

**Q & A from IR Presentation (IR Meeting for FY 2020-2Q)****< General >****(Next Management Plan)**

Q. How do you expect the real estate market environment which the next Management Plan is premised would be?

A. It is currently under discussion. Although the market environment differs depending on business and area, we'd like to promote each business with efficiency improvement in mind.

Office Business: The demand for premium locations and large-scale new properties is strong; therefore, we expect that the market will stay still for at least the next four or five years. On the other hand, for less competitive areas and properties, the environment may become severe. Macro factors, such as an influence of the World Economy, need to be carefully observed.

Outlet Business: The business environment is expected to progress steadily. We think it's important to focus more on experience-oriented consumption with various measurements.

Residential Business: Properties in premium locations will stay still. Attractive project planning is the key.

International Business: European market is expected to progress steadily without any big changes. Asian market will continue to growth; therefore, we'd like to develop new business making the most of the Group's strengths while engaging in risk management.

Q. How do you think the outlook for real estate market would be? How much progress has been made in regard to the disposal of properties for efficiency improvement?

A. The CAP rate in real estate market has already gone down much lower. Therefore, we don't expect much decrease anymore and the market will stay steady. We'll continue to further examine the disposal of properties for efficiency improvement so that favorable results will be achieved.

Q. Do you currently consider indicators, such as ROE and EPS, are important in the internal discussion?

A. We are discussing that ROE and EPS are important indicators to identify efficiency, thus need to be considered as one of key performance indicators (KPI). It is stated in the capital policy released in May 2019 that, in order to improve efficiency, in addition to increasing profits (numerator), shareholders' equity and the number of shares (denominator) in the market are also considered to be important. This view will be carried onto the next Management Plan.

**(Others)**

Q. Are there any rooms for increasing financial leverage?

A. In principle, leverage needs to be remained in the level of keeping the current rating.

Q. How do you evaluate the last three years since you assumed the position of the office of president and chief executive officer of Mitsubishi Estate Co., Ltd.? What would you like to do going forward?

A. The Group has been creating urban environment from a super long term perspective since its establishment. We contributed to make various areas, such as Marunouchi, more attractive by generating and providing new values to these areas. I believe that we were able to achieve the same for the last three years as well. Going forward, we'd like to continue new developments unique to the Group and thus contribute to enhance true value of urban environment. By doing so, we also would like to establish a favorable reputation for the Group as a leading company of urban development. In addition, by having efficiency improvement and balance sheet control in mind, we'd like to practice strong and well-balanced management.

**(Office Building Business)**

Q. How do you foresee the competition among prime areas in Tokyo? What strategies do you have to differentiate Marunouchi from others?

A. One of the advantages of Marunouchi is concentration of companies in the area which makes it easier for these companies to collaborate beyond boundaries. In addition to its convenience in transportation, a favorable image attached to Marunouchi area becomes an advantage in recruiting human resources. It's important to further strengthen these factors and also be keen on the needs from our tenants in order to make the area more attractive.

Q. Shibuya is becoming much popular as an office area these days. How do you increase attractiveness of Marunouchi?

A. In Shibuya, there are many start-ups which offer B to C services and products. On the other hand, Marunouchi receives a high reputation from B to B start-ups because of its concentration of companies as well as closeness to academia, such as universities. In fact, many such start-ups came to Otemachi buildings after renovations. We'd like to differentiate Marunouchi from other areas by utilizing its characteristics like this.

Q. It looks that the demand for office use is high at the moment. Do you think the deterioration of the economy will make an influence on such demands?

A. The current demand for office use is a result of improvement of convenience in transportation, innovation vitalization by concentration of companies, and needs for spaces matched with work-style reform. Areas and properties to meet such needs are high in competitiveness; thus, we believe the current demand will continue. While telecommuting and teleworking become more popular, the importance of communication among people came to be re-acknowledged. Therefore, needs for office spaces to promote communication is becoming much higher.

Q. How do you plan to be involved in Kabutocho Redevelopment Project from now onward?

A. There are many ways that we can be involved, such as design management by Mitsubishi Jisho Sekkei Inc., however, first off, we'd like to focus on developing Marunouchi area.

**(Residential Business)**

Q. In domestic residential business, the margins are lower compared to peer companies. How do you plan to improve that?

A. We plan to increase attractiveness by focusing on supply in premium locations with high demands and also trying different approaches to product planning, such as properties come along with convenient facilities and facilities for elderly people.

**(International Business)**

Q. What are your strengths and strategies in International Business?

A. North America: Utilize local resources, such as RGI and TA Realty

Europe: Utilize assessment abilities and long business experiences in UK of Europe Capital, the local company

Asia: The Group's know-how, such as planning and property management skills, from our past business development is highly evaluated by local companies. In Vietnam and Indonesia where there is no foreign investment restriction, we'd like to increase business that we have initiatives to promote.

Q. How do you plan to finance to invest in International Business from now on?

A. In Europe, we have prime assets accumulated from our long-term business development. Therefore, the basic idea is to finance by selling assets and rotating funds within each area in order to lower foreign exchange risk.

In a new investment area like Southeast Asia, it may be necessary to make an investment from Japan.

**(Investment Management)**

Q. What is the target of AuM? What are strategies for each area and mid-term prospect?

A. Current AuM is about three trillion yen; however, we'd like to aim for five trillion yen in the future.

Both in North America and Europe, we plan to utilize know-hows from local companies such as TA Realty and Europe Capital. In Asia and Oceania, we plan to purchase properties in stable developed countries, such as Singapore and Australia.

In this segment, volatility has been remained high depending on selling off of properties and temporary income from fee business. However, from a mid-term perspective, we'd like to retain a stable profit as AuM increases.

**(Business Model Innovations)**

Q. How are the progress of Business Model Innovations in the current Mid-Term Management Plan and future development?

A. Business Model Innovations have been pushed forward from two directions: developing into new business areas and advancing existing businesses. Airport business has developed as a new business area while the renovation of Otemachi building as well as building security and management with AI and IT have been addressed in existing businesses. Going forward, we'd like to address business areas that are meaningful for the Group to be involved, such as resolution for the lack of human resources in society as a whole.