

Mitsui Fudosan Co., Ltd.
FY2019 Analyst Meeting Q&A Summary

Q. How do you view the potential for opportunities to acquire land for residential or office use going forward?

A. We recognize major disruptions to the market or monetary tightening raises the potential for buying opportunities in the real estate industry. However, the current spread of COVID-19 is limiting the activities of sales staff or brokers across the real estate industry, restricting the flow of information. Once restrictions ease and the information flow resumes, we will consider opportunities appropriately, based on solid information on price levels and property features.

Q. Please discuss your digital transformation strategy once the COVID-19 outbreak subsides.

A. We are considering many different initiatives to leverage digital technologies from multiple perspectives, such as health record confirmation or digital tracking. Specific examples would include non-contact temperature readings upon entering a facility, or self-checkout systems to reduce contact between customers and retail staff. With regard to changes in how people work, our Work Styling business (shared office business for corporates; already 50 locations) can provide support for people for whom working from home is challenging, because of the presence of small children at home, or dual income households where both must work from home, or for people who wish to avoid long commutes on public transportation.

Q. Please discuss why Mitsui Fudosan chose to disclose earnings forecasts despite the lack of visibility as a result of the COVID-19 outbreak. Also, you have guided for annual dividends per share to remain unchanged in FY2020. Can we interpret this as a reflection of Mitsui Fudosan's confidence in its ability to consistently generate profits once the outbreak subsides?

A. In this crisis, we are dealing with the spread of an infectious condition caused by an unknown virus. Even medical experts cannot provide a clear timeline for when the outbreak will come under control. As such, attempting to quantify the impact of restrictions on economic activity is very difficult. We thought long and hard about whether or not to disclose forecasts. However, ultimately we came to the conclusion that during such challenging times, it is important for us to engage with investors by providing guidance, subject to certain assumptions. As you noted in your question, we do indeed have confidence in our ability to generate profits once the outbreak subsides. We are forecasting profit attributable to owners of the parent to decline more than 30% YoY in FY2020 but we firmly believe that we can achieve solid profit growth over the medium- to long-term. Moreover, we feel continuity in terms of shareholder returns, such as maintaining a stable dividend per share, is very important. This factored into our decision to guide for an annual dividend per share that is unchanged YoY.

Q. Will you be making adjustments to the numerical targets or investment plans set out the Long-term Vision: VISION2025 (hereafter VISION2025) to reflect the impact of the COVID-19 outbreak?

A. Hypothetically speaking, if the recession sparked by the global outbreak were to exceed the damage inflicted during the Great Depression, where economic strength and activity levels remained weak for a prolonged period of time, I believe we would need to review the VISION2025 numerical targets. I also believe that we need to take into account the changed global environment when the outbreak subsides in implementing VISION2025. At the same time, I believe the three key strategies for VISION2025, 'Drive evolution in the creation of neighborhoods', 'Innovate business models by harnessing real estate tech', and 'Dramatically grow the overseas business', remain valid and unchanged.

Q. Please discuss Mitsui Fudosan's longer-term stance on shareholder returns and ROE, assuming there is a risk of another a crisis similar to the COVID-19

outbreak.

A. This crisis has sparked social issues such as bankruptcies, business failures or uncertain employment conditions for retail facilities tenants, primarily restaurants. In response to requests for cooperation from the authorities, Mitsui Fudosan has shut down its retail facilities. However, we feel our tenants are important partners and, therefore, have put into place support measures such as rent relief programs. This is factored into our forecasts.

We believe it is important to give back to all of our stakeholders, starting with the broader community but also including customers, trading partners, employees and others, and have implemented support measures as appropriate. We consider shareholders to be important amongst our stakeholders, hence the decision to maintain our initial shareholder return guidance. Our target is a total shareholder return ratio of 35%. Having achieved our stated target, we have raised our total shareholder return ratio to around 37%, in an effort to further improve our return ratio, even if the increase is modest.

With regard to ROE, we do not believe that raising leverage excessively simply for the purpose of improving ROE is appropriate for the real estate industry. We recognize that ROE is an important metric for shareholders to assess the returns generated on equity. We believe it is management's role to focus on raising ROE as much as possible by improving the contribution to profitability from our core businesses.

From a longer-term perspective, we remain committed to improving shareholder returns and ROE.

Q. Please discuss the potential upside to earnings in the event of an earlier-than-expected end to the COVID-19 outbreak. Please also discuss how you would think about shareholder returns if earnings exceed your forecasts.

A. With regard to the assumptions underpinning our forecasts, if conditions were significantly better than our assumptions, we would not hold back in profit generation. If this happens, we would look to expand on shareholder returns.

Q. Please explain the risks to the office business going forward.

A. Given that lease periods for many office tenants are long, we believe that the risk of an immediate decline in rent levels is very low. In addition, although there could be an increase in operational costs for office buildings in light of the potential need to coexist with COVID-19, we do not believe it will have a major impact.

Q. Please talk about the positives for Mitsui Fudosan's office business amidst the COVID-19 outbreak.

A. The high specifications of our offices have meant that we have been able to continue to sign new tenants for our office properties in April, despite the continued spread of COVID-19. In spite of the current market disruption, we believe that we will be able to capitalize on our relative strengths based on our high spec multifunctional offices and mixed use neighborhoods.