Q&A Session at the Business Segment Meeting 2025 -Real Estate -

(Q) Slide 7 shows the historical trends of ROA and total assets. What kind of trajectory are you aiming for going forward? You mentioned increasing the proportion of income gain, but generally speaking, wouldn’t that lead to a decline in ROA?

(A) Increasing the proportion of income gain helps reduce performance volatility, but it tends to lower ROA. The current ROA level of around 2% is suppressed by losses from our U.S. operations, and we recognize our underlying performance to be in the upper 2% range. With a higher income gain ratio, we expect the underlying ROA to be in the mid-2% range, but our long-term goal is to raise it to the upper 2% range.

As for total assets, we have reduced them by approximately JPY 500 billion from the peak through the sale of low-profit businesses and portfolio optimization, bringing the current level to around JPY 600 billion. Going forward, we aim to gradually increase total assets, with a long-term target of approaching JPY 1 trillion, the past peak level, in the Real Estate segment.

(Q) You mentioned pursuing organic growth by exploring new asset types. Which asset types do you see potential in? We often hear that competitors are investing in overseas data centers.

(A) As shown on Slide 14, we are currently working on domestic initiatives involving data centers and lab-equipped offices. These are areas where we first accumulate knowledge through our finance business and then aim to expand into investment projects.

We are currently operating two projects involving automated cold storage facilities and believe there is room for further expansion.

Although we have suspended new transactions in the U.S., the market remains attractive due to its growth potential and transparency. It is also the core of the income-producing real estate market. We plan to restart investment through discussions with management.

(Q) If you were to restart investment in the U.S., would you focus on asset types other than commercial real estate?

(A) If we re-enter the U.S. market, we would likely focus on rental multi-family apartment and logistics facilities, market size of which seems to expand among the commercial properties in the future. The office market is expected to remain challenging for the foreseeable future due to the penetration of work from home style, making it difficult for us to operate in that space.

Many developers and operators in Japan’s data center sector are U.S.-based, so there may be potential to expand from domestic initiatives to the U.S. However, at this stage, expanding our U.S. operations remains an ambitious concept.

(Q) What kind of external partners are involved in your real estate business, and how do those partnerships contribute to your operations?

(A) Our key partners include major shareholders such as MUFG and Mitsubishi Corporation. For example, in some cases, Mitsubishi UFJ Bank provides senior loans while we provide mezzanine loans, and vice versa.

With Mitsubishi Corporation, we received project introductions when we first entered the U.S. market. Domestically, we collaborate on fund management and also invest in projects led by their asset management company.

We also jointly invest in multiple domestic properties with Mitsubishi Estate, another Mitsubishi Group company.

(Q) Could you describe the “color” or unique characteristics of your real estate business? Major real estate firms often have distinct asset types or locations that define their brand.

(A) Our business scale is still modest, so we don’t have a distinct “color” like MITSUBISHI ESTATE in Marunouchi or Mitsui Fudosan in Nihonbashi. However, each of our three business areas has its own characteristics.

In finance, we build broad expertise and leverage it to expand into investment, allowing us to take deeper risks than regional banks as we can utilize expertise in the investment. For example, we can lead continuation of development of distressed properties with halted construction or leasing challenges. Our involvement often makes projects viable, earning strong trust from partners.

In investment, we focus on projects ranging mainly from JPY 5 billion to JPY 50 billion, which are smaller than those handled by major developers, but allow us to differentiate by our value up management because the market size of our target size properties with bad management is so far big.

Our asset management business is still small in the light of asset undermanagement, but we aim to develop a distinctive model, including inorganic growth.

(Q) Asset management seems difficult to scale. How do you view the competitive and industry landscape?

(A) There are about 60 private REITs in Japan, with total assets of approximately JPY 7.2 trillion. Participants include electric power and railway companies. On average, each REIT manages around JPY 120 billion, but there is a clear divide between large players like Nomura Real Estate Development, Mitsui Fudosan, and MITSUBISHI ESTATE, and smaller ones managing JPY 20–30 billion.

Fund management involves significant costs, including personnel and ESG compliance, so smaller asset bases lack scale advantages and struggle with profitability.

While our scale is not large, we see opportunities for inorganic growth and consider it a viable option.