### Q&A from Telephone Conference Concerning the Acquisition of Senior Housing Properties by US-Based MBK Real Estate LLC

1. **Date/time:** May 25, 2018 (Fri), 13:15-14:15  
2. **Mitsui & Co. presenters:**  
   - Managing Officer & COO of Consumer BU: Reiji Fujita  
   - GM of Third Business Dept., Real Estate Business Div.: Hiroshi Sugita  
   - GM of IR Div.: Yuji Mano  

3. **Questions & Answers:**

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| You said that you would improve asset value by securing rent increases. What specific methods will you use to raise the rents?  
   Although the U.S. cap rate is extremely low at present, will a model that will yield capital gains still be achievable even if this situation is reversed in the future? | We are providing high-quality services, and we have considerable operating experience. By creating manuals as the basis for the provision of fine-tuned services, we are raising residents’ satisfaction with our services, with the result that they are receptive to rent increases.  
   We recognize that the U.S. real estate market moves in cycles. For this reason, we do not predetermine the time when an asset should be sold and sell it automatically at that time. Instead we have policy of acting according to market conditions. When market conditions are deteriorating, we retain ownership of properties so that we can earn income gains, and wait until the market recovers to sell. |  |

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| What percentages of MRE’s PAT in the fiscal year ended March 2018 came from the senior living business, housing development business, and industrial real estate development business?  
   On Page 10 of the documentation you refer to properties owned (including JV projects). What is your thinking on the division of your existing projects between company ownership and JVs? Is it possible that assets will be split off into REITs in the future? | We will refrain from answering that question, since we do not disclose a breakdown.  
   JV projects are based on joint ownership with REITs. Our policy is to own properties jointly once value enhancement is complete and the stable operation stage has been reached. Our strong point is that we undertake hands-on approach to the enhancement of asset values, including the improvement of operating rates and the reduction of costs. Our strategy for properties at the stable operation stage is not to limit our partner candidates to REITs, but also to solicit various |  |
partners, including Japanese companies, and to increase assets under management (AuM).

| Question 3 | • We understand that you do not disclose a breakdown of PAT, but we would like you to give us a general picture of the scale of your assets and the current level of returns.  
• Is it possible that you will expand the business that you are currently conducting in the United States into other regions, or that you will engage in collaboration with operators in other fields? |
| --- | --- |
| Answer 3 | • We own worldwide real estate assets worth over ¥120 billion, of which over 60% are overseas. Roughly over one-half of our overseas assets are in the United States. Our business performance varies according to whether or not we had capital gains, but our profits over the past few years has been in the ¥500 million to ¥2 billion range.  
• We have been developing our business model in the United States for over 20 years, and we are thinking about extending that model into other countries. However, we would not be able to use exactly the same business model because different countries have different commercial practices, cultures, and legal systems. We cannot provide specific information at present, but we are considering expansion into other countries. |

| Question 4 | • What has been frequency and scale of capital gains since you entered into the senior living business in 1990?  
• Are we correct to assume that the profits of ¥500 million to ¥2 billion per year are just from the United States? |
| --- | --- |
| Answer 4 | • Since our entrance into this area in 1990, we have numerous transactions in our track record. We have sold over 10 properties since 2004 and have earned PBT measured in billions of U.S. dollars. The amount of profits varies from year to year, since we sell properties after we have raised the value to a certain extent, and when we judge market conditions to be right.  
• The figure of ¥500 million to ¥2 billion is for MRE as a whole. |

| Question 5 | • What is represented by the annual investment income of US$21 million? A rate of return based on annual investment income of US$21 million would be 5.5%. Are we correct to assume that the rate of return on PAT, with depreciation and other factors added, would be a little lower?  
• What would be the impact of higher interest rate risks? If interest rates rise, your margins will shrink. How would you respond to that? |
| --- | --- |
| Answer 5 | • The figure of US$21 million represents net operating income (NOI) based on cash flows. PAT which reflects depreciation and interest would be lower.
- Interest rates are one of the risk factors. We would cope with rising interest rates by skillfully adjusting our borrowing methods and the timing of sales. Our business model is based on income gains and capital gains. Even if sales are delayed, NOI will increase by raising rents, allowing us to cover our costs. We do not disclose details of borrowing at fixed and floating interest rates. We select the optimal method according to the situation.