Mitsui & Co., Ltd.

Mitsui to Invest in CIM Group, LLC, a Major U.S. Real Estate Asset Manager
Questions and Answers during Telephone Conference

1. Date/time: Tuesday, February 21, 2017, 15:30-16:00
2. Mitsui & Co. presenters:
   Yasuyuki Fujitani, Executive Managing Officer, COO, Corporate Development Business Unit
   Yuji Mano, GM Investor Relations Div.
3. Questions and Answers
   Q: What factors led to your investment in CIM, and what is your perception of the external environment? You have said that Mitsui & Co. has selected CIM after evaluating opportunities to create a strong platform in the real estate asset management (AM) market since 2015. Were there any changes in your perception of the external environment during this process, such as the U.S. presidential election in the second half of last year?
   A: We saw some changes in the external environment at the point when the Trump administration was established. We thought that expectations of an expanding fiscal deficit would lead to higher long-term interest rates, and that the resulting uncertainty might cause investors to pause their real estate investment activities temporarily. We therefore revised our business plan and came to agreement on an appropriate acquisition price.
   • However, we believe that the business environment for this project will be positively affected by the tax cuts and infrastructure investment planned by the Trump administration, and by rising inflation and interest rates resulting from economic growth.
   Q: You said that an appropriate acquisition price reflected changes in the external environment to your business. Can we understand that the price was lower than you initially anticipated?
   A: That is correct.
   Q: Your investment consists of the acquisition of a 20% interest in CIM, and investment in several funds. Was investment in those funds a condition for your investment in CIM? Why was it necessary to invest in the funds?
   A: Our business model aims to become a fund manager for our investor clients’ capital, by acquiring an AM platform. It is market practice for the GP to put seed investment into funds they manage so that investor clients will also want to invest. We will invest in the funds from these perspectives.
   • Our investment in the funds should also be understood as a sign that Mitsui & Co. and the CIM founders are determined to realize the growth of the funds.
Q: • Regarding your investment returns: CIM is a large company, and I assume that you paid a certain amount of premium. Could you explain about the size and growth of investment returns, given the appropriate pricing due to changes in the external environment and also your views that the alternative investment market is expected to grow by 8% per year?

• Regarding how you earn your profit; will it consist basically of management fees on managed assets, and is the level likely to be around 1%?

A: • We cannot disclose the details of the valuation, a breakdown of the acquisition price, or the business plan. What we can say is that in general, valuation will differ based on whether we participate as a financial investor, or as a strategic investor. This transaction was the latter case, and we agreed on a reasonable investment on the basis that we would contribute to enhance CIM’s value.

• CIM’s management fee income would be similar to that of market standard.

Q: • You have stated that the main contribution to be made by Mitsui & Co. will be the introduction of Japanese investors. Can we understand that CIM has not raised capital from Japanese investors, and that the participation of Mitsui & Co. will lead to the expansion of its assets under management (AUM)? Please tell us about CIM’s current fund raising status.

A: • Individual investors in Japan have invested in U.S. real estate through global REITs mutual funds and other means, but few institutional investors have expanded their investment into real estate overseas. CIM has not raised capital from Japanese institutional investors, but now that we have agreed to invest in CIM, we will introduce CIM funds to Japanese investors.

Q: • I would like to ask about how you will realize returns. Are we correct to assume that most of your returns will come from management fees, and that returns from investment into CIM will be minimal?

A: • Of course, we will profit as an investor from our LP investments. However, most of the returns from this project will be in the form of management fees and performance fees from CIM as an AM company.

• We believe that the income structure will be extremely stable, since management fees vary not according to conditions in the real estate market, but rather according to the capital amount committed by investors.
Q:
- Frankly, we are under the impression that general trading companies have never been successful with this kind of financial investments. What were the key focal points in your internal discussions, reflecting past experience, about whether or not to proceed with this transaction?
- I am sure that the investment decision was made after determining that this project cleared your internal investment hurdle. Did you set the hurdle rate lower assuming that this project would provide stable earnings?

A:
- This is our first investment in the real estate AM business in this scale, in the United States or any other overseas market. Not all of our investments in real estate development exposed to construction risk and market risk may have been successful. However, this project is based on an entirely different business model, since we are investing in the AM business, and the main source of income will be fees.
- This project has an extremely good income structure and comfortably clears our hurdle rate.

Q:
- How large is your AM investment balance, including the investment in CIM? What is your vision for this area?

A:
- If you are referring not to our size of balance sheet for AM investment but rather our AUM, including real estate AM and the securities investment advisory business, our gross AUM at the end of March 2017 will be ¥3,509.5 billion, while our equity AUM will be ¥1,409.4 billion. Our gross AUM at the end of March 2016 was ¥966.6 billion, and our equity AUM was ¥659.0 billion.
- We are still finalizing the timeline, but we would like to double our equity AUM of ¥1,400 billion.

Q:
- What is the positioning of the AM business in the Medium-term Management Plan that you will launch in the next fiscal year?

A:
- One of our priority areas is the creation of a receptacle for alternative investment. We have therefore positioned real estate AM as an area for increased emphasis.