

Mitsui Fudosan Co., Ltd.
Summary of Q&A from CEO Small Group Meeting
May 22, 2026

Q. Please share your view of the recent share price. Also, is there a possibility that additional messaging from the company may be forthcoming, including a review of the ROE target?

A. Based on our very strong earnings and Mitsui Fudosan's growth potential, I consider the recent share price to be extremely low, which is disappointing and regrettable.

Our growth potential is underpinned by our ability 1) to win business opportunities, 2) to create high added value neighborhoods, facilities and services, and 3) to monetize the added value we create. In addition, we have an abundant development pipeline and a well-balanced business structure which combines income gains, capital gains and management. These elements form the basis of a foundation that allows us to generate consistent profit growth over the medium- to long-term.

Moreover, the profits we generate do not simply derive from single assets; we have begun realizing synergies between asset classes such as retail facilities and the arena business, which includes Tokyo Dome, creating room for even further growth.

On top of this growth potential, from the perspective of asset value, we believe that our effective NAV per share is around ¥2,550 after taking into account unrealized gains on real property for sale and other assets. Of course, there is also value at Mitsui Fudosan that is not reflected in the numbers, such as properties still in development, domestic residential properties for sale and the added value of the Management business. If this is also factored in, it implies that Mitsui Fudosan's fair value level is even higher. As such, I view the recent share price as significantly undervalued.

Going forward, we aim to overshoot our earnings, primarily driven by businesses that have a significant day-to-day earnings impact, such as retail facilities, the arena business including Tokyo Dome, and the hotel business. We will continue to deliberate on the specific timing and content of messaging to the market, including a consideration of the announcement of additional share repurchases during the fiscal year.

Q. Please discuss the specific roadmap for achieving the ROE target of 10% around FY2030, such as whether the aim is to achieve it through profit growth or the implementation of large-scale share buybacks.

A. We aim to achieve the 10% ROE target by addressing the numerator through profit growth and the denominator by controlling shareholders' equity. Mitsui Fudosan's business portfolio is very broad and we have access to multiple opportunities to generate profits in excess of market levels.

For instance, we are making progress on signing leases for new offices at high rent levels, including multiple leases at ¥100,000 per tsubo per month. For our existing office properties, our target is to achieve a nationwide average increase in rents on expiring leases in the double-digits.

In this way, we have been able to continue to invest for the future while also solidly enhancing our near term ability to generate profits, the numerator, in the first half of the Long-term Vision period. In the second half of the Long-term Vision period, we will continue to steadily improve our profit-generating capability while stepping up our efforts to control shareholders' equity, the denominator.

Through a combination of the sale of investment securities, asset turnover targeting both fixed assets and real property for sale, a total payout ratio of 50% or higher, and share repurchases, we are firmly committed to maintaining financial soundness while also improving capital efficiency to achieve an ROE of 10% or higher.

Q. What impact would a deterioration of the situation in the Middle East have on your earnings?

A. At this point in time, we have seen no impact on our businesses from the Middle East situation, either in the form of construction delays due to issues with the supply of materials or weakness at our retail facilities or hotels due to a deterioration in inbound travel demand.

In the residential business, we are informing customers about possible disruptions in the procurement of construction materials as a consequence of the recent Middle East conflict, but this is more of a pre-emptive measure highlighting the potential risk. At this point, there have been no pushbacks in handovers as a result of delays in procuring materials.

We have built in a certain level of buffer into our forecasts for FY2026 to reflect recent uncertainty, such as the impact of the situation in the Middle East. We will continue to closely monitor the longer-term impact on our businesses as a whole.

Q. Given the nature of the business, Mitsui Fudosan experiences a certain level of growing pains every year. While there may be concerns about whether such growing pains can be fully offset by profit growth in the core businesses, do you think it will be possible to improve the ROE through strong profit growth even after taking into account such growing pains?

*Growing pains are an unavoidable feature of the real estate industry reflecting one-off cost factors that depress profits but are necessary for future profit growth. This occurs after a property is completed, with costs such as building management expenses and depreciation initially outweighing revenues as a result of free rent periods and other factors, or the loss of leasing profits during the renovation of a property.

A. I believe it is possible to achieve strong profit growth to overcome growing pains by leveraging fee businesses while also growing the topline through positive rent reversions in the leasing business and expanding GMV at retail facilities.

Our profit growth is supported by our business portfolio which generates profits in a well-balanced manner. We are not overly reliant on specific individual businesses and have shown strong competitive capabilities in each business area. This is what allows us to generate stable base profits.

On top of this base, we have also made progress near term with our decoupling initiatives. For instance, in our office business we have been able to secure the agreement of virtually all of our tenants to higher rents by meticulously explaining the value of our properties. We are making progress in negotiating rent increases.

Also, through the combination of our retail facilities and the Sports & Entertainment business, we have been able to not only drive merchandise sales but capture the significant growth in spending on experiences and events, which is boosting overall GMV.

In addition to asset turnover targeting both fixed assets and real property for sale, we are also leveraging third-party funds through joint investments with investors and corporates, as well as monetizing the added value we generate through our development and operational activities in the form of fees. Through the combination of profit growth and fee businesses, we will continue to focus on raising ROE.

Q. Given the nature of the business, I think it may be somewhat challenging for you to sustainably maintain an ROE above 10% if we assume the businesses will be an extrapolation of the current business portfolio and business models. What is your view on the need to shift more toward fee businesses or the use of third-party capital?

A. To consistently keep ROE above 10% rather than a one-off achievement, I believe we will need to evolve our business model while maintaining awareness of both profit growth and capital efficiency.

On top of asset turnover targeting both fixed assets and real property for sale, other specific initiatives, such as leveraging third-party capital through joint investments with investors and corporates, and the monetizing of the value we create through our development and operational activities in the form of fees, will contribute to both growing profits and controlling shareholders' equity. As such, these initiatives are effective in improving ROE, in my view.

Through the Midtown series and our neighborhood creation initiatives, starting with Nihonbashi, Mitsui Fudosan has solidly built credibility backed by its development and operational capabilities and its track record. We are also expanding into new areas such as the arena or Tokyo Dome business, which require the superior operational and planning capabilities of the Mitsui Fudosan group.

Going forward, we will seek to appropriately monetize the value we provide, without limiting ourselves to traditional structures such as master leases. In aiming to consistently keep ROE above 10%, it will be necessary to successfully create and grow such fee businesses.

Q. In the overseas business, would you consider setting up a fund structure that leverages investors' capital which would allow you to grow profits while also controlling the balance sheet?

A. At this point, there is nothing specific that I can comment on, but we are already considering asset turnover and transitioning to a fee business approach in the overseas business. We continue to view this as an important theme for consideration. We believe the perception of our credit in the eyes of domestic and international investors is sufficient; we are discussing a wide range of possible choices, including building a fund from scratch or potentially acquiring a local player.

Q. Based on rising construction costs and interest rates and the undervalued share price level, how are you thinking about managing your business going forward, in terms of the appropriate balance between growth investments, shareholder returns and the repayment of interest-bearing debt?

A. Our top priority is investing for growth. We have many investment opportunities that are expected to generate solid returns. In an uncertain environment where interest rates and construction costs are rising, there is a need for discipline in considering investment returns. We will be selective in choosing investment opportunities, focusing on those where we have confidence in the future returns.

At the same time, in an environment where the share price is low, we recognize that share buybacks are also an effective choice. We will decide on scale and timing while looking at the cash situation and share price over the course of the year.

Q. You have been able to continuously achieve strong profit growth in an environment where construction costs and interest rates were low, but in the current environment of elevated construction costs and interest rates, how are you thinking about leveraging your strengths to achieve profit growth?

A. In an environment where construction costs and interest rates are rising, it is important to create added value that is decoupled from the market, in addition to controlling costs.

Mitsui Fudosan has the ability to generate diverse added value through the combination of its significant accumulated know-how in neighborhood creation, starting with Nihonbashi, mixed-use development, tenant relationships and operational capability. This will allow us to create added value that enables a decoupling from the market. Leveraging this ability to create added value, we aim to overcome higher construction costs and interest rates to achieve profit growth.

There is no magic hammer that can resolve the issue of rising construction costs in one fell swoop. Implementing steady incremental measures will be important in my view. Mitsui Fudosan has longstanding relationships of trust with the general contractors. Our approach will be to prudently factor in the risk of cost increases at the time of the investment decision. Also, by involving the general contractors from an early stage, we aim to be creative in considering costs and design changes, such as value engineering, cost reductions or increases in leasable floor space to mitigate surging construction costs.

On interest rates, we will monitor financial market conditions while diversifying our sources of funds, managing the balance between fixed and floating debt to control interest rate expenses appropriately. In this way, we will aim to sustainably control funding costs.

Q. Do you currently have a sense of confidence in the profitability and future profit contributions from the industrial assets that you are focused on as an industry developer?

A. Our initiatives in industrial assets at this time are tied to profit opportunities under the first and second growth paths. For instance, in the life science, space or semiconductor fields, we have seen progress on the concentration of tenants in these industries in our properties in Nihonbashi. I feel there is an increasing sense among tenants of the importance of being based in Nihonbashi.

I believe that these moves reflect the positive perception of the added value we have generated through our efforts to create venues and communities, and the support we provide based on our deep understanding of such industries. It has allowed us to cultivate sustainable relationships with tenants, and has enhanced the competitiveness and profitability of our properties as a result. It is also contributing to decoupling in my view.

In the semiconductor industry, we now have a track record of attracting semiconductor-related players as tenants to the Mitsui Link Lab series of properties. In the Kumamoto area, where there is a growing concentration of global semiconductor players, we have begun work on the Kumamoto Science Park Project, and are collaborating with semiconductor-related companies and research institutes to create venues for not only a wide range of corporate activities such as production, research and logistics, but also for the training of human resources which tap into industry-academia collaborations, and venues to promote R&D activities.

Going forward, we will leverage our know-how in land development to undertake the basic development for land sales in the Innovation Creation Area and focus on the development and operation of R&D facilities which leverage our network, such as the RISE-A community for semiconductor industry companies. The level of inquiries from both domestic and international companies is already very strong.

In this way, our initiatives in industrial assets tie into both the first path of decoupling from the market and the second path of developing new asset classes. We already have a strong sense that industrial assets are starting to contribute to the stability and growth of our profits. Given these signs, we will continue to explore new business areas that we should involve ourselves in as an industry developer.