue promoting activities to fulfill our social responsibilities.

(b) Based on the concepts of "harmonious coexistence" (represented by the "&" symbol) and "linking diverse value perceptions," we will strengthen CSR initiatives via our mainstay urban renaissance business.

6. Performance Targets 10 Years from Now

(1) The Mitsui Fudosan Group 10 years into the future

(a) Over the next decade, we will endeavor to evolve into a corporate group that:

- Keeps abreast of socioeconomic changes and achieves sustained growth based on updated business models
- Progresses as a "real estate solutions partner" in the global market
- Fosters social development and affluent lifestyles for customers by creating highly appealing urban spaces

(b) Taking into account our progress in the above areas, as well as recent social and corporate trends and changes in business conditions, we will formulate a Group vision and mission.

(2) Performance targets three years from now

(a) Our performance targets for fiscal 2009 (year to March 2010) are summarized below.

(¥ billions)

	Fiscal 2009 （forecast）	Fiscal 2006 (actual)	Change
Operating income	¥220.0	¥161.8	+¥58.2 (36%)
Holding	¥95.0 (41%) (*3)	¥75.3 (44%) (*3)	+¥19.7 (26%)
Trading	¥70.0 (31%) (*3)	¥48.8 (28%) (*3)	+¥21.2 (43%)
Management	¥64.0 (28%) (*3)	¥47.8 (28%) (*3)	+¥16.2 (34%)
ROE (*1)	9.5%	8.3%	+1.2pt
D/E ratio	1.4 times	1.3 times	+0.1 time
ROA (*2)	6.2%	5.5%	+0.7pt.
Assets under management	¥3,300.0	¥2,350.0	+¥950.0

*1: ROE (return on equity) = Net income ÷ Average shareholders' equity over period (Shareholders' equity = Net assets – Minority interests)
*2: ROA (return on assets) = (Operating income + Non-Operating income) ÷ Average total assets over period
*3: Figures in parentheses in the Fiscal 2009 and Fiscal 2006 columns indicate percentage of total operating income (before adding or subtracting facility operations, construction, general administrative expenses, etc.)
(b) At the end of Stage I (fiscal 2011), we are targeting a D/E ratio of 1.4 times and ROE of 10% or higher.

Performance forecasts and forward-looking statements contained in this document reflect the Company's judgments based on information available at the time of publication, and involve various risks and uncertainties. Due to changing circumstances, actual results may differ significantly from forecasts and forward-looking statements contained herein.