

Mitsubishi Estate Co

Commercial asset Japanese developer

3 June 2026

Company Overview

Mitsubishi Estate Co., Ltd. is engaged in the development of real estate, including office buildings, residential properties and commercial properties largely in Japan especially the Marunouchi area. The Building segment develops, leases, manages and operates office buildings, parking lots business, regional heating and cooling business. The Lifestyle Property segment develops, leases, operates and manages commercial facilities and distribution facilities. The Residential segment provides services, such as construction, sale, leasing and management of condominiums and detached houses. Aside from development projects, they have real estate overseas, real estate investment management (REIM) and hospitality arm.

Investment Overview

Global real estate developer with a large presence in Japan commercial development and building a real estate investment management arm. Mitsubishi Estate Co., Ltd (Mitsubishi Estate) started by developing Marunouchi area in Tokyo into a world-leading business center since 1890s and has subsequently grow into a global real estate developer. Given its origins, Mitsubishi Estate's portfolio (by AUM) comprises 66% of commercial properties in Tokyo, largely in Marunouchi area. International Business is the second largest at 19% with presence in US (c.40%), Europe (c.17%) and Asia Pacific (c.18%). The third largest is residential is at 12% of total assets and largely in Japan. In addition to real estate development, Mitsubishi Estate has real estate investment management arm with total AUM of JPY5.7tn and contributing c.2% of operating profit.

2030 target to double business profits and to triple REIM AUM to JPY10tn. Mitsubishi Estate has revealed its long-term management plan 2030 with ambitious targets double its business profit to JPY350bn to JPY400bn from JPY230.5bn in FY19 and to increase ROA and ROE to 5% and 10% from 3.9% and 7.8% respectively in FY19. On its REIM business, Mitsubishi Estate targets to triple the AUM to JPY10tn from JPY3tn (when 2030 plan was first announced). As at Sep23, AUM has achieved JPY5.7tn.

Capital policy of 30% dividend payout and share buybacks as part of shareholder return scheme. Mitsubishi Estate adopts a 30% dividend payout and targets to raise its dividend by JPY2 (+c.5%). In addition, the Group has embarked on share buybacks of JPY230bn since FY19 as part of its shareholders return scheme and has visibly lifted total return rate to above 50%. All eyes are on Mitsubishi's stance on its capital policy and share buyback scheme as the Company typically reviews this at year-end.

We have a HOLD call on Mitsubishi Estate with a TP of JPY2,596. Our TP is based on 1.3x forward P/BV, representing +1 standard deviations of its 5-year average. We believe Mitsubishi Estate is currently trading at fair valuation, currently at close to +2 SD of 5-year historical average. We continue to monitor potential re-rating catalysts such as positive outcome from its long-term business plan, realisation of FY2030 targets and potential share buyback announcements to boost shareholders' returns.

Risks

Macroeconomic concerns that could cause weakness in the office market especially in Tokyo. Macroeconomic concerns, potential economic downturn and financial crisis could impact office demand and results in a weaker office market, especially in the Tokyo office market. As a result, potential deterioration of office rents could impact Mitsubishi Estate's income generation.

Weakening property sales market. Deterioration of condo / residential market more-than-expected could impact its residential / property sales. In addition, a weaker transaction market for its commercial properties could result in lower-than-expected capital gains.

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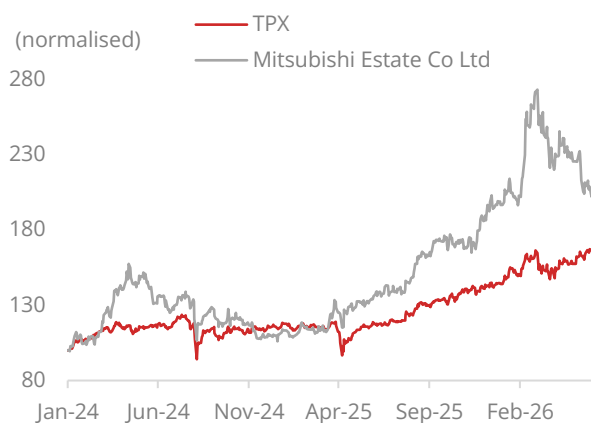
Key Financial Data

Bloomberg Ticker	8802 JP
Sector	Real Estate
Share Price (JPY)	3,968
DBS Rating	HOLD
12-mth Target Price (JPY)	2,596
Market Cap (USDbn)	30.2
Volume (mn shares)	1.1
Free float (%)	89.8
Dividend yield (%)	1.2
Net Debt to Equity (%)	114.6
Fwd. P/E (x)	20.0
P/Book (x)	1.8
ROE (%)	8.5

Closing Price as of 2 Jun 2026

Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

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Financial Summary (JPYmn)

FY Mar	FY2024(A)	FY2025(A)	FY2026(A)	FY2027(F)	FY2028(F)
Sales	1,504,687	1,579,812	1,746,148	1,949,460	1,989,903
% y/y	9.2	5.0	10.5	11.6	2.1
Gross Profit	392,274	417,965	454,761	507,956	537,087
% y/y	(1.2)	6.5	8.8	11.7	5.8
EBITDA	376,928	410,485	437,757	479,663	509,715
% y/y	(3.4)	8.9	6.6	9.1	6.3
Net Profit	168,432	189,356	222,507	237,716	253,054
% y/y	1.9	12.4	17.5	6.8	6.5
FCF	(144,153)	(119,483)	(15,817)	3,811	(2,789)
% y/y	(979.7)	(182.9)	(113.2)	(373.9)	299.4
CAPEX	451,402	443,599	524,734	404,943	371,627
% y/y	57.7	(1.7)	18.3	(19.1)	(7.2)
EBITDA Margin (%)	25.1	26.0	25.1	24.6	25.6
Net Margin (%)	11.2	12.0	12.7	12.2	12.7
ROA (%)	2.3	2.4	2.7	2.8	2.9
ROE (%)	6.7	7.1	7.9	8.2	8.6
Tax Rate (%)	35.7	34.7	32.6	31.2	30.9

Source: Company, DBS

Valuation Metrics

FY Mar	FY2024(A)	FY2025(A)	FY2026(A)	FY2027(F)	FY2028(F)
P/E (x)	nm	nm	nm	nm	nm
P/B (x)	2.1	1.9	1.8	1.7	1.7
Dividend Yield (%)	1.0	1.1	1.2	1.3	1.4
EV/EBITDA (x)	18.0	15.6	20.1	17.2	16.1
FCF Yield (%)	(2.5)	(2.1)	0.4	0.1	(0.0)
Dividend Per Share (DPS)	40.0	43.0	46.0	50.2	55.0

Source: Company, DBS

Credit & Cashflow Metrics

FY Mar	FY2024(A)	FY2025(A)	FY2026(A)	FY2027(F)	FY2028(F)
Debt / Equity (%)	119.5	121.7	124.5	126.2	127.0
Net Debt / Equity (x)	1.2	1.2	1.2	1.3	1.3
Debt / Assets (%)	41.4	41.7	41.8	42.2	42.5
Net Debt / Assets (x)	0.4	0.4	0.4	0.4	0.4
ST Debt / Total Debt (x)	0.1	0.1	0.2	0.1	0.1
Debt / EBITDA (x)	8.3	8.1	8.2	7.7	7.4
[Cash + CFO] / ST Debt (%)	1.4	1.4	1.4	1.0	1.0
Receivables Days	21.6	26.1	22.6	21.1	21.0
Days Payable	21.1	21.7	19.7	18.4	18.2
Inventory Days	124.6	133.7	134.3	120.2	118.9

Source: Company, DBS

Target Price & Ratings History



Source: DBS

Analysts: Derek Tan

Geraldine Wong

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
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*Share price appreciation + dividends

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