Mitsui Fudosan Co., Ltd.

FY2018 Analyst Meeting Q&A Summary

Q. Please discuss your view on raising ROE going forward.

A. In managing our business, we aim to improve ROE sustainably over time, supported by stable profit growth and continued improvements to ROA. Specifically, we believe we can raise ROE by realizing unrealized gains through the continued sale of assets classified as Real Property for Sale to Investors, and by further enhancing shareholder returns, subject to profit levels.

Q. Where do you see risks as you dramatically expand your overseas business? What measures are you implementing to address such risks?

A. We recognize we must raise our awareness of market risks as our overseas business grows. For each of the overseas markets in which we operate, we must monitor geopolitical and financial market conditions and local real estate market cycles. We also recognize that with the expansion of our operating area and a larger number of partners and overseas employees, we face increased governance risk. In response, we have established a Global Governance Group within the International Business Division. The Group is staffed by employees with significant overseas experience. It will focus on assessing potential risks at our local subsidiaries. We will also enhance governance by having the Head Office Internal Audit Department conduct on-site audits of overseas subsidiaries from time to time.

Q. Are there businesses that are doing better than you had expected when you launched the Long-term Vision ‘VISION2025’ (hereafter Long-term Vision)? Are there businesses that are underperforming your initial Long-term Vision expectations?

A. Progress at the UK Leasing and Property Sales businesses has been better than expected, relative to our expectations 1 year ago. Despite BREXIT, we have been able to sign office leases at higher-than-expected rent levels. Progress in selling the Television Center condominiums has also been better than expected. No business has fallen short of our expectations so far, but we will continue to closely monitor global economic trends and financial market conditions.

Q. If there were changes in the market environment or profit levels going forward, is there a possibility that you could revise your stated total shareholder return policy of paying out 35% of profit attributable to owners of the parent?

A. We believe it is important to reward shareholders through a combination of direct returns, in the form of dividends and share buybacks, and enhanced corporate value achieved by allocating capital to promising business opportunities. We believe our cash flow-generating capability has improved. The decision to raise our total shareholder return target to around 35% last year reflected improved cash flow-generating capabilities, while taking into account the need to balance shareholder returns with investments for future growth. With regard to the potential for further changes, we take a flexible view while also monitoring profit growth and ROE going forward.

Q. You have indicated that you will continue to sell property to investors, as a part of efforts to appropriately manage the balance sheet. Please comment on how you think about the balance sheet going forward. Could you also discuss whether you might consider selling central urban S class office buildings that have typically been held as fixed assets, as a part of periodic reviews of your portfolio?
A. The balance sheet has grown over time. We believe it is very important to appropriately control of the size of the balance sheet on an absolute basis, to be prepared for potential changes in the interest rate environment. We will continue to sell Real Property for Sale as the outstanding balance of Real Property for Sale has been rising, the result of winning multiple attractive business opportunities. We will also continue to shift fixed assets to Real Property for Sale as a part of periodic reviews of the portfolio. We did transfer some fixed assets into Real Property for Sale in FY2018. Through such measures, we aim to maintain appropriate balance sheet discipline and realize unrealized gains on high quality assets.

Q. Does your office building pipeline include properties other than the developments you currently disclose?
A. We continue engage in discussions with landowners and municipal authorities to win attractive central urban projects.

Q. Can you comment more on the fixed assets you reclassified as Real Property for Sale?
A. We periodically adjust our portfolio, looking at asset composition in each area. As a part of this process, we did transfer some high quality central urban fixed assets to Real Property for Sale.

Q. With regard to the hotel business, please comment on risk control going forward as the business grows.
A. For the hotel business, we believe it is important to control risks associated with future supply and cash flow volatility. The hotel properties we operate and manage are not in the budget hotel segment, where significant increases in supply are expected. However, we believe

it will continue to be important to closely monitor trends in the operating environment, customer demand and occupancy rates.

Q. What is your policy for investing in the UK going forward?
A. We believe that we need to take a longer-term view on the UK, while also monitoring the impact of BREXIT. Properties we previously acquired in the UK during periods of financial market disruption currently make significant contributions to our UK profits. Given this, we continue to look for attractive opportunities.

Q. One year has passed since you announced your Long-term Vision. If your view of prospects for the domestic market has changed, please discuss what has changed. Could you also comment on the progress you have made on investments, and how you think about returns?
A. Our view of the domestic market has not changed significantly from 1 year ago. We will continue to monitor financial market trends, as well as assessing the medium-term impact of population decline and low birth rates. With regard to both domestic and overseas investments, progress has been in line with plan, based upon profitability benchmarks appropriate to the individual asset classes and regions.

Q. Last year, you made Mitsui Home a wholly-owned subsidiary through a TOB. Please explain the growth strategy for Mitsui Home going forward.
A. Mitsui Home’s strength is its wealthy customer base, developed through the custom-built home business. By deepening the collaboration with other Mitsui Fudosan Group companies involved in the residential business, we aim to further enhance our engagement with this customer segment. We will also enhance our efforts in the field of large-scale non-residential wood structures, including facilities we already own. In addition, we hope to expand synergies with our overseas business, leveraging our capabilities in manufacturing and selling wall panels and trusses, and consignment construction work in Canada and the US.