ANNUAL REPORT 2017

Year ended March 31, 2017
Editorial Policy

The Mitsui Fudosan Group formulated the Medium-Term Business Plan “Innovation 2017 Stage II” in May 2015 and is implementing growth strategies to advance further toward its goal of sustaining growth into the 2030s. For stakeholders to gain a correct understanding of the strategic growth measures presented as our priority issues, in addition to financial information, review of operations and management strategies, it is also important to gain a systematic understanding of non-financial information relating to aspects such as society, the environment, human resources and governance. Based on this belief, our Annual Report features enhanced and integrated non-financial information. In editing the report, we referred to the International Integrated Reporting Framework ver 1.0, which was published by the International Integrated Reporting Council (IIRC) in December 2013.

Moreover, the Group’s activities have been selected and included based on their importance for stakeholders. For more information, please refer to the website and various other forms of communication issued.

This report is based primarily on figures disclosed in the Annual Securities Report and the Fact Book. Since the figures are rounded down to the nearest whole unit displayed, they may not necessarily match with the figures in the English language financial statements and notes, which are rounded up or down to the nearest unit.

Caution Concerning Forward-Looking Statements

This report contains figures related to the future, which are included in results forecasts and so forth. These are based on judgments made using information obtained at the time of publication, and thus contain risks and uncertainties. Furthermore, Mitsui Fudosan makes no guarantee that these forecasts will be realized. Therefore, you should not rely on these forecasts alone when making investment decisions.

You should be aware that business results arise through various important factors and actual results may vary greatly from forecasts. Important factors influencing actual results include the economic situation encompassing the Group’s business domains, foreign currency exchange rates including yen-U.S. dollar cross rate, and the Japanese stock market.
Group Statement

The Mitsui Fudosan Group aims to bring affluence and comfort to urban living.

The Group Statement, Vision, and Mission embody the Group management’s basic philosophy and its vision for the future. Since their formulation in 1999, they have guided the Mitsui Fudosan Group as an integrated management policy.

Group Vision

What we want to be

Philosophy
Seeking to link diverse values and coexist in harmony with society, as symbolized by the Mitsui Fudosan "logo, we will work to foster social and economic development as well as global environmental preservation.
—Under "EARTH," we will aim for a society that enriches both people and the planet.

Evolution and value creation
By bringing knowledge and experience together in diverse ways, we seek to advance the real estate business and create new value, both at home and abroad, proactively responding to global changes in social environments and market structures.

A profitable and growing Mitsui Fudosan Group
We seek to create a profitable and growing Mitsui Fudosan Group, acting honestly and fairly to realize the capabilities of the entire organization.

Group Mission

What is expected of us

Provide business and lifestyle-related solutions and services
- Maximize urban value creation by providing secure, safe and attractive urban spaces and soft services that bring enrichment and comfort to urban living.
- Provide variable and innovative solutions that stimulate the real estate investment market.

Work in partnership with customers from a global perspective
- Treat customers as the business foundation on which to progress and develop the Company.
- Propose and provide products and services by deploying the collaborative strength of the Group with a multidisciplinary approach that meets the real needs of customers.
- Work in partnership with customers to raise brand value by continuously providing services that are highly valued by them.

Raise our corporate value
- Raise corporate value through sustainable profit growth and continual innovation.
- Optimize the allocation and use of available resources and pursue efficient operations.
- Conduct operations while closely monitoring and managing business risks.

Create strong corporate group by building the capabilities of individuals
- Seek to maintain a creative and pioneering spirit by integrating various skills and values.
- Cultivate and institutionalize the professional capabilities of individuals to raise our creative ability for value-added products and services.
- Maintain high awareness of ethical, disciplinary, and compliance issues, and act accordingly.
As one of Japan’s leading real estate companies, the Mitsui Fudosan Group has expanded its business across a broad swath of the real estate industry. In promoting our business, we will continue to create new markets and grow as a leading company, while establishing a solid position as a global firm.

Office Buildings
Next-Generation Offices
Under the slogan “Next-Generation Offices,” we continue to create ideal Mitsui Offices, both at home and overseas. By refusing to be tied to the preconceptions of existing office buildings, we build offices that provide sustainability, security, comfort and efficiency, as well as expansion and innovation to the individuals and companies that work or gather in them.

Retail Facilities
Creating relaxing gathering places that grow with their communities and those using them
We seek a new form of retail facility that is rooted in the local community and nurtured along with its customers. Under the “Growing Together” concept, we are working to develop multifaceted retail properties specifically tailored to the regions and communities in which they are built in Japan and overseas.

Property Sales to Individuals/Residential Leasing/Existing Housing Stock Businesses, etc.
A home and a lifestyle that sets the standard for the next generation
By providing the full range of development sales and post-sale services, we offer quality and products that meet the needs of our customers. By taking advantage of the comprehensive strengths of the Mitsui Fudosan Group, we continue to expand into areas such as new home construction contracting, and existing housing stock businesses including sales and remodeling.

Hotels & Resorts
Providing comfortable spaces and services for each customer
Guided by the brand statement “Creating New Destinations,” Mitsui Fudosan operates a hotel business with Mitsui Garden Hotels and THE CELESTE HOTELS located throughout Japan, and the resort business to cater to various tourism and leisure needs. It is dedicated to creating for customers times and space worthy of being called “destinations.”

Logistics Business
Development of advanced logistics facilities in response to diverse values
As the need for high-performance logistics facilities has increased in recent years, Mitsui Fudosan has been an active participant in this market since 2012. Backed by our Business Statement of “Connecting Values Together with Customers and Creating New Values Together with Customers,” Mitsui Fudosan will leverage its strong relationships with office and retail tenants while continuing to steadily expand this business.

Model for Joint Value Creation with Investors
Contributing to growth in the real estate investment market
Mitsui Fudosan is also active in sales to investors, involving the development and sale of office buildings, retail facilities, rental housing and other income properties. The Group is not only working to contribute to the expansion of the real estate investment market, but to expand its own corporate earnings by offering post-sale asset management and other services.

Other
A wide-ranging real estate solutions business
To provide office and retail facility tenants and other originators with a wide range of solutions, Mitsui Fudosan is engaged in a variety of real estate-related businesses.

Results (As of March 31, 2017)

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Main Data</th>
<th>Main Group Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Rentable floor space ①</td>
<td>2,768 thousand m²</td>
</tr>
<tr>
<td></td>
<td>Number of tenants</td>
<td>Approx. 3,000 companies</td>
</tr>
<tr>
<td>Overseas</td>
<td>Rentable floor space ①</td>
<td>2,067 thousand m²</td>
</tr>
<tr>
<td></td>
<td>Number of tenants</td>
<td>Approx. 2,300 companies</td>
</tr>
</tbody>
</table>

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① Rentable floor space includes subleased areas.
② Includes existing facilities and facilities under development.

* All figures are as of the end of March 2017.
*1 Rentable floor space includes subleased areas.    *2 Includes existing facilities and facilities under development.
Our DNA  The Source of Value Creation

The history of Mitsui Fudosan begins when Takatoshi Mitsui, founder of the House of Mitsui, first opened Echigo-ya, a clothing store, in what is now the Nihonbashi district of Tokyo. In 1941, the real estate division of Mitsui Company was separated from the parent and Mitsui Fudosan Co., Ltd. was established.

Since its founding in 1941 and through multiple transitions in the Japanese economy and real estate markets, Mitsui Fudosan has continued to seek out and provide its customers with optimal solutions for the times. Its ability to constantly create new value and lead its industry is one of the Mitsui Fudosan Group’s greatest strengths, and this Mitsui DNA, the very source of value creation, is carried on today.

Foundation to 1970

Against a backdrop of the period of rapid economic growth
Built the foundations of becoming a general developer

1970–

First period of rapid economic growth
Moved to diversity management to achieve stable growth

- Completion of Kasumigaseki Building in 1968, the first skyscraper in Japan
- Keiyo rinkai reclamation project
- Start of development and sales of condominiums and detached housing

1990–

Burst of Japan’s economic bubble
Rebuilt business to achieve strategic growth amid asset deflation

- Pioneered waterfront development
- Development of Mitsui Outlet Parks in 1995
- Real estate securitization and creation of the J-REIT market

2000–

Asset deflation convergence
Creating Neighborhoods

- Completion of Tokyo Midtown in 2007
- Expansion of retail facilities and accommodation businesses
- Expansion of efficient management and non-asset business

2010 to the Present Day

Creating Mixed-Use Neighborhoods Fusing an Array of Functions

- Accelerate urban-style development/create neighborhoods
  (Nihonbashi Revitalization Plan, Kashiwa-no-ha Smart City)
- Expand asset class and enter the logistics business
- Expand global business
- First public offering in 32 years (conducted in 2014)
Our Value Creation

Though it inherits a long history and an established culture, the Mitsui Fudosan Group has positioned the creation of communities as the foundation of its growth. Creating communities will involve the integration of diverse functions essential to any neighborhood—the offices, retail facilities, residences and hotels that are the Group’s core business. At the same time, we believe that providing comfortable spaces and services for the people who will live in these neighborhoods not only nurtures the history and culture of these places, but is also critical to creating and sustaining their value. By taking full advantage of the many strengths the Group has acquired over its long years in business, Mitsui Fudosan will continue to lead in the creation of communities in Tokyo, while enhancing the Group’s corporate value.

Mitsui Fudosan Group’s Approach to Creating Neighborhoods

—Maximizing Community Value—

Financial capital

- Total assets: ¥5,570.7 billion
- Debt ratio: 11.9%
- Equity ratio: 35.6%
- Capital adequacy ratio: 17.8%

Manufacturing capital

- Tangible and intangible assets: ¥2,067.7 billion
- Real property and stock investments: ¥1,334.1 billion

Intellectual capital

- Corporate governance and the people underpinning business
- Consolidated headcount: 17,713

Human capital

- Corporate customer relations
- Corporate customers for office buildings: Approx. 3,000
- Corporate customers for retail facilities: Approx. 2,300

Social capital

- Limited natural resources (energy, materials, etc.)

Sales

- (Leasing, property sales, brokerage)
- Insight for identifying locations with growth potential
- The ability to offer solutions as an integrated developer
- Solid financial foundations and agile responsiveness to investment opportunities

Development

- Optimal concept creation
- A constant spirit of innovation
- Advanced development and negotiation skills as evidenced by redevelopment projects

Operation

- Group collaboration offers superior-quality facility management capabilities
- Designed to get better with age
- Numerous achievements in Smart City initiatives

Business Achievements
Premium Assets

**Mixed-Use Projects**

- Nihonbashi Revitalization Plan
- Kasai-ri-nai Smart City
- Tokyo Midtown
- Gate City Osaka
- Hibiya Grand Bloom

**Office Buildings**

**Domestic**
- Nihonbashi Mitsui Tower
- Nihonbashi 1-Chome Mitsui Building
- Muromachi Furukawa Mitsui Building
- Gran Tokyo North Tower
- Sumitomo Mitsui Banking Corporation Head Office Building
- Kasumigaseki Building
- Shinjuku Mitsui Building

**North America**
- 527 Madison Avenue
- Homer Building
- 1251 Avenue of the Americas

**Europe**
- 5 Hanover Square
- 70 Mark Lane
- 6-10 Moorgate
Creating Connections for the City of the Future

Community-Building Initiatives

The Mitsui Fudosan Group has made “create neighborhoods” one of its growth strategies and strives to create enticing places for people to visit, live and work along with opportunities to experience energy and excitement. We also support the process of synergistic connections (community-building) focused on the future while conducting initiatives to maximize area value.

Nihonbashi Life Science Innovation Promotion Project

Raising the Value of the Nihonbashi Area

Nihonbashi in the past was home to a number of medicinal wholesalers and it now plays host to the headquarters of many pharmaceutical companies. The district is one where knowledge related to the life sciences is accumulated and exchanged, not only by private-sector companies, but universities and research institutes as well.

With birthrates declining and populations aging in Japan and other countries, health and medicine are major issues throughout the world. Japan in particular is aging quickly, even compared to other developed countries, so it absolutely must have a dynamic life sciences sector.

Mitsui Fudosan is promoting the “Nihonbashi Life Science Innovation Promotion Project” to further vitalize the sector by leveraging the strengths of local Nihonbashi industry and the area’s geographical advantage as a mixed-use district where business leaders gather and by promoting industry-academia-government collaboration in the life sciences inside and outside Japan. As a part of this project, in March 2016, we established the “Nihonbashi Life Science Innovation Network Japan, Inc. (LINK-J).

Under LINK-J, Link-J’s mission is to create an ecosystem for dynamic open innovation. LINK-J’s Japan. As a part of this project, in March 2016, we established an “Innovation Promotion Project” to further vitalize the sector by promoting industry-academia-government collaboration in the life sciences.

Creating Open Innovation

Mitsui Fudosan has established three major facilities, including Nihonbashi Life Science Hub, and are attracting LINK-J members by leasing facilities such as conference rooms at preferred rates for organizations involved in the life sciences. The facilities include communication lounges at which associates can assemble and other amenities to encourage active interaction among members.

We provide an interaction platform for people and information and various opportunities for people in the life sciences to congregate and connect and for ideas with the potential to give rise to innovations to be nurtured and broadened.

Provide Opportunities for Personal and Information Networking

Approx. 400 Events and Programs Held in Nihonbashi in 1 Year

Approximately 400 life sciences-related events and programs were held at associated facilities in Nihonbashi over the past year. This is the result of having actively attracted events and programs held by LINK-J members and other organizations, in addition to those sponsored, co-sponsored or supported by LINK-J.

Bringing Together and Connecting Key Players

AI & Life Science Symposium Held

A symposium was held at Nihonbashi Mitsui Hall on May 17, 2017 to promote networking between the fields of computer and information science, where AI commercialization is expected, and medical and life sciences, where expectations are high for the application on genetic information of big data analysis and storage. Around 300 people participated from corporations and universities as well as venture companies and other organizations.

LINK-J Networking Night

LINK-J Networking Night is held once a month to provide an opportunity for approximately 50 to 100 LINK-J members and supporters to connect and interact.

Supporting the Fostering and Broadening of Innovation

Zentech Dojo Nihonbashi

Zentech Dojo Nihonbashi is a venture acceleration program that raises corporate value over a three-month period provided by INDEE Japan Ltd., a LINK-J member company. Offering not just advice, but specific support for the companies as joint entrepreneurs.

Acute central infection treatment with the company’s device

Acute central infection treatment with the company’s device

Accelerating Community-Building

RIKEN Establishes AIP Center in Nihonbashi 1-chome Mitsui Building

RIKEN established a new research center, the RIKEN Center for Advanced Intelligence Project (AIP Center), in the Nihonbashi 1-chome Mitsui Building in September 2016. The center develops next-generation platform technologies related to artificial intelligence and conducts research for tying these technologies to various applications, including the advancement of science and solutions to problems facing Japan. Nihonbashi is home to a cluster of life science-related institutions and companies, and LINK-J is expected to receive collaborative support from RIKEN that transcends individual fields.

Special LINK-J Member Biomedical Solutions, Inc. to be Acquired by Affiliate of Major Domestic Pharmaceutical Company

Biomedical Solutions Inc., a special member of LINK-J housed in the Nihonbashi Life Science Building 2, entered into an agreement in February 2017 to be acquired by the affiliate of a major Japanese pharmaceutical company. Biomedical Solutions is venture company developing a stent-type thrombectomy device. The acquisition of this domestic medical device venture by a major domestic company is extremely significant from the standpoint of developing an innovation ecosystem for medical devices in Japan.

About the Mitsui Fudosan Group

Developing a Life Sciences Ecosystem

Nihonbashi Life Science Innovation Promotion Project

Raising the Value of the Nihonbashi Area

Life Science Hub, Nihonbashi Life Science Building and Nihonbashi Life Science Building 2. A number of academic institutions have established centers, including University of California, San Diego, establishing its first overseas base. Other research institutes are associated with the University of Tokyo, Kyoto University, Osaka University and Tohoku University. In addition, approx. 120 ventures and related companies in the life science field (as of April 30, 2017) have offices in the surrounding area and together they are in the process of forming a global life sciences community in the Nihonbashi district.
From a Real Estate Solutions Partner, Evolve to a Business and Lifestyle Solution Partner

The Mitsui Fudosan Group has established a business model innovation strategy in its Medium-Term Business Plan for evolving from a real estate solutions partner to a business and lifestyle solution partner, and is focused on creating new demand reflecting the qualitative changes undergone by customers. The following introduces new solutions for various business and lifestyle contexts.

Lifestyle Solution Partner

Creating Opportunities to Encounter and Interact for People, Goods and Experiences

Mitsui Shopping Park LaLaport

We aim to create retail facilities that bring about intersection and exchange among people, goods and services as core places in the community that are deeply rooted in the lives of the people who visit them. At “Mitsui Shopping Park LaLaport,” we provide “Mama with LaLaport,” making it “more convenient and more comfortable” for families with children and work to make the facility as friendly as possible for mothers and fathers with children. This has induced working together with stores to develop unique plans and provide services.

LaLaport SHONAN HIRATSUKA, which opened for business in 2016, has set up the community space SHONAN TREE HOUSE as a new interaction area for participants in events held for people of all ages.

Establishment of the Housing and Lifestyle Promotion Division

Mitsui Fudosan newly established the Housing and Lifestyle Promotion Division in April 2017. In the residential housing market facing diversification of customer needs and an increasingly aging society, in addition to the “hard” aspects of “housing” we provide “soft” services related to lifestyles with each Group company working in unity to seamlessly provide customers with products and services. Going forward, the division will form a core around which housing business growth strategies are formed and promoted, Group companies will deepen mutual collaboration and seek to further enhance earning capabilities in the housing business.

Business Solution Partner

Solutions to Make New Working Styles
Multi-site Shared Offices for Corporate Clients

Many companies feel limits in the space available in their offices for work to be carried out. In response, we have established multi-base type, shared WORKSTYLING offices to allow workers to choose from a wide range of work spaces based on their particular working styles and life stages. We provide shared offices for use at set 10-minute rates in central Tokyo with secured high security. We are moving ahead on this project in response to needs for corporate working space and satellite offices and as a measure to reform working styles.

Creating Future Business with Venture Companies
Venture Co-Creation 31VENTURES

Through our 31VENTURES open innovation platform, Mitsui Fudosan is working together with venture companies to strengthen their main businesses and expand their business domains. At the same time, we also provide the growth support solutions of community capital and support to promising venture companies from within Japan and overseas if they have advanced ideas or technologies.

Multi-site Shared Offices for Corporate Clients

Solutions to Make New Working Styles

Multi-site Shared Offices for Corporate Clients

Logistics
Proposing Logistics Business Solutions
MFLP ICT LABO

MFLP ICT LABO is a dedicated showroom for logistics ICT inside MFLP Funabori I, a cutting edge logistics facility. It is the industry’s first dedicated ICT showroom in logistics facility established by a facility developer and operator.

MFLP ICT LABO shows the latest ICT-related products for increasing efficiency and reducing labor in logistics operations. Mitsui Fudosan will continue to develop logistics facilities and also provide new solutions to the issues facing the industry, including securing personnel, in collaboration with ICT device manufacturers.
# Performance Highlights

## Management Results

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<tr>
<td><strong>Revenue from operations (¥)</strong></td>
<td>1,229,193</td>
<td>1,360,023</td>
<td>1,418,945</td>
<td>1,384,806</td>
<td>1,405,269</td>
<td>1,338,102</td>
<td>1,445,644</td>
<td>1,515,252</td>
<td>1,529,036</td>
<td>1,567,969</td>
<td>1,704,416</td>
<td><strong>¥1,704,416</strong></td>
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## Financial Position

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<tr>
<td><strong>Total assets (¥)</strong></td>
<td>3,294,190</td>
<td>3,634,489</td>
<td>3,758,386</td>
<td>3,710,423</td>
<td>3,780,699</td>
<td>3,868,411</td>
<td>4,390,074</td>
<td>4,548,822</td>
<td>5,077,148</td>
<td>5,374,277</td>
<td>5,570,750</td>
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## Indicators per Share

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<tr>
<td><strong>Earnings per share (EPS) (¥)</strong></td>
<td>85.5</td>
<td>99.4</td>
<td>95.1</td>
<td>68.3</td>
<td>56.8</td>
<td>57.0</td>
<td>67.6</td>
<td>87.5</td>
<td>103.8</td>
<td>119.1</td>
<td>133.4</td>
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<tr>
<td><strong>Book-value per share (BPS) (¥)</strong></td>
<td>1,073.8</td>
<td>1,105.1</td>
<td>1,113.8</td>
<td>1,147.2</td>
<td>1,161.2</td>
<td>1,227.5</td>
<td>1,344.9</td>
<td>1,451.1</td>
<td>1,894.3</td>
<td>1,945.4</td>
<td>2,008.4</td>
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<tr>
<td><strong>Dividends (¥)</strong></td>
<td>14.00</td>
<td>20.00</td>
<td>22.00</td>
<td>22.00</td>
<td>22.00</td>
<td>22.00</td>
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## Financial Indicators

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<tr>
<td><strong>ROA (%)</strong></td>
<td>5.50</td>
<td>5.53</td>
<td>5.06</td>
<td>3.41</td>
<td>3.39</td>
<td>3.55</td>
<td>3.66</td>
<td>4.07</td>
<td>4.10</td>
<td>4.13</td>
<td>4.58</td>
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<tr>
<td><strong>ROE (%)</strong></td>
<td>8.35</td>
<td>9.12</td>
<td>8.57</td>
<td>6.05</td>
<td>4.92</td>
<td>4.78</td>
<td>5.27</td>
<td>6.26</td>
<td>6.37</td>
<td>6.20</td>
<td>6.75</td>
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<tr>
<td><strong>Debt/Equity ratio</strong></td>
<td>5.30</td>
<td>5.06</td>
<td>4.57</td>
<td>3.25</td>
<td>3.30</td>
<td>3.30</td>
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## Group and Environmental Data

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<tbody>
<tr>
<td><strong>Consolidated companies</strong></td>
<td>132</td>
<td>139</td>
<td>133</td>
<td>130</td>
<td>135</td>
<td>140</td>
<td>174</td>
<td>181</td>
<td>201</td>
<td>211</td>
<td>216</td>
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<tr>
<td><strong>Companies accounted for by the equity method</strong></td>
<td>49</td>
<td>44</td>
<td>45</td>
<td>42</td>
<td>44</td>
<td>45</td>
<td>47</td>
<td>52</td>
<td>56</td>
<td>64</td>
<td>67</td>
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<tr>
<td><strong>No. of employees</strong></td>
<td>13,299</td>
<td>14,789</td>
<td>15,476</td>
<td>15,922</td>
<td>16,289</td>
<td>16,666</td>
<td>17,377</td>
<td>16,595</td>
<td>16,799</td>
<td>17,205</td>
<td>17,713</td>
<td></td>
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<tr>
<td><strong>Energy usage (Crude oil equivalent 1,000 kl/year)</strong></td>
<td>188.1</td>
<td>342.3</td>
<td>367.7</td>
<td>241.2</td>
<td>260.9</td>
<td>270.1</td>
<td>217.7</td>
<td>226.6</td>
<td>241.4</td>
<td>252.4</td>
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<tr>
<td><strong>CO2 emissions (Thousands of tons)</strong></td>
<td>396.9</td>
<td>725.7</td>
<td>783.8</td>
<td>411.6</td>
<td>439.5</td>
<td>468.4</td>
<td>469.2</td>
<td>486.5</td>
<td>502.3</td>
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<tr>
<td><strong>Water usage (Thousand m3)</strong></td>
<td>3,396</td>
<td>6,047</td>
<td>6,248</td>
<td>5,256</td>
<td>5,332</td>
<td>4,931</td>
<td>4,683</td>
<td>5,176</td>
<td>4,719</td>
<td>5,044</td>
<td>5,074</td>
<td></td>
</tr>
</tbody>
</table>

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1. Real property for sale = Real property for sale + real property for sale in progress + land for development + advances paid for purchases
2. Interest-bearing debt = Short-term debt + non-recourse short-term debt + commercial paper + bonds redeemable within one year + non-recourse bonds redeemable within one year + corporate bonds + non-recourse corporate bonds + long-term debt + non-recourse long-term debt
3. ROA = (Operating income + non-operating income)/average total assets over the period
4. ROE = Profit attributable to owners of parent/average shareholders’ equity over the period
5. Debt/Equity ratio = Interest-bearing debt/shareholders’ equity
6. Energy usage values up to and including fiscal 2008 have all been uniformly calculated with the current conversion factor (9.97 GJ/thousand kWh) to reflect a change in the conversion factor.
How do you view your results for fiscal 2016?

In the year ended March 31, 2017, the Leasing segment saw an increase in both revenue and profit, due to an increase in rental revenue with progress in raising and revising rents at existing office buildings, and the effects of full-year operations at new retail facilities opened in the previous fiscal year. The Property Sales segment also saw revenue and profit rise with an increase in the reported number of units and improved profit margins in the Property Sales to Individuals category, and with growth in the sale of properties including offices, retail and logistics facilities. As a result, revenue from operations rose ¥136.4 billion year on year, to ¥1,704.4 billion, while operating income rose by ¥30.2 billion to ¥232.6 billion, and ordinary income was up by ¥37.0 billion to ¥199.6 billion. Profit attributable to owners of parent was ¥131.8 billion, an increase of ¥14.0 billion. Both revenue and profit set new records, and both profit attributable to owners of parent and net income in the Group’s core segments of Leasing, Property Sales and Management were a full year ahead of schedule in achieving the targets set out in Innovation 2017 Stage II. I believe this was the result not only of a strong real estate market, but of our steady execution of our three basic strategies of customer-centered management, business model innovation, and full implementation of Group management, as well as our efforts to increase corporate value.

Please explain the progress over the past year on the growth strategies outlined in Innovation 2017 Stage II.

Create Neighborhoods

Through its Nihonbashi Life Science Innovation Promotion Project, Mitsui Fudosan has worked to create new industries in the life science domain. In March 2016, Mitsui Fudosan and a number of partners in academia also founded Life Science Innovation Network Japan (known as “LINK-J”), and today, events and symposiums held primarily by LINK-J attract large numbers of people involved in the life science field from industry, government and academia. Through these efforts, recognition of Nihonbashi as a “mecca” for the life sciences has increased, and life sciences-related companies, universities, research institutions and others, both domestic and foreign, are collecting there at an accelerated pace. To bolster our business and expand our business domain, Mitsui Fudosan is also active in co-creation of business with startups, with the goal of creating new industries. The various support systems we provide for connecting venture companies with large corporations, and our track record in doing so, have been well received, and our 31VENTURES Club has grown into a community of more than 300 members. Some startup companies have already successfully entered into tie-ups with the Group and with other major companies, and their business is expanding. In investing, we have taken stakes in venture companies, both inside and outside Japan, through our corporate venture capital (CVC) fund, and invest in multiple other venture capital funds ourselves. We go beyond simple investing and working to support and develop startups by also providing places to work and business matching opportunities. As part of boosting our existing office business, we also recently launched the WORKSTYLING Project, multi-site shared offices for corporate clients. WORKSTYLING goes beyond simply providing office space, to offer a detailed range of solution services based on the Group’s cumulative expertise. Mitsui Fudosan’s concept of creating work places appropriate for a new age has been well received, and shortly after the launch we have already signed up a number of companies, marking a good start for the project.

Further Develop the Retail Facilities Business

In the year ended March 31, 2017, the retail market in Japan struggled with a declining consumer mindset, poor weather and a drop in inbound demand, and overall, sales at existing shopping centers and department stores fell below those of the previous year. Amid these conditions, Mitsui Fudosan’s retail facilities have built a reputation for quality locations and an attractive tenant mix, and LaAport Shonan Hirasuka, which opened in October 2016, has continued to perform strongly since its opening. Even at existing facilities, our various efforts to promote customer traffic have been successful and revenue at these facilities was largely on par with last year’s levels. Nevertheless, going forward the rise of e-commerce is expected to intensify competition, and Mitsui Fudosan will be working to further strengthen efforts aimed at increasing the profitability of its retail facilities, not only leveraging their individual appeal and distinct characteristics to differentiate them and boost competitiveness and Mitsui Fudosan will drive customer traffic by utilizing ICT with its Mitsui Shopping Card member base of more than 9 million people. In new developments, meanwhile, we hope to continue capturing new business opportunities, as we carefully select quality locations, densely populated and with outstanding access to convenient transportation.

Expand the Logistics Facilities Business and Implement a Model for Joint Value Creation with Investors

Logistics facilities developed by Mitsui Fudosan have gained a reputation not only for their location and specifications, but for the variety of tenant services that enhance added value, and all facilities completed in fiscal 2016 are now fully leased. Given this strong
business environment, in August 2016 Mitsui Fudosan Logistics Park Investment Corporation publicly listed its shares. This move takes the total assets of our five related REITs beyond the V2 trillion mark, which we believe has contributed significantly to investment market expansion.

In the near term, the investment market remains strong, backed by a low-interest fund raising environment, but at the same time, the property acquisition environment has grown even more challenging. Under these conditions, Mitsui Fudosan succeeded in capturing multiple new various asset-type deals at home and abroad, and as a result, was able to ensure a balance of inventory for sale to investors as of the end of fiscal 2016 in excess of the previous year. Armed with our buying power, we hope to continue acquiring business opportunities, while contributing to the further growth of the investment market by providing a stable supply of properties.

**Strengthen the Competitiveness of the Housing Business**

The near-term housing market has seen a rise in prices, and particularly in regional and suburban markets, customers are careful in buying homes, and taking longer to consider those purchases. That said, visitors to our sales centers continue to arrive with a strong purchasing mindset, and sales of high-end condominiums in central Tokyo, as well as high added-value condominiums in large scale and redevelopment projects, continue to be strong. Even in sales of existing homes, the number of contracts closed in the greater Tokyo metropolitan area in 2016 exceeded those for newly-built homes, and the Group’s brokerage business, Mitsui Realhouse, performed strongly in fiscal 2016, setting a new record for transaction volume. Going forward, customer needs in the housing market are expected to diversify and grow more sophisticated, against a backdrop of population declines, a maturing society and an aging population. I thus believe that for profits in the residential business to grow, it is important that in addition to the “hard” side—housing itself—we also consider how best to deliver on the “soft” side, in terms of lifestyle-related services. Group companies responsible for our residential business must therefore work together to provide customers with seamless products and services, and to accomplish that, in April 2017 we established a new Homes and Lifestyle Promotion Division. Going forward, this division will be central to formulating and promoting long-term strategy for the residential business, with the goal of deepening mutual cooperation between Group companies and further enhancing profitability.

**Expand the Hotel and Resort Business**

In fiscal 2016, we opened two new Mitsui Garden Hotels, in Nagoya and in Kyobashi. The occupancy rates at both are running higher than initially expected and business is strong as the hotels achieve their targeted average daily rates (ADR) as well. While a slowdown in the rise in occupancy rates can be seen in some areas of the hotel market, as domestic demand struggles to grow and options for accommodations diversify, the Mitsui Garden Hotel brand has built a strong reputation for location and quality not only within the inbound segment, but also in the upper-middle segment domestically. The hotels maintain a steady occupancy rate in excess of 90%, and successful revenue management has put ADR on a continuing upward trend. In terms of investment, we are moving forward with steady acquisition of new projects and are quickly closing in on our initial target of having 10,000 rooms under management by fiscal 2020.

**Dramatic Growth in the Overseas Business**

In North America and Europe, conditions remain highly uncertain, as the UK prepares to leave the European Union and, in the U.S., as the new administration advances policy in a more conservative direction. Projects currently underway at Mitsui Fudosan, however, are highly competitive, and at this point the impact of these uncertainties remains limited, with both office leasing and housing sales seeing solid progress. Additionally, in the U.S., we are working with a new partner to acquire our first condominium for sale there, in New York, and have also acquired our first rental housing project in the Washington D.C. area. In Asia, meanwhile, Mitsui Outlet Park Linkou, which opened in Taiwan in January 2016, has continued to enjoy strong sales since its opening. With the opening of an MRT station in March, the number of visitors has increased, and going forward, revenue from the facility is expected to grow. In terms of investment, business opportunities acquired include two new retail facilities in Taiwan, in addition to a hotel business which will be Mitsui Fudosan’s first directly-operated hotel in Asia. Going forward, we hope to expand the hotel business to a level on par with our residential and retail facilities businesses.

**Medium-Term Business Plan “Innovation 2017 Stage II” (Fiscal 2015–2017)**

**Vision**

Be a leader that creates markets and grows continuously in Japan and secure a solid position globally

**Basic strategies**

- Further strengthen the competitiveness of our domestic business
- Evolve the office building business
- Further develop the retail facility business
- Create neighborhoods
- Expand the logistics facilities business
- Strengthen the competitiveness of the housing business
- Expand the hotel and resort business
- Implement a model for joint value creation with investors
- Dramatic growth in the overseas business

**Growth strategies**

- Create neighborhoods
- Evolve the office building business
- Further develop the retail facility business
- Expand the logistics facilities business
- Strengthen the competitiveness of the housing business
- Expand the hotel and resort business
- Implement a model for joint value creation with investors
- Dramatic growth in the overseas business

**Shareholder returns**

- Basic policy for shareholder returns
- Dividends

Mitsui Fudosan aims to pay approximately 25% of annual profit attributable to owners of parent in dividends on a consolidated basis.

**Investment plan**

- Mitsui-Fudosan’s earnings in the overseas business to grow globally by combining our strengths with those of business partners in North America and Europe

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- Mitsui-Fudosan’s earnings in the overseas business to grow globally by combining our strengths with those of business partners in North America and Europe

**Medium-Term Business Plan**

- **Fiscal 2015–2017**

**Growth strategies**

- Create neighborhoods
- Evolve the office building business
- Further develop the retail facility business
- Expand the logistics facilities business
- Strengthen the competitiveness of the housing business
- Expand the hotel and resort business
- Implement a model for joint value creation with investors
- Dramatic growth in the overseas business

**Shareholder returns**

- Basic policy for shareholder returns
- Dividends

Mitsui Fudosan aims to pay approximately 25% of annual profit attributable to owners of parent in dividends on a consolidated basis.
Can you describe the WORKSTYLING Project, the multi-site shared offices for corporate clients you launched in April 2017?

Key Points of WORKSTYLING

- Contract System for Companies
  Contracts are limited to corporate clients. Client employees may use any base on a 10-minute time share basis, and a dedicated web app allows for easy management of use and employee attendance for those working outside of the company.

- Security
  Only individuals authorized by their companies may use the bases. A concierge stationed at the reception desk and encrypted WiFi service ensure a high level of security.

- User Experience
  A variety of spaces are available, and bases are equipped with teleconferencing systems. Concierge services are provided, and business support tools are available for lending.

- Bases Spreading Nationwide
  Plans call for more new bases to be established in fiscal 2017, to approx. 30 locations in major cities nationwide. All bases are available to registered users of corporate clients.

Please give us your outlook for business performance in fiscal 2017.

In fiscal 2017, we expect to again set new records for revenue and profit. Revenue is expected to rise by ¥85.5 billion year on year to ¥1,790.0 billion, operating income to rise by ¥12.3 billion to ¥245.0 billion, and profit attributable to owners of parent by ¥10.0 billion. Fiscal 2017 is an important year, both as the last fiscal year of our current Medium-Term Business Plan, and as a time to lay the foundations for the next Medium-Term Business Plan, and we are working to ensure we reach those targets.

Would you please describe your policy for shareholder returns.

Mitsui Fudosan makes every effort to maintain and increase dividends within the framework of business conditions, performance and its financial situation, while aiming to expand retained earnings for the purpose of investing in high-margin businesses in order to further enhance corporate value. The Company is targeting a dividend payout ratio of around 25% of annual profit attributable to owners of parent in dividends on a consolidated basis. Taking into consideration a comprehensive range of factors including the Company’s performance in fiscal 2016 and the aforementioned dividend policy, Mitsui Fudosan has decided to pay a fiscal year-end cash dividend of ¥18 per share, bringing the annual cash dividend to ¥36 per share for the fiscal year ended March 31, 2017. In the fiscal year ending March 31, 2018, Mitsui Fudosan is planning to pay an annual cash dividend of ¥36 per share (including an interim dividend of ¥18 per share).

Finally, what message do you have for shareholders and investors?

In terms of the outlook for socioeconomic conditions going forward, continued growth is forecast in the U.S. economy, driven primarily by domestic private-sector demand, while the European economy is also expected to continue its gradual recovery. At the same time, rising uncertainties can be seen in political and economic trends in the U.S. under a new administration; in political and economic conditions in Europe, including Brexit and other problems; and in the future of China and as well as emerging nations around the world; and rising geopolitical risk. In Japan, against a background of a recovering global economy, corporate profits are expected to improve as exports increase and capital investment picks up, and inbound demand is expected to deliver further expansion, but we nevertheless need to pay even closer attention to global political, economic and financial market movements. We expect major changes in the conditions surrounding our business as ICT evolves at an accelerated pace and diversity progresses, bringing even greater variety to the way people live and work, and creating new business opportunities. To respond to that change, Mitsui Fudosan itself needed to diversify. Aspects of that include promoting an active role for women and employing and developing global human resources. In addition, we needed to make a greater effort in regard to workstyle reforms, putting in place an environment in which personnel of diverse values and lifestyles can work together and be highly successful and continue to drive the creation of new value.

The Mitsui Fudosan Group continues to be a leader with the concept of creating markets and growing in Japan while securing a solid position globally. To that end, we are working to create new value by putting into practice our three basic strategies of customer-centered management, business model innovation, and full implementation of Group management, as we continue moving earnestly toward achieving the targets set out in Innovation 2017 Stage II. Domestically, in response to changing customer needs associated with Japan’s maturing society, we will introduce innovations to our business model as we shift from being a “real estate solutions partner” to becoming a “business and lifestyle solutions partner.” Overseas, our efforts to achieve dramatic growth will involve combining our strengths as a developer with the strengths of partners well-versed in markets in each country, leveraging regional attributes in North America, Europe and Asia to build a highly stable portfolio with abundant growth potential.

We will also continue working to enhance corporate governance, including strengthening internal controls, while at the same time contributing to urban development and protection of the global environment under our &Earth Environmental Principles to build a society that enriches both people and the planet. In this way, we endeavor to increase corporate value and fulfill our social responsibilities as a corporate citizen.

President and Chief Executive Officer
Mitsui Fudosan Co., Ltd.
Business Summary

Mitsui Fudosan owns and operates a wide range of quality office buildings, as well as shopping centers, outlet malls and other types of retail facilities nationwide, primarily in the Tokyo metropolitan area. Many of the properties are located in prime urban areas, and welcome tenants from a diverse range of industries, tenants with which Mitsui Fudosan has built strong relationships.

Revenue from operations (FY ended March 2017)
¥536,518 million
(YoY +¥27,339 million)

Operating income (FY ended March 2017)
¥135,774 million
(YoY +¥11,661 million)

Analysis of Revenue from Operations

Revenue from operations
Office buildings
Retail facilities
Other

YoY comparison
Office buildings
Retail facilities
Other

About 41% of the Leasing segment’s overall revenue is derived from the retail facilities business. The facilities business and the highly reliable office buildings sector with its many industry-leading tenants provide a stable foundation for earnings in the Leasing segment. In addition to offices and retail facilities, Mitsui Fudosan is developing a wide range of asset types, including in the logistics facilities business and rental housing business that will further accelerate growth of the Leasing segment.

Revenue by Area

Office buildings

Approximately 79% of non-consolidated office building revenue comprises properties in the five wards of central Tokyo, where demand for office space is strongest. About 92% derives from the Tokyo metropolitan area as a whole. The office portfolio consists primarily of quality office spaces with outstanding business continuity planning (BCP) capabilities. The vacancy rate for Mitsui Fudosan office buildings in metropolitan Tokyo as of the end of March 2017 was 3.4% on a non-consolidated basis.

Revenue by Area
(FY ended March 2017; non-consolidated)

Office buildings
Retail facilities
Other

80%
100%
20%

Property Sales
Retail facilities

Located in major metropolitan and surrounding areas, the Company’s shopping centers are key hubs for regional communities, offering functionally to meet the diverse lifestyles of a broad range of ages. At existing retail facilities, meanwhile, further large-scale renovations and expansion in anticipation of future market needs ensures facilities remain attractive, helping to maintain their high revenue-generating capacity and profitability.

Retail Facility Revenue by Category (FY ended March 2017)

Sales at Mitsui Fudosan Retail Facilities

### Major New Projects

#### Major New Projects (Managed)

<table>
<thead>
<tr>
<th>FY Completed</th>
<th>Project Name</th>
<th>Name owned property</th>
<th>Location</th>
<th>Store Floor Space (Approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>MITSUI OUTLET PARK JAZZ CREAM NAGASHIMA (Phase III)</td>
<td>NAGASHIMA Music Park</td>
<td>Kawanoe, Mie</td>
<td>6,200 m²</td>
</tr>
<tr>
<td>2017</td>
<td>MITSUI OUTLET PARK JAZZ CREAM NAGASHIMA (Phase IV)</td>
<td>NAGASHIMA Music Park</td>
<td>Kawanoe, Mie</td>
<td>6,200 m²</td>
</tr>
<tr>
<td>2018</td>
<td>MITSUI OUTLET PARK NAGOSHI KOBEE</td>
<td>NAGOSHI Music Park</td>
<td>Nagoya, Aichi</td>
<td>9,900 m²</td>
</tr>
<tr>
<td>2018</td>
<td>MITSUI OUTLET PARK JAZZ CREAM NAGASHIMA (Phase V)</td>
<td>NAGASHIMA Music Park</td>
<td>Kawanoe, Mie</td>
<td>6,200 m²</td>
</tr>
<tr>
<td>2020</td>
<td>RETAIL FACILITY DEVELOPMENT PROJECT IN TOYOSHI, AICH</td>
<td>NAGOSHI Music Park</td>
<td>Nagoya, Aichi</td>
<td>TBD</td>
</tr>
<tr>
<td>2020</td>
<td>MITSUI OUTLET PARK TAICHUNG PORT</td>
<td>TAICHUNG Music Park</td>
<td>Taichung, Taiwan</td>
<td>33,000 m²</td>
</tr>
<tr>
<td>2021</td>
<td>MITSUI OUTLET PARK JAZZ CREAM NAGASHIMA (Phase VI)</td>
<td>NAGASHIMA Music Park</td>
<td>Kawanoe, Mie</td>
<td>6,200 m²</td>
</tr>
<tr>
<td>2021</td>
<td>MITSUI OUTLET PARK TAICHUNG PORT</td>
<td>TAICHUNG Music Park</td>
<td>Taichung, Taiwan</td>
<td>33,000 m²</td>
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Note: FY completed and store floor space may change in the future. Some project names are tentative.

### Major Development Projects (in and after FY2017) (continued)

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<tr>
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<th>Location</th>
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<tr>
<td>2017</td>
<td>MITSUI OUTLET PARK MITSU OUTFIT PARK DACHING PORT</td>
<td>DACHING Music Park</td>
<td>Tianjin, China</td>
<td>50,000 m²</td>
</tr>
<tr>
<td>2020</td>
<td>MITSUI OUTLET PARK MITSU OUTFIT PARK DACHING PORT</td>
<td>DACHING Music Park</td>
<td>Tianjin, China</td>
<td>50,000 m²</td>
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<tr>
<td>2021</td>
<td>MITSUI OUTLET PARK MITSU OUTFIT PARK DACHING PORT</td>
<td>DACHING Music Park</td>
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<td>50,000 m²</td>
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Note: FY completed and store floor space may change in the future. Some project names are tentative.
Property Sales

Mitsui Fudosan’s Property Sales segment consists of “Property sales to individuals,” which enjoys strong brand recognition domestically, and “Property sales to investors,” which involves the sale of income properties, including offices, retail facilities, logistics facilities, rental housing, etc., to outside investors.

Revenue from operations (FY ended March 2017) ¥488,710 million
(YoY +¥20,760 million)

Operating income (FY ended March 2017) ¥65,285 million
(YoY +¥20,760 million)

Mitsui Fudosan is engaged in the development and sale of high-value-added condominiums and detached housing on a nationwide scale. As represented by its development of condominiums, the Company is particularly strong in large-scale urban redevelopment projects, where it enjoys significant brand recognition.

Property Sales to Individuals

The Company develops office buildings, retail facilities, logistics facilities, rental housing and other income property for sale to diverse investors including J-REITs, private funds and institutional investors.

Property Sales to Investors

The Company develops office buildings, retail facilities, logistics facilities, rental housing and other income property for sale to diverse investors including J-REITs, private funds and institutional investors.

Property Sales

Mitsui Fudosan’s Property Sales segment consists of “Property sales to individuals,” which enjoys strong brand recognition domestically, and “Property sales to investors,” which involves the sale of income properties, including offices, retail facilities, logistics facilities, rental housing, etc., to outside investors.
Property Sales to Investors

Inventory of Property for Sales to Investors

(As of March 31, 2017)

- Office buildings in operation: 20%
- Retail facilities properties: 14%
- Logistics facilities properties: 8%
- Rental housing properties in operation: 6%
- Overseas rental housing properties in operation: 8%

Planned & under development: 45%

Top: ¥873.5 billion

Multiple Exit Strategies and a Model for Joint Value Creation with Investors

Mitsui Fudosan Group

To a diverse array of investors

Management contracts after sales

J-REITs managed by the Mitsui Fudosan Group

- AUM: ¥1,106.5 bn (14 properties)
- AUM: ¥297.4 bn (118 properties)
- AUM: ¥289.0 bn (32 properties)
- AUM: ¥75.5 bn (9 properties)

Private funds structured and managed by the Mitsui Fudosan Group

- Mitsui Fudosan Infrastructure Advisers Inc.: AUM: ¥1,312.0 bn
- Mitsui Fudosan Private REIT Inc.: AUM: ¥282.2 bn (44 properties)

Institutional investors, corporations, etc.

Total amount of AUM (on an appraised value basis) and properties owned as of March 31, 2017.

TOPICS

Logistics Facilities Business

Mitsui Fudosan quality moves forward on advanced facility development against a backdrop of third-party logistics and e-commerce growth at a time when requirements for logistics facilities are diversifying.

- Number of facilities under development and in operation/total floor space

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Location</th>
<th>Total Floor Space (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFLP Funabashi I</td>
<td>Funabashi, Chiba</td>
<td>198,000</td>
</tr>
<tr>
<td>MFLP Kashiwa</td>
<td>Kashiwa, Chiba</td>
<td>32,400</td>
</tr>
<tr>
<td>MFLP Yokohama Daikoku</td>
<td>Yokohama, Kanagawa</td>
<td>33,300</td>
</tr>
<tr>
<td>MFLP Hino</td>
<td>Hino, Tokyo</td>
<td>33,300</td>
</tr>
<tr>
<td>MFLP Hino</td>
<td>Hino, Tokyo</td>
<td>42,500</td>
</tr>
<tr>
<td>MFLP Funabashi I</td>
<td>Funabashi, Chiba</td>
<td>74,300</td>
</tr>
<tr>
<td>MFLP Kawasaki</td>
<td>Kawasaki, Kanagawa</td>
<td>74,100</td>
</tr>
<tr>
<td>MFLP Kashiwa</td>
<td>Kashiwa, Chiba</td>
<td>33,300</td>
</tr>
<tr>
<td>MFLP Funabashi I</td>
<td>Funabashi, Chiba</td>
<td>33,300</td>
</tr>
<tr>
<td>MFLP Atsugi</td>
<td>Atsugi, Kanagawa</td>
<td>43,400</td>
</tr>
<tr>
<td>MFLP Kashiwa</td>
<td>Kashiwa, Chiba</td>
<td>41,400</td>
</tr>
<tr>
<td>MFLP Takatsuki</td>
<td>Takatsuki, Osaka</td>
<td>122,000</td>
</tr>
</tbody>
</table>

Mitsui Fudosan Quality

Applying to logistics facilities the development expertise cultivated as a comprehensive developer of offices, retail facilities and more, demonstrates confidence for tenants and pursues comfort for workers at the facility, while showing consideration for harmony with the society and environment and providing facilities easy on the environment, we aim to realize a more affluent society together.

Public Listing of Mitsui Fudosan Logistics Park, Inc.

Mitsui Fudosan Logistics Park listed publicly on August 2, 2016.

Based on the principles of linking diverse values and coexisting in harmony with society, as symbolized by the Mitsui Fudosan logo, Mitsui Fudosan Logistics Park builds strong relationships with investors while aiming to maximize investment value.

- AUM: ¥75.5 billion
- Number of Facilities: 9 facilities

Major New Projects

(including owned facility and sub-leased properties)

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<tr>
<td>MFLP Funabashi I</td>
<td>Funabashi, Chiba</td>
<td>74,300</td>
</tr>
<tr>
<td>MFLP Kawasaki</td>
<td>Kawasaki, Kanagawa</td>
<td>74,100</td>
</tr>
<tr>
<td>MFLP Atsugi</td>
<td>Atsugi, Kanagawa</td>
<td>43,400</td>
</tr>
<tr>
<td>MFLP Kashiwa</td>
<td>Kashiwa, Chiba</td>
<td>41,400</td>
</tr>
<tr>
<td>MFLP Takatsuki</td>
<td>Takatsuki, Osaka</td>
<td>122,000</td>
</tr>
</tbody>
</table>

Each property has different features.
Management

The Management segment consists of the "Property management," which involves operation and management of office buildings, retail facilities and residential properties, as well as car park leasing, and "Brokerage, asset management, etc." which includes brokerage services for individuals such as those provided under the Mitsui Rehouse brand name and asset management services for J-REITs, etc. Both are fee-based businesses that do not involve investment and are therefore highly profitable and growing steadily.

Revenue from operations (FY ended March 2017) ¥347,672 million
Operating income (FY ended March 2017) ¥53,838 million

Property Management

Office buildings
Mitsui Fudosan Building Management Co., Ltd.
Number of Buildings under Management 634
Mitsui Fudosan Facilities Co., Ltd.
Number of Buildings under Management 371

Retail facilities
Mitsui Fudosan Retail Management Co., Ltd.
Number of Buildings under Management 60

Housing
Mitsui Fudosan Residential Lease Co., Ltd.
Number of Condominium Units under Management 257,902

Mitsui Fudosan Real Estate Lease Co., Ltd.
Number of Rental Housing Units for Lease (Thousands of units)

Mitsui Fudosan Residential Lease Co., Ltd.
Number of Condominium Units under Management (Thousands of units)

Mitsui Fudosan Residential Lease Co., Ltd.
Number of Car Parking Units under Management (Thousands of units)

Brokerage, Asset Management, etc.

This business provides contracted services such as management and operation for diverse assets including office buildings, retail facilities, and housing, as well as construction work to prepare for new tenants. We also operate a car park business under the Mitsui Rehouse brand.

In the brokerage business, we provide existing housing brokerage for individual customers and commercial real estate brokerage for corporate customers and others through Mitsui Rehouse. In the asset management business, we provide high-quality investment opportunities such as J-REITs and private funds, along with reliable asset management services.

New Brokerage Style

"Mitsui Rehouse 360° Support" provides a full standard service covering all aspects of real estate buying and selling from start to finish. It is a cutting-edge service for both sellers looking to sell property and buyers who seek to purchase property marketed by other companies through "Mitsui Rehouse," regardless of the type of agency contract involved.

TOPICS

Service Content

- Property check & support service
- Facility check & support service
- Replacements and repairs of breakdowns in main facilities
- Emergency response

* Conditions apply for all services. * Support is provided for two years from the date of handover.
Mitsui Home

Mitsui Home Co., Ltd., a sub-contractor of newly-built homes, leverages the warmth of wood using the “2x4 (two by four)” method with little load on the environment and superior quality and design.

This method has attracted attention for economic reasons such as comparatively lower construction costs and timeframes and its depreciation and amortization period when compared to using reinforced concrete, while it is also used in large-scale facilities such as medical and nursing care, welfare, education and retail facilities.

Revenue from operations (FY ended March 2017) ¥247,195 million (YoY +¥260 million)

Operating income (FY ended March 2017) ¥4,907 million (YoY +¥182 million)

Analysis of Revenue from Operations

<table>
<thead>
<tr>
<th>Category</th>
<th>FY Ended March 2017 (Millions of yen)</th>
<th>FY Ended March 2016 (Millions of yen)</th>
<th>Change (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Operations</td>
<td>60,246</td>
<td>57,189</td>
<td>3,057</td>
</tr>
<tr>
<td>Property Sales</td>
<td>22,867</td>
<td>22,763</td>
<td>103</td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>84,320</td>
<td>85,104</td>
<td>(784)</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mitsui Home provides design, supervising construction and sub-contracting construction of newly-built homes, as well as renovation and remodeling services for previously built homes, and enjoys an excellent domestic reputation and strong brand recognition. Mitsui Designtec Co., Ltd., a consolidated subsidiary, offers rental housing intermediary and property management services.

Note: The above revenue figures differ from those disclosed by Mitsui Home, because sales to the Mitsui Fudosan Group are deducted from Mitsui Home’s consolidated revenue from operations.

Facility Operations

Steady Capture of Business Opportunities to Achieve a 10,000-Room Hotel Business Scale

Under the Medium-Term Business Plan “Innovation 2017 Stage II,” the Mitsui Fudosan Group seeks to expand hotel operations to 10,000 guest rooms by FY2020 and is steadily acquiring business opportunities. Looking ahead, the Group will develop THE CELESTINE HOTELS, a new hotel brand in the high class domain.

Major New Projects

<table>
<thead>
<tr>
<th>FY Opened</th>
<th>Project Name</th>
<th>Location</th>
<th>Number of Guest Rooms (Approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Mitsui Garden Hotel Fukuoka</td>
<td>Chiku, Fukuoka</td>
<td>260</td>
</tr>
<tr>
<td>2017</td>
<td>Mitsui Garden Hotel Nagoya Premier</td>
<td>Nagoya, Aichi</td>
<td>320</td>
</tr>
<tr>
<td>2017</td>
<td>THE CELESTINE HOTEL KYOTO GINZA</td>
<td>Chiku, Kyoto</td>
<td>160</td>
</tr>
<tr>
<td>2018</td>
<td>Mitsui Garden Hotel Sapporo</td>
<td>Chiku, Sapporo</td>
<td>190</td>
</tr>
<tr>
<td>2018</td>
<td>Nagasaki Kourakuen 2 Chome Hotel Project</td>
<td>Shikisai-ku, Nagasaki</td>
<td>130</td>
</tr>
<tr>
<td>2019</td>
<td>Nipponbashi 2 Chome Hotel Project</td>
<td>Fukuzuka, Fukuoka</td>
<td>320</td>
</tr>
<tr>
<td>2020</td>
<td>Toyko 2nd District 2-1 Project</td>
<td>Koto-ku, Tokyo</td>
<td>230</td>
</tr>
<tr>
<td>2020</td>
<td>Taipei Zhongshan Ailing Hotel Plan</td>
<td>Taipei, Taiwan</td>
<td>300</td>
</tr>
</tbody>
</table>

Each FY opened and number of guest rooms may change in the future. Some project names are tentative.

Other

The Other segment includes the remodeling business, which primarily provides remodeling across a wide range of areas from private homes through to asset regeneration projects, and the Company’s five domestic mega-solar projects, which have been brought online successively since fiscal 2013.

Revenue from operations (FY ended March 2017) ¥84,320 million (YoY –¥784 million)

Operating income (FY ended March 2017) ¥5,994 million (YoY –¥1,168 million)
### Strategic Policy

**North America & Europe**
Continuously secure excellent business opportunities to expand the stable earnings base

**China & Southeast Asia**
Capture rapidly growing demand for quality housing and expanding consumption

### Overseas Business

Since the beginning of the 1970s, Mitsui Fudosan has expanded its overseas business, continuing to grow until now through offices, retail facilities, condominiums and rental housing. Combining its strengths as a general developer with the strengths of business partners with thorough understanding of each country’s market, the Company will build portfolios that leverage the different characteristics of North America, Europe, and China & Asia to provide stability and growth.

### Overseas Income

- **China & Asia**: 17%
- **Europe**: 12.7%
- **Domestic**: 61%
- **North America**: 12.7%
- **Overseas**: 17%

### Overseas Assets by Country

- **North America & Europe**
- **China & Southeast Asia**

### Business Summary

Each expected completion, rentable floor space and total number of units may change in the future.

Some project names are tentative. Includes joint development projects with codevelopers.

### Topics

- Television Centre Redevelopment Project (London)
- Citra Garden City / Citra Lake Suites (Indonesia)
- MITSUI OUTLET PARK Taichung (Phase 3)
- LaLaport Kuala Lumpur
- West Edge Tower (Seattle)
- White City Place Redevelopment Project (London)
Basic Approach to CSR

The practice and realization of "The Mitsui Fudosan Group aims to bring affluence and comfort to urban living," as outlined in our Group Statement, also precisely represents the crux of our CSR efforts. Taking this into consideration, we have identified the three themes of "the environment," "quality," and "challenges for creating new values and markets" as the cornerstones of our CSR endeavors. We are also focused on strengthening corporate governance and foundations of the business activities that support these initiatives.

Environment

We contribute to the global environment in accordance with the philosophy of "coexisting in harmony with society" as symbolized by "&." Principal Measures
- Providing environmentally-friendly products and services
- Promoting reduction of impact on the environment
- Promoting environmental management

Quality

We consistently maintain a customer-oriented stance and aim to provide safe and secure properties and services that fully satisfy our customers. Principal Measures
- Realizing customer satisfaction
- Providing safe and secure properties and services
- Communicating with customers

Challenges for Creating New Values and Markets

We contribute to social development through the creation of new values while parceling changes in society and the economy. Principal Measures
- Creating new values
- Providing innovative solutions

Basis for Business Activities

Compliance P. 50
Corporate Governance P. 48
Risk Management P. 50

Initiatives for the Environment

Contributing to the building of a society that realizes the sustainable development of human life is our corporate mission, and we think this is an important business challenge directly related to increasing corporate value. Positioning the promotion of business while addressing collaboration/cooperation with the community, reduction of environmental burden and improvement of security/safety/comfort as vital to "harmonious coexistence with the environment," we endeavor to create urban environments of enrichment and comfort and to contribute to the global environment.

The &EARTH Concept

The Group is committed to social and economic development as well as global environmental preservation under the principles of harmony and coexistence while working to link diverse values as represented by its "&" corporate logo.

Under our "&EARTH" principle, the Group recognizes the need to create neighborhoods that remain in tune with global environmental concerns. This principle therefore reflects our aim to help establish a society that enriches both people and the planet.

Reducing CO2/Conserving, Creating and Storing Energy

Our initiatives go beyond energy conservation efforts, as we offer buildings that reduce CO2 and are compatible with equipment that creates energy through solar power and co-generation systems and stores it in large-scale storage batteries. We are also involved in mega-solar projects as part of our energy creation business.

Mitsui Fudosan Group’s CSR

The Mitsui Fudosan Group seeks to link diverse values and coexist in harmony with society, as symbolized by the Mitsui Fudosan "&" logo, we will work to foster social and economic development as well as global environmental preservation.
The Mitsubishi Fudosan Group equates quality with efforts to provide a level of comfort, safety and security that fully satisfies its customers and to ensure the sustainable growth and development of society. On this basis, we are committed to developing urban areas that bring to fruition people-friendly environments by further enhancing quality.

**Initiatives for Quality**

The Mitsubishi Fudosan Group equates quality with efforts to provide a level of comfort, safety and security that fully satisfies its customers and to ensure the sustainable growth and development of society. On this basis, we are committed to developing urban areas that bring to fruition people-friendly environments by further enhancing quality.

**Acquiring LEED Certification**

Kashiwa-no-ha Smart City became the first in Japan to acquire Platinum certification, the highest rank under the international LEED-ND (Neighborhood Creation/Plan Certification) environmental certification program.

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**Nihonbashi Smart City Project**

Nihonbashi Muromachi 3rd District Project is a plan to install highly efficient large-scale gas cogeneration systems that use city gas as fuel, supplying electricity and heat both within and outside the Muromachi 3rd development district. The project will serve as a Specified Electric Utility, working to supply reliable electric power by generating power with gas, even in emergencies where grid power is disrupted. The Nihonbashi Smart City Project starting this initiative will promote energy saving and energy management in the surrounding area and seeks to advance neighborhood creation in harmony with an environment resilient against disaster.

Further, supplying heat through high-efficiency heat source equipment will allow surrounding areas to evolve into a neighborhood that coexists with the environment through energy savings and reductions in CO₂ emissions.

**UDCCK Wins Ishikawa Award from the City Planning Institute of Japan**

The Urban Design Center Kashiwa-no-ha (UDCCK), located in Kashiwa, Chiba Prefecture, offers urban design management through collaboration between the public and private sectors and academia. The City Planning Institute of Japan recognized UDCCK with its Ishikawa Award, which goes to individuals and organizations who contribute to progress and growth in urban planning.

**Kashiwa-no-ha Smart Center district energy operations base**

The award recipients, From left, Yoshikazu Kikuma, Managing Director and Executive Vice President, Mitsui Fudosan; Takeshi Ueno, Vice President, UDCCK; Kashiwa, Mayor of Kashiwa; Atsushi Deguchi, President, UDCCK; Horya Minoru, Vice President, UDCCK.

**Innovations for Creating New Values and Markets**

In creating new neighborhoods, we continue to create new value in keeping with the needs of the times. We also believe in the importance of continuing to enhance that value over time, with neighborhoods that are designed to get better with age. By offering solutions that capture current social and economic changes, we also work to create new markets.

**Collaboration with the Venture Community**

We are developing “31VENTURES,” a venture collaboration program that accelerates venture businesses through support for the formation of venture company communities pivoting on venture offices, as well as financial and business support.

We have established a ¥5.0 billion corporate venture capital (CVC) fund to strengthen the program, and have built a system to facilitate flexible investment. The goal is to create new innovation through venture support built around the three pillars of community, support and funding.

**Community-Building Initiatives**

**Nihonbashi Life Science Innovation Promotion Project**

In Nihonbashi, where many pharmaceutical companies have their offices, we continue to develop the Nihonbashi Life Science Innovation Promotion Project, which works to encourage and revitalize cooperation among industry, government and academia, both domestic and overseas, in the life science domain. In March 2016, we founded Life Science Innovation Network Japan, Inc. (LINK-J) to support the creation of open innovation.

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**Fukutoku Shrine and Fukutoku Garden**

The goal of rebuilding Fukutoku Shrine is to continue to build on the appeal of the strong community that has existed since centuries past in the Fukutoku area filled with office buildings. The shrine holds events centered on the people of the local community, including festivals and activities to promote commercial activities in the vicinity. In September 2016, we also opened Fukutoku Garden, a public oasis designed to bring comfort to people’s lives and new vigor to the area. Fukutoku Garden will also function as a space for local residents, groups and companies, with the goal of serving as a base for the creation of a new local community.

**Overview of Fukutoku Shrine and Fukutoku Garden**

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Initiatives for Social Contribution

The Group has formulated a Policy for Social Contribution Activities, which serves as a common standard for initiatives undertaken by each of the Group’s companies and divisions. Activities center primarily on the four fields of the global environment, local communities, culture and education, and international exchange.

Approach to the Global Environment

Care and Use of Group-Owned Forests

A system of forests is crucial to the sustainability of the earth and must be managed by companies in a way that is not only environmentally appropriate but also economically and socially beneficial. The Group actively engages in the use of forests by engaging in activities that respect their natural role.

- About 60% of forests in Japan are planted forests, and must be managed
- We conduct afforestation and other research.
- Timber from the forests is utilized as building materials in Group operations.
- We conduct afforestation and other research.

Map of Group-Owned Forests

Disaster Area Information Transmission and Exchange Base “Watasu Nihonbashi”

Mitsubishi Fudosan is engaged in a variety of ongoing initiatives, centered primarily on the “Watasu Nihonbashi,” a facility for transmitting and exchanging information to support the recovery of the Tohoku region from the Great East Japan Earthquake.

“Taiyo no Marché”

“Taiyo no Marché” is a marketplace held periodically in Kashiwa City, Chiba Prefecture.

Sports Contributions

Since 2016, Mitsubishi Fudosan has supported the Japan Wheelchair Rugby Federation as an official partner. We also offer support as official sponsors of the Japan women’s basketball team and of sports climbing.

Cosponsorship of the Sumida River Fireworks Festival

We have cosponsored and provided financial backing for the Sumida River Fireworks Festival on a continuing basis since 1985. This annual summer event is infused with traditional Tokyo culture.

Commitment to Local Society

Cycle of Forest Growth, Creation and Utilization

The Cycle of Forest Growth, Creation and Utilization is a set of standards and indices for objectively understanding and evaluating the sustainability of forest management; participants include 12 member countries, among them Japan and the U.S. The Forest Certification program conforms to the Montreal Process, while employing standards tailored to the natural and social role of forests in Japan.

Utilization of Timber from Forest-Thinning in Group-Owned Forests

- Growth: In planted forests, we thin and conduct scheduled planting as appropriate to facilitate the growth of healthy forests.
- Creation: With timber from forest-thinning, we create building materials, furniture and other products that are utilized in housing construction and other areas.
- Utilization: We utilize timber from forest-thinning in community building to create a sustainable cycle that involves both forests and people.

Commitment to Social Contribution Initiatives

In line with our Group Statement, “Bring affluence and comfort to urban living,” we contribute to society by revitalizing and creating urban areas, and engaging in various activities from a global perspective to offer affluence and comfort, with the aim of achieving the sustained development of society and the economy.

We are primarily involved in the four fields of the global environment, local communities, culture and education, and international exchanges.

We strive to achieve harmony with local communities.

We proactively make use of our own resources, including properties, networks, and personnel.

Commitment to Culture and Education

Cosponsorship of the Sumida River Fireworks Festival

We have cosponsored and provided financial backing for the Sumida River Fireworks Festival on a continuing basis since 1985. This annual summer event is infused with traditional Tokyo culture.

Commitment to International Exchange

Clothing Support Project

Unused clothing items are collected from retail properties operated by Mitsubishi Fudosan Group, and donated around the world through an NPO to refugees and other people affected by disasters.

Map of Group-Owned Forests
Human Resources Initiatives

Mitsui Fudosan actively conducts human resource management in the belief that the people are the most important drivers of new value creation for a real estate developer.

“Mitsui Fudosan Group aims to bring influence and comfort to urban living”—under this Group Statement, Mitsui Fudosan has provided diverse and innovative solutions and services in connection with business and living. Our people are the most important drivers in creating new value. The Company’s basic approach to human resource management is to create the stage on which employees may excel to sharpen professional knowledge and abilities and enhance team performance through the integration of diverse values and skills.

The Company aims to evolve into a business and lifestyle solutions partner and to achieve this goal, we are targeting the development of a diverse group of employees with both specialized, advanced business knowledge and broader perspectives not limited to a specific field of expertise. In more specific terms, we have established systematic and diverse training programs based on employee roles and abilities and the degree of individual skill development in areas from basic training as a working adult to specialized skills and general management awareness. In addition, we conduct overseas assignment training and language programs to develop human resources capable of performing at a high level globally both in our overseas business and in the borderless markets that are forming even in Japan.

Global Human Resource Development Framework

- Overseas language training (young/mid-career global training)
- Young employees (all young employees, in principle) and mid-career employees are sent overseas for a two to eight week program to strengthen their language ability and cultural sensitivity. Mid-career employees sent overseas for a two to eight week program have opportunities to develop a global perspective.
- Trainee program
- Every year employees are sent overseas to Europe, the U.S. or Asia for six months to one year through our overseas training program for interns or language training.

Examples of Education and Training Programs

- Growth and expansion of abilities and field of view
- Training through long-term assignments outside the company / Cross-expert training / Training on developing human resources / MIITZ1 / Support for acquiring IT Passport certification
- Enhancement of job performance and specialization
- Real estate brokerage training / Finance and accounting training / Various correspondence courses
- Growth as global human resources
- Overseas training (English-speaking countries, Chinese-speaking countries) / Overseas management training / Young/mid-career global training
- Fostering a mindset required of working adults
- Compliance training / Human rights awareness training / CSR training / Hassleless training
- Deepening awareness as organization member
- New employee training / New employee trainer training / Follow-up training for first- and second-year employees / Diversity management training for new managers

Diversity Initiatives

The "M" logo for the Mitsui Fudosan Group’s management philosophy symbolizes our commitment to linking diverse values and in harmony with society. We continue to enhance the organization to enable diverse personnel to maximize their abilities to meet the needs of a dramatically changing society and create new value.

Women’s Participation and Advancement

The Company is committed to being an organization that enables human resources with diverse values, talents and lifestyles to freely demonstrate their respective abilities. From the standpoint of women’s participation and advancement at the workplace in particular, we strive to maintain workplace conditions and systems that respect varied values and lifestyles and enable employees to continue working regardless of gender, life events or time restrictions.

Targets for Promoting Women’s Participation and Advancement

- We will provide workplace reforms to create the locational for participation and advancement by diverse human resources, including women.

Employing Seniors and People with Disabilities

Mitsui Fudosan is committed to the ongoing employment of people with disabilities, based partly on the standpoint of corporate social responsibility and diversity. We also actively work to continue employment of employees over 60 years of age and provide opportunities for them to perform. Many of our employees continue to utilize their experience and contribute even after the standard retirement age.

Work-life Balance Support

We work to create higher levels of value by embracing employee diversity and ensuring that each employee is able to maximize their individual abilities. Further, we believe that making more private time available to individual employees, for self-development and socializing with people outside the company, is crucial. To this end, we provide ongoing support for self-development and socializing with people outside the company.

Childcare Initiatives

To help employees with childcare balance their jobs and childcare responsibilities, we endeavor to maintain conditions that allow them to work with greater ease and confidence and better demonstrate their abilities. This includes establishing in-house daycare facilities, extending the childcare leave period beyond the legal requirement, introducing a home work program and providing assistance for childcare-related expenses. During the past 20 or more years, 100% of our full employees have returned to their jobs after taking childcare leave.

Initiatives for Workstyle Reform

The Company seeks to enable individuals to maximize the display of their experience and abilities, as it realizes this is indispensable for its sustainable development. We are moving ahead with workplace reforms by creating a foundation that enables human resources with diverse values and abilities to play an active role in realizing these goals. In April 2016, the Company established the Workstyle Innovation Department to consolidate and promote various existing initiatives. The Company aims to achieve great value creation through initiatives both for reforming awareness toward work in limited operation hours that enhance workplace quality for establishing various systems and work environments that support these.

The Three Pillars of Workstyle Reform

- Communicate information
  • Foster awareness of combined communication by managers
  • Be aware of the limits on future work
  • Provide ongoing awareness of the workplace by taking child-raising father training
- Improve the internal Wi-Fi
  • Infrastructure improvements
    • Lend smartphones, tablets and notepad PCs
    • Use business chat and internal SNS
- Improve work efficiency
  • Departmental support by the
    • Real estate business operation and new value creation
- Improve the work environment
  • Work environment improvements
    • Make the workplace more comfortable
    • Support employees with restrictions in their workplaces
    • Work at home system
    • Desk type equipment
    • Separate desks inside work areas
- Improve the work environment
  • Acquire "Kurenai" certification from the Ministry of Health, Labour and Welfare in fiscal 2014
- Improve the work environment
  • Home nursing care and personal assistance
    • Subsidize the cost of raising children or providing nursing care
    • Acquired certification in the large scale category (White Gold) under the 2017 Certified Health and Productivity Management Organization Recognition Program

Employee Health Management

Committed to a workplace environment that allows employees to work vitaly in harmony with their respective lifestyles, we established the Health Management Center, a dedicated organization responsible for employee health management and promotion, and set up a health consultation desk for employees to freely consult with. We are continuing in this way to improve working conditions and promote the physical and mental health of employees in collaboration with the Personnel Department, industrial physicians, public health nurses, and counselors.

Nursing Care Initiatives

To help employees providing nursing care for a family member balance these responsibilities with their job duties, we provide a number of related programs including a home work program and assistance for nursing care-related expenses. In addition, we established a Care Design Office staffed with professional care managers to serve as a dedicated internal division for nursing care and provide consulting to employees in connection with nursing care.

Initiatives for Workstyle Reform

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In order to achieve great value creation through initiatives both for reforming awareness toward work in limited operation hours that enhance workplace quality for establishing various systems and work environments that support these, we have introduced measures to improve work efficiency, improve the internal Wi-Fi, improve the work environment, foster awareness of combined communication by managers, be aware of the limits on future work, provide ongoing awareness of the workplace by taking child-raising father training, and promote various existing initiatives. The Company aims to achieve great value creation through initiatives both for reforming awareness toward work in limited operation hours that enhance workplace quality for establishing various systems and work environments that support these.

The Three Pillars of Workstyle Reform

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  • Foster awareness of combined communication by managers
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Corporate Governance

The Mitsubishi Fudosan Group takes a standpoint of sound, transparent and efficient management in the aim of building optimum corporate governance to earn the trust of all stakeholders.

Initiatives for Corporate Governance

- Introduced Outside Auditors
- Established Advisory Committee
- Established Introductions Outside Directors
- Established Corporate Auditor's Department
- Established Compensation Advisory Committee
- Established Nomination Advisory Committee

Corporate Governance Structure

Mitsubishi Fudosan has both a Board of Directors and a Board of Corporate Auditors and has also established a Compensation Advisory Committee and Nomination Advisory Committee to enhance transparency with regard to director compensation and nomination of directors. It has also adopted a corporate officer system to ensure the soundness and efficiency of management by separating and strengthening management and executive functions. Mitsubishi Fudosan also invites and appoints outside directors to strengthen the oversight functions of the directors and enhance management transparency further. Mitsubishi Fudosan has established an Advisory Committee consisting of experts from business and academia to diversify the perspective of management by providing a more comprehensive viewpoint. In addition, corporate auditors conduct audits to evaluate the status of business execution by directors while coordinating with the Corporate Auditor's Department, which serves as an internal audit department, and the outside auditors, as well as with the certified public accountant.

Moreover, steps have been taken to put in place the Mitsubishi Fudosan Group Compliance Policies, as well as a structure that will ensure that Group directors and employees engage in business activities in an appropriate manner.

Board of Corporate Auditors / Corporate Auditor's Department

The Board of Corporate Auditors, comprising five corporate auditors, including three outside auditors, formulates auditing policies and determines assignments. It also receives reports and discussion items on audits conducted according to these policies and assignments.

Note that the Corporate Auditor's Department has been established specifically to assist the corporate auditors with their work, and each corporate auditor has been assigned two dedicated employees.

Corporate Officer System

Mitsubishi Fudosan has introduced a corporate officer system with the aim of creating a business execution framework that best suits its operating environment and activities. By promoting the separation and reinforcement of the management and executive functions, the system enhances management soundness and efficiency. In addition, seeking to further reinforce the management of the Mitsubishi Fudosan Group, we have also introduced a Group corporate officer system, under which executives at Group companies are given a status and mission similar to those of the corporate officers.

Executive Management Committee

The Executive Management Committee, consisting of executive corporate officers, has been formed to deliberate and report on important matters related to business execution and supervises important social responsibility and risk management. Full-time corporate auditors also attend meetings to stay informed of important decision-making processes and the status of business execution, and provide opinions as necessary.

Reasons for the Appointment of Outside Directors and Outside Auditors

- Managing Director: Tony Yamada
  - Appointment: Appointed Tony Yamada as a managing director outside director in the expectation that he will draw on his abundant experience and broad knowledge as corporate manager to provide various opinions regarding the management of the Company towards strengthening supervisory functions and ensuring the transparency of the Board of Directors.
  - Appointed in June 2017

- Managing Director: Tatsuya Fujikawa
  - Appointment: Appointed Tatsuya Fujikawa as an executive director outside director in the expectation that he will draw on his abundant experience and broad knowledge as corporate manager to provide various opinions regarding the management of the Company towards strengthening supervisory functions and ensuring the transparency of the Board of Directors.
  - Appointed in June 2017

- Managing Director: Masahiro Iwamoto
  - Appointment: Appointed Masahiro Iwamoto as a managing director outside director in the expectation that he will draw on his abundant experience and broad knowledge as corporate manager to provide various opinions regarding the management of the Company towards strengthening supervisory functions and ensuring the transparency of the Board of Directors.
  - Appointed in June 2017

- Managing Director: Yasuhiko Kato
  - Appointment: Appointed Yasuhiko Kato as a corporate auditor outside auditor in the expectation that he will draw on his abundant experience as an accountant and specialized knowledge of accounting and tax law to assist the Board of Directors’ execution of duties.
  - Appointed in June 2017

- Managing Director: Yasumichi Masakatsu
  - Appointment: Appointed Yasumichi Masakatsu as a corporate auditor outside auditor in the expectation that he will draw on his abundant experience working in the Ministry of Finance and as a lawyer and specialized knowledge of law to assist the Board of Directors’ execution of duties.
  - Appointed in June 2017

- Managing Director: Yoko Oda
  - Appointment: Appointed Yoko Oda as an external director in the expectation that she will draw on her abundant experience in accounting and specialized knowledge of the Company Act to assist the Board of Directors’ execution of duties.
  - Appointed in June 2017

- Advisory Committee

- Financial Auditing

- Strategy Planning Special Committee

- Risk Management Special Committee

- Environmental Special Committee

- Board of Directors

- Compensation Advisory Committee

- Nomination Advisory Committee

Board of Directors Meetings and Board of Corporate Auditors Meetings
Progress in Establishing Internal Control and Risk Management Systems

The internal control system is managed as follows by promoting sound operation and ensuring the adequacy of business compliance with laws and regulations and the Company’s Articles of Incorporation.

**Risk Management Organization**

- **Executive Management Committee**
  - President and CEO
  - Executive Management Committee
- **Risk Management Special Committee (Administrative risk management)**
- **Strategy Planning Special Committee (Business risk management)**
- **Disaster Risk Management Department**
- **System Risk Management Department**
- **Crisis Management Committee**
- **Compliance/Management Department**
- **Perspective headquarters, departments, etc.**
- **Group companies**

**1. System to ensure that execution of business by directors conforms to laws and regulations and the Company’s Articles of Incorporation**

The Company is working to ensure compliance through formulation and implementation of a compliance promotion plan, based on its Compliance Rules and other internal rules. The Company has also established a Risk Management Special Committee and put in place a compliance structure to prevent violations of laws and regulations and its Articles of Incorporation.

**2. System related to storage and management of information concerning the execution of business by directors**

All information is appropriately stored and managed according to internal rules, including the Document Rules, the Information Management Rules and the Information System Management Rules.

**3. Regulations and other frameworks related to prevention of losses**

Based on Risk Management Regulations and other internal rules, the Executive Management Committee supervises and controls risk management items concerning the Company or the Mitsui Fudosan Group. It holds two committees charged with uncovering and comprehending risk issues and devising solutions for them—the Strategy Planning Special Committee, which handles business risk management, and the Risk Management Special Committee, which is responsible for management of administrative risk. In addition, the Crisis Management Sub委员会, which reports to the Risk Management Special Committee, was established to meet when necessary to respond to accidents and other highly urgent matters.

**4. Framework for ensuring that the business of directors is executed efficiently**

To promote the separation and strengthening of the management and executive functions for directors, the Company has adopted a corporate officer system, part of a framework intended to ensure that the business of directors is executed efficiently.

Concerning the execution of business based on decisions of the Board of Directors, internal rules, including organizational rules and rules governing administrative authority, set forth who is in charge and their responsibilities and promote efficient business by also setting forth procedures for execution.

**5. A system to ensure that the execution of business by employees conforms to laws and regulations and the Company’s Articles of Incorporation**

The Company is working to ensure compliance through formulation and implementation of a compliance promotion plan, based on its Compliance Rules and other internal rules. The Company has also established a Risk Management Special Committee and put in place a compliance structure to prevent violations of laws and regulations and its Articles of Incorporation. In addition, based on its Internal Control System Rules, the Company has established a point of contact for consultation on matters that have become subject to internal control and risk management, receives reports when necessary, and shares these at meetings of the Board of Directors or Affiliates Administration Rules and Overseas Affiliate Administration Rules, the Company seeks to ensure the efficient execution of business by directors of its subsidiaries, while management is based on approval and monitoring by Mitsui Fudosan. Each Group company also has in place a compliance framework and Internal Control System based on the Mitsui Fudosan Group Compliance Policies. The Internal Audit Department conducts audits of the subsidiaries’ compliance frameworks and their compliance with laws and regulations, and reports to the Board of Directors and the Board of Corporate Auditors.

**6. Framework for ensuring appropriate business practices by the corporate group comprising the Company and its subsidiaries**

Through appropriate management of its Subsidiaries and Affiliates Administration Rules and Overseas Affiliate Administration Rules, the Company seeks to ensure the efficient execution of business by directors of its subsidiaries, while management is based on approval and monitoring by Mitsui Fudosan. Each Group company also has in place a compliance framework and Internal Control System. The Board of Directors will further enhance its functions, while leveraging the results of this assessment. The Board of Directors will further enhance its functions, while leveraging the results of this assessment.

**7. Regarding a framework for providing an employee to assist corporate auditors with their duties, and for ensuring said employee’s independence from the directors and the validity of said employee’s instructions**

The Corporate Auditor’s Department has been established specifically to assist the corporate auditors with their work, and each corporate auditor has been assigned a dedicated employee. Said employee shall be under the chain of command of the corporate auditor, who shall also evaluate the employee’s performance. Transfer of said employee shall take place only upon prior discussion with the corporate auditor. The employee will be under the chain of command of the corporate auditor, who shall also evaluate the employee’s performance. Transfer of said employee shall take place only upon prior discussion with the corporate auditor.

**8. Frameworks for enabling directors and employees to report to the corporate auditors, for other reporting to the corporate auditors, and for ensuring that audits by the corporate auditors are conducted efficiently**

Corporate auditors attend meetings of the Board of Directors. Full-time corporate auditors also attend meetings of the Executive Management Committee, which oversees internal controls and risk management, receives reports when necessary, and shares these at meetings of the Board of Corporate Auditors. In addition, the corporate auditors receive regular audit reports from the Internal Audit Department and the Company’s certified public accountant, and exchange information to build cooperation. Matters that have become subject to internal control are reported to the corporate auditors as appropriate via the Risk Management Special Committee, and the Internal Control System.

**9. Framework for enabling directors, auditors and employees of subsidiaries, or individuals receiving reports from those listed, to report to corporate auditors, and for ensuring that individuals providing such reports will not, by reason of having made said report, be subject to detrimental treatment as a result**

Full-time corporate auditors attend meetings of the Executive Management Committee, which oversees internal controls and risk management, receives reports as necessary, and shares them with the Board of Corporate Auditors. They also work to exchange information as appropriate with the directors and auditors of the Company’s subsidiaries, either directly or through relevant departments, and receive progress reports on implementation of internal audits at subsidiaries. Matters subject to internal audit under the internal auditing system of each Group company are also reported to the Company’s corporate auditors as appropriate via the Risk Management Special Committee. Rules regarding each Group company’s internal auditing system contain provisions stating that the act of consulting corporate auditors shall not be reason for detrimental treatment of the person requesting consultation.

**10. Policies regarding procedures for pre-payment or reimbursement of expenses arising in the execution of the corporate auditors’ duties or related to processing of other expenses and liabilities arising from execution of those duties**

Expenses required for the execution of the corporate auditors’ duties shall be borne by the Company at cost.

**Compensation for Officers and Corporate Auditors**

Managing directors’ compensation consists of basic compensation in an amount within the scope set and approved by resolution of the 95th Ordinary General Shareholders’ Meeting, bonuses paid as short-term incentives that comprehensively take into consideration such things as business results achieved in each fiscal year which must be approved by resolution at the Ordinary General Shareholders’ Meeting, and stock options paid as medium-term incentives in an amount within the scope set and approved by resolution of the 95th Ordinary General Shareholders’ Meeting. Compensation paid to managing directors (outside directors) is solely basic compensation. Compensation paid to corporate auditors will be within the scope of the total amount approved by a resolution at the 95th Ordinary General Shareholders’ Meeting.

In addition, the Company has established the Compensation Advisory Committee, which the Board of Directors consults on managing directors’ compensation prior to decisions made at the Board of Directors. Compensation for the Company’s directors and corporate auditors for fiscal 2016 was as shown below.

**Compensation by Title, Amount of Compensation by Type and Number of Applicable Officers**

<table>
<thead>
<tr>
<th>Title</th>
<th>Total Compensation (Millions of Yen)</th>
<th>Basic Compensation</th>
<th>Stock Options</th>
<th>Bonus</th>
<th>Number of Applicable Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal directors</td>
<td>901</td>
<td>497</td>
<td>63</td>
<td>340</td>
<td>9</td>
</tr>
<tr>
<td>Full-time corporate auditors</td>
<td>95</td>
<td>95</td>
<td>—</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td>Outside directors and outside auditors</td>
<td>87</td>
<td>87</td>
<td>—</td>
<td>—</td>
<td>8</td>
</tr>
</tbody>
</table>

**Compensation of Directors Exceeding ¥100 Million**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Total Compensation (Millions of Yen)</th>
<th>Basic Compensation</th>
<th>Stock Options</th>
<th>Bonus</th>
<th>Total Compensation (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiroshi Izawa</td>
<td>Chairman of the Board and Chief Executive Officer</td>
<td>109</td>
<td>13</td>
<td>80</td>
<td>203</td>
<td></td>
</tr>
<tr>
<td>Masanobu Komoto</td>
<td>President and Chief Executive Officer</td>
<td>109</td>
<td>13</td>
<td>80</td>
<td>203</td>
<td></td>
</tr>
<tr>
<td>Yoshiaki Inuma</td>
<td>Managing Director and Executive Vice President</td>
<td>68</td>
<td>8</td>
<td>34</td>
<td>110</td>
<td></td>
</tr>
</tbody>
</table>

**Analysis and Assessment of the Effectiveness of the Board of Directors**

During a meeting of the Board of Directors on May 26, 2017, the Mitsui Fudosan Board of Directors conducted an analysis and assessment of the Board’s structure and operational status, confirmed that the Board of Directors has appropriately secured an assessment of effectiveness. The Board of Directors will further enhance its functions, while leveraging the results of this assessment.**
Management Team
(As of June 29, 2017)

Members of the Board

Hiromichi Iwasa
Chairman of the Board and Chief Executive Officer

Masanobu Komoda
President and Chief Executive Officer

Yasuo Onozawa
Managing Director

Masatoshi Satou
Managing Director

Hiroyuki Ishigami
Managing Director

Toshiaki Egashira
Managing Director

Ryu Yamashita
Managing Director (Outside Director)

Masafumi Nogimori
Managing Director (Outside Director)

Yoshikazu Kitahara
Managing Director and Executive Vice President

Kiyotaka Fujibayashi
Managing Director

As of June 29, 2017

Significant positions currently held, etc.
Outside Director, TOYKO Holdings Corporation

Shares in Company 60 thousand shares

Shares in Company 5 thousand shares

Shares in Company 1 thousand shares

Shares in Company 0 shares
Corporate Auditors

Hiroshi Asai
Senior Corporate Auditor
Shares in Company 10 thousand shares
Apr. 1976 Joined Company
Apr. 2009 Group Senior Officer, Mitsui Fudosan Co., Ltd., President and Chief Executive Officer, Mitsui Fudosan Investment Advisors, Inc.
Apr. 2011 Executive Managing Director
Jun. 2011 Executive Managing Director, Executive Managing Director
Apr. 2013 Managing Director, Executive Managing Director
Apr. 2015 Managing Director
Jun. 2015 Senior Corporate Auditor (current position)
Significant positions currently held, etc.
Outside Auditor, Imperial Hotel, Ltd.

Kenji lino
Senior Corporate Auditor
Shares in Company 12 thousand shares
Apr. 1978 Joined Company
Apr. 2008 Executive Managing Director, General Manager of Personnel Dept.
Apr. 2011 Executive Managing Director
Jun. 2011 Executive Managing Director, Executive Managing Director
Apr. 2013 Managing Director, Executive Managing Director
Apr. 2016 Managing Director
Jun. 2016 Senior Corporate Auditor (current position)
Significant positions currently held, etc.
Outside Auditor, Imperial Hotel, Ltd.

Yukimi Ozeki
Corporate Auditor (Outside Auditor)
Shares in Company 0 shares
Apr. 1999 Full-time Lecturer, Nagasaki University/Faculty of Economics
Aug. 2000 Research Scholar, University of Michigan Law School
Apr. 2004 Associate Professor, Komazawa University/Faculty of Law
Feb. 2009 Visiting Scholar, University of California, Berkeley, School of Law
Sep. 2015 Visiting Scholar, University of California, Berkeley, School of Law
Jun. 2016 Corporate Auditor, Mitsui Fudosan Co., Ltd. (current position)
Significant positions currently held, etc.
Professor, Sakai University Law School

Hiromichi Iwasa
Executive Managing Officer
Hironobu Komoda
Executive Managing Officer
Yoshikazu Kitahara
Executive Managing Officer
Kiyotaka Fujibayashi
Executive Managing Officer
Yasuo Onozawa
Executive Managing Officer
Shoichiro Kawamoto
Executive Managing Officer
Masatoshi Satou
Executive Managing Officer
Hiroyuki Ishigami
Executive Managing Officer
Takashi Yamamoto
Executive Managing Officer
Masatoshi Ozaki
Executive Managing Officer
Akihiko Funakoa
Executive Managing Officer

Group Officers

Yasuhiko Yamashiro
Group Senior Officer
Mitsui Fudosan Co., Ltd.
Tooru Inoue
Group Officer
Mitsui Fudosan Reform Co., Ltd.
Shoji Tomikawa
Group Officer
Mitsui Fudosan Investment Advisors, Inc.
Hideki Moriya
Group Officer
Mitsui Fudosan Residential Co., Ltd.
Akira Ikeda
Group Officer
Mitsui Fudosan Residential Co., Ltd.
Takao Yamada
Group Officer
Mitsui Fudosan Residential Co., Ltd.
Yasushi Endo
Group Officer
Mitsui Fudosan Co., Ltd.
### Operating Conditions and an Overview of Results

In fiscal 2016, the year ended March 31, 2017, the Japanese economy continued to recover gradually, underpinned by strong corporate earnings and signs of an upturn in capital investment, despite some signs of weakness in consumer spending against the backdrop of continuing improvements in the employment and wage environment. However, uncertainties were also evident, including large volatility in the financial markets due to the U.K.’s decision to withdraw from the European Union, political and economic trends under the new U.S. administration, and heightened geopolitical risk.

In the real estate sector, the office building leasing market saw continued improvements in vacancy rates in central Tokyo and major regional cities. Asking rents also continued to increase, albeit by a small margin. Conditions in the retail facilities leasing market showed signs of treading water, particularly in apparel sales, as consumers continue to shift the qualitative focus of their spending from “things” to “experiences.” Meanwhile, e-commerce continued to expand. In property sales in the housing business, the market showed signs of a shift in homebuyers’ purchasing trends. Notably, the number of existing condominium sales surpassed the supply of new housing due to the impact of a low supply of new housing and higher housing prices. In the real estate investment market, the J-REIT market saw the listing of seven new J-REITs including Mitsui Fudosan Logistics Park Inc. REITs acquired more real estate assets as the Bank of Japan eased its monetary policy. This drove the asset value of Japan’s 58 listed J-REITs to exceed ¥16 trillion as of March 31, 2017. Meanwhile, the asset value of Japan’s 22 open-ended private placement REITs surpassed ¥2.1 trillion. As a result, the total asset value of J-REITs and open-ended private placement REITs reached ¥18.1 trillion.

In this operating environment, to continue to grow as a company into the 2020s, the Mitsui Fudosan Group is pursuing (1) further strengthening of domestic business competitiveness and (2) dramatic growth in overseas business as the pillars of Innovation 2017 (Stage II) Mitsui Fudosan Group’s Medium-Term Business Plan for FY2015 through FY2017. Based on this plan, the Group has been working to create value by carrying out the three basic strategies: (1) customer-centered management, (2) business model innovation, and (3) full implementation of Group management.

As a result, revenue from operations in fiscal 2016 was ¥1,704.4 billion, up 8.7%, or ¥136.4 billion, compared with the previous fiscal year. In the “Leasing” segment, the main contributors were increased rental revenue from existing office buildings, and full-term contributions from retail facilities opened in fiscal 2015. In the “Property Sales” segment, the main contributors were a higher reported number of units and improved profit margins in the “Property Sales to Individuals” category and growth in property sales in the “Property Sales to Investors” category. Operating income rose ¥30.2 billion, or 14.9%, to ¥232.6 billion. Ordinary income increased ¥37.0 billion, or 20.3%, year on year to ¥219.6 billion. Profit attributable to owners of parent increased 12.0%, or ¥14.0 billion, to ¥131.8 billion.

### Breakdown of Businesses by Reporting Segment

<table>
<thead>
<tr>
<th>Reporting Segment</th>
<th>Reporting Sub-Segment</th>
<th>Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasing</td>
<td></td>
<td>Office Buildings, Office building leasing business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retail Facilities, Retail facility leasing business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others, Leasing of logistics facilities, rental housing and other properties</td>
</tr>
<tr>
<td>Property Sales</td>
<td>Property Sales to Individuals</td>
<td>Sales of condominiums and detached housing</td>
</tr>
<tr>
<td></td>
<td>Property Sales to Investors</td>
<td>Sales of real estate for investment (offices, retail facilities, logistics facilities, rental housing and other properties)</td>
</tr>
<tr>
<td>Management</td>
<td>Property Management</td>
<td>Facility operation and management, car park leasing, and others</td>
</tr>
<tr>
<td></td>
<td>Brokerage, Asset Management, etc.</td>
<td>Brokerage of existing housing, management of assets of J-REITs, and others</td>
</tr>
<tr>
<td>Mitsui Home</td>
<td></td>
<td>Construction contracting of new homes and others</td>
</tr>
<tr>
<td>Other</td>
<td>Facility Operations</td>
<td>Hotels and resorts business, golf course management, and others</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>Housing remodel, mega-solar business, and others</td>
</tr>
</tbody>
</table>

### Financial Analysis

#### Revenue from Operations

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>1,484</td>
<td>1,512</td>
<td>1,528</td>
<td>1,542</td>
<td>1,504</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>117.7</td>
<td>131.8</td>
<td>100.1</td>
<td>76.8</td>
<td>60.4</td>
</tr>
</tbody>
</table>

#### Operating Income

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>148.1</td>
<td>172.5</td>
<td>186.0</td>
<td>202.4</td>
<td>220.8</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>117.7</td>
<td>131.8</td>
<td>100.1</td>
<td>76.8</td>
<td>60.4</td>
</tr>
</tbody>
</table>
Segment Information

Leasing
In fiscal 2016, revenue from operations in the “Leasing” segment overall rose ¥27.3 billion from the previous fiscal year and operating income increased ¥11.6 billion. This was mainly due to increased rental revenue from existing office buildings and full-term contributions to revenue of retail facilities opened in fiscal 2015, along with revenue contributions from the opening of LaPorton SHONAN HRATSUKA.

The vacancy rate for the Company’s office buildings located in the Tokyo metropolitan area was 3.4% on a non-consolidated basis as of March 31, 2017.

<table>
<thead>
<tr>
<th>Office Buildings and Retail Facilities</th>
<th>Revenue</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Buildings</td>
<td>¥291,674</td>
<td>¥298,685</td>
</tr>
<tr>
<td>Retail Facilities</td>
<td>203,360</td>
<td>221,253</td>
</tr>
<tr>
<td>Total Leased Floor Space (1,000 m²)</td>
<td>4,823</td>
<td>4,836</td>
</tr>
<tr>
<td>Office Buildings</td>
<td>1,622</td>
<td>1,586</td>
</tr>
<tr>
<td>Managed</td>
<td>1,177</td>
<td>1,182</td>
</tr>
<tr>
<td>Retail Facilities</td>
<td>1,500</td>
<td>1,509</td>
</tr>
<tr>
<td>Managed</td>
<td>523</td>
<td>559</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>14,144</td>
<td>15,579</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>509,179</td>
<td>536,518</td>
</tr>
<tr>
<td>Operating Income</td>
<td>124,112</td>
<td>135,774</td>
</tr>
</tbody>
</table>

Revenue from Operations Operating Income

Vacancy Rate for Tokyo Metropolitan Area Office Buildings (Non-Consolidated)

Property Sales
In the “Property Sales to Individuals” category, revenue and income both increased mainly due to a higher reported number of units and increased profit margins. In the “Property Sales to Investors” category, sales of properties such as logistics facilities grew. Consequently, revenue from operations in the “Property Sales” segment as a whole increased by ¥97.1 billion from the previous fiscal year and operating income rose ¥20.7 billion.

<table>
<thead>
<tr>
<th>Property Sales to Individuals</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Operations</td>
<td>¥391.5</td>
</tr>
<tr>
<td>Operating Income</td>
<td>488.7</td>
</tr>
<tr>
<td>Property Sales to Investors</td>
<td></td>
</tr>
<tr>
<td>Condominiums</td>
<td></td>
</tr>
<tr>
<td>Tokyo Metropolitan Area</td>
<td>¥217,751</td>
</tr>
<tr>
<td>Units</td>
<td>3,385</td>
</tr>
<tr>
<td>Other</td>
<td>35,686</td>
</tr>
<tr>
<td>Units</td>
<td>1,006</td>
</tr>
<tr>
<td>Subtotal</td>
<td>253,438</td>
</tr>
<tr>
<td>Detached Housing</td>
<td></td>
</tr>
<tr>
<td>Tokyo Metropolitan Area</td>
<td>¥38,070</td>
</tr>
<tr>
<td>Units</td>
<td>682</td>
</tr>
<tr>
<td>Other</td>
<td>3,767</td>
</tr>
<tr>
<td>Units</td>
<td>51</td>
</tr>
<tr>
<td>Subtotal</td>
<td>41,845</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Material Sales</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>¥96,293</td>
</tr>
<tr>
<td>Operating Income</td>
<td>102,591</td>
</tr>
<tr>
<td>Revenue from Operations</td>
<td>¥40,519</td>
</tr>
<tr>
<td>Operating Income</td>
<td>44,525</td>
</tr>
<tr>
<td>Property Sales to Investors</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
</tr>
<tr>
<td>2012</td>
<td>235</td>
</tr>
<tr>
<td>2013</td>
<td>183</td>
</tr>
<tr>
<td>2014</td>
<td>215</td>
</tr>
<tr>
<td>2015</td>
<td>390</td>
</tr>
<tr>
<td>2016</td>
<td>390</td>
</tr>
</tbody>
</table>

Fiscal Year-end Inventories (Property Sales to Individuals)

Management
In the “Property Management” category, revenue and income increased mainly due to an increase in the number of management contracts. In the “Brokerage and Asset Management, etc.” category, the number of brokerage units handled increased in the “Mitsui Rehouse” (brokerage business for individuals) business. However, income decreased in backswing from increases in commissioned sales of housing and project management fees recorded by Mitsui Fudosan Residential Co., Ltd. in fiscal 2015. As a result, revenue from operations in the “Management” segment as a whole increased ¥13.0 billion from the previous fiscal year, and operating income rose ¥1.3 billion.

Mitsui Home
Revenue decreased due to a decline in the balance of orders received at the beginning of the period in the “New Construction” category, despite higher revenue in the “Reform Renewal” category. However, the gross profit margin improved in the “New Construction” category. As a result, revenue from operations in the “Mitsui Home” segment as a whole declined ¥0.2 billion, while operating income increased ¥0.1 billion.

<table>
<thead>
<tr>
<th>Property Management</th>
<th>Revenue</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>247,183</td>
<td>255,738</td>
</tr>
<tr>
<td>2016</td>
<td>29,956</td>
<td>32,559</td>
</tr>
<tr>
<td>Brokerage, Asset Management, etc.</td>
<td>Revenue</td>
<td>Operating Income</td>
</tr>
<tr>
<td>2015</td>
<td>87,469</td>
<td>97,933</td>
</tr>
<tr>
<td>2016</td>
<td>21,288</td>
<td>21,290</td>
</tr>
<tr>
<td>Total</td>
<td>334,562</td>
<td>347,672</td>
</tr>
<tr>
<td>Operating Income</td>
<td>52,446</td>
<td>53,838</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(FY)</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>NY1</td>
<td>NY1</td>
</tr>
<tr>
<td>NY2</td>
<td>NY2</td>
</tr>
</tbody>
</table>

New Construction
Revenue decreased due to a decline in orders in the “New Construction” category. Revenue and operating income decreased ¥13.0 billion from the previous fiscal year.

<table>
<thead>
<tr>
<th>(FY)</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>NY1</td>
<td>NY1</td>
</tr>
<tr>
<td>NY2</td>
<td>NY2</td>
</tr>
</tbody>
</table>

Reform/Renewal
Revenue and operating income decreased ¥1.3 billion from the previous fiscal year.

<table>
<thead>
<tr>
<th>(FY)</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>NY1</td>
<td>NY1</td>
</tr>
<tr>
<td>NY2</td>
<td>NY2</td>
</tr>
</tbody>
</table>

Leasing Management
Revenue and operating income decreased ¥1.3 billion from the previous fiscal year.

<table>
<thead>
<tr>
<th>(FY)</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>NY1</td>
<td>NY1</td>
</tr>
<tr>
<td>NY2</td>
<td>NY2</td>
</tr>
</tbody>
</table>

Operating Income

Vacancy Rate for Tokyo Metropolitan Area Office Buildings (Non-Consolidated)

Other
Strong performance in hotel operations was outweighed by a decline in orders in the remodeling business. Consequently, revenue from operations in the “Other” segment as a whole decreased ¥0.7 billion year on year and operating income decreased ¥1.1 billion.

<table>
<thead>
<tr>
<th>(FY)</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>NY1</td>
<td>NY1</td>
</tr>
<tr>
<td>NY2</td>
<td>NY2</td>
</tr>
</tbody>
</table>
Consolidated Financial Position

Assets
As of March 31, 2017, total assets were ¥5,570.7 billion, an increase of ¥196.4 billion from the end of the previous fiscal year. This was mainly due to an increase of ¥166.4 billion in real property for sale (including real property for sale in progress, land for development and advances paid for purchases). There was a decrease of ¥1.1 billion in tangible and intangible assets due to depreciation and amortization, and the impact of foreign exchange rates at overseas subsidiaries, despite new investments in projects such as the OH-1 Project by Mitsui Fudosan and 55 Hudson Yards Project by the Mitsui Fudosan America Group.

Capital expenditures were ¥173.7 billion and depreciation and amortization was ¥71.3 billion.

Liabilities
Interest-bearing debt (the total of short-term debt, non-recourse short-term debt, commercial paper, bonds redeemable within one year, non-recourse bonds redeemable within one year, corporate bonds, non-recourse bonds, long-term debt, and non-recourse long-term debt) stood at ¥2,297.4 billion on an overall consolidated basis as of March 31, 2017, an increase of ¥61.2 billion from the end of the previous fiscal year.

Mitsui Fudosan has established committed lines of credit totaling ¥280.0 billion with several financial institutions to ensure access to funds and adequate liquidity. The Company had not accessed these lines of credit as of the balance sheet date.

Net Assets
Total net assets as of March 31, 2017 were ¥2,056.9 billion, an increase of ¥67.8 billion compared with the end of the previous fiscal year. This increase was mainly attributable to increases of ¥82.1 billion in retained earnings. The equity ratio as of March 31, 2017 fell to 35.6% from 35.8% at the end of the previous fiscal year, while the debt/equity ratio declined to 1.15 times from 1.16 times. Net assets per share had increased to ¥2,008.47 from ¥1,945.41 as of the previous fiscal year-end.

Consolidated Cash Flows

As of March 31, 2017, cash and cash equivalents were ¥148.5 billion, an increase of ¥38.5 billion from the end of the previous fiscal year.

Cash Flows from Operating Activities
Operating activities provided net cash of ¥227.4 billion. Cash provided included income before income taxes of ¥192.2 billion and depreciation and amortization of ¥71.3 billion. This more than offset cash used, including an increase in real property for sale and advances paid for purchases, which used net cash of ¥59.5 billion.

Cash Flows from Investing Activities
Investing activities used net cash of ¥201.5 billion. The main use of cash was purchases of property and equipment of ¥168.5 billion.

Cash Flows from Financing Activities
Financing activities provided net cash of ¥15.0 billion. Cash was mainly provided by proceeds from debt.

Rental Properties
Mitsui Fudosan and some of its consolidated subsidiaries have rental properties including office buildings and retail facilities in the Tokyo metropolitan area and other areas. Profit on such properties amounted to ¥117.9 billion in fiscal 2015 and ¥130.0 billion in fiscal 2016 (rental revenue is reported in revenue from operations and rental expenses are reported in cost of revenue from operations). Meanwhile, the Mitsui Fudosan Group incurred a loss on disposal of property and equipment of ¥0.2 billion in fiscal 2015 and ¥0.8 billion in fiscal 2016, as well as an impairment loss of ¥14.2 billion in fiscal 2016 (loss on disposal of property and equipment and impairment loss are reported as other expenses). The carrying amount recorded on the consolidated balance sheets, the change during the fiscal year, and the market value of these properties are as follows:

<table>
<thead>
<tr>
<th>(¥ million)</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Properties</td>
<td>¥2,489,932</td>
<td>¥2,648,353</td>
</tr>
<tr>
<td>Carrying Amount Recorded on the Consolidated Balance Sheets</td>
<td>Increase (Decrease) During the Period</td>
<td>(3,296)</td>
</tr>
<tr>
<td>Balance as of the Beginning of the Period</td>
<td>¥2,489,932</td>
<td>¥2,648,353</td>
</tr>
<tr>
<td>Balance as of the End of the Period</td>
<td>¥2,489,932</td>
<td>¥2,648,353</td>
</tr>
<tr>
<td>Market Value at the End of the Period</td>
<td>¥4,228,439</td>
<td>¥4,228,439</td>
</tr>
<tr>
<td>Difference</td>
<td>1,912,177</td>
<td>1,912,177</td>
</tr>
</tbody>
</table>

FINANCIAL SECTION/CORPORATE DATA

FINANCIAL SECTION/CORPORATE DATA
Shareholder Returns

Mitsui Fudosan makes every effort to maintain and increase dividends within the framework of business conditions, performance and its financial situation, while aiming to expand retained earnings for the purpose of investing in high-margin businesses to further enhance corporate value. The Company is targeting a dividend payout ratio of around 25% of profit attributable to owners of parent.

Taking into consideration a comprehensive range of factors including the Company's performance in fiscal 2016 and the aforementioned dividend policy, Mitsui Fudosan has decided to pay a cash dividend of ¥18 per share, bringing the annual cash dividend to ¥34 per share for fiscal 2016. In fiscal 2015, the annual cash dividend was ¥150 per share, comprising interim and fiscal year-end cash dividends.

Outlook for Fiscal 2017 (Year Ending March 31, 2018)

In fiscal 2017, Mitsui Fudosan is expected to report another year of historic highs in revenue from operations, operating income, ordinary income and profit attributable to owners of parent.

Revenue from operations is projected to reach ¥1,790.0 billion, up ¥85.5 billion year on year. Operating income is estimated to climb ¥12.3 billion to ¥245.0 billion and ordinary income is estimated to increase ¥7.3 billion to ¥227.0 billion. Profit attributable to owners of parent is forecast to grow ¥9.1 billion to ¥140.0 billion.

Segment Forecasts

Leasing: While overall revenue from operations is forecast to climb ¥10.4 billion, operating income is projected to decline ¥0.7 billion. The increase in revenue from operations is largely attributable to the increase in rents at existing office buildings as well as full-term contributions from those retail facilities that opened during the fiscal year under review. In contrast, the forecast decline in operating income reflects the impact of such factors as the increase in expenses in line with the newly opened the Hibiya Project.

Property Sales: Revenue from operations in the “Property sales to individual” category is anticipated to decrease owing mainly to a downturn in the reported number of units. Operating income, on the other hand, is expected to increase on the back of improvements in the profit margin. After factoring in the forecast increase in revenue from operations and operating income in the “Property sales to investors” category, revenue from operations and operating income in the “Property Sales” segment as a whole is estimated to climb ¥55.2 billion and ¥16.7 billion, respectively.

Management: Revenue from operations in the “Management” segment as a whole is projected to improve ¥12.3 billion compared with the fiscal year under review. In contrast, operating income is forecast to decline ¥1.8 billion year on year. These forecasts reflect a variety of factors including ongoing firm trends in the “Mitsui Rehouse Business” (“Brokerage” business for individuals), while a decline in consignment sales income at Mitsui Fudosan Residential.

Other: In the “Other” segment as a whole, revenue from operations is anticipated to increase ¥3.6 billion compared with the fiscal year ended March 31, 2017. Operating income, on the other hand, is expected to increase slightly. While trends in the “Hotel operation” business are forecast to remain strong, this slight decline in operating income largely reflects the impact of expenses associated with the opening of new hotels.

Dividends

The Company plans to pay a cash dividend of ¥36 per share for the fiscal year ending March 31, 2018, comprising interim and year-end dividends of ¥18 per share.

Risk Information

The operations of the Mitsui Fudosan Group are subject to a number of risks, some of which are outlined below along with issues that may not necessarily constitute risk factors but may still influence investor decisions. These risk factors and issues are identified from among matters that may have a bearing on the Group’s business performance and operating conditions, as well as financial position and other aspects. The forward-looking statements in this report were determined by the Group as of March 31, 2017.

Trends in Economic Conditions

Trends in economic conditions influence demand for the office buildings and retail facilities that the Group owns and manages in Japan and overseas, while employment and economic conditions also influence demand among individuals for housing. Other factors include trends in real estate market conditions, which can trigger a slump in land and other property prices. A downturn in economic conditions in Japan or overseas may therefore exert a material impact on the Mitsui Fudosan Group’s performance and the value of its assets. Moreover, a drop in the value of investment securities held may cause the Group’s financial condition to deteriorate.

Interest Rates

Higher interest rates in the future could increase the Mitsui Fudosan Group’s funding costs, raise the returns investors expect from real estate investments and reduce demand among individuals for housing, and may therefore exert a material impact on the Mitsui Fudosan Group’s performance and the value of its assets. Moreover, the interest rates applicable to interest-bearing debt may be affected by changes in the Group’s credit ratings.

Changes in Real Estate Taxes

Future changes in real estate taxes that increase the cost of owning, acquiring or selling real estate or reduce consumer willingness to purchase housing may exert a material impact on the Mitsui Fudosan Group’s performance and the value of its assets.

Changes in Real Estate and Finance Laws

Future changes in laws or regulations relevant to Mitsui Fudosan’s businesses, including the Building Standard Law, the City Planning Act and the Financial Instruments and Exchange Law, could have consequences such as producing new obligations, increasing costs and limiting asset ownership rights. These factors may exert a material impact on the Mitsui Fudosan Group’s performance by reducing the value of its assets and limiting the scope of its operations.

Real Estate Development and Other Related Activities

Instances where the Mitsui Fudosan Group engages in real estate development and other activities, excluding those cases where the Group’s directors and employees are directly involved, may be affected by many factors outside of our control including contracting with third parties with specialized skills such as construction companies, increases in the price of land and development costs, and inadequacies relating to such key activities as construction. These factors may then lead to an unexpected substantial increase in expenditure or give rise to the delay or suspension of a project. Accordingly, unforeseen circumstances may exert a material impact on the Mitsui Fudosan Group’s performance.
## Major Properties

### 1 LEASING SEGMENT

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Property Name</th>
<th>Location</th>
<th>Type of Property</th>
<th>Structure and Scale</th>
<th>Total Floor Area (m²)</th>
<th>Start Date of Construction</th>
<th>Date of Construction / Acquisition</th>
<th>Total Floor Area (m²)</th>
<th>Start Date of Construction</th>
<th>Date of Construction / Acquisition</th>
<th>Total Floor Area (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFC Co., Ltd.</td>
<td>Koisu Building (Chuo Ward, Tokyo)</td>
<td>Office</td>
<td>Steel-reinforced concrete structure / reinforced concrete (portion)</td>
<td>7 floors above ground / 2 basement floors</td>
<td>13,300</td>
<td>Feb. 1985</td>
<td>50</td>
<td>121,103</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MFC Co., Ltd.</td>
<td>Ishikawa Mitsui Building (Chuo Ward, Tokyo)</td>
<td>Office</td>
<td>Steel-reinforced concrete structure (portion)</td>
<td>22 floors above ground / 4 basement floors</td>
<td>10,960</td>
<td>Jul. 2005</td>
<td>147</td>
<td>21,920</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MFC Co., Ltd.</td>
<td>Kurume Fudosan Building (Chuo Ward, Tokyo)</td>
<td>Office, Retail</td>
<td>Steel-reinforced concrete structure (portion)</td>
<td>17 floors above ground / 4 basement floors</td>
<td>25,367</td>
<td>Feb. 2014</td>
<td>313</td>
<td>74,687</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MFC Co., Ltd.</td>
<td>Yuzu Mitsui Building (Chuo Ward, Tokyo)</td>
<td>Office</td>
<td>Steel-reinforced concrete structure / reinforced concrete (portion)</td>
<td>7 floors above ground / 2 basement floors</td>
<td>26,516</td>
<td>Jan. 2013</td>
<td>190</td>
<td>24,448</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MFC Co., Ltd.</td>
<td>Marusaya Mitsui Building (Chiyoda Ward, Tokyo)</td>
<td>Office</td>
<td>Steel-reinforced concrete structure</td>
<td>23 floors above ground / 2 basement floors</td>
<td>45,125</td>
<td>Mar. 2003</td>
<td>82</td>
<td>37,302</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company Name</td>
<td>Property Name (Location)</td>
<td>Type of Property</td>
<td>Structure and Scale</td>
<td>Total Land Area (m²)</td>
<td>Total Building Area (m²)</td>
<td>Total Floor Area (m²)</td>
<td>Total Floor Area (%)</td>
<td>Total Floor Area (m²)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LaLaport Ebina</strong> (Shiba City, Kanagawa Prefecture)</td>
<td>Retail facility</td>
<td>Steel construction 4 floors above ground</td>
<td>Apr. 2002</td>
<td>37,834*1</td>
<td>3,067*1</td>
<td>6,210</td>
<td>14,566</td>
<td>130</td>
<td>20,986</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LaLaport Mitsui Building (Kusatsu City, Shiga Prefecture)</strong></td>
<td>Retail facility</td>
<td>Steel construction 4 floors above ground</td>
<td>Dec. 2016</td>
<td>31,257</td>
<td>5,226</td>
<td>2,485</td>
<td>9,875</td>
<td>56</td>
<td>12,416</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LaLaport TOYOKO-BLD (Kusatsu City, Shiga Prefecture)</strong></td>
<td>Retail facility</td>
<td>Steel construction 4 floors above ground</td>
<td>Feb. 2015</td>
<td>123,568</td>
<td>152,055</td>
<td>20,971</td>
<td>10,365</td>
<td>1,547</td>
<td>32,983</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LaLaport FUKURO (Fukuoka City, Fukuoka Prefecture)</strong></td>
<td>Office</td>
<td>Steel construction 17 floors above ground</td>
<td>Aug. 2007</td>
<td>37,834*1</td>
<td>2,976*1</td>
<td>304</td>
<td>14,242</td>
<td>2</td>
<td>14,550</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Nagoya Mitsui Building Min Building (Nagoya City, Aichi Prefecture)</strong></td>
<td>Office</td>
<td>Steel construction 17 floors above ground</td>
<td>Aug. 2002</td>
<td>71,269</td>
<td>4,456</td>
<td>6,994</td>
<td>12,131</td>
<td>401</td>
<td>21,527</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Nakamura Mitusu Building (Osaka City, Osaka Prefecture)</strong></td>
<td>Office, Retail facility</td>
<td>Steel construction / steel-reinforced concrete structure (portion) 37 floors above ground 2 basement floors</td>
<td>Mar. 2008</td>
<td>38,838*1</td>
<td>3,067*1</td>
<td>6,210</td>
<td>14,566</td>
<td>130</td>
<td>20,986</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sapporo Mitsui JP Building (Shimizu City, Hokkaido)</strong></td>
<td>Retail facility</td>
<td>Stock construction 3 floors above ground</td>
<td>Aug. 2014</td>
<td>47,741*1</td>
<td>3,861*1</td>
<td>10,948</td>
<td>6,707</td>
<td>288</td>
<td>17,945</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mitsui Fudosan Co., Ltd. (Overseas subsidiary)</strong></td>
<td>Office</td>
<td>Steel construction 14 floors above ground 3 basement floors</td>
<td>Dec. 1986</td>
<td>315,308</td>
<td>9,230</td>
<td>36,771</td>
<td>25,664</td>
<td>10</td>
<td>61,646</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mitsui Fudosan America, Inc. (Overseas subsidiary)</strong></td>
<td>Office</td>
<td>Steel construction 14 floors above ground 3 basement floors</td>
<td>Sep. 2008</td>
<td>177,407</td>
<td>1,082</td>
<td>16,076</td>
<td>12,991</td>
<td>29,267</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Land includes leased. Other is tangible fixed assets excluding buildings, land, and construction in progress.

1. Data for the buildings and land is calculated based on the area in which the Group (the Company and its consolidated subsidiaries) maintains an equity interest.
2. Land includes the area and amount corresponding to leasehold.
Mitsui Fudosan Co., Ltd.
Mitsui Fudosan Group activities have been selected and included based on their importance for stakeholders.
For more information, please refer to the website and various other forms of communication issued.

Corporate Website
http://www.mitsuifudosan.co.jp/english/