

Q. With regard to new, future investments anticipated on the back of the public offering, can you describe the current status of your plans? Could you also talk about when you might be able to provide more specific details on these new investments?

A. Currently, although it is still too early to make any announcements, we are considering a number of multipurpose developments and commercial facility projects. We fully understand the responsibility that comes with a public offering and will do our best to ensure that we make announcements in as timely a manner as possible.

Q. With regard to the profit targets you have set out under the Innovation 2017 plan, can you discuss the progress you have made in acquisitions that will underpin the achievement of your targets, both domestically and internationally?

A. For the office business, we believe we have already secured the property lineup that would allow us to lock in profits in Leasing. For Property Sales to Individuals, land acquisitions for not only FY2015 but FY2016 are virtually complete. We are now focused on land bank acquisitions for FY2017. The project lineup is filling up nicely.

For the overseas business, we are considering a number of projects in the US and Europe. We are not limiting ourselves to only office projects, but are also looking at residential projects. For Asia, in addition to the recently announced project in Thailand, we are considering a number of projects with a view to locking in further business opportunities. We remain committed to achieving our Innovation 2017 goal of generating 15% of the operating income target from our international business.

Q. Can you talk about the outlook for your earnings over the next two years, taking into account your view of office rents and condominium selling prices, as well as the outlook for the profitability of Property Sales to Investors?

A. For the Leasing segment, the office business will see full-year contributions from the three properties which have been completed in the current fiscal year. The Kita-Shinagawa 5-chome Redevelopment Project will be completed in FY2015. On the commercial facilities' side, we will have contributions from the already opened LaLa terrace Musashi Kosugi and LaLaport Izumi, to be followed by openings at Fujimi and a number of other projects. For office rent levels, we are seeing a YoY increase in the number of lease renewals where tenants are agreeing to higher rent levels; for this and other reasons, we believe prospects for the Leasing business will continue to be good.

For condominium sales, although the price rises vary from area to area, we are seeing very strong demand for our properties. We would expect this trend to continue through FY2015 but, with regard to FY2016, we recognize that to a certain extent, profitability will depend upon costs for construction orders and overall market conditions, as well as the competitiveness of individual properties.

For Property Sales to Investors, we believe it is important to continue to focus on turning over the Y550 billion balance which was outstanding as of the end of March 2014, but depending upon the progress we make in negotiations with investors, we could see some lumpiness in both revenues and profits.

Q. What do you consider to be the biggest risk for each of your businesses?

A. We do not see too much risk from either the Japanese economy or the continued recovery in corporate earnings but, we do look at the potential for higher construction costs as a risk. However, for new projects that emerge going forward, we are aiming to lock in profitability sufficient to absorb any higher construction costs (benchmark pre-leverage NOI yield levels of around 5% for central urban multipurpose developments, around 8% for suburban commercial facilities where we own the land and around 12% for suburban commercial facilities built on land held under a fixed term lease).

Q. Why did you need to announce the public offering in May? Also, when do you think will be the peak in terms of land acquisitions for future new projects anticipated on the back of the public offering?

A. There were 5 factors, as listed below, which prompted us to go ahead with the public offering. 1) The fact that we were able to announce 8 properties in unveiling the second stage of the Nihonbashi Revitalization in early 2014 as well as the strong confidence we developed in our ability to create the neighborhood as a result of the strong performance of the COREDO Nihonbashi Muromachi 2,3 development. 2) The strong confidence in our earnings' generating capacity, with new record high profit levels coming into view for the current fiscal year. 3) Strong confidence that the real estate development market was likely to remain healthy going forward, supported by Abenomics and the successful bid for the Tokyo Olympic and Paralympic Games. 4) The increased likelihood that Tokyo's infrastructure development would be accelerated as a result of the Olympic and Paralympic Games. 5) The increased likelihood that as yet undisclosed projects under discussion would become reality.

With regard to the May timing, we felt we wanted to have the opportunity to fully engage with our shareholders as a part of the public offering process before the annual general shareholders' meeting. In terms of the timing of investments, basically we plan to make our investments within three to five years, but should an attractive opportunity arise prior to this, we would be prepared to be proactive.

Q. With regard to integrated resorts, there are a number of locations that have been mooted as candidates. Do you think that there would be business opportunities for you in locations other than Odaiba?

A. We continue to monitor progress on this front. Location is one element of our ongoing discussions.

Q. Of the new investments anticipated on the back of the public offering, how much of it is being allocated to already-identified projects? Also, what are the pre-conditions necessary for public disclosure?

A. Given that the investment amounts for new projects have yet to be determined at this stage, it is difficult to quantify how much is allocated to projects that have already been selected.

In terms of what we would need to see in order to make a public disclosure, we would be looking for a combination of developments, such as a decision to proceed by our partners, the emergence of an agreement amongst the land owners involved and/or meaningful progress in discussions with the relevant authorities.

Q. How do you view the sustainability of the recovery in the office leasing market and the outlook for cap rates going forward?

A. We expect good office leasing market conditions to continue for the time being, supported by improved corporate earnings and expected progress in breaking free of the deflationary environment. We do acknowledge that such conditions make it very challenging to acquire land. However, by focusing on joint developments and redevelopment projects, we believe that for new projects we can add to our land bank without having to pay up significantly.

With regard to cap rates, if you look at the overall market, we think it is unlikely that transactions at real estate price levels that cannot be reasonably justified to investors will persist over a sustained period of time. Therefore, the outlook for cap rates will depend on how much upside you see for rent levels from current levels.

Q. Can you talk about your strengths in overseas investments and how you have leveraged them to date? Also, are there areas that you would like to strengthen in order to grow your overseas business going forward?

A. We believe that our key strengths and what we are recognized for internationally is our superior development capability and product portfolio, as epitomized by developments such as Tokyo Midtown, the Nihonbashi Revitalization, and the Lalaport and outlet retail facilities. Additionally, in the 40-plus years that we have operated internationally, we have enhanced the expertise of our human resources, both our own employees and local staff. Going forward, we believe it will be important to further elevate the quality of our human resources, and build a framework that will allow further delegation to local staff.

Q. With regard to National Strategic Special Zones, has there been discussion of measures to create new demand? If so, can you talk about these measures?

A. We are proactively looking at measures to create demand. We plan to put these measures before the relevant authorities for consideration as opportunities arise, such as the Meeting of the Council on National Strategic Special Zones

Q. Are you not concerned about the potential for oversupply in the office market, if you look out 5-6 years? Where do you see office demand arising from?

A. At a fundamental level, we believe that demand for office space, which had been shrinking to date, will pick up on the back of recovering corporate earnings. Also, many of the redevelopment projects we are promoting are joint development projects triggered by the ageing of existing properties where the owners were considering redevelopment. In such cases, existing tenants and/or owners are highly likely to commit to a portion of floor space in a new development. Furthermore, following the Great East Japan Earthquake, we continue to see sustained corporate demand for office properties with superior BCP capabilities and energy efficiency. Therefore, we do not think there is a risk of oversupply in the office market.

Having said this, given that much of the new office supply coming on line will be more expensive, because the locations will command higher rent levels generally, Mitsui Fudosan as a whole is focused on supporting the leasing business and is in the process of setting up a dedicated sales organization.

Q. Have you seen an increase in partnering opportunities that leverage your development capabilities and financial wherewithal, in the wake of the public offering?

A. We do believe that our financial wherewithal is a positive from a sales perspective and are aiming leverage this to win new projects.

Q. You have indicated that many of the new projects anticipated on the back of the public offering are likely to be redevelopments designated under the framework of the Urban Renewal Act. If this is the case, is it fair to say that the timing of investments is likely to be between 5 to 10 years out?

A. Basically, we believe that the timing of the bulk of new investments will be between 3 to 5 years from now but if attractive opportunities arise before then, there might be some investments which could happen slightly earlier.

Q. Airports and toll roads are now being mooted as potential concessions, with some talk that water treatment and sewage facilities might also be included in future. What type of projects would be of potential interest to you? Also, what risk-return profile is necessary for you to seriously consider such projects?

A. We are currently looking at the risk-return associated with airports internally. This is an ongoing process. It is unlikely that we would get involved in projects where we cannot leverage our strengths.