

FACT BOOK

For the Six Months Ended September 30, 2017

November 10, 2017



1-1, Nihonbashi Muromachi 2-chome, Chuo-Ku, Tokyo, 103-0022, Japan

<http://www.mitsuifudosan.co.jp/english/>

Corporate Data

(As of September 30, 2017)

Head Office:

1-1, Nihonbashi Muromachi 2-chome, Chuo-ku, Tokyo,
103-0022, Japan

Date of Establishment:

July 15, 1941

Share Capital:

¥339,766 million

Number of Issued and Outstanding Shares:

991,424,727

Stock Exchange Listings:

Tokyo (Code: 8801)

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Forward-Looking Statements

In this Fact Book, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks and uncertainties related to internal and external factors that may cause actual results and achievements to differ from those anticipated in these statements. Therefore, we do not advise potential investors to base investment decisions solely on this Fact Book.

CONSOLIDATED BUSINESS OVERVIEW

Results of Operations

(¥ millions)

	Six Months Ended September 30		Change
	2017	2016	
Revenue from Operations	¥721,787	¥810,979	¥(89,192)
Leasing	271,766	260,730	11,035
Property Sales	134,811	241,844	(107,032)
Management	171,108	166,209	4,899
Mitsui Home	101,671	103,483	(1,811)
Other	42,428	38,711	3,716
Operating Income	92,232	114,752	(22,520)
Leasing	72,595	68,586	4,008
Property Sales	14,791	39,936	(25,145)
Management	21,958	23,033	(1,075)
Mitsui Home	(3,455)	(3,173)	(282)
Other	3,270	2,759	511
Elimination or Corporate	(16,927)	(16,389)	(537)
Non-Operating Income/Expenses	(11,345)	(6,478)	(4,867)
Equity in Net Income/Loss of Affiliated Companies	(197)	1,051	(1,248)
Interest Income/Expense, in Net	(13,241)	(12,061)	(1,179)
Other, in Net	2,093	4,532	(2,438)
Ordinary Income	80,886	108,274	(27,388)
Extraordinary Gains/Losses	-	-	-
Extraordinary Gains	-	-	-
Extraordinary Losses	-	-	-
Income before Income Taxes	80,886	108,274	(27,388)
Income Taxes	33,051	36,077	(3,026)
Profit	47,835	72,197	(24,361)
Profit (Loss) Attributable to Non-Controlling Interests	(742)	(643)	(98)
Profit Attributable to Owners of Parent	¥48,577	¥72,840	¥(24,262)

◆ Overview

● In the six-month period under review, revenue and earnings improved in the “Leasing” segment. This was mainly due to the upward revision in rents at existing office buildings and sales growth at retail facilities. In the “Property Sales” segment, the Company recorded an upswing in revenue and earnings in the “Property Sales to Individuals” category owing primarily to increases in both the reported number of units and profit margins. Meanwhile, revenue and earnings declined in the “Property Sales to Investors” category. This downturn largely reflected the absence of any special factors such as the concentrated sales of logistics and other facilities, which occurred during the corresponding period of the previous fiscal year. Accounting for each of these factors, revenue from operations as a whole declined ¥89.1 billion, or 11.0% year on year, to ¥721.7 billion; operating income fell ¥22.5 billion, or 19.6%, to ¥92.2 billion; ordinary income decreased ¥27.3 billion, or 25.3%, to ¥80.8 billion; and profit attributable to owners of parent contracted ¥24.2 billion, or 33.3%, to ¥48.5 billion. The Company is making steady progress toward achieving its forecasts for the full fiscal year.

◆ Dividends

● The interim dividend is ¥18 per share (¥16 per share for the corresponding period of the previous fiscal year). This is unchanged from the forecast announced at the beginning of the period on May 12, 2017.

Progress Comparison with Full Year Forecasts

(¥ millions)

	Six Months Ended September 30, 2017	Year to March 2018 (Forecast as of May 12, 2017)	6-Month Results/Full-Year Forecast (%)
Revenue from Operations	¥721,787	¥1,790,000	40.3
Operating Income	92,232	245,000	37.6
Ordinary Income	80,886	227,000	35.6
Profit Attributable To Owners of Parent	¥48,577	¥140,000	34.7

Extraordinary Gains/Losses

(¥ millions)

Extraordinary Gains	-
Extraordinary Losses	-

Consolidated Statements of Comprehensive Income

(¥ millions)

	Six Months Ended September 30	
	2017	2016
Profit	¥47,835	¥72,197
Other Comprehensive Income	45,475	(79,507)
Valuation Difference on Available-For-Sale Securities	47,835	(40,275)
Deferred Gains or Losses on Hedges	37	(17)
Foreign Currency Translation Adjustment	(3,371)	(30,900)
Remeasurements of Defined Benefit Plans, Net of Tax	928	881
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	45	(9,195)
Comprehensive Income	¥93,310	¥(7,310)
(Comprehensive Income Attributable to Owners of the Parent)	93,987	(6,185)
(Comprehensive Income Attributable to Non-Controlling Interests)	(676)	(1,124)

【Reference】 Nonconsolidated Operating Income/Expenses (Mitsui Fudosan)

(¥ millions)

		Six Months Ended September 30		Change
		2017	2016	
Revenue from Operations	Leasing	¥257,002	¥249,765	¥7,236
	Property Sales	25,242	40,564	(15,321)
	Other	16,665	37,881	(21,215)
	Total	298,910	328,211	(29,301)
Gross Profit Margin (%)	Leasing	20.8	20.1	0.7pt
	Property Sales	26.5	19.2	7.3pt
	Other	41.5	77.6	(36.1)pt
Operating Income		¥52,648	¥72,991	¥(20,342)

SEGMENT RESULTS

[1] LEASING

	Six Months Ended September 30		Change
	2017	2016	
Revenue from Operations	¥271,766	¥260,730	¥11,035
Operating Income	72,595	68,586	4,008

	Year to March 2018 (Forecast as of May 12, 2017)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2017
Revenue from Operations	¥547,000	49.7	¥536,518
Operating Income	135,000	53.8	135,774

● For the six-month period under review, revenue from operations rose ¥11.0 billion compared with the corresponding period of the previous fiscal year, and operating income increased ¥4.0 billion year on year. This increase in revenue and earnings was mainly due to the upward revision in rents at existing office buildings, the full-term contribution from LaLaport SHONAN HIRATSUKA which came into operation during the previous fiscal year, and sales growth at existing retail facilities.

● The vacancy rate for the Company's office buildings located in the Tokyo metropolitan area was 2.3% on a non-consolidated basis as of September 30, 2017.

		At September 30		Change	
		2017	2016		
Office Buildings and Retail Facilities	Revenue	Office Buildings	¥150,294	¥146,384	¥3,909
		Retail Facilities	111,827	106,145	5,681
	Total Leased Floor Space (1,000 m ²):		4,966	4,837	129
	Office Buildings	Owned	1,689	1,619	70
		Managed	1,174	1,172	2
Retail Facilities	Owned	1,539	1,497	42	
	Managed	565	549	16	
Other	Revenue	9,644	8,200	1,444	
Total Revenue			¥271,766	¥260,730	¥11,035

	9/2017	3/2017	3/2016	3/2015	3/2014
Consolidated					
Office Buildings and Retail Facilities (including overseas)	2.4	3.1	2.2	3.2	3.5
Non-consolidated					
Tokyo Metropolitan Area Office Buildings	2.3	3.4	2.6	3.2	3.3
Regional Area Office Buildings	3.4	2.3	3.1	4.1	4.3

Major Projects during the Period (six-month total)

(NEWLY OPENED)

I Angel Court (City of London, UK)	Office building completed in March 2017
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(FULL-TERM CONTRIBUTION)

MITSUI OUTLET PARK LINKOU (New Taipei City, Taiwan)	Retail facility opened in January 2016
LaLaport SHONAN HIRATSUKA (Hiratsuka, Kanagawa)	Retail facility opened in October 2016
Sophia University Bldg. No. 6 (Sophia Tower) (Chiyoda-ku, Tokyo)	Office building completed in January 2017

【Reference】 Non-consolidated Results

(Revenue from operations)

- Newly on-stream and full-term contribution projects: ¥4.6 billion year-on-year increase in revenue
- Existing properties: ¥3.1 billion year-on-year increase in revenue
- Shifting and terminations: ¥0.5 billion year-on-year decrease in revenue

Breakdown of Leasing Operations (Nonconsolidated)

		At September 30					
		2017		2016		2016	
		Total	Tokyo Metropolitan Area	Regional Areas			
Office Buildings	Number of Buildings	133	133	102	101	31	32
	Leased Floor Space (1,000m ²)	2,564	2,572	2,236	2,246	328	326
	Leasing Revenue (¥ millions)	133,242	132,744	122,453	122,085	10,789	10,659
	Vacancy Rate (%)	2.4	2.2	2.3	1.9	3.4	4.0
Retail Facilities	Number of Buildings	81	78	56	54	25	24
	Leased Floor Space (1,000m ²)	2,029	1,955	1,348	1,283	681	672
	Leasing Revenue (¥ millions)	109,441	103,433	76,876	71,571	32,565	31,861
	Vacancy Rate (%)	1.1	0.8	1.1	0.8	1.1	0.7

[2] PROPERTY SALES

	Six Months Ended September 30		Change
	2017	2016	
Revenue from Operations	¥134,811	¥241,844	¥(107,032)
Operating Income	14,791	39,936	(25,145)

(¥ millions)

	Year to March 2018 (Forecast as of May 12, 2017)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2017
	Revenue from Operations	¥544,000	24.8
Operating Income	82,000	18.0	65,285

● For the six-month period under review, both revenue and earnings in the "Property Sales to Individuals" category increased. This was largely due to increases in both the reported number of units and profit margins. Meanwhile, revenue and earnings decreased in the "Property Sales to Investors" category owing mainly to the absence of any special factors such as the concentrated sales of logistics and other facilities, which occurred during the corresponding period of the previous fiscal year. Accordingly, overall revenue from operations in this segment fell ¥107.0 billion compared with the corresponding period of the previous fiscal year while operating income fell ¥25.1 billion year on year.

● In newly constructed condominiums, the Company's contract rate as of September 30, 2017, was 88% of the 3,900 units projected for the year compared with 91% for the end of the corresponding period of the previous year.

Major Projects Undertaken during the Period (six-month total)

Park Homes Itabashi Hasune Nibangai (Itabashi-ku, Tokyo)	Condominiums
Park Homes Toyosu The Residence (Koto-ku, Tokyo)	Condominiums
Park Homes Tachikawa (Tachikawa, Tokyo)	Condominiums
Park Homes Kobe The Residence (Kobe, Hyogo)	Condominiums
Fine Court Musashi-Koganei (Kodaira, Tokyo)	Detached Housing

Property Sales to Individuals and Investors

	Six Months Ended September 30						Change			
	2017			2016			Revenue	Units	Unit Price (¥10 thousand)	
	Revenue	Units	Unit Price (¥10 thousand)	Revenue	Units	Unit Price (¥10 thousand)				
Property Sales to Individuals	Condominiums	¥86,738	1,359	¥6,382	74,586	1,261	5,915	¥12,151	98	¥467
	Detached Housing	15,689	271	5,790	17,351	289	6,004	(1,661)	(18)	(214)
	Subtotal	102,427	1,630	6,284	91,937	1,550	5,931	10,490	80	353
	Operating Income	8,422		4,860		3,562				
Property Sales to Investors	Revenue	32,383		149,906		(117,522)				
	Operating Income	6,368		35,076		(28,707)				
Total Revenue	134,811			241,844			(107,032)			
Total Operating Income	¥14,791			¥39,936			¥(25,145)			

Breakdown for the Revenue from the Property Sales to Individuals

		Six Months Ended September 30					
		2017		2016		Change	
		Revenue	Units	Revenue	Units	Revenue	Units
Condominiums	Tokyo Metropolitan Area	¥71,388	1,062	¥68,584	1,119	¥2,804	(57)
	Other	15,349	297	6,001	142	9,347	155
	Total	86,738	1,359	74,586	1,261	12,151	98
Detached Housing	Tokyo Metropolitan Area	14,836	256	15,720	255	(884)	1
	Other	853	15	1,630	34	(776)	(19)
	Total	¥15,689	271	¥17,351	289	¥(1,661)	(18)

(¥ millions)

Inventories (Property Sales to Individuals)

	(Units)					
	9/2017	3/2017	3/2016	3/2015	3/2014	3/2013
Condominiums	171	321	88	83	170	223
Detached Housing	55	69	127	100	65	57
Total	226	390	215	183	235	280

Contracted for Sale (Property Sales to Individuals)

	(Units)					
	Contracts at Beginning of Term	Contracts during Term	Total	Reported No. of Units	Contracts at End of Term	Newly Launched during Term
Condominiums	3,583	1,681	5,264	1,359	3,905	1,620
Detached Housing	106	222	328	271	57	201
Total	3,689	1,903	5,592	1,630	3,962	1,821

[3] MANAGEMENT

	Six Months Ended September 30		Change
	2017	2016	
Revenue from Operations	¥171,108	¥166,209	¥4,899
Operating Income	21,958	23,033	(1,075)

	Year to March 2018 (Forecast as of May 12, 2017)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2017
Revenue from Operations	¥360,000	47.5	¥347,672
Operating Income	52,000	42.2	53,838

● For the six-month period under review, overall revenue from operations in the "Management" segment increased ¥4.8 billion compared with the corresponding period of the previous fiscal year. This was mainly due to an increase in the number of managed units in the "Repark" business (car park leasing business) category and an increase in the number of brokerage units handled in the "Mitsui Rehouse" business (brokerage business for individuals) category. Operating income, on the other hand, declined ¥1.0 billion year on year as a result of such factors as the absence of large corporate brokerage transactions, which occurred during the corresponding period of the previous fiscal year.

		Six Months Ended September 30		Change
		2017	2016	
Property Management	Revenue	¥129,143	¥125,438	¥3,705
	Operating Income	14,745	14,845	(100)
Brokerage, Asset Management, etc.	Revenue	41,964	40,770	1,194
	Operating Income	7,212	8,187	(975)
Total	Revenue	171,108	166,209	4,899
	Operating Income	¥21,958	¥23,033	¥(1,075)

Property Management Business: Car Park Leasing (including "Property Management" category)

	Six Months Ended September 30		Change
	2017	2016	
Total Managed Units	219,194	204,495	14,699

Brokerage Business: Mitsui Fudosan Realty (including "Brokerage and Asset Management, etc." category)

	Six Months Ended September 30				Change	
	2017		2016		Transaction Volume	Units
	Transaction Volume	Units	Transaction Volume	Units		
Brokerage	¥710,340	19,807	¥759,221	19,444	¥(48,880)	363

Notes:

- Above figures for brokerage revenue and units represent the entire Mitsui Fudosan Realty Group, including Rehouse, an equity-method affiliate.
- Effective from the first quarter of the fiscal year ending March 31, 2018, the calculation method for transaction volume and the number of units has been partially changed. The number of units and transaction volume for the second quarter of the previous fiscal year have also been recalculated using the method after the change.

Consignment Sales Business: Mitsui Fudosan Residential (including "Brokerage and Asset Management, etc." category)

	Six Months Ended September 30				Change	
	2017		2016		Transaction Volume	Units
	Transaction Volume	Units	Transaction Volume	Units		
Consignment Sales	¥18,311	305	¥22,017	328	¥(3,706)	(23)

[4] MITSUI HOME, [5] OTHER

[4] MITSUI HOME

	Six Months Ended September 30		Change
	2017	2016	
Revenue from Operations	¥101,671	¥103,483	¥(1,811)
Operating Income	(3,455)	(3,173)	(282)

	Year to March 2018 (Forecast as of May 12, 2017)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2017
Revenue from Operations	¥251,000	40.5	¥247,195
Operating Income	5,100	-	4,907

● For the six-month period under review, revenue from operations for the segment as a whole declined ¥1.8 billion compared with the corresponding period of the previous fiscal year. This was mainly due to the downturn in such items as revenue in the "New Construction" and "Reform/Renewal" categories. From a profit perspective, the operating loss increased ¥0.2 billion in the "Mitsui Home" segment.

This segment reported an operating loss because the completion and handover of properties under consignment are concentrated in the fourth quarter.

		Six Months Ended September 30		Change
		2017	2016	
New Construction	Revenue	¥64,251	¥66,517	¥(2,265)
	Orders	74,444	77,157	(2,713)
Reform/Renewal	Revenue	16,222	17,262	(1,039)
	Orders	22,439	21,642	797
Lease Management		12,244	11,726	518
Housing-Related Material Sales		8,953	7,977	975
Total Revenue		¥101,671	¥103,483	¥(1,811)

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.

[5] OTHER

	Six Months Ended September 30		Change
	2017	2016	
Revenue from Operations	¥42,428	¥38,711	¥3,716
Operating Income	3,270	2,759	511

	Year to March 2018 (Forecast as of May 12, 2017)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2017
Revenue from Operations	¥88,000	48.2	¥84,320
Operating Income	6,000	54.5	5,994

● Revenue from operations and operating income in the "Other" segment as a whole increased ¥3.7 billion and ¥0.5 billion, respectively, compared with the corresponding period of the previous fiscal year. This was largely attributable to the full-term contribution from Mitsui Garden Hotel Kyobashi and Mitsui Garden Hotel Nagoya Premier, which opened during the previous fiscal year.

		Six Months Ended September 30		Change
		2017	2016	
Facility Operations		¥29,563	¥28,484	¥1,079
Other		12,864	10,226	2,637
Total Revenue		¥42,428	¥38,711	¥3,716

CONSOLIDATED BALANCE SHEETS

(¥ millions)

ASSETS:	September 30, 2017	March 31, 2017	Change
I. Current Assets:	¥1,808,009	¥1,745,308	¥62,700
Cash and Time Deposits	172,387	148,742	23,645
Accounts Receivable—Trade	32,346	36,073	(3,726)
Marketable Securities	102	69	33
Real Property for Sale (including Advances Paid for Purchases)	1,363,694	1,334,167	29,526
Expenditure on Contracts in Progress	34,168	24,247	9,921
Other Inventories	4,903	4,364	539
Short-Term Loans	11,193	5,524	5,669
Equity Investments in Properties for Sale	6,727	6,746	(19)
Deferred Income Taxes	32,132	30,090	2,042
Other	150,723	155,623	(4,899)
Allowance for Doubtful Accounts	(371)	(339)	(31)
II. Tangible and Intangible Fixed Assets:	2,998,462	2,967,788	30,674
1. Tangible Fixed Assets:	2,935,067	2,905,156	29,910
Buildings and Structures	762,828	765,266	(2,437)
Machinery, Equipment and Materials Handling Equipment	37,240	29,322	7,917
Land	1,869,749	1,861,393	8,356
Construction in Progress	228,972	211,529	17,443
Other	36,275	37,644	(1,368)
2. Intangible Fixed Assets:	63,394	62,631	763
III. Investments and Other Assets:	936,195	857,653	78,541
Investment Securities	700,407	627,800	72,607
Long-Term Loans	14,503	11,992	2,510
Lease Deposits	134,642	133,438	1,204
Net Defined Benefit Asset	4,275	5,273	(997)
Deferred Income Taxes	11,787	12,068	(280)
Deferred Tax Assets on Land Revaluation	2	2	-
Other	71,867	69,107	2,759
Allowance for Doubtful Accounts	(1,292)	(2,031)	739
Total Assets	¥5,742,667	¥5,570,750	¥171,916

[Real Property for Sale]

(a) Breakdown by Company

(¥ millions)

	At September 30, 2017	At March 31, 2017	Change
Mitsui Fudosan Residential	¥441,112	¥436,898	¥4,214
Mitsui Fudosan	432,643	426,051	6,591
SPCs Total	224,900	234,044	(9,144)
Other and Elimination	265,038	237,172	27,865
Consolidated Total	¥1,363,694	¥1,334,167	¥29,526

(b) Accounts of Real Property for Sale

(¥ millions)

Six Months Ended September 30	At Beginning of Period	New Investments*	Cost Recovery	Others	At End of Period
2017	¥1,334,167	¥154,813	¥(102,549)	¥(22,737)	¥1,363,694
2016	¥1,167,745	¥218,668	¥(183,079)	¥(45,194)	¥1,158,139

Note: Land acquisition-related expenditures by Mitsui Fudosan Residential Co., Ltd., totaled ¥33.6 billion for the six-month period under review.

* New investments include the increase in real property for sale at subsidiaries in which the Company invested during the period.

[Tangible and Intangible Assets]

The consolidated balance of tangible and intangible fixed assets stood at ¥2,998.4 billion as of September 30, 2017, up ¥30.6 billion compared with the end of the previous fiscal year. This increase largely reflected such new investments as TOKYO MIDTOWN HIBIYA and Halekulani Okinawa by Mitsui Fudosan as well as the 55 Hudson Yards Project by Mitsui Fudosan America Group.

Foreign currency exchange rates:

¥112.00:US\$1 as of September 30, 2017, ¥116.49:US\$1 as of March 31, 2017;

¥145.79:£1 as of September 30, 2017, ¥143.00:£1 as of March 31, 2017

(a) Breakdown by Company

(¥ millions)

	At September 30, 2017	At March 31, 2017	Change
Mitsui Fudosan	¥2,299,241	¥2,287,715	¥11,526
SPCs Total	240,460	229,566	10,894
Mitsui Fudosan America Group	228,697	222,374	6,322
Mitsui Fudosan UK Group	60,699	58,280	2,419
Mitsui Fudosan Residential	34,734	33,641	1,092
Other and Elimination	134,629	136,209	(1,580)
Consolidated Total	¥2,998,462	¥2,967,788	¥30,674

Above figures include revaluation reserve for land.

(b) Accounts of Tangible and Intangible Fixed Assets

(¥ millions)

Six Months Ended September 30	At Beginning of Period	New Investments*	Depreciation	Others	At End of Period
2017	¥2,967,788	¥60,972	¥(33,773)	¥3,474	¥2,998,462
2016	¥2,968,975	¥65,601	¥(34,621)	¥(38,775)	¥2,961,180

* New investments include the increase in tangible and intangible fixed assets at subsidiaries in which the Company invested during the period.

CONSOLIDATED BALANCE SHEETS

(¥ millions)

LIABILITIES:	September 30, 2017	March 31, 2017	Change
I. Current Liabilities:	¥839,011	¥910,966	¥(71,955)
Accounts Payable—Trade	64,858	113,682	(48,823)
Short-Term Debt	220,488	274,318	(53,829)
Commercial Paper	187,000	82,000	105,000
Bond Redeemable Within One Year	46,265	47,655	(1,390)
Income Taxes Payable	21,773	23,262	(1,488)
Advances from Contracts in Progress	27,882	20,646	7,235
Allowance for Completed Project Indemnities	968	1,095	(127)
Allowance for Possible Guarantee Losses	19	24	(5)
Deferred Income Taxes	1,167	1,194	(27)
Other	268,588	347,085	(78,497)
II. Long-Term Liabilities:	2,772,561	2,602,853	169,708
Corporate Bonds	409,388	350,263	59,124
Long-Term Debt	1,610,501	1,533,251	77,250
Deposits from Tenants	387,280	374,331	12,949
Allowance for Directors' and Corporate Auditors' Retirement Benefits	713	706	6
Net Defined Benefit Liability	41,618	41,083	534
Deferred Income Taxes	133,608	112,689	20,918
Deferred Tax Liabilities on Land Revaluation	147,662	147,662	-
Other	41,788	42,864	(1,075)
Total Liabilities	3,611,572	3,513,819	97,753
NET ASSETS:			
Common Stock	339,766	339,766	-
Capital Surplus	412,068	413,230	(1,162)
Retained Earnings	751,675	722,363	29,311
Treasury Stock	(6,252)	(6,244)	(8)
Reserve on Land Revaluation	325,307	323,827	1,479
Net Unrealized Holding Gains on Securities	253,319	205,521	47,798
Deferred Gains or Losses on Hedges	(307)	(357)	49
Foreign Currency Translation Adjustment	(10,407)	(7,076)	(3,330)
Remeasurements of Defined Benefit Plans	(5,504)	(6,397)	892
New Share Subscription Rights	1,178	1,103	74
Non-Controlling Interests	70,249	71,191	(942)
Total Net Assets	2,131,094	2,056,931	74,162
Total Liabilities and Net Assets	¥5,742,667	¥5,570,750	¥171,916

Note: Debt-Equity Ratio 1.20 times (1.15 times at March 31, 2017)

Interest-Bearing Debt:	2,473,643	2,287,489	186,153
Non-recourse Debt	384,525	366,087	18,438
Surplus Lease Deposits/Guarantee Deposits	252,638	240,892	11,745

[Interest-Bearing Debt]

The Mitsui Fudosan Group witnessed a cash outflow from operating activities of ¥73.7 billion owing mainly to new investments in real properties for sale and a cash outflow from investing activities of ¥69.7 billion largely on the back of new investments in tangible and intangible assets. Cash outflow attributable to cash dividends paid came to ¥17.7 billion. As a result, interest-bearing debt stood at ¥2,473.6 billion on a consolidated basis as of September 30, 2017, up ¥186.1 billion compared with the end of the previous fiscal year.

Breakdown by Company

(¥ millions)

	At September 30, 2017	At March 31, 2017	Change
Mitsui Fudosan	¥1,840,296	¥1,697,795	¥142,501
Mitsui Fudosan Residential	381,600	273,300	108,300
SPCs Total	381,474	378,618	2,855
Mitsui Fudosan America Group	273,992	247,836	26,155
Loans to Subsidiaries	(702,155)	(488,375)	(213,779)
Other and Elimination	298,436	178,314	120,121
Consolidated Total	¥2,473,643	¥2,287,489	¥186,153
(Non-recourse Debt of Total)	384,525	366,087	18,438

SEGMENT INFORMATION

Six Months Ended September 30, 2017

(¥ millions)

	Revenue from Operations			Segment Income	Segment Assets	Depreciation	Increase in Tangible and Intangible Fixed Assets
	(1) Outside Customers	(2) Intersegment	Total				
(1)Leasing	¥271,766	¥8,959	¥280,725	¥72,595	¥3,279,814	¥24,501	¥42,391
(2)Property Sales	134,811	195	135,006	14,791	1,540,514	754	1,254
(3)Management	171,108	32,875	203,984	21,958	302,372	4,272	5,382
(4)Mitsui Home	101,671	3,098	104,769	(3,455)	124,430	1,426	778
(5)Other	42,428	1,414	43,842	3,270	108,054	2,092	9,962
Elimination or Corporate	-	(46,542)	(46,542)	(16,927)	387,481	726	1,203
Consolidated	¥721,787	-	¥721,787	¥92,232	¥5,742,667	¥33,773	¥60,972

Six Months Ended September 30, 2016

(¥ millions)

	Revenue from Operations			Segment Income	Segment Assets	Depreciation	Increase in Tangible and Intangible Fixed Assets
	(1) Outside Customers	(2) Intersegment	Total				
(1)Leasing	¥260,730	¥9,019	¥269,750	¥68,586	¥3,182,861	¥25,309	¥51,055
(2)Property Sales	241,844	-	241,844	39,936	1,360,752	620	4,201
(3)Management	166,209	31,529	197,739	23,033	285,636	4,290	5,925
(4)Mitsui Home	103,483	3,222	106,706	(3,173)	121,120	1,461	1,400
(5)Other	38,711	1,919	40,631	2,759	103,675	2,278	2,302
Elimination or Corporate	-	(45,691)	(45,691)	(16,389)	275,335	661	715
Consolidated	¥810,979	-	¥810,979	¥114,752	¥5,329,382	¥34,621	¥65,601

CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	Six Months Ended September 30	
	2017	2016
I. Revenue from Operations	¥721,787	¥810,979
II. Cost of Revenue from Operations	553,406	621,014
Gross Operating Profit	168,380	189,964
III. Selling, General and Administrative Expenses	76,148	75,211
Operating Income	92,232	114,752
IV. Non-Operating Income:	4,953	8,309
Interest Income	337	312
Dividend Income	2,825	2,494
Equity in Net Income of Affiliated Companies	-	1,051
Other Non-Operating Income	1,790	4,451
V. Non-Operating Expenses:	16,299	14,787
Interest Expenses	13,578	12,374
Equity in Net Loss of Affiliated Companies	197	-
Other Non-Operating Expenses	2,522	2,413
Ordinary Income	80,886	108,274
Income before Income Taxes	80,886	108,274
Income Taxes	33,051	36,077
Profit	47,835	72,197
Profit (Loss) Attributable to Non-Controlling Interests	(742)	(643)
Profit Attributable to Owners of Parent	¥48,577	¥72,840

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

	Six Months Ended September 30	
	2017	2016
I. Cash Flows From Operating Activities:		
Income before Income Taxes	¥80,886	¥108,274
Depreciation and Amortization	33,773	34,621
Interest and Dividend Income Receivable	(3,162)	(2,807)
Interest Expense	13,578	12,374
(Gain) Loss on Equity-Method Investments	197	(1,051)
(Increase) Decrease in Accounts Receivable	3,794	6,390
Increase (Decrease) in Accounts Payable	(11,871)	(21,234)
(Increase) Decrease in Real Property for Sale	(92,585)	(794)
Other	(66,850)	4,899
Subtotal	(42,237)	140,673
Cash Receipts of Interest and Dividend Income	5,871	4,779
Cash Payments of Interest Expense	(13,553)	(12,434)
Income Taxes Paid	(23,801)	(49,162)
Net Cash Provided by (Used in) Operating Activities	(73,721)	83,855
II. Cash Flows From Investing Activities:		
Purchase of Tangible and Intangible Fixed Assets	(62,888)	(68,650)
Sales of Tangible and Intangible Fixed Assets	2,324	3,472
Purchase of Investment Securities	(7,551)	(8,215)
Payment of Lease Deposits	(2,254)	(2,851)
Proceeds from Collection of Lease Deposits	1,422	4,883
Repayment of Deposits from Tenants	(10,741)	(15,426)
Proceeds from Deposits from Tenants	23,513	14,299
Payment of Loan Receivable	(12,906)	(11,673)
Collection of Loan Receivable	6,162	5,957
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	(268)	-
Other	(6,535)	(7,776)
Net Cash Provided by (Used in) Investing Activities	¥(69,724)	¥(85,980)

(¥ millions)

	Six Months Ended September 30	
	2017	2016
III. Cash Flows From Financing Activities:		
Proceeds from Short-Term Debt	¥1,551,508	¥1,578,813
Repayment of Short-Term Debt	(1,434,872)	(1,520,366)
Proceeds from Long-Term Debt	115,441	81,159
Repayment of Long-Term Debt	(99,200)	(55,771)
Proceeds from Issuance of Bonds	106,321	30,000
Redemption of Bonds	(48,997)	(30,996)
Cash Dividends Paid	(17,784)	(15,809)
Proceeds from Share Issuance to Non-Controlling Shareholders	375	987
Dividends Paid to Non-Controlling Shareholders	(2,123)	(3,122)
Repayments to Non-Controlling Shareholders	(105)	(171)
Repayment of Finance Lease Obligations	(1,993)	(1,909)
(Increase) Decrease in Treasury Stock	(7)	(26)
Net Cash Provided by (Used in) Financing Activities	168,561	62,786
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,460)	(7,813)
V. Net Increase (Decrease) in Cash and Cash Equivalents	23,655	52,848
VI. Cash and Cash Equivalents at Beginning of the Period	148,546	109,966
VII. Cash and Cash Equivalents at End of the Period	¥172,202	¥162,814

CONSOLIDATED STATEMENTS OF EARNING FORECASTS

For the Year Ending March 31, 2018

(¥ millions)

	Year to March 31		Change
	2018 (forecast)	2017 (actual)	
Revenue from Operations	¥1,790,000	¥1,704,416	¥85,584
Leasing	547,000	536,518	10,482
Property Sales	544,000	488,710	55,290
Management	360,000	347,672	12,328
Mitsui Home	251,000	247,195	3,805
Other	88,000	84,320	3,680
Operating Income	245,000	232,698	12,302
Leasing	135,000	135,774	(774)
Property Sales	82,000	65,285	16,715
Management	52,000	53,838	(1,838)
Mitsui Home	5,100	4,907	193
Other	6,000	5,994	6
Elimination or Corporate	(35,100)	(33,102)	(1,998)
Non-Operating Income/Expenses	(18,000)	(13,091)	(4,909)
Interest Income/Expense, in Net	(25,000)	(23,530)	(1,470)
Other, in Net	7,000	10,439	(3,439)
Ordinary Income	227,000	219,607	7,393
Extraordinary Gains/Losses	(15,000)	(27,350)	12,350
Income before Income Taxes	212,000	192,257	19,743
Income Taxes	69,000	58,675	10,325
Profit	143,000	133,582	9,418
Profit (Loss) Attributable to Non-controlling Interests	3,000	1,766	1,234
Profit Attributable to Owners of Parent	¥140,000	¥131,815	¥8,185

● **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.

● Taking each of the aforementioned factors into consideration, revenue from operations is forecast to amount to ¥1,790.0 billion, an increase of ¥85.5 billion compared with the fiscal year under review. From a profit perspective, operating income is expected to reach ¥245.0 billion, up ¥12.3 billion, ordinary income is anticipated to total ¥227.0 billion, up ¥7.3 billion, and profit attributable to owners of parent is estimated to amount to ¥140.0 billion, an improvement of ¥8.1 billion.

● Mitsui Fudosan is expecting to increase its dividend per share for the fiscal year ending March 31, 2018 to ¥36.00 per share comprising an interim and period-end dividend of ¥18.00 per share.

CONSOLIDATED STATEMENTS OF EARNING FORECASTS

【Tangible and Intangible Assets】

(¥ millions)

	Year to March 2018 (forecast)	Year Ended March 2017 (actual)	YoY Change
New Investments	¥380,000	¥173,745	¥206,255
Depreciation	70,000	71,357	(1,357)

【Real Property for Sale】

(¥ millions)

	Year to March 2018 (forecast)	Year Ended March 2017 (actual)	YoY Change
New Investments	¥540,000	¥525,762	¥14,238
Recovery of Costs	410,000	379,841	30,159

【Interest-Bearing Debt】

(¥ millions)

	Year to March 2018 (forecast)	Year Ended March 2017 (actual)	YoY Change
Interest-Bearing Debt	¥2,700,000	¥2,287,489	¥412,511

【Property Sales】

Revenue, Operating Margin

(¥ millions)

	Year to March 2018 (forecast)	Year Ended March 2017 (actual)	YoY Change
Property Sales to Individuals			
Revenue from Operations:	¥308,000	¥315,635	¥(7,635)
Condominiums	271,000	277,156	(6,156)
Detached Housing	37,000	38,478	(1,478)
Operating Income	34,000	30,605	3,395
Operating Margin (%)	11.0	9.7	1.3pt
Property Sales to Investors			
Revenue from Operations:	236,000	173,074	62,926
Operating Income	48,000	34,680	13,320
Total			
Revenue from Operations:	544,000	488,710	55,290
Operating Income	¥82,000	¥65,285	¥16,715

Number of Housing Units

(Units)

	Year to March 2018 (forecast)	Year Ended March 2017 (actual)	YoY Change
Condominiums	3,900	5,200	(1,300)
Detached Housing	550	639	(89)
Total	4,450	5,839	(1,389)

【Mitsui Home (Consolidated)】

(¥ millions)

	Year to March 2018 (forecast)	Year Ended March 2017 (actual)	YoY Change
Revenue from Operations	¥260,000	¥254,954	¥5,045
Operating Income	5,100	5,074	25
Ordinary Income	5,100	5,054	45
Profit Attributable to Owners of Parent	¥3,100	¥3,099	¥0

* The above figures were disclosed by Mitsui Home on May 8, 2017.

CONTINGENT LIABILITIES

(Contingent Liabilities)

In response to concerns regarding the faulty installation of foundation piles at a condominium complex located in Yokohama and sold by Mitsui Fudosan Residential Co., Ltd., a consolidated subsidiary of Mitsui Fudosan, the company received a report confirming that a portion of the piling used in construction failed to reach the necessary depth and required bearing layer from Sumitomo Mitsui Construction Co., Ltd., the building contractor, on April 11, 2016. Furthermore, Mitsui Fudosan Residential received a notice from the City of Yokohama that the subject condominium complex violated the Building Standards Law and a request that the company take all responsible measures to address and correct the situation in line with discussions with condominium owners on August 26, 2016.

In outlining its stance toward corrective measures including the reconstruction of the condominium complex impacted by faulty installation as well as compensation, Mitsui Fudosan Residential executed an agreement with the condominium association on May 8, 2016, confirming that the company would shoulder all expenses. Later, on September 19, 2016, the condominium association resolved that it would seek the complete reconstruction of the entire condominium complex in accordance with the Act on Building Unit Ownership, etc.

According to the report issued by Sumitomo Mitsui Construction, which noted that construction records had been diverted and modified in connection with the installation of foundation piles and that certain foundation piles failed to reach the necessary depth and required bearing layer, the condominium complex was deemed to be in violation of the Building Standards Law. As a result, and in accordance with the aforementioned agreement, Mitsui Fudosan Residential will seek damages including reconstruction costs as well as expenses relating to the temporary housing of residents during the period of construction under such remedies as tort liability and warranties against defects from Sumitomo Mitsui Construction, as well as Hitachi High-Technologies Corporation and Asahi Kasei Construction Materials Corporation, who installed the foundation piles. The costs and expenses identified above are estimated to come in at roughly ¥39 billion. Mitsui Fudosan has posted all related temporary payments undertaken by Mitsui Fudosan Residential up to September 30, 2017 as current assets on its consolidated balance sheet.

Depending on the flow of future events, any incidence of expenditure may impact the consolidated results of the Mitsui Fudosan Group. At this stage, however, the Company is unable to provide a reasonable estimate of any such impact.