

FACT BOOK

For the Three Months Ended June 30, 2018

August 3, 2018



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

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

Corporate Data

(As of June 30, 2018)

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)

	Three Months Ended June 30		Change
	2018	2017	
Revenue from Operations	¥442,352	¥381,553	¥60,799
Leasing	143,434	133,887	9,547
Property Sales	139,557	98,922	40,634
Management	90,051	83,921	6,130
Mitsui Home	49,366	44,180	5,186
Other	19,942	20,642	(699)
Operating Income	55,768	51,750	4,017
Leasing	35,205	36,216	(1,011)
Property Sales	21,772	16,039	5,732
Management	10,104	9,699	404
Mitsui Home	(2,164)	(3,950)	1,785
Other	1,245	2,141	(895)
Elimination or Corporate	(10,394)	(8,396)	(1,997)
Non-Operating Income/Expenses	(1,114)	(3,646)	2,532
Equity in Net Income/Loss of Affiliated Companies	675	75	600
Interest Income/Expense, in Net	(6,190)	(6,191)	0
Other, in Net	4,400	2,469	1,930
Ordinary Income	54,653	48,103	6,549
Extraordinary Gains/Losses	-	-	-
Extraordinary Gains	-	-	-
Extraordinary Losses	-	-	-
Income before Income Taxes	54,653	48,103	6,549
Income Taxes	16,805	15,320	1,485
Profit	37,847	32,783	5,064
Profit (Loss) Attributable to Non-Controlling Interests	(235)	(1,091)	856
Profit Attributable to Owners of Parent	¥38,082	¥33,875	¥4,207

◆ Overview

● In the three-month period under review, revenue from operations increased and operating income decreased in the "Leasing" segment. This growth in revenue was mainly due to the upward revision of rents from existing office buildings in Japan, contributions from office buildings and retail facilities that were completed and opened for operation during the previous fiscal year, as well as contribution from a new office building in the US. From a profit perspective, the downturn in operating income largely reflects the increase in expenses associated with the completion of several new office buildings in Japan. Revenue and earnings improved in the "Property Sales" segment. This mainly reflected such factors as increases in the price per unit and profit margins attributable to the concentration of handovers of highly profitable properties in the metropolitan area in the "Property Sales to Individuals (Domestic)" category as well as the progress in the handover of condominium-for-sale in the UK. In overall terms, revenue from operations increased ¥60.7 billion, or 15.9%, to ¥442.3 billion, and operating income climbed ¥4.0 billion, or 7.8%, to ¥55.7 billion year on year. Ordinary income grew ¥6.5 billion, or 13.6%, to ¥54.6 billion. Profit attributable to owners of parent rose ¥4.2 billion, or 12.4%, to ¥38.0. The Company is making steady progress toward achieving its forecasts for the full fiscal year.

Progress Comparison with Full Year Forecasts

(¥ millions)

	Three Months Ended June 30, 2018	Year to March 2019 (Forecast as of May 11, 2018)	3-Month Results/Full-Year Forecast (%)
Revenue from Operations	¥442,352	¥1,870,000	23.7
Operating Income	55,768	250,000	22.3
Ordinary Income	54,653	233,000	23.5
Profit Attributable to Owners of Parent	38,082	¥153,000	24.9

Extraordinary Gains/Losses

(¥ millions)

Extraordinary Gains	-
Extraordinary Losses	-

Consolidated Statements of Comprehensive Income

(¥ millions)

	Three Months Ended June 30	
	2018	2017
Profit	¥37,847	¥32,783
Other Comprehensive Income	16,711	21,910
Valuation Difference on Available-For-Sale Securities	29,012	28,360
Deferred Gains or Losses on Hedges	232	59
Foreign Currency Translation Adjustment	(9,731)	(5,452)
Remeasurements of Defined Benefit Plans, Net of Tax	164	470
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	(2,966)	(1,527)
Comprehensive Income	¥54,559	¥54,694
(Comprehensive Income Attributable to Owners of the Parent)	55,391	55,772
(Comprehensive Income Attributable to Non-Controlling Interests)	(832)	(1,077)

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

(¥ millions)

		Three Months Ended June 30		Change
		2018	2017	
Revenue from Operations	Leasing	¥133,858	¥127,223	¥6,635
	Property Sales	15,902	15,106	795
	Other	8,117	7,261	855
	Total	157,877	149,591	8,286
Gross Profit Margin (%)	Leasing	18.9	21.9	(3.0)pt
	Property Sales	45.1	30.7	14.4pt
	Other	24.0	33.6	(9.5)pt
Operating Income		¥25,710	¥27,788	¥(2,078)

SEGMENT RESULTS

[1] LEASING

(¥ millions)

	Three Months Ended June 30		Change
	2018	2017	
Revenue from Operations	¥143,434	¥133,887	¥9,547
Operating Income	35,205	36,216	(1,011)

	Year to March 2019 (Forecast as of May 11, 2018)	3-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥600,000	23.9	¥558,165
Operating Income	140,000	25.1	138,338

● For the three-month period under review, revenue from operations rose ¥9.5 billion compared with the corresponding period of the previous fiscal year for the segment as a whole. Operating income, on the other hand, decreased ¥1.0 billion year on year. This growth in revenue was mainly due to the upward revision of rents from existing office buildings in Japan, contributions from office buildings and retail facilities that were completed and opened for operation during the previous fiscal year, as well as contribution from a new office building in the US. From a profit perspective, the downturn in operating income largely reflects the expenses associated with the completion of several new office buildings in Japan.

● The vacancy rate for the Company's office buildings located in the Tokyo metropolitan area was 2.5% on a non-consolidated basis as of June 30, 2018.

[Reference] Non-consolidated Results

(Revenue from operations)

- Newly on-stream and full-term contribution projects: ¥3.3 billion year-on-year increase in revenue
- Existing properties: ¥2.6 billion year-on-year increase in revenue
- Shifting, terminations, etc.: ¥0.6 billion year-on-year increase in revenue

Breakdown of Leasing Operations (Non-consolidated)

		At June 30					
		2018		2017		2018	
		Total	Tokyo Metropolitan Area	Regional Areas	2017	2018	2017
Office Buildings	Number of Buildings	134	135	105	104	29	31
	Leased Floor Space (1,000m ²)	2,700	2,554	2,373	2,223	327	331
	Leasing Revenue (¥ millions)	70,640	65,841	65,279	60,482	5,361	5,359
	Vacancy Rate (%)	2.5	3.0	2.5	3.0	2.2	2.5
Retail Facilities	Number of Buildings	86	79	60	55	26	24
	Leased Floor Space (1,000m ²)	2,064	2,010	1,378	1,335	686	674
	Leasing Revenue (¥ millions)	55,386	54,359	39,459	38,304	15,926	16,054
	Vacancy Rate (%)	0.8	1.3	0.9	1.5	0.6	0.9

Leased Floor Space

(¥ millions)

		At June 30		Change	
		2018	2017		
Office Buildings and Retail Facilities	Revenue	Office Buildings	¥80,683	¥73,810	¥6,872
		Retail Facilities	56,631	55,429	1,201
	Total Leased Floor Space (1,000 m ²):		5,131	4,924	207
	Office Buildings	Owned	1,817	1,670	147
		Managed	1,173	1,171	2
Retail Facilities	Owned	1,554	1,518	36	
	Managed	587	565	22	
Other	Revenue	6,120	4,646	1,473	
Total Revenue		¥143,434	¥133,887	¥9,547	

Vacancy Rate

(%)

	6/2018	3/2018	3/2017	3/2016	3/2015
Consolidated					
Office Buildings and Retail Facilities (including overseas)	2.9	2.4	3.1	2.2	3.2
Non-consolidated					
Tokyo Metropolitan Area Office Buildings	2.5	2.2	3.4	2.6	3.2
Regional Area Office Buildings	2.2	2.3	2.3	3.1	4.1

Major Projects during the Period (three-month total)

(NEWLY OPENED)

2 Television Centre (Wood Lane, London)	Office building completed in March 2018
msb Tamachi Tamachi Station Tower South (Minato-ku, Tokyo)	Office building completed in May 2018
Nihonbashi Takashimaya Mitsui Building (Chuo-ku, Tokyo)	Office building completed in June 2018

(FULL-TERM CONTRIBUTION)

1 Angel Court (City of London, UK)	Office building completed in March 2017
G-BASE Tamachi (Minato-ku, Tokyo)	Office building completed in January 2018
Shinjuku M-SQUARE (Shinjuku-ku, Tokyo)	Office building completed in January 2018
TOKYO MIDTOWN HIBIYA (Chiyoda-ku, Tokyo)	Mixed-use development project completed in February 2018

[2] PROPERTY SALES

(¥ millions)

	Three Months Ended June 30		Change
	2018	2017	
Revenue from Operations	¥139,557	¥98,922	¥40,634
Operating Income	21,772	16,039	5,732

	Year to March 2019 (Forecast as of May 11, 2018)	3-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥535,000	26.1	¥499,607
Operating Income	87,000	25.0	83,010

● For the three-month period under review, revenue and earnings in the "Property Sales to Individuals (Domestic)" category improved compared with the corresponding period of the previous fiscal year. While the reported number of units decreased year on year, this improvement was mainly due to increases in the price per unit and profit margins attributable to the concentration of handovers of highly profitable properties in the metropolitan area. Revenue in the "Property Sales to Investors and Individuals (Overseas)" category increased compared with the corresponding period of the previous fiscal year. This largely reflected progress in the handover of condominium-for-sale in the UK. However, operating income in this category declined due to the absence of property sales to investors with high profit margins in the corresponding period of the previous fiscal year. Accounting for each of these factors, overall revenue from operations climbed ¥40.6 billion and operating income grew ¥5.7 billion year on year in this segment as a whole.

In newly constructed condominiums in Japan, the Company's contract rate as of June 30, 2018, was 81% of the 3,250 units projected for the year, compared with 78% as of June 30, 2017.

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

Park Court Aoyama The Tower (Minato-ku, Tokyo)	Condominiums
Park Court Akasaka Hinokicho The Tower (Minato-ku, Tokyo)	Condominiums
Park Homes Kichijoji Kita Gran Villa (Nerima-ku, Tokyo)	Condominiums
Gracia Tower Futamatagawa (Yokohama, Kanagawa)	Condominiums
Fine Court Nerima Sakuradai The Marks (Nerima-ku, Tokyo)	Detached Housing

Property Sales to Individuals and Investors

(¥ millions)

	Three Months Ended June 30						Change			
	2018			2017			Revenue	Units	Unit Price (¥10 thousand)	
	Revenue	Units	Unit Price (¥10 thousand)	Revenue	Units	Unit Price (¥10 thousand)				
Property Sales to Individuals (Domestic)	Condominiums	¥92,733	919	¥10,091	¥68,806	1,083	¥6,353	¥23,926	(164)	¥3,738
	Detached Housing	11,438	155	7,379	8,182	141	5,803	3,255	14	1,576
	Subtotal	104,171	1,074	9,699	76,989	1,224	6,290	27,182	(150)	3,409
	Operating Income	17,985		10,776		7,208				
Property Sales to Investors and Individuals (Overseas), etc.	Revenue	35,386		21,933		13,452				
	Operating Income	3,786		5,263		(1,476)				
Total Revenue	139,557		98,922		40,634					
Total Operating Income	¥21,772		¥16,039		¥5,732					

Breakdown for the Revenue from the Property Sales to Individuals (Domestic) (¥ millions)

	Three Months Ended June 30						Change	
	2018		2017		Revenue	Units	Revenue	Units
	Revenue	Units	Revenue	Units				
Condominiums	Tokyo Metropolitan Area	¥86,466	766	¥61,778	929	¥24,687	(163)	
	Other	6,266	153	7,027	154	(760)	(1)	
	Total	92,733	919	68,806	1,083	23,926	(164)	
Detached Housing	Tokyo Metropolitan Area	11,438	155	8,059	139	3,378	16	
	Other	-	-	123	2	(123)	(2)	
	Total	¥11,438	155	¥8,182	141	¥3,255	14	

Inventories of Property Sales to Individuals (Domestic) (Units)

	6/2018	3/2018	3/2017	3/2016	3/2015	3/2014
Condominiums	167	108	321	88	83	170
Detached Housing	31	40	69	127	100	65
Total	198	148	390	215	183	235

Contracted for Sale from the Property Sales to Individuals (Domestic) (Units)

	Contracts at Beginning of Term	Contracts during Term	Total	Reported No. of Units	Contracts at End of Term	Newly Launched during Term
Condominiums	4,188	893	5,081	919	4,162	884
Detached Housing	153	61	214	155	59	56
Total	4,341	954	5,295	1,074	4,221	940

[3] MANAGEMENT

	Three Months Ended June 30		Change
	2018	2017	
Revenue from Operations	¥90,051	¥83,921	¥6,130
Operating Income	10,104	9,699	404

	Year to March 2019 (Forecast as of May 11, 2018)	3-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥385,000	23.4	¥353,813
Operating Income	51,000	19.8	48,727

● For the three-month period under review, overall revenue from operations increased ¥6.1 billion and operating income climbed ¥0.4 billion compared with the corresponding period of the previous fiscal year in this segment as a whole. This was mainly due to an increase in the number of managed units in the Repark business (car park leasing business), an upswing in contract unit prices in the “Mitsui Rehouse” business (brokerage business for individuals) and an increase in the number of Mitsui Fudosan Residential Co., Ltd. related consignment sales.

		Three Months Ended June 30		Change
		2018	2017	
Property Management	Revenue	¥66,299	¥62,961	¥3,337
	Operating Income	6,409	6,584	(174)
Brokerage, Asset Management, etc.	Revenue	23,751	20,959	2,792
	Operating Income	3,694	3,115	579
Total	Revenue	¥90,051	¥83,921	¥6,130
	Operating Income	10,104	9,699	404

Property Management Business: Car Park Leasing (including “Property Management” category)

	At June 30, 2018		At June 30, 2017		Change
	Transaction Volume	Units	Transaction Volume	Units	
Total Managed Units	233,723		215,604		18,119

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

	Three Months Ended June 30				Change	
	2018		2017		Transaction Volume	Units
	Transaction Volume	Units	Transaction Volume	Units		
Brokerage	¥394,743	9,881	¥347,226	9,880	¥47,517	1

Notes:

Above figures for brokerage revenue and units represent the entire Mitsui Fudosan Realty Group, including Rehouse, an equity-method affiliate.

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

	Three Months Ended June 30				Change	
	2018		2017		Transaction Volume	Units
	Transaction Volume	Units	Transaction Volume	Units		
Consignment Sales	¥24,738	287	¥9,916	191	¥14,823	96

[4] MITSUI HOME, [5] OTHER

[4] MITSUI HOME

	Three Months Ended June 30		Change
	2018	2017	
Revenue from Operations	¥49,366	¥44,180	¥5,186
Operating Income	(2,164)	(3,950)	1,785

	Year to March 2019 (Forecast as of May 11, 2018)	3-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥260,000	19.0	¥252,180
Operating Income	5,800	-	5,463

● For the three-month period under review, revenue from operations for the segments as a whole was up ¥5.1 billion compared with the corresponding period of the previous fiscal year. This was mainly due to the increase in sales in the "New Construction" and "Reform/Renewal" categories. The operating loss narrowed ¥1.7 billion.

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

		Three Months Ended June 30		Change
		2018	2017	
New Construction	Revenue	¥29,489	¥26,572	¥2,916
	Orders	34,544	33,897	647
Reform/Renewal	Revenue	8,001	7,228	772
	Orders	13,238	10,411	2,827
Lease Management		6,540	6,098	441
Housing-Related Material Sales		5,335	4,279	1,056
Total Revenue		¥49,366	¥44,180	¥5,186

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

	Three Months Ended June 30		Change
	2018	2017	
Revenue from Operations	¥19,942	¥20,642	¥(699)
Operating Income	1,245	2,141	(895)

	Year to March 2019 (Forecast as of May 11, 2018)	3-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥90,000	22.2	¥87,346
Operating Income	4,000	31.1	6,849

● For the three-month period under review, trends in the existing "Hotel" business were firm. However, owing mainly to expenses in connection the new opening of Mitsui Garden Hotel Otemachi and Mitsui Garden Hotel Gotanda, revenue from operations declined ¥0.6 billion and operating income decreased ¥0.8 billion compared with the corresponding period of the previous year in the "Other" segment as a whole.

		Three Months Ended June 30		Change
		2018	2017	
Facility Operations		¥15,086	¥14,541	¥544
Other		4,856	6,100	(1,244)
Total Revenue		¥19,942	¥20,642	¥(699)

[REFERENCE] OVERSEAS BUSINESS

		Three Months Ended June 30		Change
		2018	2017	
Leasing	Revenue	¥12,478	¥10,009	¥2,469
	Operating Income	3,786	2,834	952
Property Sales	Revenue	19,297	0	19,297
	Operating Income	1,757	(478)	2,235
Management, Other, etc.	Revenue	3,742	3,954	(212)
	Operating Income	409	554	(145)
Pro forma Operating Income of Overseas Affiliates *1		1,366	441	925
Total Overseas Income		7,319	3,352	3,967
Overseas Income Ratio*2		12.8%	6.4%	6.4pt

*1 Calculated by multiplying the operating income or the amount equivalent to operating income of each overseas equity-method affiliated company by the Company's equity interest (Note).

Note: The amount equivalent to operating income is the amount of profit calculated on a simplified basis after taking into consideration the tax burden.

*2 Total overseas income \div (Operating income + Pro forma operating income of overseas affiliates) x 100

CONSOLIDATED BALANCE SHEETS

(¥ millions)			
ASSETS:	June 30, 2018	March 31, 2018	Change
I. Current Assets:	¥1,919,461	¥1,898,347	¥21,113
Cash and Time Deposits	132,722	100,889	31,833
Accounts Receivable—Trade	31,668	41,186	(9,517)
Marketable Securities	183	181	1
Real Property for Sale (including Advances Paid for Purchases)	1,524,672	1,524,863	(190)
Expenditure on Contracts in Progress	31,810	25,400	6,409
Other Inventories	5,562	4,857	704
Short-Term Loans	17,255	17,519	(263)
Equity Investments in Properties for Sale	6,710	6,723	(13)
Other	169,316	177,138	(7,821)
Allowance for Doubtful Accounts	(442)	(412)	(29)
II. Tangible and Intangible Fixed Assets:	3,356,401	3,318,928	37,473
1. Tangible Fixed Assets:	3,284,694	3,244,641	40,052
Buildings and Structures	891,894	857,308	34,586
Machinery, Equipment and Materials Handling Equipment	38,538	38,552	(13)
Land	2,082,222	2,038,163	44,059
Construction in Progress	230,800	270,964	(40,164)
Other	41,239	39,653	1,585
2. Intangible Fixed Assets:	71,707	74,286	(2,579)
III. Investments and Other Assets:	1,120,443	1,067,448	52,994
Investment Securities	829,496	787,958	41,537
Long-Term Loans	11,934	7,761	4,172
Lease Deposits	138,119	138,564	(445)
Net Defined Benefit Asset	17,530	17,975	(444)
Deferred Income Taxes	26,189	25,689	499
Deferred Tax Assets on Land Revaluation	34	34	-
Other	98,342	90,689	7,652
Allowance for Doubtful Accounts	(1,203)	(1,225)	21
Total Assets	¥6,396,305	¥6,284,723	¥111,582

Note: Deferred tax assets and deferred tax liabilities have been unified in the non-current category of the Company's balance sheet effective from fiscal 2018. As a result, the balances of total assets as well as total liabilities and net assets as of March 31, 2018 have changed.

[Real Property for Sale]

(¥ millions)			
(a) Breakdown by Company	At June 30, 2018	At March 31, 2018	Change
Mitsui Fudosan Residential	¥570,280	¥611,976	¥(41,695)
Mitsui Fudosan	365,177	353,127	12,049
Mitsui Fudosan America Group	243,411	206,918	36,492
SPCs Total	235,391	235,610	(218)
Mitsui Fudosan UK Group	91,685	105,277	(13,592)
Other and Elimination	18,725	11,953	6,772
Consolidated Total	¥1,524,672	¥1,524,863	¥(190)

(¥ millions)					
(b) Accounts of Real Property for Sale					
Three Months Ended June 30	At Beginning of Period	New Investments*	Cost Recovery	Others	At End of Period
2018	¥1,524,863	¥93,077	¥(104,971)	¥11,703	¥1,524,672
2017	¥1,334,167	¥77,701	¥(72,755)	¥(9,920)	¥1,329,193

Note: Land acquisition-related expenditures by Mitsui Fudosan Residential Co., Ltd., totaled ¥20.3 billion for the three-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 ¥3,356.4 billion as of June 30, 2018, up ¥37.4 billion compared with the end of the previous fiscal year. In addition to the Group undertaking new investments such as the Nihonbashi Takashimaya Mitsui Building and msb Tamachi Tamachi Station Tower South by Mitsui Fudosan as well as the 50 Hudson Yards Project and the 55 Hudson Yards Project by Mitsui Fudosan America Group.

Foreign currency exchange rates:
¥106.24:US\$1 as of June 30, 2018, ¥113.00:US\$1 as of March 31, 2018;
¥148.84:£1 as of June 30, 2018, ¥151.95:£1 as of March 31, 2018

(¥ millions)			
(a) Breakdown by Company	At June 30, 2018	At March 31, 2018	Change
Mitsui Fudosan	¥2,563,947	¥2,480,435	¥83,511
Mitsui Fudosan America Group	313,078	359,280	(46,201)
SPCs Total	239,025	239,366	(341)
Mitsui Fudosan UK Group	61,526	63,125	(1,598)
Mitsui Fudosan Residential	51,003	35,606	15,397
Other and Elimination	127,820	141,114	(13,294)
Consolidated Total	¥3,356,401	¥3,318,928	¥37,473

Above figures include revaluation reserve for land.

(¥ millions)					
(b) Accounts of Tangible and Intangible Fixed Assets					
Three Months Ended June 30	At Beginning of Period	New Investments*	Depreciation	Others	At End of Period
2018	¥3,318,928	¥115,495	¥(18,616)	¥(59,405)	¥3,356,401
2017	¥2,967,788	¥28,462	¥(16,681)	¥(9,593)	¥2,969,974

* 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:	June 30, 2018	March 31, 2018	Change
I. Current Liabilities:	¥1,207,141	¥1,063,616	¥143,525
Accounts Payable—Trade	62,067	123,988	(61,920)
Short-Term Debt	363,031	273,207	89,823
Commercial Paper	274,000	125,000	149,000
Bond Redeemable Within One Year	76,600	51,150	25,450
Income Taxes Payable	16,770	44,951	(28,180)
Advances from Contracts in Progress	21,491	19,900	1,590
Allowance for Completed Project Indemnities	865	965	(100)
Allowance for Possible Guarantee Losses	9	16	(7)
Other	392,305	424,435	(32,130)
II. Long-Term Liabilities:	2,857,464	2,933,406	(75,942)
Corporate Bonds	442,135	468,072	(25,936)
Long-Term Debt	1,610,366	1,687,226	(76,859)
Deposits from Tenants	419,720	403,413	16,307
Allowance for Directors' and Corporate Auditors' Retirement Benefits	703	715	(12)
Net Defined Benefit Liability	42,721	42,737	(15)
Deferred Income Taxes	143,410	134,520	8,889
Deferred Tax Liabilities on Land Revaluation	151,701	151,701	-
Other	46,703	45,020	1,683
Total Liabilities	4,064,605	3,997,023	67,582
NET ASSETS:			
Common Stock	339,766	339,766	-
Capital Surplus	409,764	409,764	-
Retained Earnings	850,839	834,497	16,341
Treasury Stock	(6,081)	(6,079)	(2)
Reserve on Land Revaluation	330,922	330,922	-
Net Unrealized Holding Gains on Securities	327,281	298,297	28,983
Deferred Gains or Losses on Hedges	(33)	(241)	208
Foreign Currency Translation Adjustment	(16,000)	(3,955)	(12,044)
Remeasurements of Defined Benefit Plans	2,071	1,910	161
New Share Subscription Rights	1,132	1,090	42
Non-Controlling Interests	92,036	81,727	10,309
Total Net Assets	2,331,700	2,287,700	43,999
Total Liabilities and Net Assets	¥6,396,305	¥6,284,723	¥111,582

Note: Debt-Equity Ratio 1.24 times (1.18 times at March 31, 2018)

Interest-Bearing Debt:	2,766,133	2,604,656	161,477
Non-recourse Debt	435,408	440,953	(5,545)
Surplus lease deposits/guarantee deposits	281,601	264,848	16,752

[Interest-Bearing Debt]

As of June 30, 2018, interest-bearing debt stood at ¥2,766.1 billion on a consolidated basis, up ¥161.4 billion compared with the end of the previous fiscal year. During the period under review, Mitsui Fudosan witnessed a cash outflow from operating activities of ¥30.6, a cash outflow from investing activities of ¥118.8 billion attributable mainly to new investments in tangible and intangible fixed assets and a cash outflow of ¥21.4 billion attributable to such factors as cash dividends paid.

Breakdown by Company

(¥ millions)

	At June 30, 2018	At March 31, 2018	Change
Mitsui Fudosan	¥2,060,258	¥1,904,499	¥155,758
Mitsui Fudosan Residential	491,100	450,500	40,600
Mitsui Fudosan America Group	420,592	445,385	(24,793)
SPCs Total	394,062	397,749	(3,687)
Mitsui Fudosan UK Group	115,760	125,601	(9,841)
Loans to Subsidiaries	(867,234)	(825,146)	(42,088)
Other and Elimination	151,594	106,066	45,528
Consolidated Total	¥2,766,133	¥2,604,656	¥161,477
(Non-recourse Debt of Total)	435,408	440,953	(5,545)

CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	Three Months Ended June 30	
	2018	2017
I. Revenue from Operations	¥442,352	¥381,553
II. Cost of Revenue from Operations	343,341	290,590
Gross Operating Profit	99,011	90,962
III. Selling, General and Administrative Expenses	43,243	39,212
Operating Income	55,768	51,750
IV. Non-Operating Income:	6,566	3,995
Interest Income	439	257
Dividend Income	2,992	2,798
Equity in Net Income of Affiliated Companies	675	75
Other Non-Operating Income	2,457	864
V. Non-Operating Expenses:	7,680	7,642
Interest Expenses	6,630	6,449
Other Non-Operating Expenses	1,050	1,193
Ordinary Income	54,653	48,103
Income before Income Taxes	54,653	48,103
Income Taxes	16,805	15,320
Profit	37,847	32,783
Profit (Loss) Attributable to Non-Controlling Interests	(235)	(1,091)
Profit Attributable to Owners of Parent	¥38,082	¥33,875

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

	Three Months Ended June 30	
	2018	2017
I. Cash Flows From Operating Activities:		
Income before Income Taxes	¥54,653	¥48,103
Depreciation and Amortization	18,616	16,681
Interest and Dividend Income Receivable	(3,432)	(3,055)
Interest Expense	6,630	6,449
(Gain) Loss on Equity-Method Investments	(675)	(75)
(Increase) Decrease in Accounts Receivable	9,362	8,115
Increase (Decrease) in Accounts Payable	(17,723)	(17,863)
(Increase) Decrease in Real Property for Sale	(28,017)	(30,526)
Other	(21,870)	(60,660)
Subtotal	17,543	(32,832)
Cash Receipts of Interest and Dividend Income	3,967	4,120
Cash Payments of Interest Expense	(4,701)	(5,492)
Income Taxes Paid	(47,413)	(25,285)
Net Cash Provided by (Used in) Operating Activities	(30,604)	(59,489)
II. Cash Flows From Investing Activities:		
Purchase of Tangible and Intangible Fixed Assets	(103,009)	(35,928)
Proceeds from Sale of Tangible and Intangible Fixed Assets	87	962
Purchase of Investment Securities	(4,819)	(3,384)
Proceeds from Sale of Investment Securities	616	-
Payment of Lease Deposits	(3,392)	(863)
Proceeds from Collection of Lease Deposits	3,763	924
Repayment of Deposits from Tenants	(6,500)	(4,969)
Proceeds from Deposits from Tenants	23,055	8,079
Payment of Loan Receivable	(6,366)	(5,436)
Collection of Loan Receivable	2,940	1,279
Payments into Time Deposits	(18,215)	(0)
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidator	(2,147)	(268)
Other	(4,853)	(3,315)
Net Cash Provided by (Used in) Investing Activities	¥(118,841)	¥(42,919)

(¥ millions)

	Three Months Ended June 30	
	2018	2017
III. Cash Flows From Financing Activities:		
Proceeds from Short-Term Debt	¥870,506	¥770,855
Repayment of Short-Term Debt	(713,862)	(664,117)
Proceeds from Long-Term Debt	49,094	49,515
Repayment of Long-Term Debt	(26,629)	(52,096)
Proceeds from Issuance of Bonds	10,873	30,171
Redemption of Bonds	(14,800)	(28,955)
Cash Dividends Paid	(21,448)	(17,536)
Proceeds from Share Issuance to Non-Controlling Shareholders	12,290	43
Dividends Paid to Non-Controlling Shareholders	(1,121)	(960)
Repayment of Finance Lease Obligations	(969)	(997)
(Increase) Decrease in Treasury Stocks	(2)	(2)
Net Cash Provided by (Used in) Financing Activities	163,930	85,918
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(806)	(249)
V. Net Increase (Decrease) in Cash and Cash Equivalents	13,677	(16,739)
VI. Cash and Cash Equivalents at Beginning of the Period	100,708	148,546
VII. Cash and Cash Equivalents at End of the Period	¥114,385	¥131,806

CONSOLIDATED STATEMENTS OF EARNING FORECASTS

For the Year Ending March 31, 2019

(¥ millions)

	Year to March 31		Change
	2019 (forecast)	2018 (actual)	
Revenue from Operations	¥1,870,000	¥1,751,114	¥118,886
Leasing	600,000	558,165	41,835
Property Sales	535,000	499,607	35,393
Management	385,000	353,813	31,187
Mitsui Home	260,000	252,180	7,820
Other	90,000	87,346	2,654
Operating Income	250,000	245,902	4,098
Leasing	140,000	138,338	1,662
Property Sales	87,000	83,010	3,990
Management	51,000	48,727	2,273
Mitsui Home	5,800	5,463	337
Other	4,000	6,849	(2,849)
Elimination or Corporate	(37,800)	(36,487)	(1,313)
Non-Operating Income/Expenses	(17,000)	(5,561)	(11,439)
Interest Income/Expense, in Net	(27,000)	(24,833)	(2,167)
Other, in Net	10,000	19,271	(9,271)
Ordinary Income	233,000	240,341	(7,341)
Extraordinary Gains/Losses	(5,000)	(15,592)	10,592
Income before Income Taxes	228,000	224,748	3,252
Income Taxes	(71,000)	66,771	(4,229)
Profit	157,000	157,976	(976)
Profit (Loss) Attributable to Non-controlling Interests	4,000	2,102	(1,898)
Profit Attributable to Owners of Parent	¥153,000	¥155,874	¥(2,874)

●Leasing: Overall revenue from operations and operating income are forecast to climb ¥41.8 billion and ¥1.6 billion, respectively. This is mainly due to the contribution from the 55 Hudson Yards Project that is due for completion during the current fiscal year and the full-term contribution from TOKYO MIDTOWN HIBIYA, which was completed during the fiscal year under review.

Major properties scheduled for completion during the fiscal year ending March 31, 2019: Nihonbashi Takashimaya Mitsui Building; Nihonbashi Muromachi 3rd district project; msb Tamachi (Tamachi Station Tower S); 55 Hudson Yards project; Lalaport Nagoya minato AQUUS

●Property Sales: Forecast results in the "Property Sales" segment take into account a variety of factors. While such factors as the forecast drop in the number of units in the fiscal year ending March 31, 2019 compared with the fiscal year under review is anticipated to push down operating income in the "Property Sales to Individuals (Domestic)" category, both revenue from operations and operating income are estimated to increase in the "Property Sales to Investors and Individuals (Overseas)" category. As a result, revenue from operations is expected to grow ¥35.3 billion and operating income is anticipated to climb ¥3.9 billion in the "Property Sales" segment as a whole.

●Management: Revenue from operations in the "Management" segment as a whole is projected to improve ¥31.1 billion and operating income is forecast to grow ¥2.2 billion. These forecasts reflect a variety of factors including ongoing robust trends in the "Brokerage" business for individuals of Mitsui Fudosan Realty as well as the "Repark" (car park leasing) business.

●Other: In the "Other" segment as a whole, revenue from operations is anticipated to increase ¥2.6 billion. In contrast, operating income is expected to decrease ¥2.8 billion. This mix of results reflects such factors as the stable performance from the existing hotels and resorts business and opening expenses in connection with the launch of new hotels during the current fiscal year.

Major properties where operations are scheduled to commence during the fiscal year ending March 31, 2019: Mitsui Garden Hotel Nihonbashi Premier; Mitsui Garden Hotel Otemachi; Mitsui Garden Hotel Gotanda; Mitsui Garden Hotel Kanazawa

●Taking each of the aforementioned factors into consideration, revenue from operations is forecast to amount to ¥1,870.0 billion, an increase of ¥118.8 billion compared with the fiscal year under review. From a profit perspective, operating income is expected to reach ¥250.0 billion, up ¥4.0 billion.

●Owing to corrections to non-operating income and expenses posted during the fiscal year under review, ordinary income in the fiscal year ending March 31, 2019 is expected to come in at ¥233.0 billion, down ¥7.3 billion, while profit attributable to owners of parent is estimated to total ¥153.0 billion, a decrease of ¥2.8 billion.

●Mitsui Fudosan is expecting to pay a cash dividend per share for the fiscal year ending March 31, 2019 of ¥40.00 per share comprising an interim and period-end dividend of ¥20.00 per share.

CONSOLIDATED STATEMENTS OF EARNING FORECASTS

【Property Sales】

Revenue, Operating Margin

(¥ millions)

	Year to March 2019 (forecast)	Year Ended March 2018 (actual)	YoY Change
Property Sales to Individuals			
Revenue from Operations:	¥277,000	¥275,988	¥1,012
Condominiums	245,000	246,989	(1,989)
Detached Housing	32,000	28,998	3,002
Operating Income	26,000	31,167	(5,167)
Operating Margin (%)	9.4	11.3	(1.9)pt
Property Sales to Investors			
Revenue from Operations:	258,000	223,619	34,381
Operating Income	61,000	51,843	9,157
Total			
Revenue from Operations:	535,000	499,607	35,393
Operating Income	¥87,000	¥83,010	¥3,990

Number of Domestic Housing Units

(Units)

	Year to March 2019 (forecast)	Year Ended March 2018 (actual)	YoY Change
Condominiums	3,250	3,707	(457)
Detached Housing	500	501	(1)
Total	3,750	4,208	(458)

【Mitsui Home (Consolidated)】

(¥ millions)

	Year to March 2019 (forecast)	Year Ended March 2018 (actual)	YoY Change
Revenue from Operations	¥267,000	¥260,109	¥6,891
Operating Income	5,800	5,660	140
Ordinary Income	5,800	5,614	186
Profit Attributable to Owners of Parent	¥3,900	¥3,692	¥208

* The above figures were disclosed by Mitsui Home on May 8, 2018.

【Tangible and Intangible Assets】

(¥ millions)

	Year to March 2019 (forecast)	Year Ended March 2018 (actual)	YoY Change
New Investments	¥440,000	¥440,752	¥(752)
Depreciation	75,000	70,167	4,833

【Real Property for Sale】

(¥ millions)

	Year to March 2019 (forecast)	Year Ended March 2018 (actual)	YoY Change
New Investments	¥460,000	¥599,584	¥(139,584)
Recovery of Costs	410,000	376,032	33,968

【Interest-Bearing Debt】

(¥ millions)

	Year to March 2019 (forecast)	Year Ended March 2018 (actual)	YoY Change
Interest-Bearing Debt	¥2,900,000	¥2,604,656	¥295,344

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 has decided to 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. Based on this decision to seek damages, Mitsui Fudosan Residential filed a lawsuit for total compensation amounting to around ¥45.9 billion against the three companies identified above on November 28, 2017. Mitsui Fudosan has posted all related temporary payments undertaken by Mitsui Fudosan Residential up to June 30, 2018 as current assets on its consolidated quarterly 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.

SUBSEQUENT EVENT

(Material subsequent event)

Tender offer for the shares of Mitsui Home Co., Ltd.

The Company resolved at the meeting of its board of directors held on August 3, 2018 to implement a tender offer (the “Tender Offer”) for all of the issued shares of Mitsui Home Co., Ltd., a consolidated subsidiary of the Company (listed on the First Section of the Tokyo Stock Exchange; Code Number: 1868; the “Target Company”) (excluding the Target Company’s common stock held by the Company and the treasury shares held by the Target Company) in order to make the Target Company a wholly-owned subsidiary of the Company.

1.Purpose of the Tender Offer

The Company believes that, in order to improve the profitability of the companies in the Company’s group, including the Target Company’s group, the Company needs to (i) promote its sales productivity and cost efficiency through strengthening collaboration and building systems within the Company’s group for further improvement of the profit structure of the Target Company’s group, and (ii) accelerate the speed of profit growth by focusing on a few business areas based on the demand trends in the future.

Specifically, in order to realize the improvement of profitability in the Target Company’s group on a medium to long-term basis under the changes in the business environment, it would be a good solution for the Target Company to expand its construction business of large-scale wooden facilities (non-domestic structures such as nursing care facilities and educational facilities with the total floor area of more than approximately 1,000 square meter are collectively called as “large-scale wooden facilities” at the Target Company) through strengthening of the system to receive orders for construction of elderly facilities, etc., in light of the increasing demand for nursing care facilities due to the declining birthrate and the aging of society, and increase the variety of solutions by maximizing the collaboration within the group with regard to the customer base for the wealthy class. In addition, it would also be a good plan for the Target Company to realize growth of good subsidiaries that maintain a solid profit level, by (i) further expanding the overseas business in North America, in light of the fact that the population in the United States is expected to increase and that the new housing units started in California where Target Company’s subsidiaries are located are on the rise, and (ii) accelerating collaboration between the companies in the Company’s group other than companies in the Target Company’s group and the companies in Target Company’s group in the overlapping business areas, such as the lease management business and reform/renewal business.

For the Target Company to implement the measures above, it is necessary for the Company and the Target Company to have a unified decision-making structure and for the Target Company to establish a flexible and strategic business management system. However, the Company believes that, under the present situation where the Target Company maintains its listing and some of its shares are held by minority shareholders, it is not necessarily easy to swiftly make management decisions that would contribute to the acceleration of growth in the priority business areas concurrently with ensuring objective fairness of the transactions between the Company and the Target Company. On the other hand, if the Company makes the Target Company a wholly-owned subsidiary of the Company, (i) acceleration of collaboration between the Company’s group and the Target Company’s group by the improvement of the flexibility of the Target Company’s group’s management such as (a) avoidance of possible conflicts of interest between the parent company and the minority shareholders which would arise due to the listing of both the parent company and its subsidiary and (b) speeding up of the decision-making regarding the group’s management strategy, will contribute to the enhancement of solutions for customers, (ii) it will enable the Company’s group to make the new housing units construction business (which is currently the core business of the Target Company) a more solid management base of the Company’s group, because the collaboration between the Company’s group and the Target Company’s group will be further strengthened, and, as a result, (iii) it will strengthen the value chain of the Company’s group as a comprehensive real estate developer. The Company also believes that it is extremely beneficial for enhancement of the corporate value of the entire Company’s group, including the Target Company’s group, for the Company and the Target Company, as a unit, to promote a growth strategy for the Target Company’s group from a medium to long-term perspective.

2.Outline of the Target Company

(1) Name	Mitsui Home Co., Ltd.
(2) Address	1-1, Nishi-shinjuku 2-Chome, Shinjuku-ku, Tokyo
(3) Title and name of representative	Toshihide Ichikawa, President and Representative Director
(4) Purpose of business	New construction business, reform/renewal business, lease management business and housing-related material sales business mainly in the housing-related fields
(5) Amount of share capital	13,900,700 thousand yen (as of March 31, 2018)
(6) Establishment date	October 11, 1974

3.Outline of the Tender Offer

As of August 3, 2018, the Company holds 37,334,919 shares of common stock of the Target Company (shareholding ratio: 56.34%; rounded to second decimal places) which are listed on the First Section of the Tokyo Stock Exchange, and the Target Company is a consolidated subsidiary of the Company.

As of August 3, 2018, the Target Company’s common stock is listed on the First Section of the Tokyo Stock Exchange. However, since the Company has not set the maximum number of share certificates, etc. to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, the Target Company’s common stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange’s criteria for delisting. In addition, even if the Target Company’s common stock does not fall under such criteria at the time of the completion of the Tender Offer, if the Company implements the procedures for the purpose of acquiring all of the issued shares of the Target Company after the Tender Offer is completed, the Target Company’s common stock will fall under the criteria for delisting and will be delisted pursuant to the prescribed procedures. The Target Company’s common stock will no longer be traded on the Tokyo Stock Exchange after the delisting.

(1) Number of share certificates, etc. to be purchased	
Number of shares to be purchased	28,936,776 shares
Minimum number of shares to be purchased	6,847,000 shares
Maximum number of shares to be purchased	— shares

(Note) If the aggregate number of the tendered share certificates, etc. is less than the minimum number of shares to be purchased (6,847,000 shares), the Company will not purchase any of the tendered share certificates, etc. If the aggregate number of the tendered share certificates, etc. is equal to or greater than the minimum number of shares to be purchased, the Company will purchase all of the tendered share certificates, etc. The maximum number of share certificates, etc. to be purchased is as indicated in the “Number of shares to be purchased”, and it represents the number of shares calculated by deducting the number of the shares held by the Company as of August 3, 2018 (37,334,919 shares) and the treasury shares held by the Target Company as of June 30, 2018 (83,305 shares) described in the “Consolidated Financial Results for the 1st Quarter of Fiscal Year Ending March 31, 2019 (Prepared in Conformity with Generally Accepted Accounting Principles in Japan)” (the “Quarterly Financial Results”), as announced by the Target Company on July 30, 2018, from the number of issued shares of the Target Company as of June 30, 2018 (66,355,000 shares) described in the Quarterly Financial Results.

(2) Period for purchase, etc.	From August 6, 2018 through September 18, 2018
(3) Price for purchase, etc.	¥980 per share of common stock
(4) Aggregate tender offer price	¥28,358,040,480

(Note) The “aggregate tender offer price” is calculated by multiplying the number of shares intended to be purchased (28,936,776 shares) by the tender offer price per share (980 yen).

(5) Settlement commencement Date	September 26, 2018
(6) Method of financing	The Company’s own funds