Mitsubishi Estate

Q&A from CEO Presentation (CEO Meeting for FY2025-2Q)

＜Domestic Offices＞

Q. What is the status of rent revisions in domestic offices? How are you approaching inflation-linked rents?

A. Rent revisions remain robust, particularly in the Marunouchi area, where nearly all tenants have accepted increases—typically between 5% and over 20%—reflecting confidence in the value of our properties.

We are also moving toward adopting inflation-linked rent structures. With construction and maintenance costs continuing to rise, securing corresponding rent growth is essential for maintaining asset quality and advancing new developments. We see inflation-linked rents as an important step for market sustainability and will continue working with tenants to transition to these arrangements.

＜International Business＞

Q. With the U.S. real estate market recovering slowly, what is your outlook for achieving ¥50 billion in overseas capital gains this fiscal year?

A. Although the U.S. market is taking time to stabilize, our strong portfolio outside the U.S. has already given us visibility on a solid portion of this year's overseas gains. Negotiations continue to progress toward meeting the full-year target. If certain closings shift into the next fiscal year, we are prepared to offset the timing impact through domestic asset sales.

＜U.S. Data Centers＞

Q. What is the profit outlook for the U.S. data center business? Do you expect investment levels to increase?

A. We expect the U.S. data center business to serve as a key driver of profit growth. In addition to capital gains, we anticipate recurring fee income through TA Realty, and are also evaluating the creation of a dedicated data center fund to further expand fee-based earnings. Beyond ongoing projects, we have additional opportunities available, suggesting investment may increase over time. Our near-term focus is to ensure early profit contribution from these projects.

Q. What differentiates TA Realty and TA Digital Group from competitors in the U.S. data center market?

A. Northern Virginia—where our first project is located—is the world's largest data center market, with a scale roughly five times that of the Greater Tokyo area. The market requires deep expertise in securing suitable sites, ensuring reliable power supply, and building strong relationships with hyperscalers. Our teams at TA Realty and TA Digital Group include former hyperscaler professionals, enabling us to leverage this expertise and capture a significant number of business opportunities.
In contrast to many competitors that rely on third-party developers due to limited in-house capabilities, our Group combines both sourcing and development functions internally. This fully integrated, one-stop model is a key competitive strength that supports efficient and seamless project execution.

＜Shareholder Returns＞

Q. With the total shareholder return ratio currently around 80%, how do you view the scale of future shareholder returns, including share buybacks? What is your approach to dividends versus buybacks?

A. We will continue to consider additional share buybacks flexibly—this fiscal year included—taking into account capital recycling, investment opportunities, and market conditions, in order to achieve our FY2030 ROE target of 10%.
We remain committed to our "Progressive Dividends +¥3 Every Fiscal Year" policy announced in May 2024, ensuring continuous, stable returns to shareholders.

＜Strategic-Holding Stocks＞

Q. You announced the goal of halving strategic-holdings stocks by FY2027. What is the outlook for divestments going forward?

A. We plan to divest over ¥60 billion in strategic-holdings stocks this fiscal year and have already completed more than ¥20 billion in the first half. We expect the pace to accelerate as we move toward achieving the 50% reduction target by FY2027.

End