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Mitsubishi Estate Group

Long-Term Management Plan 2030

Mitsubishi Estate Co., Ltd. (hereinafter the “Company”) today announced that it has formulated a new management plan: *Long-Term Management Plan 2030*.

1. Background of Formulation of *Long-Term Management Plan 2030*

Under the Medium-Term Management Plan, which was formulated in 2017 and is currently being implemented, Mitsubishi Estate has achieved steady growth, and expects to achieve all its quantitative targets while also making progress on capital policy and corporate governance.

To build on this progress and provide value to stakeholders sustainably over the longer term, the Company has formulated *Long-Term Management Plan 2030*, which will start from April this year.

2. Management Plan Aims

For the realization of the Company’s basic mission and sustainable growth, the Company will practice management based on both “strategies for increasing social value” and “strategies for increasing shareholder value.”

In strategies for increasing social value, the Company will implement initiatives for the realization of a sustainable society and provide greater value to all stakeholders including visitors and employees. In strategies for increasing shareholder value, Mitsubishi Estate will use ROA ROE and EPS as KPIs and aim to transform its business portfolio, making it more efficient and resilient to changes in market conditions.

3. Mitsubishi Estate’s Strengths and Growth Strategy

Mitsubishi Estate will harness its strengths in “long-term view on Urban Development and Forward-looking DNA” and its “extensive user reach and abundant real estate asset touchpoints” and aim for the realization of growth in the three business domains: “Domestic Asset Business,” “International Asset Business” and “Non-asset Business.”

The Company will improve ROA and ROE by expanding revenue via mainly market-resilient non asset business in combination with flexible capital policy.

4. Quantitative Target

(1) Quantitative Target for 2030

* The Figures in brackets are estimates for FY2020 (announced May 14, 2019)

| ROA*1 | ROE*2 | EPS*3 |
|-----------|------------|----------------------|
| 5% (3.9%) | 10% (7.8%) | 200 yen (100.20 yen) |

(2) Key Assumptions for Achievement of Targets

| Profit Growth | Shareholders Return | Financial Stability |
|--|---|---|
| Business Profit*4: ¥350-400 billion yen | Current framework* Payout ratio: Approx. 30% + Share buybacks (when determined to be optimal use of funds) *Will adjust to business conditions | Maintain current level of credit ratings 【Reference】 R&I : AA- S&P : A+ Moody's : A2 |

*1 $ROA = \text{Business Profit} \div \text{Total assets (average)}$

*2 $ROE = \text{Profit attributable to owner of parent} \div \text{Shareholders' equity (average)}$

*3 $EPS = \text{Profit attributable to owners of parent} \div \text{Average number of shares for the fiscal year}$

*4 Business Profit = Operating Profit + Equity in earnings (loss) unconsolidated subsidiaries and affiliates. The Company aims for speedy business expansion, especially growth of Non-Asset Business and collaboration with third parties will, therefore, be more important than ever. Accordingly, the Company set a core operating income target to monitor profit including returns from these joint ventures.

(3) Basic Policy for Improving ROE

- The Company will focus on ROA while maintaining current level of credit ratings.

(4) Projection for Realization of Quantitative Targets

- The Company expects growth of around 50 billion yen in its Domestic Asset Business, International Asset Business and Non-asset Business respectively and aims to achieve business profit of around 350-400 billion yen (estimate for FY2020 is 230.5 billion yen).
- The Company expects that, through the optimal combination of investments for growth, assets sales, shareholder return, financing and other measures according to real estate market conditions, total assets will increase by 1-2 trillion yen, to 7-8 trillion yen (estimate for FY2020 is 5.9 trillion yen).

5. Business Strategies

To achieve the quantitative targets, Mitsubishi Estate has established strategies for the growth of Business Profit as shown below.

(1) Domestic Asset Business: Growth of approximately 50 billion yen (compared to FY2020)

- In Marunouchi, the Company has adopted “Marunouchi Re-design” as the theme for future urban development and aims to set the stage for the creation of new value through the

attraction and interaction of companies, employees and visitors. With Tokiwabashi and Yurakucho set as key redevelopment area, the Company will invest a total of 600-700 billion yen by 2030 to promote redevelopment and renovation.

- Over the coming 10 years, across its entire Domestic Asset Business, which includes not only the redevelopment of Marunouchi but also outlet malls, logistics facilities and other assets, Mitsubishi Estate will promote new development and expansion projects worth approximately 60 billion yen on a NOI*5 basis.

*5 $\text{NOI} = \text{Rental Income} - \text{Rental Cost (excluding Depreciation)}$

- In the capital recycling business*6, the Company will flexibly control capital gains through the assets sales according to real estate market conditions and the asset environment.

*6 Business model where the Company sells properties it has developed to a fund operated by a group company or another investor and continues to provide services that generate AM and PM fees after the sale.

- In the Residential Business, Mitsubishi Estate will focus on the development and sale of rental condominiums and the acquisition of residential redevelopment projects in the first half of the 2020s. In the second half of the 2020s, the number of condominium unit sales will increase due to the progress of redevelopment projects, and the Company will seek optimization of capital gains on the sale of rental condominiums according to real estate market conditions.

(2) International Asset Business: Growth of approximately 50 billion yen (compared with FY2020)

- The Company forecasts business profit of approximately 90 billion yen and total assets of approximately 1.5 trillion yen, which is around 2 times the current level.
- In addition to business in Europe and the United States where the Company has established a strong base, the Company will strengthen development business focused on Asia and will increase the Asia business' share of the international business from 28% on a total assets basis and 5% on a business profit basis to approximately 45% respectively by 2030.
- In Asia, Mitsubishi Estate will strengthen its portfolio of capital recycling assets by increasing development with major stake and joint businesses with local partners.
- In Europe, the Company will make and recover investments mindful of the balance between maintaining revenue stability and improving capital efficiency. It will also further promote development business, focusing on large-scale development projects which have already been decided.
- In the United States, Mitsubishi Estate will draw on the knowhow of Rockefeller Group International, Inc to strengthen its capital recycling business. It will also further diversify the development business, especially JV development with local partners.

(3) Non-Asset Business: Growth of approximately 50 billion yen (compared with FY2020)

- Mitsubishi Estate will steadily expand profit through growth in existing areas including ongoing expansion of AUM in the Investment Management Business and an increase in the number of rooms in the Hotel Management Business. Meanwhile, in Fee Business such as building operation and management and design supervision, the Company will aim not only for expansion in scale but also for profit growth through the use of IT to improve efficiency. Through the steady growth of these businesses, the Company will increase business profit by around 20-25 billion yen heading toward 2030.
- The Company will tap into revenue opportunities by expanding new businesses such as the provision of BtoC and BtoBtoC services and content that address latent needs arising from social issues and, through this, will increase business profit by 25-30 billion yen over the years to 2030.

6. Initiatives of ESG

(1) Materialities (Important Issues for Sustainable Growth)

- Mitsubishi Estate identified seven material issues for the sustainable growth and related opportunities and risks. The seven material issues are The environment, Globality, Community, Diversity, Birthrate/Aging, Leveraging existing properties, Digital innovation.

(2) Formulation of “Mitsubishi Estate Group’s Sustainable Development Goals 2030” Based on Material Issues

- Establishment of four key themes for the realization of a sustainable society
 - (i) Environment : Develop sustainable communities to address climate change and Environmental problems
 - (ii) Diversity & Inclusion : Enable people of all backgrounds to thrive by building communities adaptive to varying lifestyle needs
 - (iii) Innovation : Create innovative cities that birth innovative ideas
 - (iv) Resilience : Build strong and resilient communities that prioritize security, peace, and disaster protection

(3) Key KPIs (Key Indicators) and Targets

- Aim for 35% reduction in CO2 emissions by 2030 *(Compared to FY2018)
- Aim for 20% reduction in waste disposal by 2030 *(Compared to FY2020)
- Aim to increase renewable energy rate to 25% by 2030 *Currently 1.3%
- Aim to increase waste recycle rate to 90% by 2030 *Currently 45.5%

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