Mitsui Fudosan Co., Ltd.

Q&A Summary from CEO Meeting Held November 27, 2025

Q. In a discussion of office rents at the recent analyst briefing, you indicated that a top rent level of 100,000 yen per tsubo per month was coming into view. What are your expectations for how quickly this might be achieved?

A. For the Yaesu 2-chome Central District project, which is in a highly convenient location and is a mixed-use property with the latest in features as well as a very large floor plate, leasing is progressing at levels higher than rents for competing neighboring properties. Given this, we are focused on achieving it in the not-too-distant future.

(Reference) Financial Results and Business Highlights for Summary of 2Q, FY2025 (P.8)

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Q. Mitsui Fudosan's market capitalization has exceeded 5 trillion yen. Please discuss your growth strategies to further boost the market cap going forward. Also, in & INNOVATION 2030, you declared your aim to accelerate asset turnover. Given the rising rent environment, please comment on whether your policy might change. For instance, would you consider foregoing asset sales in favor of continuing to hold properties, or changing your priorities in determining properties to be sold?

A. In our Group Long-Term Vision & INNOVATION 2030, we describe our business strategy of 3 paths for growth. The first path is to promote further growth in core businesses. By decoupling from the markets, we aim for topline growth, while maintaining a good balance between Leasing and Property Sales profits. We also aim to efficiently implement asset recycling, based on our policy of making no distinction between real property for sale and fixed assets in considering candidates for asset disposal. In thinking about asset disposals, the order in which we sell properties doesn't necessarily reflect a simple prioritization of older properties carrying significant unrealized gains. We take a comprehensive view of a variety of factors including the wishes of joint development partners, the future value of development, the enhancement to efficiency as a result of the sale, the ability to maintain and improve rental revenues, and whether or not the transaction could tie into a future business opportunity, before making what we consider to be the optimal choice.

Furthermore, we are also focused on further developing and evolving our overseas business. Going forward, we will see a series of completions on rental residential projects currently underway in the Sun Belt area of the US. We anticipate that fully leasing up these projects will take 2 - 3 years as these are large-scale projects ranging between 300 - 500 units. In FY2027 and beyond, once the projects have been fully leased, we expect these properties will contribute to Property Sales' profits. Moreover, conditions for overseas housing sales are strong, as exemplified by the Zyon Project, which is a high-end condominium project in Singapore of slightly less than 800 units that achieved a contract rate of 84% in its first month after the launch of sales. We expect this to contribute to profits in the late 2020s.

In addition, we are focused on achieving profit growth through the promotion of the 2nd path of expanding into new asset classes and the 3rd path of exploring new business domains and capturing business opportunities.

Q. Please discuss the roadmap for achieving the target of a 10% ROE around 2030. In particular, please indicate when you will provide the KPI targets for profits and other metrics for the period from FY2027 onward.

A. In & INNOVATION 2030, we set a milestone target for ROE of 8.5% in FY2026, the midpoint of the plan period.

As a result of the iniatives for decoupling and others, we are achieving steady net profit growth and have also made progress on controlling shareholders' equity through the selling of investment securities and implementation of total shareholder returns in excess of 50%. We are making solid progress toward achieving our targets and have revised up our ROE target for this fiscal year from a low 8% level to a mid-8% level.

With regard to achieving an ROE of 10% or higher by around 2030, we are confident in our ability to achieve our target but are focusing efforts to achieve the target early by both boosting the numerator through profit growth generated by the growth strategies, and controlling the denominator or equity, as stated in & INNOVATION 2030.

With regard to the KPI targets for FY2027 and beyond, we have already begun internal discussions. We are taking into consideration changes in the environment since we launched the plan as well as the earnings progress toward the interim milestones of FY2026. We plan to disclose at an appropriate time.

Q. Please comment on where you have seen the environment diverge from the initial assumptions underlying & INNOVATION 2030 and areas that you feel require revision.

A. The first difference is the rise in construction costs beyond what we had expected.

On this our response has been to express the added value we create in the form of prices, as well as maintaining a rigorous discipline in adhering to our internal rules to lock in a solid buffer for construction expenses in making investment decisions.

We note that we could see an increase in the number of projects in the market that are delayed or cancelled as a result of higher construction costs, which is likely to lead to a decline in supply. This will only drive up demand for existing properties and new projects that are tracking in line with schedule. We aim to solidly capture such demand, while also ensuring that the added value we create is properly reflected in prices.

The second is the significant divergence in changes to the post-pandemic world between Japan and overseas, particularly the US.

I believe Japan was one of the most successful countries in terms of recovering from the pandemic. Following the pandemic, there was a re-recognition of the value of 'real' in Japan, which resulted in senior business managements rerating offices as spaces for generating added value, and not just a a location for executing administrative or other tasks. As a result, the perception of office rents has changed: rents are no longer considered a cost but an investment. This has led to extremely low office vacancy rates and rising rents.

Elsewhere, the increase in inbound travellers to Japan has boosted demand for hotels. The performance of our domestic business is very strong.

However in the overseas business, particularly in the US, market conditions have differed from our initial assumtions with persistently high interest rates and the prolonged continuation of WFH even in the post-pandemic period. In this environment, precisely because of the favorable domestic business situation, Mitsui Fudosan is decisively reviewing its entire portfolio, particularly our overseas holdings, with a view to recycling inefficient assets. Our aim is to build an even more robust portfolio.

Although conditions have diverged from our initial assumptions, we are responding appropriately, and, as such, we believe we can continue to achieve sustainable growth in the second half of the & INNOVATION 2030 period from FY2027 onward.

Q. The total payout ratio for this fiscal year is in the high 50%-range. Can this level be sustained going forward?

A. We will continue to align the payout ratio with our stated target set out in & INNOVATION 2030 of 50% or higher, while also bearing in mind our past track record* as well as the situation for investments and cost recovery, and progress toward achieving our FY2030 KPIs in making a decision.

*FY2023 52.7%, FY2024 52.7%, FY2025 56.6%

Q. Can you comment on the outlook for the US real estate market?

A. Cap rates in the US remain persistently high and transaction volumes for office and rental residential properties across the US have remained unchanged YoY. I don't think the transaction market has recovered yet.

Multi-family rental residential properties that generate stable cashflows have seen a continued stream of transactions primarily from family offices, but I would expect the overall transaction market to recover once there is an inflow of funds from institutional investors on the back of falling interest rates going forward. We are hoping to see the market recover from around FY2027, which is when we expect leasing to be completed for the rental residential projects currently underway in the Sun Belt area.

Q. Please comment on the status of your initiatives in India, your assessment of the Indian market and risks.

A. India is positioned as an area of expected growth in & INNOVATION 2030. We have an office project in Bengaluru: Eco World 30. This is a project split into Phase 1 and 2, which are roughly about the same scale, for a total floor space area of 100,000 tsubo. Phase 1 is fully leased. Leasing progress on Phase 2 is also good with the existing Phase 1 tenant indicating an appetite to expand.

With regard to the Indian market, we aim to continue to proactively expand our business. We seek to both expand geographically within India and are open to considering asset classes beyond offices, such as residential properties or data centers.

On risks, similar to what we do with our businesses in other countries, we will seek to partner with experienced local players with significant track records.

Q. Is the retail facilities business benefiting from inflation?

A. Mitsui Fudosan's approach to our retail facilities business is to support the GMV growth of our tenants by pursuing synergies with the Sports and Entertainment business and a broad range of other initiatives. We aim to grow our rental revenues as a consequence of GMV growth.

Our facilities are benefiting from a solid increase in consumption, with solid GMV growth in 2Q FY2025 GMV of 4% YoY.

Q. Please discuss the profitability of the arena business, and synergies and knock-on effects on neighboring retail facilities.

A. Operating conditions at LaLa arena Tokyo-Bay are strong. The arena is obviously busy on game days for the basketball team but is also seeing many concert bookings not just on weekends but weekdays as well. The arena is highly rated by event sponsors for its scale, with a capacity of 10,000 people, as well as its interiors and sound systems.

While Tokyo Dome City is also involved in arena operations, one of the strengths of our arena business is our ability to leverage the operating knowhow of Tokyo Dome.

On days when concerts and events are held at the facility, there is spillover into the adjacent retail facilities, with GMV for Mitsui Fudosan's retail facilities in the area up by 30-40%.

In addition, we have been able to access a new customer demographic by selling event merchandise at Miyashita Park or LaLaport in tie-ins around the timing of live events and by offering event tickets through the Mitsui Shopping Park site, confirming the synergies between the arena and retail facilities businesses.

Going forward, we plan to further expand this business with projects such as the recently announced Nagoya Arena plan and the operating business for the Prince Chichibu Memorial Rugby Stadium. We hope you will hold high expectations for further growth and the future potential of the arena business going forward.