

Mitsui Fudosan Co., Ltd.
FY2023 Investors Meeting Q&A Summary

- Q. Compared to the Long-Term Vision targets for EPS growth and ROE, the FY2024 forecasts appear to suggest a slow start. Please discuss your confidence in achieving the targets.
- A. Our 8% target for EPS growth is the projected CAGR for the period up to FY2026; the EPS growth for each individual fiscal year may vary slightly.

Also, the starting point for the EPS CAGR target of 8% or higher in the Long-Term Vision which was announced in April was the FY2023 net profit forecast as of that point in time, 220 billion yen. Assuming a starting point of 220 billion yen, the EPS growth rate based on the FY2024 net profit forecast of 235 billion yen would be in the mid-7% range. The actual FY2023 net profit of 224.6 billion yen exceeded the forecast of 220 billion yen. As a result, this optically depressed the projected EPS growth rate for FY2023 into expected profits for FY2024, to a certain extent. However, in the context of progressing toward our FY2026 net profit target of 270 billion yen or higher, I believe that the FY2024 net profit forecast of 235 billion yen is in line with our assumptions for a solid start. Going forward, we will accelerate asset turnover and implement a total payout ratio of 50% or higher. We expect to make steady progress toward achieving our targets.

For ROE as well, we aim to make solid progress toward our FY2026 target of 8.5% or higher, in line with our assumptions.

- Q. You indicated you expect the FY2024 office vacancy rate to remain stable at low levels. Please discuss how you intend to raise rent levels going forward.
- A. Each individual salesperson is well aware that the leasing market is tightening and that costs are rising on the back of inflation. Our salespeople focus on developing relationships with tenants to ensure that they recognize the added value of our offices and are open to considering higher rents.

Last fiscal year, we were able to achieve rent increases on a higher number of lease signings than initially expected. This fiscal year, we aim to achieve even higher rent increases.

Q. Please comment on how you, as the CEO, view the FY2024 forecasts and earnings results.

A. I believe the recently announced Long-Term Vision '& Innovation 2030' is a plan which we developed with investors through dialogue with the capital markets. In line with this plan, I believe we have been able to get off to a good start for the first year. I encourage you to revisit our Long-Term Vision and track the progress of our innovation against a 3-year time frame, not just against single-year earnings or forecasts.

Q. I think there are similarities between your participation in the Tsukiji District Community Development project through a consortium and the consortium structure used in developing Tokyo Midtown. Do you have further plans to utilize third-party investor funding going forward? Also, how are you thinking about the impact of the investment amount on your financial situation?

A. Currently, the consortium for the Tsukiji District Community Development project consists of 11 companies, but given the lengthy development period, I would like to consider a number of different possibilities going forward.

Q. I believe that when Mitsui Fudosan undertakes a large-scale development, it prompts others to undertake developments in the surrounding area. With regard to Tsukiji, do you have plans for further development projects in the surrounding area?

A. Mitsui Fudosan is a developer with its base in Chuo Ward, which includes Tsukiji. We already have multiple large-scale development projects underway in Chuo Ward but we remain open to considering early stage projects that have yet to be disclosed or exploring ways to leverage existing properties.

Q. I believe that you will need to raise unit rent levels in light of the recent rise in construction costs to ensure the profitability of the office business going forward. As the industry leader, please talk about what you are doing to encourage the real estate industry as a whole to raise rents.

A. Rather than lobbying the industry, I believe that achieving higher rent levels will be come on the back of the efforts of each individual company. Providing high added value and having this value recognized appropriately will make it possible to raise rents.

We aim to decouple from the market by focusing on creating offices that people want to go to in neighborhoods that they want to visit, and providing a wide array of intangible services.

Q. With regard to asset turnover over the next 3 years, please discuss your priorities for property disposals in terms of regions, asset classes, and Real Property for Sale/Tangible Fixed Assets.

A. While being mindful of achieving continuous profit growth over the medium- to long-term in both Leasing and Property Sales, we will take a comprehensive view of the functionality of each property, the potential for raising value over time and contribution to town management. At the same time, we will closely monitor the transaction market and conditions for buyers in identifying the right time and right assets to sell, looking at regions and total Tangible Fixed Assets and Real Property for Sale, which consists of Property Sales to Individuals and Property Sales to Investors. For this fiscal year as well, properties to be sold will be selected through a process of negotiations and other activities.

Q. Please elaborate on your advertising and promotion strategy, which will include the leveraging of sports and entertainment.

A. Fundamentally, our objective for advertising and promotion is to enhance the corporate brand. Our individual product brands, such as LaLaport or Midtown, are well recognized. We aim to further enhance Mitsui Fudosan's corporate brand through commercials such as the series which features Mitsui's Suzu-chan (Suzu Hirose).

The collaborations with sports and entertainment focus on tie-up events mainly at retail facilities and are aimed at increasing footfall and extending the amount of time customers spend at the facility, to support increased consumption and purchase activity. Also, construction of LaLa Arena Tokyo-Bay was completed this fiscal year. We are considering new advertising activities which will leverage sports and entertainment to the maximum to further enhance our corporate brand value.

Q. In terms of driving further profit growth after FY2027, please discuss the expected scale of investments and the balance sheet in FY2027 and beyond.

A. We are assuming that the scale of investments for FY2027 onward will accelerate relative to the period between FY2024 to 2026. At the same time, we will also step up asset turnover. As such, we expect we can limit increases in assets and liabilities to a certain level. I don't expect total assets or interest-bearing debt to be significantly different from the 9 trillion yen and 4 trillion yen levels respectively.

Q. I believe construction costs have increased compared to when you first started considering participating in the Tsukiji project. Please talk about whether you have had to tweak or make changes to designs.

A. The current forecast for project costs is an estimate that includes a buffer for potential cost increases, based on our experience. Going forward, as the process advances from basic planning to basic design and then to execution designs, the plan is to formulate more detailed cost estimates. During this process, we will consider cost reductions, design changes, value engineering and other measures to enhance the project's functionality.

Q. The Tsukiji project includes a discussion of new mobility. Please elaborate on the specific initiatives which are envisioned.

A. Taking advantage of the favorable river/canal front location, we plan to field test and adopt mobility modalities for land, sea and air. Specifically, this includes: 1) for land, autonomous driving; 2) for sea, transportation using electric powered ships; and 3) for air, flying cars.

Q. There is more to come in Mitsui Fudosan's redevelopment pipeline, but do you believe that there is still potential for further new large-scale development projects within Tokyo over the medium- to long-term?

A. In terms of upcoming projects, Mitsui Fudosan has many projects in its pipeline, including mixed-use developments related to moving the Shuto Expressway below ground at Nihonbashi and redevelopment in the Uchisaiwaicho area.

In addition to this, I believe there may be development projects that address social issues. For instance, there are areas with high concentrations of wooden structures which may need to be redeveloped to enhance disaster resilience.

Q. How should we think about the scale of profits from the domestic residential property for sale business over the next few years?

A. Given the current tightness of supply-demand for central urban, high-end properties, and taking into account the strong market conditions, I believe Mitsui Fudosan is in a relatively advantageous position as a result of our high share of this segment of the condominium market. While we must monitor rising interest rates going forward, I think we should be able to maintain a high margin.