

# Business Segment Meeting -Real Estate-

July 11, 2025

Mitsubishi HC Capital Inc.



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## Definitions for Acronyms Used in This Material

- MHC : Mitsubishi HC Capital
- Realty : Mitsubishi HC Capital Realty
- MRA : Mitsubishi HC Capital Realty Advisers
- CPD : CenterPoint Development
- MHCRUSA : Mitsubishi HC Capital Realty USA
- LFD : LOGI FLAG DEVELOPMENT (joint venture with Kasumigaseki Capital established in 2021)
- DAF : Diamond Asset Finance (share transfer completed in March 2023)

- 01 Introduction to the Real Estate Business Division**
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# **01 Introduction to the Real Estate Business Division**

## **02 Business Overview**

## **03 Business Strategies of the Real Estate Business Division**

## **04 Reference Information**

# Real Estate Business Division Organizational Chart

- ❑ In the Real Estate segment, we operate business around the three axes of the finance, investment, and asset management businesses\*<sup>1</sup> for real estate.
- ❑ Through a good balance of these businesses, the segment's strength is its ability for business continuity and promotion under any market conditions.

## Real Estate Business Division Employees (189 employees\*<sup>2</sup>)

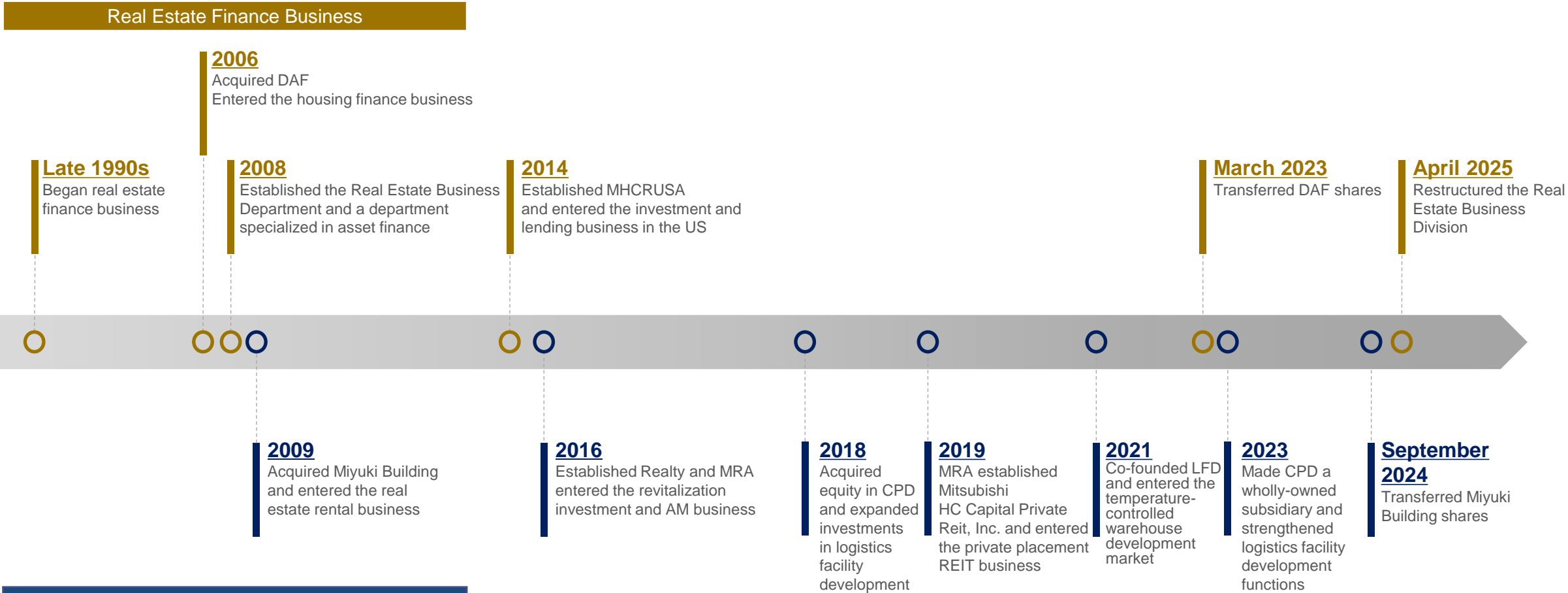


\*<sup>1</sup> Refer to 02. "Business Overview" for details

\*<sup>2</sup> Total of all companies' non-consolidated headcounts excluding part-time officers and temporary employees

# History of the Real Estate Business Division

- ❑ Late 1990s      Began finance business in the early days of real estate securitization
- ❑ 2008-      Following the global financial crisis, established a department specialized in real estate business and began workouts\* of problem properties
- ❑ 2016-      Expanded into investment business and asset management (AM) business

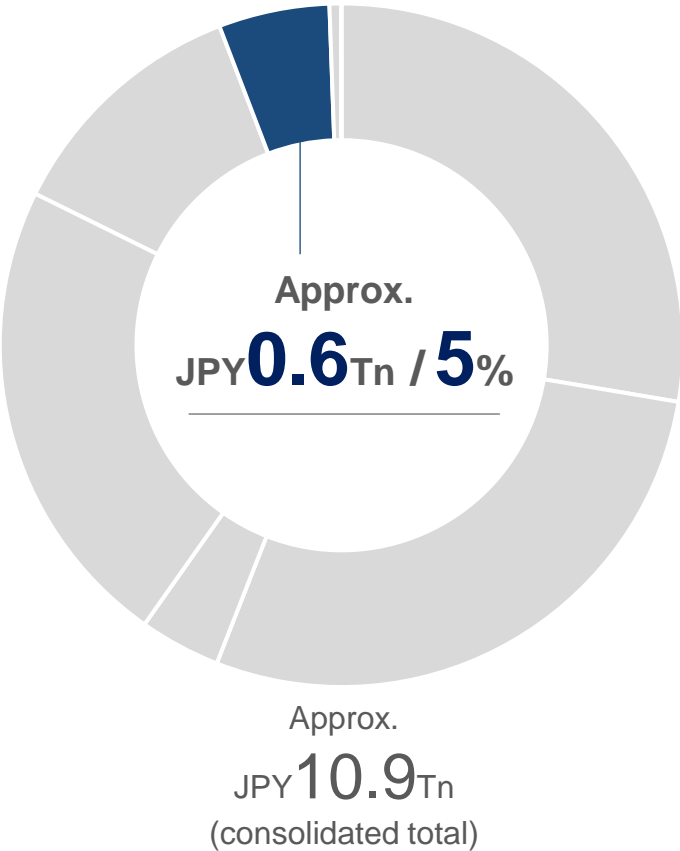


\* Response to problem projects with issues, such as turning around projects where construction was stopped midway and projects where acquiring tenants is a struggle, etc.

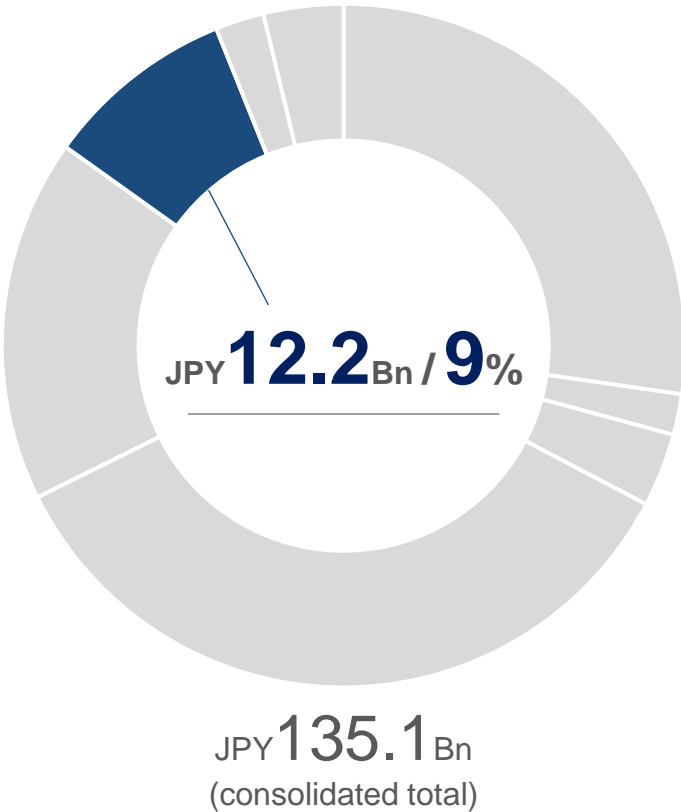
# Positioning of the Real Estate Segment in the MHC Group

□ The Real Estate segment has high profitability with net income accounting for approx. 9% of the consolidated total net income, while its Segment assets are approx. 5% of the consolidated total.

Segment Assets (FYE3/2025)



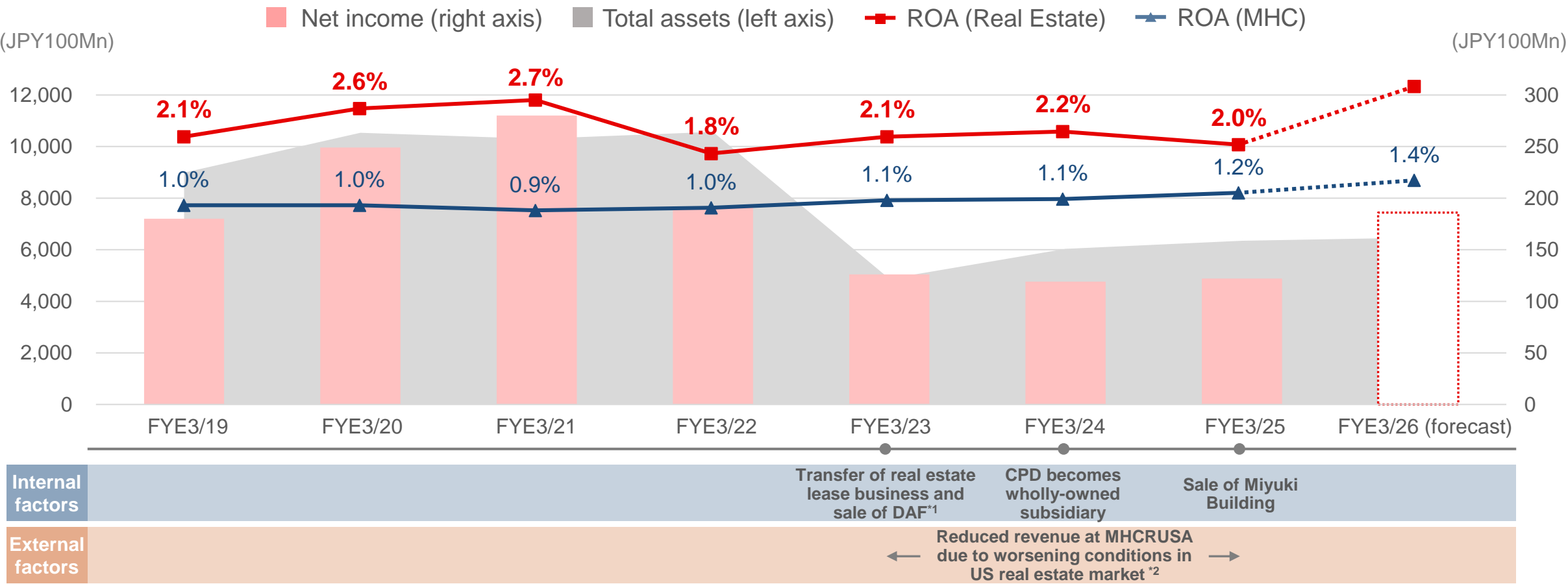
Segment Profit (FYE3/2025)



**memo** When adding real estate leases belonging to the Customer Solutions segment to the above values, segment assets are approx. JPY1.0Tn and segment profit is approx. JPY21.0Bn.

# Performance Trends of the Real Estate Segment

ROA significantly exceeds the company-wide average, driven by stable earnings from finance and AM businesses, and capital gains from value enhancement and timely asset turnover in the investment business, leveraging strong asset evaluation capabilities.



\*1 Net income fell by approx. JPY7.0Bn and total assets by JPY500.0Bn in FYE3/23, and by JPY3.0Bn in FYE3/24 due to the transfer of the building lease business to Customer Solutions and the sale of DAF  
\*2 Despite divesting low-profit businesses, ROA stayed flat from FYE3/23 to FYE3/25 due to the U.S. market downturn. With the impact easing, ROA and net income are expected to rise from FYE3/26

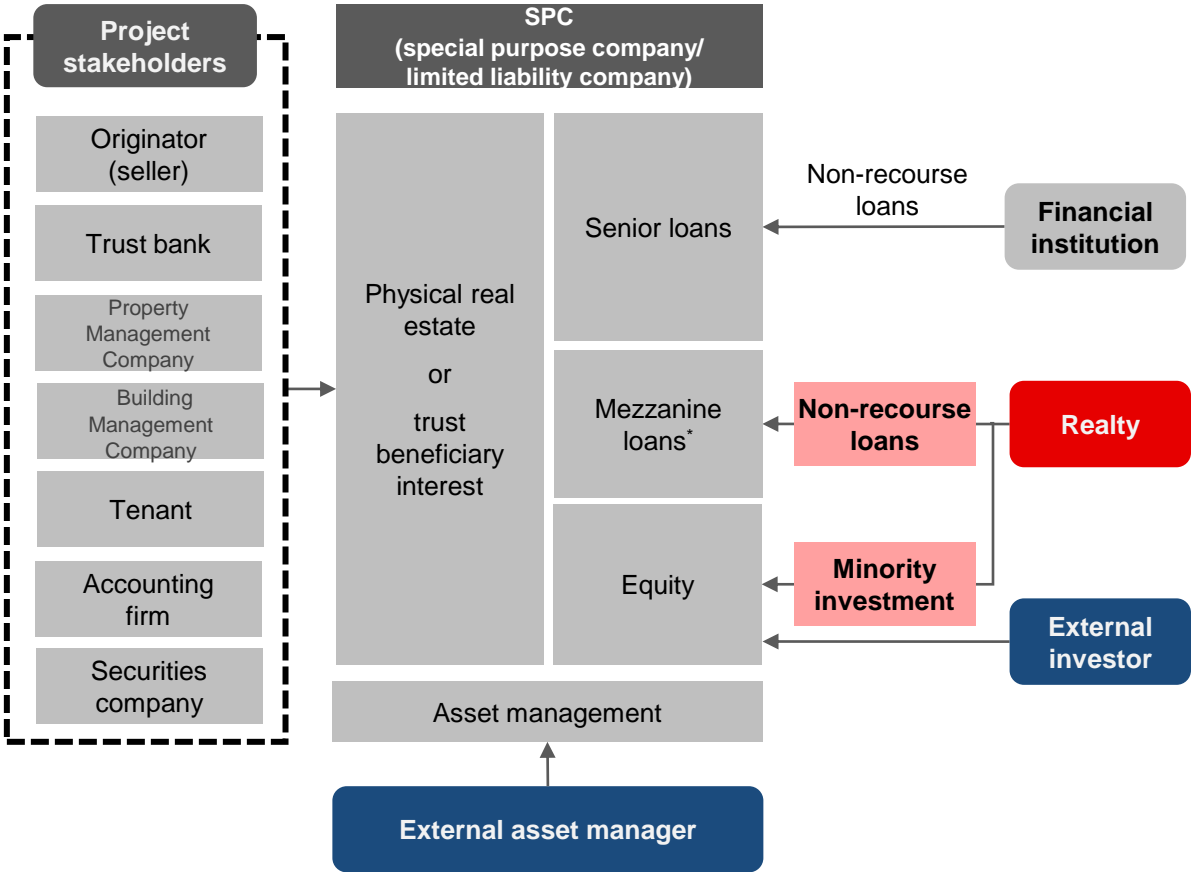
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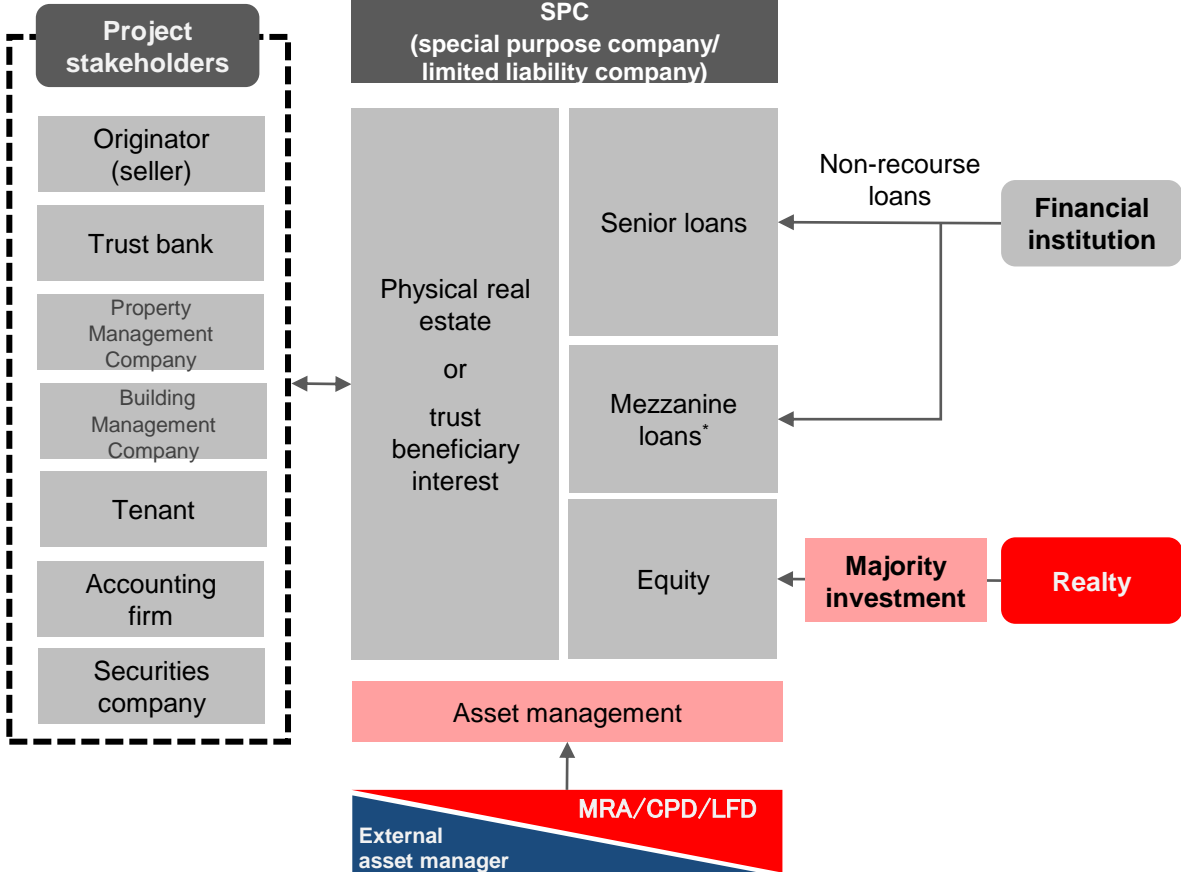
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## Real Estate Finance Business



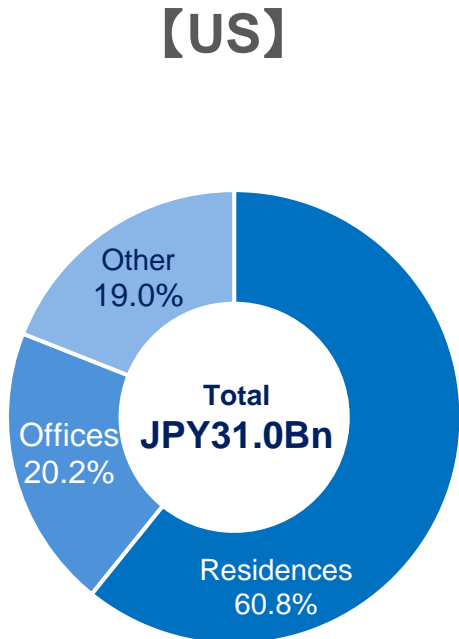
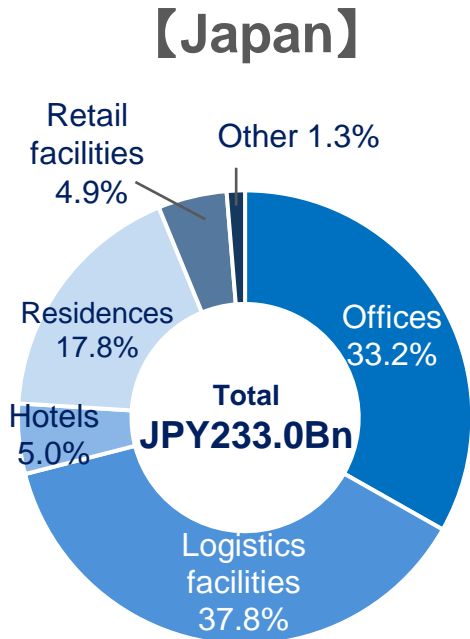
## Real Estate Investment Business



\* Loans whose priority of repayment is subordinate to senior loans. These carry higher risk, but provide interest rates commensurate with the level of risk

Realty	✓ Investments and loans in Japan via diverse sourcing channels, including sponsor networks
MHCRUSA	✓ Investments and loans in the US in collaboration with selected partners <sup>*1</sup>

Breakdown of Segment Assets by Asset Type (FYE3/2025)



Characteristics of Our Real Estate Finance Business

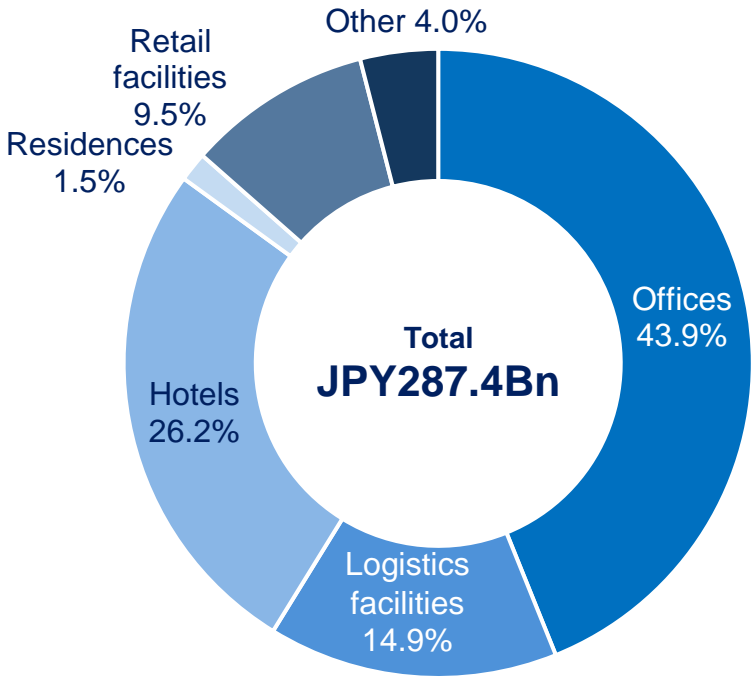
- ✓ A discerning eye for assets and risk management capabilities developed through our investment businesses
- ✓ We have established strong relationships with a broad range of financial institutions and real estate players, not limited sponsors
- ✓ When handling new assets, we can accumulate knowledge through finance business, which has relatively low business risk, and then flexibly expand into the investment business as part of our strategic approach.
- ✓ We are strengthening initiatives for environmentally and socially conscious assets such as ZEHs<sup>\*2</sup> and properties with environmental certifications as well as life science offices, data centers, etc. for the development of social infrastructure.

<sup>\*1</sup> new transactions currently suspended  
<sup>\*2</sup> Net zero energy houses, which aim to reduce primary energy (oil, coal, natural gas, etc.) consumption to net zero by adopting high insulation and highly efficient equipment while generating energy from solar power and other renewable sources

Realty

✓ We implement real estate development and revitalization investments. In both areas, the basic policy of this segment is to develop an O&D model of selling assets after developing them or increasing their value.

Breakdown of Segment Assets by Asset Type (FYE3/2025)



Characteristics of Our Real Estate Investment Business

- ✓ In the revitalization investment business, we have increased the value of a number of office buildings and other properties. With a number of staff who have first-class architect licenses and other qualifications, we have know-how and frameworks to implement initiatives to increase value from both tangible and intangible perspectives.
- ✓ In hotel investments, as we have human resources specialized in hotel sector, we are able to assess the quality of operators and make decisions on operator changes. In addition, by enhancing value through rebranding, we can work together with operators to promote initiatives for improving profitability.\*

\* Investments in hotels are made mainly based on the Management Contracts where the dispatch of hotel general managers and other management personnel, branding, know-how ,sales, and management is outsourced to operators. The owner’s revenue is operating revenue less operator fees

## MRA

- ✓ Engages in the management and administration of private placement funds and private REITs that invest in domestic real estate, with institutional investors and operating companies as their anchor investors.
- ✓ Develops real estate value chain-oriented business models (from the purchase of properties through exit strategies), by selling real estate that was acquired in the investment business (real estate development and revitalization investment) to private placement funds or private REITs managed by MRA.

## CPD

- ✓ Became a wholly-owned subsidiary in April 2023.
- ✓ engages in the development of and revitalization investment in dry logistics warehouses<sup>\*1</sup> mainly by using MHC funds.
- ✓ As an asset management company, works to maximize value for investors by developing properties and increasing their value.
- ✓ Currently considering the origination of core funds<sup>\*2</sup> using properties that CPD itself developed and increased the value of.

## LFD

- ✓ Established through joint investment by MHC and Kasumigaseki Capital in 2021.
- ✓ Engages in the development of temperature-controlled warehouses<sup>\*1</sup> by using MHC funds.
- ✓ As an asset management company, works to maximize value for investors by developing properties and increasing their value.
- ✓ Mainly develops logistics facilities that contribute to solving issues faced by the logistics industry, such as environmentally conscious cold warehouses and automated cold storages that achieve manpower reduction and labor-saving as well as efficient operation.

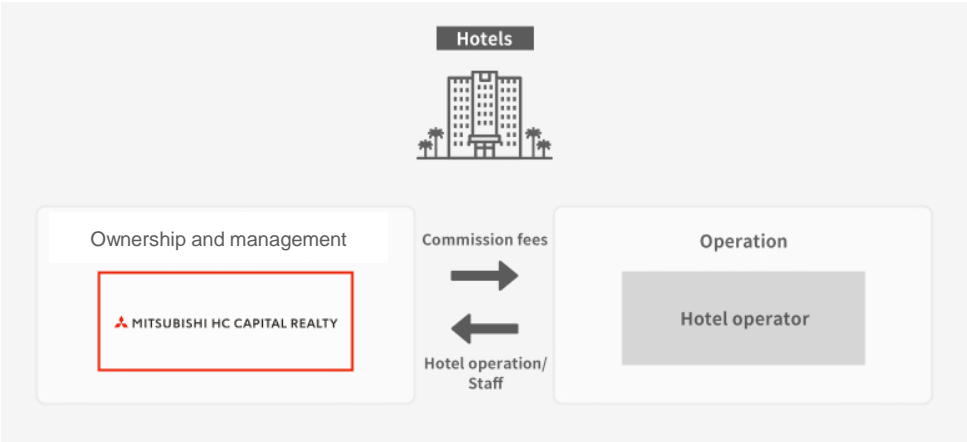
<sup>\*1</sup> Warehouses that handle products that do not require temperature management (foods, daily use items, miscellaneous goods, etc.). Warehouses that require temperature management are temperature-controlled warehouses (dry, chilled, frozen)

<sup>\*2</sup> Funds that are managed with the aim of gaining stable income gain (major core funds that fall into this category include J-REITs and private REITs)

Opening of Double Tree by Hilton Tokyo Ariake (investment)



- ✓ Investment in a hotel located close to Kokusai-tenjijo Station on the Rinkai Line
- ✓ This hotel had been operated by a domestic operator. We invited a globally recognized hotel chain, Hilton (US), as the operator in collaboration with business partners, aiming to maximize the value of the hotel by capitalizing on its convenient location, scalability, and specifications
- ✓ After acquiring the hotel and investing capex in the installment of a gym and renovation of the reception, etc., we rebranded and opened the hotel as Double Tree by Hilton in December 2024



Osaka Dojimahama Tower (investment)



- Location: Osaka City, Osaka Prefecture  
Total floor area: approx. 66,000m<sup>2</sup>  
Completion: April 2024  
Size: 32 floors above ground, 2 floors below ground, 1 roof structure  
Purpose: mixed-use building (offices, hotel, commercial facilities)
- ✓ Joint project with Mitsubishi Estate, Mitsubishi Corporation Urban Development, and Sekisui House to reconstruct the former Osaka Mitsubishi Building (the project launched in 2016)
  - ✓ “The highest outdoor infinity public bath in a building” (on the 31st floor of the Candeo Hotel) was certified by Guinness World Records

Capital and Business Alliance with Startups

RENOVERU.



- Company name: Renoveru Inc.  
Establishment: April 2010  
Number of employees: 238  
Business sites: 43 sites across Japan  
Business description: home renovation/remodeling renovation of offices, apartment complexes, restaurants, etc.
- ✓ Investments utilizing the internal framework for venture investment
  - ✓ Renoveru customizes and renovates old assets acquired by SPCs, etc. Through this, we will strengthen our real estate revitalization investment business

# Current Initiatives ②

## Data Center (finance)



Location: Kanagawa Prefecture  
Total floor area: approx. 60,000m<sup>2</sup>

## ZEH Rental Apartment (finance)



Location: newly built or relatively new properties in Tokyo and Saitama Prefecture  
Sponsor: originated by a house builder

## Logistics Center Development (investment, finance, AM)



Worked on a number of logistics center development projects, including the CPD Nishinomiya North project with a total floor area of 300,000m<sup>2</sup>

## Life Science Office (finance)



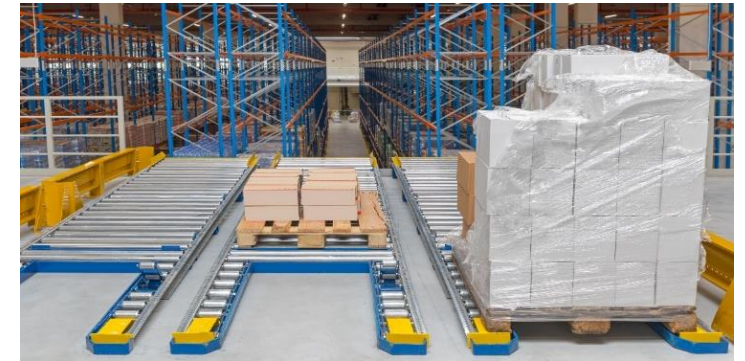
Location: Kanagawa Prefecture  
Total floor area: approx. 52,000m<sup>2</sup>  
Standard floor area: approx. 1,650m<sup>2</sup>

## Private Lodging (finance, AM)



Collaborated with matsuri technologies, a capital and business alliance partner, to originate a fund that invests in rental housing for private lodging

## Automated Cold Storage (finance, AM)



Location: Saitama Prefecture  
Total floor area: approx. 14,000m<sup>2</sup>

\* Photos are for illustrative purposes

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**2025  
MTMP**

## 1 Accumulating eco- and society-friendly quality assets

- ✓ Invested in ZEH housing as an eco-friendly initiative
- ✓ Acquired environmental certifications for properties we invested in or provided financing for
- ✓ Invested in Life Science offices \*1 for innovation and automated cold storage facilities to improve working

## 2 Fulfilling investor needs through ESG initiatives and differentiation of asset classes

- ✓ MRA acquired a GRESB rating, a benchmark for measuring companies' ESG considerations, in FY2023. In FY2024, MRA improved its score thanks to further ESG initiatives, including framework enhancements
- ✓ Began handling new asset classes (private lodging, etc.) with the aim of expanding the investor base

## 3 Optimizing the business portfolio and restructuring its corporate functions

- ✓ Sold DAF (Assets approx. 210.0 Bn yen, with an ROA of approx. 0.5%) and Miyuki Building (Assets approx. 77.0 Bn yen, with an ROA of approx. 0.9%)
- ✓ Made CPD a wholly-owned subsidiary (assets approx. 27.0 Bn yen, with an estimated ROA of 7.0% \*2, and consolidated finance businesses in Japan into Mitsubishi HC Capital Realty

**Medium  
to Long  
Term**

## 4 Pursue profit growth through organic expansion of existing and new asset investments, and inorganic growth in investment and asset management

## 5 Build a portfolio resilient to market downturns by increasing income gain

\*1 Rental research and development (R&D) facilities that can serve as advanced research laboratories, which are targeted for occupancy by a wide range of companies from startups to large companies, research institutions, universities, etc. in life sciences fields such as drug development, biotechnology, and healthcare

\*2 Profit basis including goodwill amortization

## MHC's Strengths in the Real Estate Business

### 1 Comprehensive Capabilities

- ✓ MHC possesses not only financing functions but also real estate development, revitalization investment, and asset management functions. This enables the Company to handle a wide range of projects and provide optimal solutions

### 2 Sourcing Capabilities

- ✓ Uncovering CRE<sup>\*1</sup> needs with support from the Customer Solutions segment  
(Strong Customer base of the Customer Solutions segment)
- ✓ Platform for collaboration with corporate groups that are MHC's shareholders, etc.  
(Mitsubishi UFJ Financial Group, Mitsubishi Corporation, and Hitachi Group)

### 3 Emergency-resilient Framework

- ✓ In the event of major disruption in the real estate market, such as the Global Financial Crisis, we can take over the assets of defaulted, financed projects and work to revitalize them
- ✓ Leveraging our revitalization investment know-how, we can minimize losses

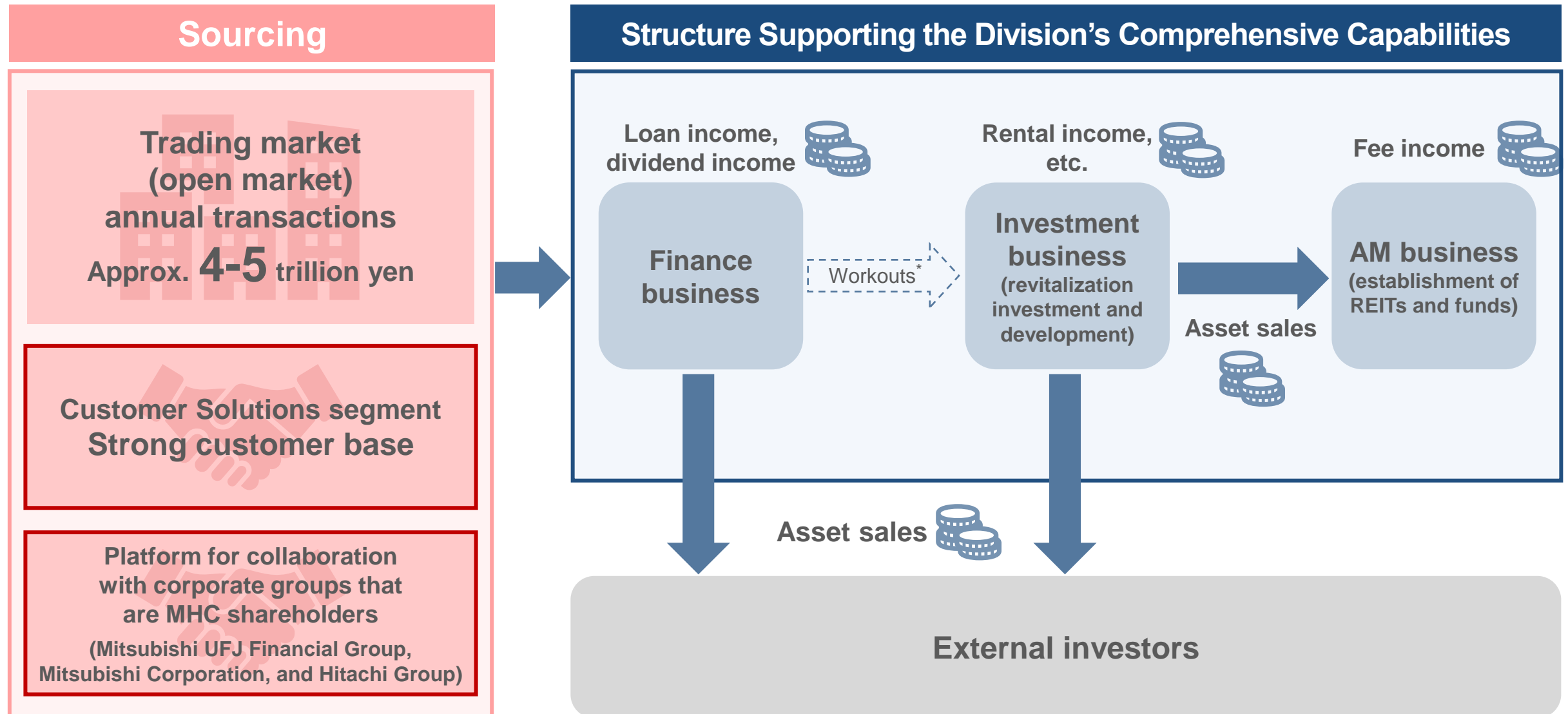
### 4 A Wealth of Expert Talent

- ✓ Comprehensive capabilities of talent with professional qualifications such as ARES Master-certified staff,<sup>\*2</sup> real estate transaction specialists, real estate appraisers, and first-class architects, as well as talent with diversified experience mainly in the real estate industry

<sup>\*1</sup> Corporate real estate: Land and buildings owned, leased, or rented by companies for the purpose of conducting business

<sup>\*2</sup> A title certified by the Association For Real Estate Securitization (ARES), which proves that the holder possesses advanced expertise and high professional ethics in both the real estate and finance sectors

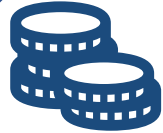
# Structure Supporting the Division's Comprehensive Capabilities



\* The workout process enables us to take over the assets of defaulted, financed projects and work to revitalize them by stabilizing the utilization and recovering the value of those assets

# Framework Supporting Growth Strategies (Risk Management Framework)

01



## Price/Value Fluctuation Risk

Deterioration of asset value due to declines in occupancy rates and rental fees

### Countermeasures

Screening asset types and locations, securing appropriate financing, and active management during the investment period

02



## Credit Risk

Risks related to tenants' credit, which is the source of rental fees, and to contract execution in development projects

### Countermeasures

Diversifying tenants, thorough credit examination, and eviction enforcement

03



## Exit Risk

Decline in trading market liquidity due to changes in market conditions

### Countermeasures

Diversifying maturity dates in business plans and selling assets at appropriate timings

04



## Interest Rate and Inflation Risks

Increased cost and changes in sales prices due to inflation of construction cost, etc. and interest rate fluctuations

### Countermeasures

Securing revenues that significantly outweigh cost increases by adding value through increased rental fees, etc. and verifying scenario validity and downside factors

05



## Earthquake and Natural Disaster Risks

Deterioration of asset value due to damages from earthquakes and natural disasters

### Countermeasures

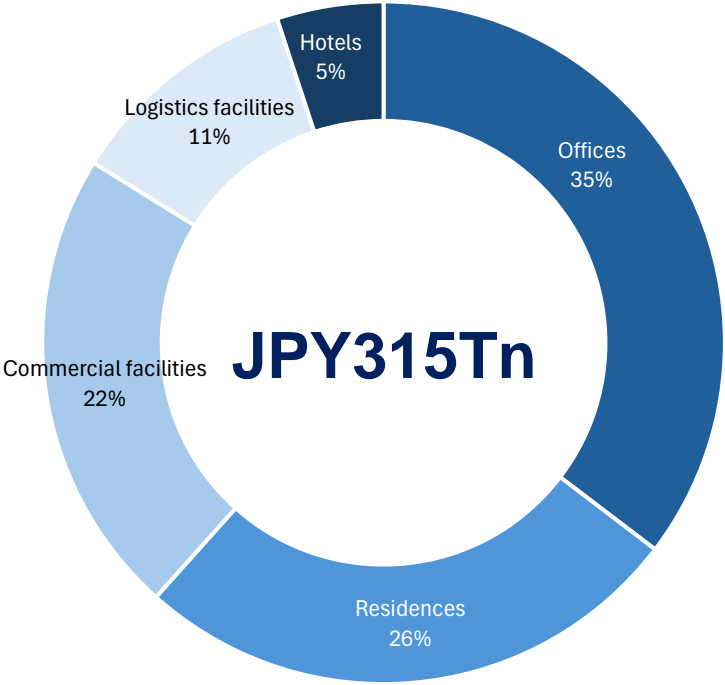
Screening locations, verifying hazard maps, and optimizing insurance policies

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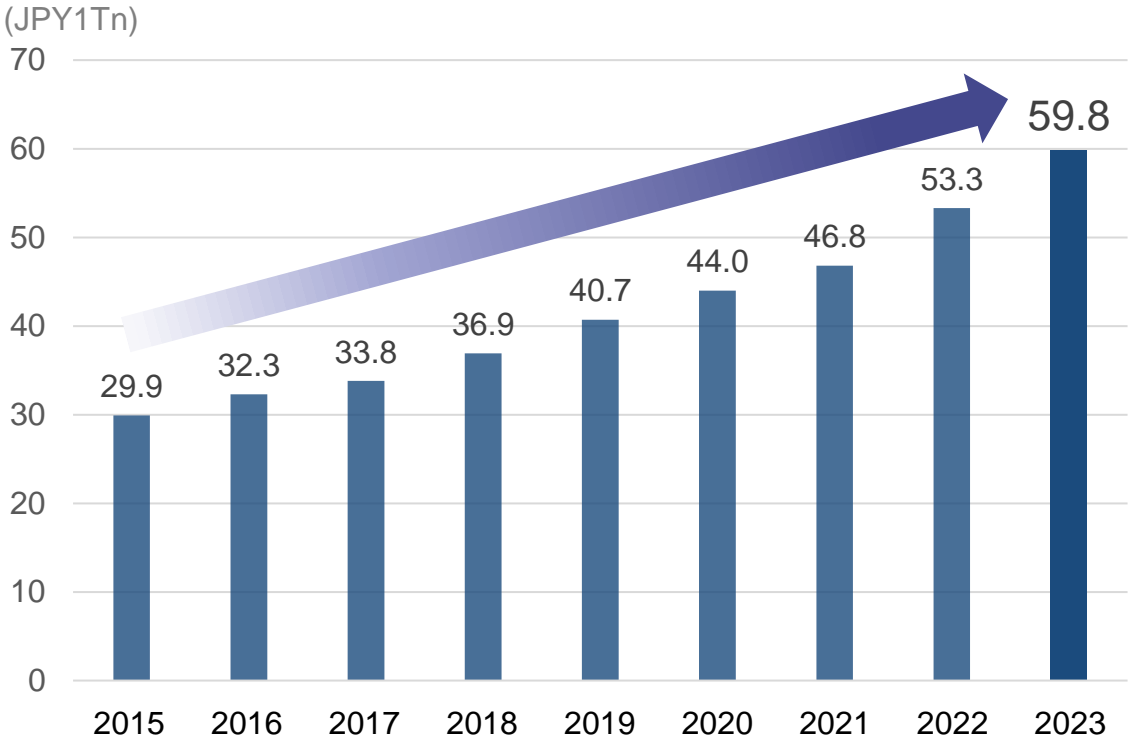
# Business Environment Understanding: Potential of the Real Estate Securitization Market

- While the income-producing real estate market in Japan is valued at approximately 315 trillion yen, the value of securitized real estate assets stands at around 60 trillion yen. Therefore, the real estate securitization market is expected to grow further.
- Meanwhile, the commercial real estate market in the US is worth approximately 20 trillion dollars. In comparison, Japan's market shows significant room for expansion when viewed in terms of its GDP ratio.

Size and Composition of Revenue-generating Real Estate Assets\*1



Total Amount of Real Estate Assets Subject to Securitization\*2



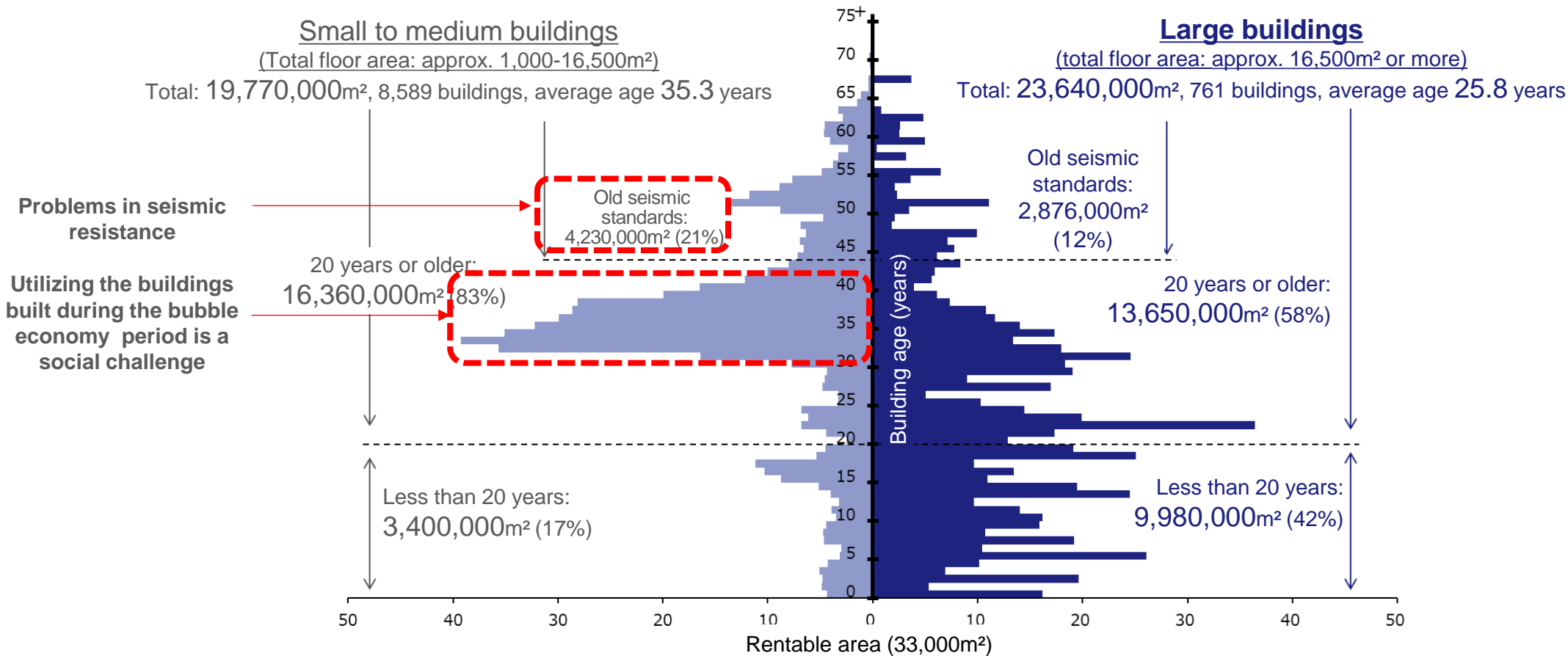
\*1 Excerpted from *Japan's Real Estate Investment Market Size*, a real estate report by NLI Research Institute

\*2 Excerpted from data disclosed by the Ministry of Land, Infrastructure, Transport and Tourism

- ❑ The stock of small to medium office buildings, which surged during Japan’s bubble economy period, will reach 40 to 50 years old in the coming decade. It is expected that there will be growing demand for revitalization investments such as renovation, facility upgrades, and seismic reinforcement.

Tokyo 23 Wards Office Pyramid (based on rentable area) \*

Tokyo 23 Wards: 43,440,000m<sup>2</sup>, 9350 buildings, average age 34.6 years

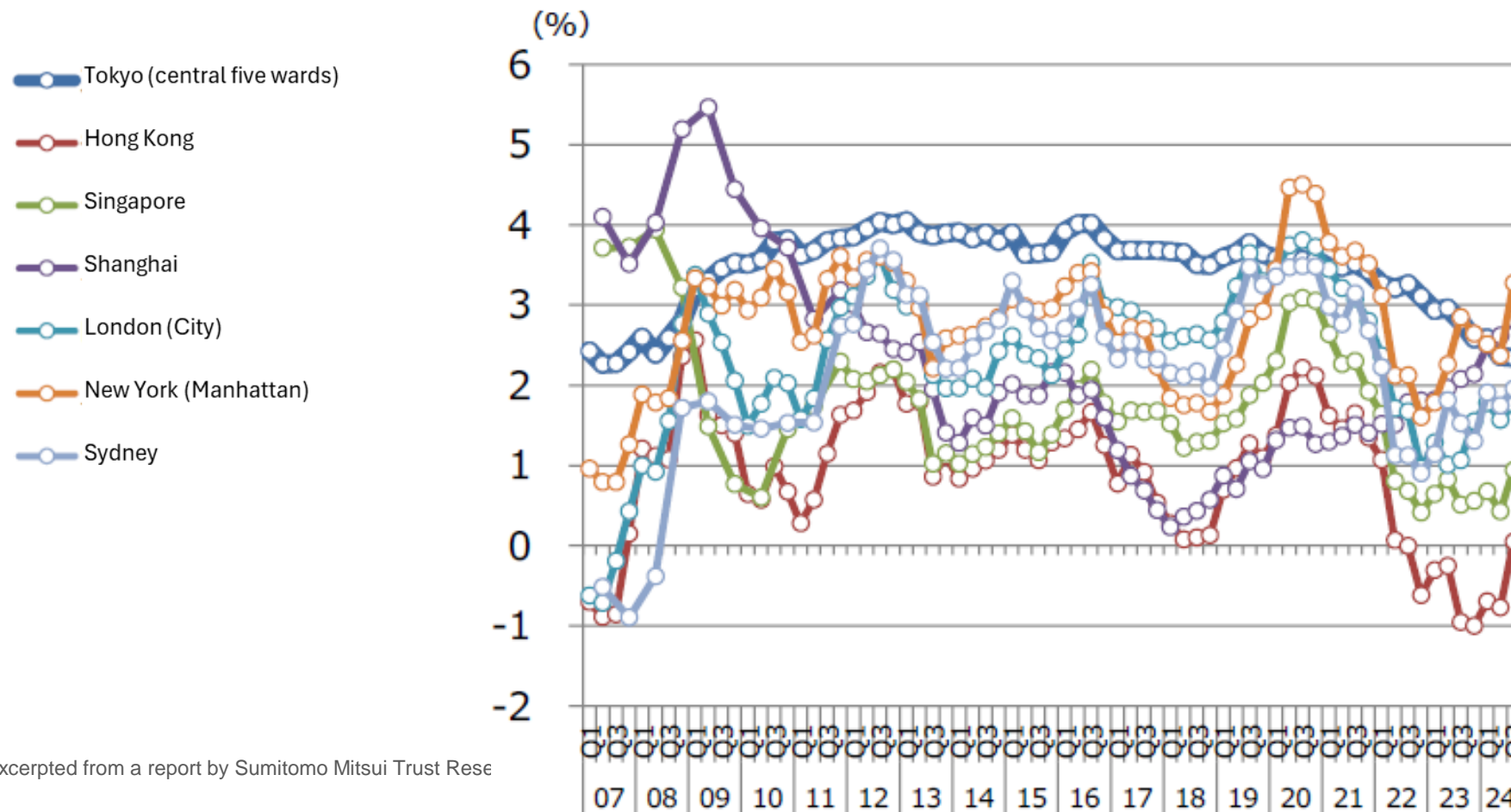


\* Prepared by MHC based on “Office Pyramid 2025 – Tokyo 23 Wards” (XYMAX Real Estate Institute)

# Business Environment Understanding: Investment Fund Environment

- Although yield gaps (cap rates minus the 10-year treasury yield) are gradually declining, they remain relatively high on a global basis.  
Therefore, the trend of real estate investment funds flowing into the Japanese market is expected to continue.

Yield Gaps of the World's Major Cities\*

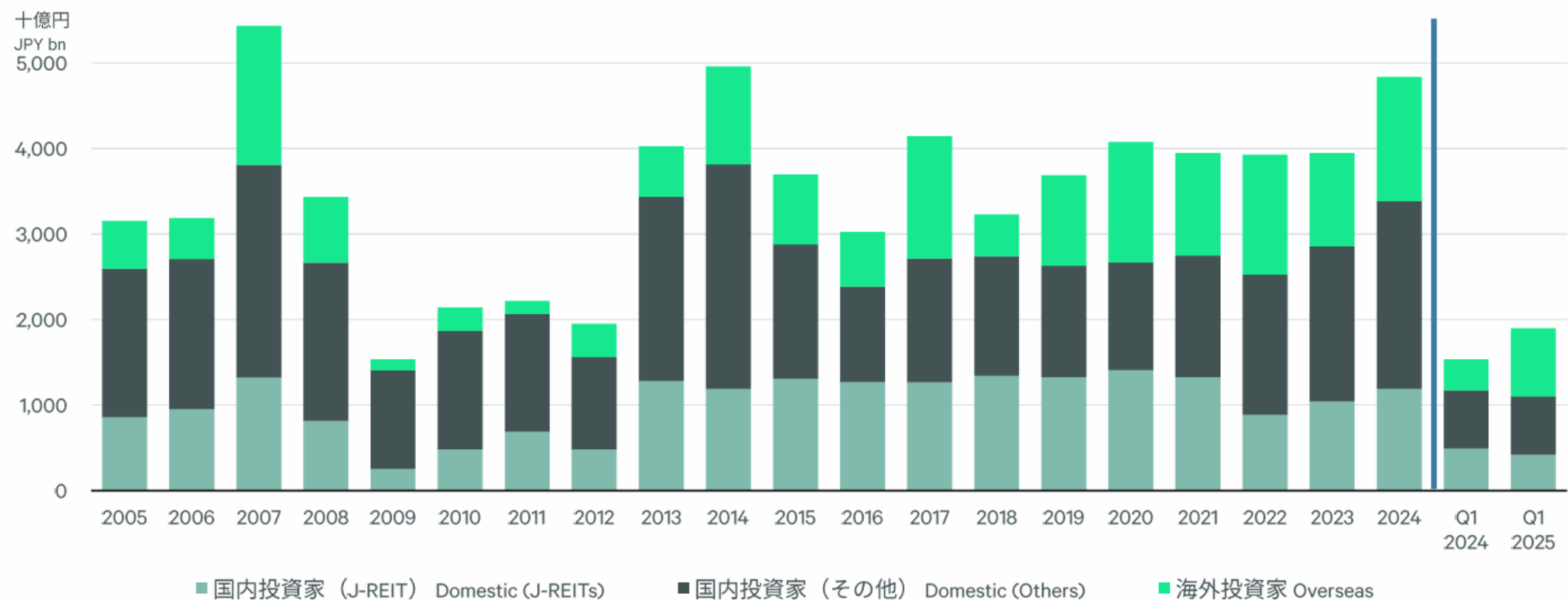


\* Excerpted from a report by Sumitomo Mitsui Trust Rese

# Business Environment Understanding: Real Estate Transaction Market

- Real estate sale and purchase transactions, which temporarily declined due to the COVID-19 pandemic, saw a strong recovery in 2024.
- In 2025, real estate transactions are outpacing 2024, driven by foreign investors.

Amount of Investments in Japan's Commercial Real Estate ( by investor type)※



\* Includes transactions of at least JPY 1Bn, excluding acquisitions by J-REITs at IPO. Source: MSCI Real Capital Analytics, CBRE Research, Q1 2025

