November 11, 2024

Q&A from IR Presentation (IR Meeting for FY2024-2Q)

＜Full-year Forecast＞

Q. In the revision of the earnings forecast for the FY2024, income gain has increased compared to the initial forecast. In addition to this, what do you think about improving ROE by increasing capital gains?

A. Regarding capital gains, we believe it is important to maximize profits by determining the best time to sell each property. In order to achieve our long-term management plan, in addition to capital gains, we are aiming to improve ROE through various means, including the sale of strategic shareholdings. For the current fiscal year, we believe that the current decision is appropriate to achieve sustainable profit and KPI growth.

< Office Leasing and Rents >

Q. How sustainable is current office demand? Is there any difference from 2007, when the office market was strong?

A. Many of the reasons for office relocation, including tenants planning to move to Grand Green Osaka, are to attract talented employee and improve employee engagement. Compared to around 2007, each company's sense of urgency and enthusiasm for securing human resources has increased. Given the current state of the Japanese economy, we believe that the need for offices with better location, quality, and amenities will continue from a recruitment perspective.

Q. How are negotiations to increase office rents progressing? Are tenants becoming more willing to accept cost shifts due to inflation? And will the reduction in the supply of office space due to rising construction costs have a positive impact on existing properties?

A. Many tenants have accepted the rent increases, and recently the percentage of upward rent revision has been increasing. We are carefully explaining the rising cost situation and our tenants have been receptive to cost shifting. The decrease in the supply of office space will have a positive impact on raising the rent of existing properties.

Q. Although it depends on the individual factors of each tenant, what is your strategy for negotiating rent increases? For example, do you have a strategy to increase the number of smaller tenants and increase rents?

A. In light of recent inflationary trends, we are requesting rent increases that will allow us to keep up with inflation, while taking into account the scale and rent levels of individual tenants. The concentration of a diverse range and variety of companies contributes to

Marunouchi's attractiveness and brand, and we would like to further promote the diversification of businesses. For tenants with relatively small spaces and short-term leases, we are increasing the number of flexible office spaces, such as xLink, to meet their needs with various amenities and services, thereby increasing the unit rental price.

<Marunouchi Property Business>

Q. It seems that the rent per unit in Marunouchi during the bubble period has never been exceeded since then. What do you think is the reason for this?

A. There has been almost no inflation in Japan so far, and we are now at the satcge where the rents have finally started to rise. Rents have a lagging effect so please look forward to rise over the next few years changes in market conditions, so this will probably become apparent in the next few years.

Q. Is Marunouchi's prime rents going up?

A. We recognize the importance of increasing prime rents. Meanwhile, the leased area in Marunouchi has doubled over the past two decades. Office revenue is calculated by multiplying the unit rent by the leased area. Our objective is to maximize revenue by offering the most appropriate office space, grade, and services, considering the size and characteristics of tenants.

<Commercial Property Business>

Q. BtoC business is on the rise partly driven by inbound demand, but is there room for to further revenue growth?

A. Regarding outlets, inbound sales at Gotemba and Rinku have surpassed pre-pandemic level, and we anticipate the potential for further growth. At the same time, we will strengthen sales at other sites by increasing domestic demand. In hotels, the proportion of inbound sales varies from property to property, but we will persist in focusing on inbound sales to enhance ADR.

<Residential Business>

Q. The domestic condominium market remains strong and you have acquired large projects such as the former British Embassy site. What is your strategy for the residential business going forward?

A. In the residential business, we recognize this business is extremely important and we have the experience and expertise, as the ability to promote the business. In the second half of the 2020s, the redevelopment projects will start to show the results, so please look forward to them. Furthermore, the capital gains from rental apartments and senior housing are also a major strength of our residential business.

＜International Business＞

Q. If US interest rates remain high, will it be harder to generate capital gains over the next few years and harder to achieve the KPI - the efficiency indicator?

A. When selling properties, the real growth rate, which also takes into account inflationary rent increases, is important and we believe that capital gains can be generated even if interest rates remain at a certain level. By closely monitoring market conditions and selling properties at the most appropriate time, we aim to continually improve our KPIs and achieve our 2030 targets.

Q. What is the current outlook for the US real estate market? Are logistics facilities and rental apartments likely to benefit from an improved economic outlook?

A. The real growth rate is important, so even if interest rates remain high, the situation could improve as the economy recovers and rents are expected to rise. Rental apartments are strongly linked to the real economy and should benefit relatively quickly when the economy improves. Logistics facilities have long lease terms, so existing properties will gradually benefit.

Q. What is your overseas investment strategy and in what areas and asset types have you been able to acquire new projects?

A. As announced in May, we are shifting our overseas investments to developed countries where we can better utilize our capabilities. We are investing in logistics facilities, rental apartments, and data centers in the US, and large office buildings and rental apartments in the UK. In Australia, in addition to offices in prime locations and condominiums, we are investing in rental apartments and logistics facilities. In Asia, the policy is to invest in more profitable projects with a minority stake, based on joint ventures with leading business partners in each country. Investment progress is in line with expectations, but the final investment amount at the end of the year may be less than expected, depending on the acquisition of new projects.

Q. What is your investment strategy in Australia? In the case of major shareholdings projects, is there a possibility of holding them for the long term?

A. The investment strategy is to develop offices only in prime locations and to focus on condominiums, rental apartments, and logistics facilities. Long-term holding is an option, but in principle we aim to achieve development profits through sales.

＜Others＞

Q. Is there a possibility that new investment will be even more selective due to rising construction costs and that sales may be delayed in anticipation of higher returns due to inflation? If so, how do you plan to allocate capital?

A. Some assets are performing well despite rising construction costs, while others require various refinements. We understand that achieving the KPIs requires taking the time to review plans and discuss construction costs, and to continuing to invest selectively for sustainable profitable growth. With regard to the sale of properties, since not all property prices rise in line with inflation, the timing of sales is assessed taking into account the characteristics of the property.

Q. What kind of information will you present at IR DAY?

A. We would like to provide a deeper understanding of our strengths of each of our businesses, by explaining them directly from the department in charge of the business.

End of document

FY2024– 2Q
(The Fiscal Year Ending March 31, 2025)

Mitsubishi Estate
IR Presentation

For details of the "Long-Term Management Plan 2030", which began from April 2020, please click the following link:
https://www.mec.co.jp/en/ir/plan2030/

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Progress in Business /Market Condition

1. Newly completed properties
2. Domestic real estate market/Progress in business
3. International real estate market /Progress in business
4. Leasing and rents tends

1. Newly completed properties

GRAND GREEN OSAKA

MITSUBISHI ESTATE

A new district built in the last prime location in Kansai area,

Creation of “Osaka MIDORI LIFE”

Contract offers **75%**

Earning various fees such as PJM, MLPM Design and Supervision

GRAND GREEN OSAKA
グラングリーン大阪

- **Sept. 2024** **Advance opening**
  (Hotels, core functions, retail facility in North block and part of Umekita Park)
- **Spring 2025** **Grand opening of South block**
  (Offices, hotels, core functions, retail facility in South block)
- **FY2027** **Grand opening**

Osaka Dojimahama Tower

MITSUBISHI ESTATE

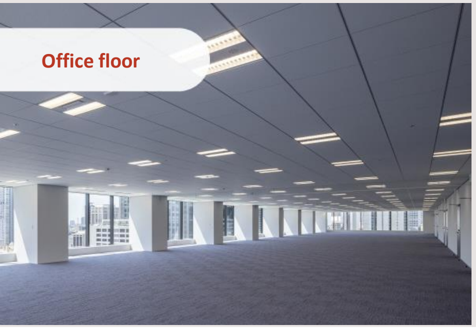
A hub of business and liveliness,

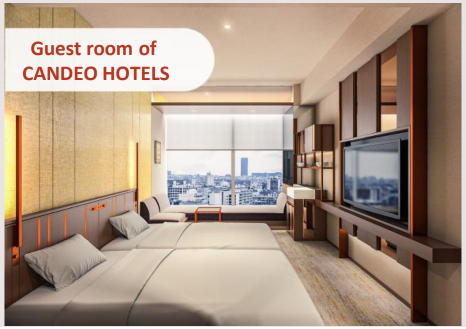
connecting Midosuji, the symbols of Osaka and Dojima River

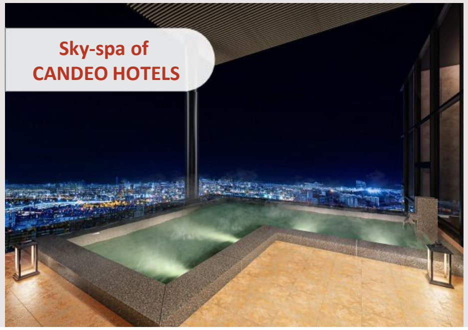
Site area: approx. 3,600㎡
Total floor area: approx. 67,000㎡
Construction started on Oct. 1, 2021
Completed on Apr. 15, 2024

Office fully leased

Earning various fees such as PJM, MLPM Design and Supervision

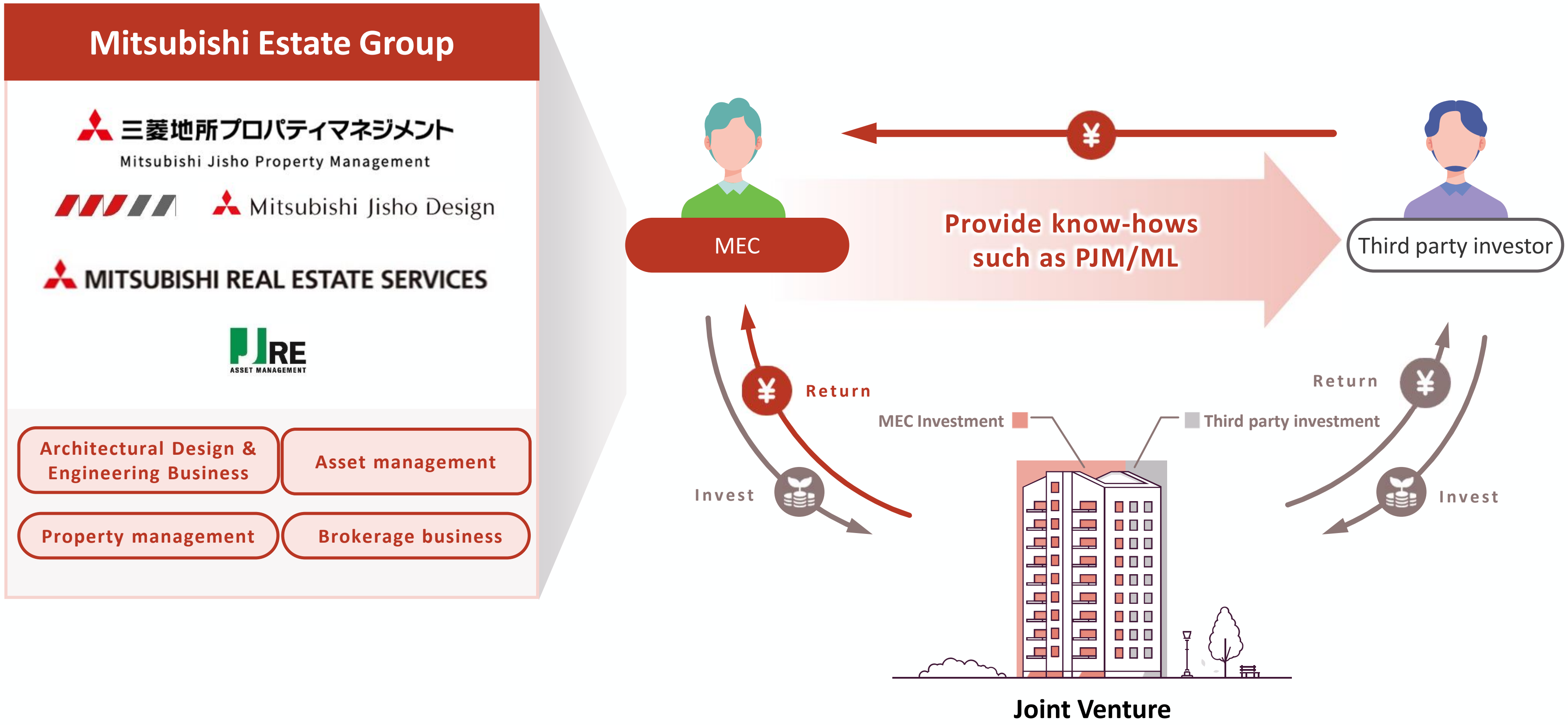






Earn various fees by fully leveraging the Group’s expertise

MITSUBISHI ESTATE



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Plan to achieve a high level of capital gains by utilizing steady transaction market

External environment

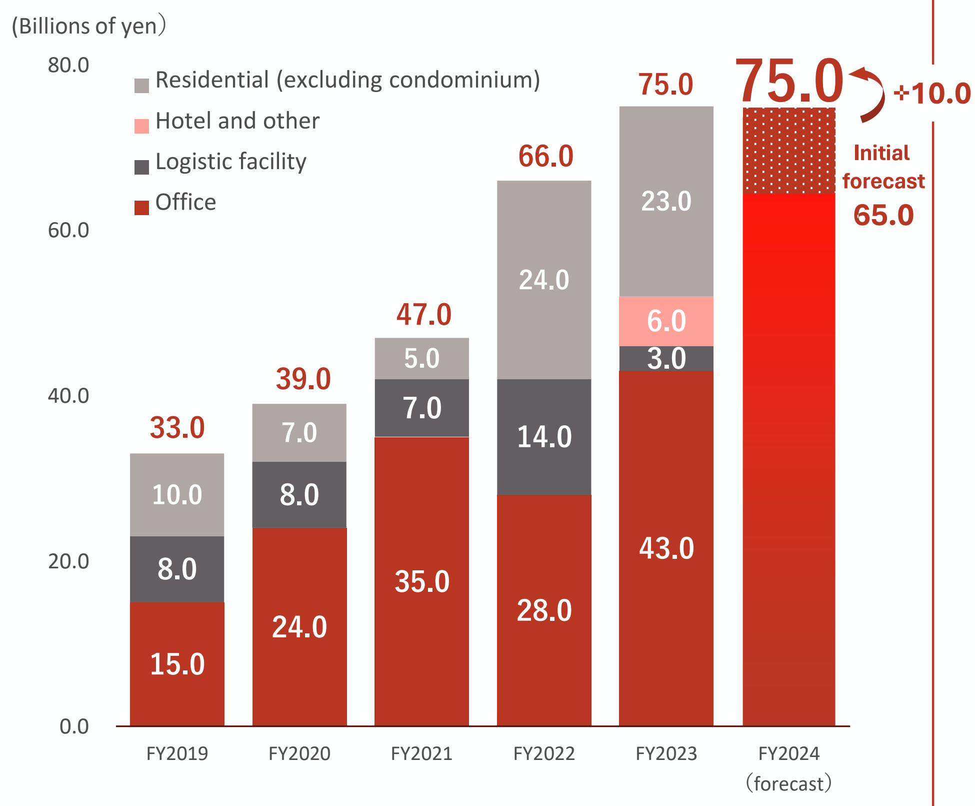
Inflation
- Surging construction cost
- Intensified expectation for pay/rent increases

Monetary Policy
- Policy normalization

Office Demand
- Solid demand for domestic office

- The quality of portfolio is important as the real estate price has strong individuality.
- Solid office demand is positive for the transaction market.
- Adjustment of new office supply prompted due to surge in construction costs is positive for the existing properties.
- In property selling/buying, real growth rate is important.

Records of capital gains (Domestic assets in total)



Optimal capital allocations even in markets with far-reaching shifts

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External environment

Monetary Policy

- Rising interest rates
→ interest rates cut
- Controlling inflation

Office Demand

- Flexible work styles as a threat to office demand

Geopolitical risk

- Rising social concerns and geopolitical tensions around the world

- Monetary policy and business climate in some country/area remain uncertain.
- With interest rates being cut, especially in US/Europe, the real estate transaction markets are expected to recover.
- Strong/week performance is more polarized by asset type.

Development projects in resent years

US


10 Constitution

Steady property sales despite weak market
Exit CAP rate: 4.75%

Total floor area: approx.137,000㎡
Main use: logistic facility
Completed in 2Q 2024
Sold in Jul. 2024

UK


8 Bishopsgate

Large-scale office development in London City through 100% ownership
Contract offers: **over 90%**

Total floor area: approx. 85,000㎡
Main use: office
Completed in Jun.2023

Australia


180 George Street

A new landmark in Sydney (263 meters)
In the process of being sold and is aiming for a premium price

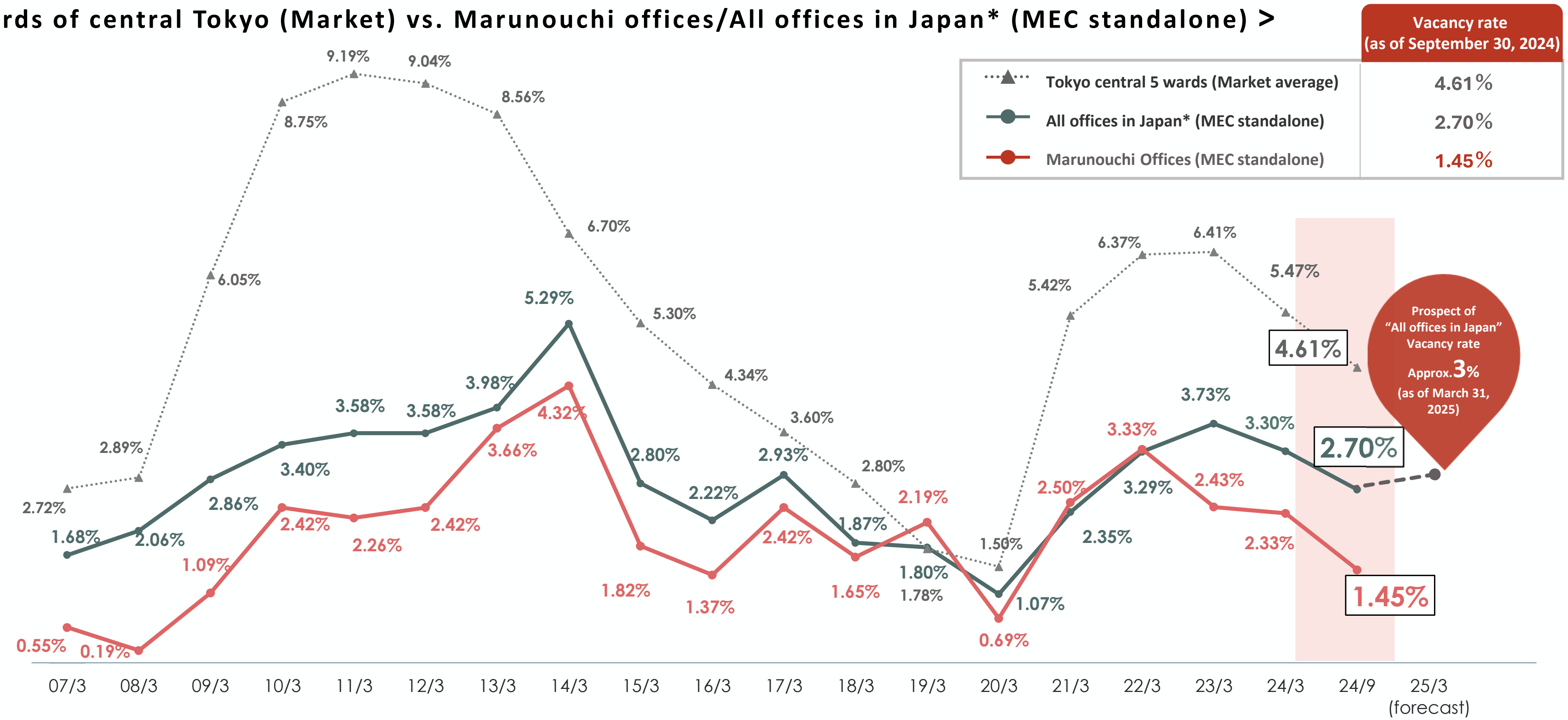
Total floor area: approx.63,000㎡
Main use: office
Completed in Sep. 2022

MITSUBISHI ESTATE

Office vacancy rate in Marunouchi improving to 1.45%

Vacancy rate

< 5 wards of central Tokyo (Market) vs. Marunouchi offices/All offices in Japan* (MEC standalone) >



Source: Created on the basis of data from Miki Shoji Co.,ltd., and our properties.

*Before March 2024, calculated using the vacancy rate of all uses in Japan, and from March 2024 onward, using the vacancy rate of all offices in Japan.

Shift from “Cost” to “Investment” by recognizing office importance

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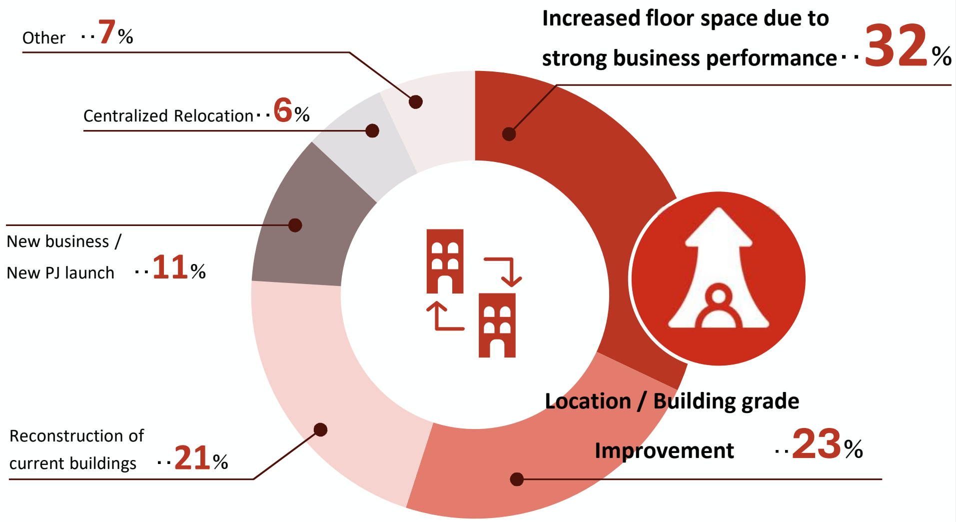
Reason for office relocation

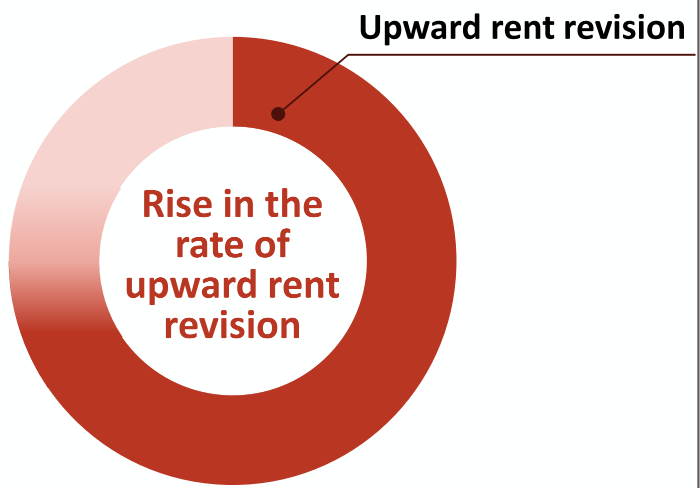


Source: New contract formation in first half of FY2024 (126 cases)

Trend in leasing

- Relocations for positive reasons such as increased floor space due to strong business performance and business expansion, as well as to strengthen corporate branding and improve the office environment from human capital management (e.g., increased employee engagement and recruitment) has increased.
- Multiple large-scale contracts in new buildings come into effect and inquiries from large tenants have increased.

Condition of rent revision



Source: Rent revision in first half of FY2024 (108 cases in Marunouchi area)

Condition of rent revision

- The recent transition from deflation to inflation has gradually led to cost pass-through.
- Increasing demand for high-functionality offices in good locations and a renewed appreciation of the value of Marunouchi, including its prime location, building quality, and the variety of services available in the area, contributed to an increase in the percentage of the upward rent revision.

Social value

2030 target

- Pursue tangible and intangible urban development for the next generation
- Maintain commitment to reducing environmental impact
- Consider people, empathize with people, protect people
- Create and circulate new value

Shareholder value

2030 target

ROA	ROE	EPS
5%	10%	¥200

Business profit 350 - 400bn

Be the ECOSYSTEM Engineers