

## **Analyst Meeting Q&A for the 2<sup>nd</sup> Quarter of FY2013/3.**

Q: Please explain the progress made in each business segment towards the quantitative targets for the FY2014 announced in the Long-term Business Plan for FY2012 to FY2017 (Materials for the Briefing Session, P15).

A: As the office leasing market is already on the road to recovery, in the "Leasing" segment, we have made the solid progress towards the targets set for operating income for FY2014. In the "Property Sales to Individuals" category, we are expecting the favorable trend to continue in the future, as the demand among buyers remains strong. In the "Property Sales to Investors" business, on the other hand, the market has not yet entered the stage of a full-scale recovery, but it is already showing signs of improvement, as for example can be seen from the fact that investors both in Japan and overseas have revised the valuation of Japanese real estate. Also, with targets set to double the J-REIT market size by 2020 in the "Rebirth of Japan", the market can be expected to vitalize even more in the future. We will make efforts to achieve our targets. In the brokerage business within the "Management" segment, the "Mitsui Rehouse Business" has become the top player in the industry, and we want to continue growing the business even further in the future.

Q: In the previous Long-term Business Plan (New Challenge Plan 2008), you chose the resorts business as one of the growth areas. What are your plans for this segment?

A: We believe that it is necessary not to limit the business activities to the already established areas, but to also sow seeds and tend to the areas that can become vital parts of our business in the future, and we are engaging in the resort business from a long-term viewpoint. It is our intention to design and create resorts, which meets not only the needs of domestic customers from Japan, but also the needs of overseas customers.

Q Please explain about current status and future outlook, for both asking and existing (passing) office rents.

A: Asking rents have bottomed, and in some areas are showing signs of improvement, especially for class A buildings. There have also been some cases of rents being increased for existing rents, although still only a few.

Q: What is the current situation and the schedule for the redevelopment of the Hibiya Mitsui Building and the Sanshin Building, as well as the other development projects, such as the Otemachi 1-chome Mitsui Building, and the Otemachi PAL Building?

A: In Hibiya, by request of the local stakeholders, we are planning to offer our cooperation with replacing the road between the sites of Sanshin Building and Hibiya Mitsui Building, but no other concrete plans have been decided on yet. There are no concrete plans for Otemachi either.

Q: Regarding the consolidation & relocation needs of the office tenants, could you explain what exactly the benefits are for the tenants?

A: In our case, there are examples of tenants expanding their floor space in our buildings, in order to consolidate with divisions and group companies located in other buildings, when there is newly vacated space in the building. We hear that by consolidating offices, tenants can improve BCP compatibility as well as productivity. Right now, there is strong demand for buildings with large floor plates that can accommodate these needs.

Q If asking rents for offices rise in the first half of FY2013, what impact will this have on the real estate transaction market?

A: I believe that in the transaction market of class A buildings, the potential rent increase is already taken into account to some extent, and we do not foresee a big decline in cap rates. Compared with such class A buildings, it is difficult to foresee a recovery for buildings with lower earthquake resistance.

Q: I think the "value" of the Nihonbashi area has gone up compared to ten years ago. Do you expect the gap in rents between Nihonbashi and Marunouchi/Otemachi to narrow in the future?

A: Yes. We feel the gap is narrowing, thanks to efforts by the local area and ourselves to develop the entire Nihonbashi neighborhood. We will continue to promote development and further heighten the potential of the area.

Q: In the Long-term Business Plan, under "Capital expenditures", you are planning to recover JPY200bn by FY2017, through the sale of assets. Are you going to proceed as planned? With the current favorable funding environment, why not raise leverage to a certain extent and avoid selling assets?

A: We think it is important to make our financial standing firm, so that we can meet the financial requirements of the large-scale development projects coming up in the future, such as those in Nihonbashi and Hibiya, and also have the flexibility to make investments when new large-scale investment opportunities come up. Therefore, we will go ahead with the plans to sell and turn over the assets as we announced in the long-term business plan. However, we shall allow ourselves some flexibility regarding the timing of the sales, and sell the assets over a period of three to six years.

Q: Do you intend to make the overseas investments as announced in the Long-term Business Plan? We would like you to make each investment prudently and focus on returns, rather than simply investing for investments' sake.

A: We would like to continue with the overseas investments, in order to diversify our portfolio and expand the business. In the first half of the fiscal year, we had the good fortune of achieving investment opportunities for excellent development projects in Washington D.C. and London. In Asia, we are presently on the lookout for business opportunities not only in China but throughout South East Asia. In our overseas business, we will promote the business through partnerships with local companies, and be very selective in our investments.

Q: For retail facilities, there is some concern of excess supply in the market. Could you explain the future prospects for investments in retail facilities and the potential for income growth?

A: Approximately 30 percent of the current Leasing segment income comes from retail facilities, and it is growing into one of our main businesses. We are accumulating more and more expertise about the development and management of retail facilities, and we are making progress. We believe that in this business it is vital to keep refreshing the facilities, have many customers visit and enjoy them. For example, we have recently renewed a number of our large-scale retail facilities such as LaLaport Toyosu, and what we paid most attention to is to ensure that all generations can find something to purchase here, offering a wide selection of services for senior visitors, such as travel, hobbies, medical care and finance. In terms of the business model, we use various asset-light structures, including fixed term leases of land, as well as managing facilities built by the land owners.

Q: Some companies in sectors such as the manufacturing industry are struggling in their business, and they may increase the sale of assets to shrink their balance sheet. What are your views, and how will you respond?

A: We are actively engaging in the CRE business towards companies that own real estate. Lately, we are focusing on logistics facilities, making effective use of vacant lots left after the closure of manufacturing plants. Our engagement in the mega solar business we announced recently is also one of the options in our menu of CRE solutions. We will continue our firm-wide efforts to meet the requests of companies that own real estate.

Q: What are the potential exit strategies for logistics facilities? Will you put the properties into a fund, or sell them to third parties?

A: We are currently not conducting any sales activities, because the completion of the logistics facilities currently under development is still in the future. However, MFPR (Mitsui Fudosan Private REIT Inc.), formed by Mitsui Fudosan Investment Advisors, Inc. in March of this year, invests in logistics facilities. Moreover, even as of today, listed REITs and both domestic and overseas investors are wanting to acquire logistics properties.

Q: As a consequence of the Great East Japan Earthquake, awareness of the importance for BCP (business continuity plan) is increasing among corporate tenants, and there are views that Tokyo offices are bipolarizing, with the gap in competitiveness between new and old buildings widening. Is there a gap in tenants' needs in your portfolio, too?

A: As a consequence of last year's Great East Japan Earthquake, tenants have become more aware of BCP, and it has become one of the major factors when choosing office buildings. We will focus on BCP, not only for future developments but for existing buildings too, and provide tenants with offices that they can feel safe and secure in.

Q: Among logistics facilities you are currently engaged in, which type is more common; the multi-tenant type or built-to-suit type? How are leasing activities going?

A: We have only just made a full-fledged start in our logistics facility business this April. At present, we are making good progress in capturing business opportunities as well as leasing. We would like to explain in further detail on another occasion.