

FACT BOOK

For the Nine Months Ended December 31, 2018

February 08, 2019



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

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

Corporate Data

(As of December 31, 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)

	Nine Months Ended December 31		Change
	2018	2017	
Revenue from Operations	¥1,244,009	¥1,101,607	¥142,401
Leasing	446,632	412,960	33,671
Property Sales	285,118	202,809	82,309
Management	274,815	257,911	16,903
Mitsui Home	171,349	162,478	8,870
Other	66,093	65,447	646
Operating Income	156,353	135,953	20,400
Leasing	109,100	108,628	472
Property Sales	37,597	17,028	20,569
Management	35,981	32,910	3,070
Mitsui Home	(792)	(1,815)	1,022
Other	5,397	5,580	(183)
Elimination or Corporate	(30,930)	(26,379)	(4,550)
Non-Operating Income/Expenses	(3,817)	(14,653)	10,835
Equity in Net Income/Loss of Affiliated Companies	9,849	210	9,639
Interest Income/Expense, in Net	(19,160)	(18,799)	(361)
Other, in Net	5,493	3,935	1,557
Ordinary Income	152,536	121,299	31,236
Extraordinary Gains/Losses	(1,825)	(7,023)	5,197
Extraordinary Gains	-	-	-
Extraordinary Losses	1,825	7,023	(5,197)
Income before Income Taxes	150,710	114,276	36,434
Income Taxes	46,947	42,666	4,280
Profit	103,763	71,609	32,153
Profit (Loss) Attributable to Non-Controlling Interests	1,522	(464)	1,987
Profit Attributable to Owners of Parent	¥102,240	¥72,074	¥30,166

◆ Overview

● In the nine-month period under review, revenue and earnings increased in the "Leasing" segment. This increase is mainly due to the upward revision of rents from existing office buildings in Japan followed by full-term contributions from office buildings and retail facilities that were completed and opened for operation during the previous fiscal year. In addition, Mitsui Shopping Park LaLaport NAGOYA minato AQUUS, which opened during the fiscal period under review, and 55 Hudson Yards in the US also contributed to earnings. Revenue and earnings improved in the "Property Sales" segment. This largely reflected such factors as robust property sales to individuals in Japan as well as contributions from the handover of condominiums-for-sale in the UK and property sales to investors. Revenue and earnings grew in the "Management" segment. In addition to an upswing in the number of brokerage units handled in the "Mitsui Rehouse" business (brokerage business for individuals), this growth included large-scale corporate brokerage transactions and other factors. In overall terms, revenue from operations increased ¥142.4 billion, or 12.9%, to ¥1,244.0 billion, and operating income climbed ¥20.4 billion, or 15.0%, to ¥156.3 billion year on year. Ordinary income grew ¥31.2 billion, or 25.8%, to ¥152.5 billion. Profit attributable to owners of parent rose ¥30.1 billion, or 41.9%, to ¥102.2 billion.

Turning to results for the full fiscal year, the Company is making steady progress toward achieving its forecasts announced on November 9, 2018. Revenue, operating income and profit attributable to owners of parent are all expected to hit record high levels.

Progress Comparison with Full Year Forecasts

(¥ millions)

	Nine Months Ended December 31, 2018	Year to March 2019 (Forecast as of November 9, 2018)	9-Month Results/Full-Year Forecast (%)
Revenue from Operations	¥1,244,009	¥1,870,000	66.5
Operating Income	156,353	250,000	62.5
Ordinary Income	152,536	236,000	64.6
Profit Attributable To Owners of Parent	¥102,240	¥163,000	62.7

Extraordinary Gains/Losses

【Extraordinary Losses】 (¥ millions)

Loss on Retirement of Fixed Assets	¥1,825
Total	¥1,825

Consolidated Statements of Comprehensive Income

(¥ millions)

	Nine Months Ended December 31	
	2018	2017
Profit	¥103,763	¥71,609
Other Comprehensive Income	1,905	106,486
Valuation Difference on Available-For-Sale Securities	4,406	103,288
Deferred Gains or Losses on Hedges	341	114
Foreign Currency Translation Adjustment	(1,204)	(124)
Remeasurements of Defined Benefit Plans, Net of Tax	463	1,378
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	(2,101)	1,828
Comprehensive Income	¥105,669	¥178,096
(Comprehensive Income Attributable to Owners of the Parent)	104,228	178,301
(Comprehensive Income Attributable to Non-Controlling Interests)	1,440	(204)

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

(¥ millions)

	Nine Months Ended December 31		Change
	2018	2017	
Revenue from Operations			
Leasing	¥415,006	¥390,984	¥24,022
Property Sales	26,268	42,054	(15,786)
Other	26,364	23,569	2,794
Total	467,638	456,608	11,030
Gross Profit Margin (%)			
Leasing	18.8	20.7	(1.8)pt
Property Sales	36.4	17.8	18.6pt
Other	27.0	33.3	(6.3)pt
Operating Income	¥68,566	¥74,210	¥(5,643)

SEGMENT RESULTS

[1] LEASING

	Nine Months Ended December 31		Change
	2018	2017	
Revenue from Operations	¥446,632	¥412,960	¥33,671
Operating Income	109,100	108,628	472

	Year to March 2019 (Forecast as of November 9, 2018)	9-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥600,000	74.4	¥558,165
Operating Income	140,000	77.9	138,338

● For the nine-month period under review, revenue from operations rose ¥33.6 billion compared with the corresponding period of the previous fiscal year for the segment as a whole. Operating income also climbed ¥0.4 billion year on year. This increase is mainly due to the upward revision of rents from existing office buildings in Japan followed by full-term contributions from office buildings and retail facilities that were completed and opened for operation during the previous fiscal year. In addition, Mitsui Shopping Park LaLaport NAGOYA minato AQUUS, which opened during the fiscal period under review, and 55 Hudson Yards in the US also contributed to earnings. The vacancy rate for the Company's office buildings located in the Tokyo metropolitan area was 2.2% on a non-consolidated basis as of December 31, 2018.

【Reference】 Non-consolidated Results

(Revenue from operations)

- Newly on-stream projects and full-term contribution: ¥15.8 billion increase in revenue year on year.
- Existing properties: ¥6.7 billion increase in revenue year on year.
- Shifting, terminations and other: ¥1.4 billion increase in revenue year on year.

Breakdown of Leasing Operations (Nonconsolidated)

		At December 31					
		2018		2017		2018	
		Total		Tokyo Metropolitan Area		Regional Areas	
Office Buildings	Number of Buildings	134	133	105	102	29	31
	Leased Floor Space (1,000m ²)	2,751	2,580	2,423	2,251	327	329
	Leasing Revenue (¥ millions)	216,377	200,820	200,119	184,659	16,258	16,161
	Vacancy Rate (%)	2.2	1.7	2.2	1.6	2.2	2.9
Retail Facilities	Number of Buildings	86	81	59	56	27	25
	Leased Floor Space (1,000m ²)	2,116	2,054	1,372	1,357	744	697
	Leasing Revenue (¥ millions)	173,217	167,652	121,183	117,484	52,033	50,168
	Vacancy Rate (%)	0.5	0.7	0.5	0.6	0.5	0.8

Leased Floor Space

		At December 31				
		2018	2017	Change		
Office Buildings and Retail Facilities	Revenue	Office Buildings	¥249,698	¥226,658	¥23,040	
		Retail Facilities	177,217	171,096	6,120	
		Total Leased Floor Space (1000m ²):	5,249	4,985	264	
		Office Buildings	Owned	1,876	1,710	167
			Managed	1,178	1,146	31
		Retail Facilities	Owned	1,604	1,546	58
		Managed	591	583	7	
Other	Revenue		19,716	15,205	4,510	
Total Revenue			¥446,632	¥412,960	¥33,671	

Vacancy Rate

	12/2018	9/2018	6/2018	3/2018	3/2017	3/2016
Consolidated						
Office Buildings and Retail Facilities (including overseas)	2.0	3.0	2.9	2.4	3.1	2.2
Non-consolidated						
Tokyo Metropolitan Area Office Buildings	2.2	2.7	2.5	2.2	3.4	2.6
Regional Area Office Buildings	2.2	2.6	2.2	2.3	2.3	3.1

Major Projects during the Period (nine-month total)

(NEWLY OPENED)

2 Television Centre (London, UK)	Office building completed in March 2018
msb 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
OVOL Nihonbashi Building (Chuo-ku, Tokyo)	Office building completed in June 2018
Shinbashi M-SQUARE Bright (Minato-ku, Tokyo)	Office building completed in September 2018
Mitsui Shopping Park LaLaport NAGOYA minato AQUUS (Nagoya, Aichi)	Retail facility opened in September 2018

(FULL-TERM CONTRIBUTION)

1 Angel Court (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

	Nine Months Ended December 31		Change
	2018	2017	
Revenue from Operations	¥285,118	¥202,809	¥82,309
Operating Income	37,597	17,028	20,569

	Year to March 2019 (Forecast as of November 9, 2018)	9-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥535,000	53.3	¥499,607
Operating Income	90,000	41.8	83,010

● For the nine-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 and earnings in the "Property Sales to Investors and Individuals (Overseas), etc." category also improved compared with the corresponding period of the previous fiscal year. This largely reflected progress in the handover of condominiums-for-sale in the UK and property sales to investors. Accounting for each of these factors, overall revenue from operations climbed ¥82.3 billion and operating income grew ¥20.5 billion year on year in this segment as a whole. In newly constructed condominiums in Japan, the Company's contract rate as of December 31, 2018 was 99% of the 3,250 units projected for the year.

Major Projects Undertaken during the Period (nine-month total) (Property Sales to Individuals (Domestic))

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
Park Homes Chiyoda Awajicho (Chiyoda-ku, Tokyo)	Condominiums
Fine Court Nerima Sakuradai The Marks (Nerima-ku, Tokyo)	Detached Housing

(Property Sales to Investors and Individuals (Overseas), etc.)

70 Mark Lane (London, UK)	Office Building
Television Centre (The Helios, The Crescent) (London, UK)	Condominiums

Property Sales to Individuals and Investors

	Nine Months Ended December 31						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	¥153,755	1,868	¥8,231	¥127,034	2,063	¥6,158	¥26,721	(195)	¥2,073
	Detached Housing	25,224	349	7,228	20,587	349	5,899	4,637	-	1,329
	Subtotal	178,980	2,217	8,073	147,621	2,412	6,120	31,358	(195)	1,953
Operating Income	15,950			9,524			6,425			
Property Sales to Investors and Individuals (Overseas), etc.	Revenue	106,138			55,187			50,951		
	Operating Income	21,646			7,503			14,143		
Total Revenue	285,118			202,809			82,309			
Total Operating Income	¥37,597			¥17,028			¥20,569			

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

	Nine Months Ended December 31						Change	
	2018		2017		Revenue	Units	Revenue	Units
	Revenue	Units	Revenue	Units				
Condominiums	Tokyo Metropolitan Area	¥139,155	1,543	¥102,839	1,521	¥36,316	22	
	Other	14,599	325	24,194	542	(9,594)	(217)	
	Total	153,755	1,868	127,034	2,063	26,721	(195)	
Detached Housing	Tokyo Metropolitan Area	25,224	349	19,558	331	5,665	18	
	Other	-	-	1,028	18	(1,028)	(18)	
	Total	¥25,224	349	¥20,587	349	¥4,637	-	

Inventories of Property Sales to Individuals (Domestic)

	12/2018	9/2018	6/2018	3/2018	3/2017	3/2016
Condominiums	161	185	167	108	321	88
Detached Housing	35	40	31	40	69	127
Total	196	225	198	148	390	215

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

	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	2,501	6,689	1,868	4,821	2,592
Detached Housing	153	312	465	349	116	311
Total	4,341	2,813	7,154	2,217	4,937	2,903

[3] MANAGEMENT

(¥ millions)			
	Nine Months Ended December 31		Change
	2018	2017	
Revenue from Operations	¥274,815	¥257,911	¥16,903
Operating Income	35,981	32,910	3,070

	Year to March 2019 (Forecast as of November 9, 2018)	9-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥385,000	71.4	¥353,813
Operating Income	51,000	70.6	48,727

● For the nine-month period under review, overall revenue from operations increased ¥16.9 billion and operating income climbed ¥3.0 billion compared with the corresponding period of the previous fiscal year in this segment as a whole. In addition to an increase in the number of managed units in the Repark business (car park leasing business), this was mainly due to an upswing in the number of brokerage units handled in the “Mitsui Rehouse” business (brokerage business for individuals), the incidence of large-scale corporate brokerage transactions and other factors.

(¥ millions)				
		Nine Months Ended December 31		Change
		2018	2017	
Property Management	Revenue	¥202,928	¥194,726	¥8,201
	Operating Income	21,688	21,827	(139)
Brokerage, Asset Management, etc.	Revenue	71,887	63,185	8,701
	Operating Income	14,293	11,082	3,210
Total	Revenue	274,815	257,911	16,903
	Operating Income	35,981	32,910	3,070

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

(Units)			
	At December 31, 2018	At December 31, 2017	Change
Total Managed Units	243,426	223,315	20,111

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

(¥ millions)						
	Nine Months Ended December 31				Change	
	2018		2017			
Brokerage	Transaction Volume	Units	Transaction Volume	Units	Transaction Volume	Units
	¥1,222,131	30,464	¥1,104,476	29,951	¥117,655	513

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)

(¥ millions)						
	Nine Months Ended December 31				Change	
	2018		2017			
Consignment Sales	Transaction Volume	Units	Transaction Volume	Units	Transaction Volume	Units
	¥45,464	525	¥21,925	349	¥23,538	176

[4] MITSUI HOME, [5] OTHER

[4] MITSUI HOME

	Nine Months Ended December 31		Change
	2018	2017	
Revenue from Operations	¥171,349	¥162,478	¥8,870
Operating Income	(792)	(1,815)	1,022

	Year to March 2019 (Forecast as of November 9, 2018)	9-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥260,000	65.9	¥252,180
Operating Income	5,800	-	5,463

● For the nine-month period under review, revenue from operations for the segment as a whole was up ¥8.8 billion compared with the corresponding period of the previous fiscal year. The operating loss narrowed ¥1.0 billion. This was mainly due to the increase in sales in the "New Construction" and "Reform/Renewal" categories. This segment reported an operating loss because the completion and handover of properties under consignment are concentrated in the fourth quarter.

		Nine Months Ended December 31		Change
		2018	2017	
New Construction	Revenue	¥104,776	¥103,056	¥1,720
	Orders	111,797	107,642	4,154
Reform/Renewal	Revenue	29,898	26,075	3,822
	Orders	39,739	33,679	6,059
Lease Management		19,891	18,521	1,369
Housing-Related Material Sales		16,783	14,825	1,958
Total Revenue		¥171,349	¥162,478	¥8,870

[5] OTHER

	Nine Months Ended December 31		Change
	2018	2017	
Revenue from Operations	¥66,093	¥65,447	¥646
Operating Income	5,397	5,580	(183)

	Year to March 2019 (Forecast as of November 9, 2018)	9-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥90,000	73.4	¥87,346
Operating Income	4,000	134.9	6,849

● For the nine-month period under review, Revenue from operations in the "Other" segment as a whole climbed ¥0.6 billion compared with the corresponding period of the previous fiscal year. Operating income, on the other hand, declined ¥0.1 billion year on year. While trends in the existing "Hotel" business were firm, this downturn in earnings was mainly due to expenses in connection with the new opening of Mitsui Garden Hotel Otemachi, Mitsui Garden Hotel Gotanda and Mitsui Garden Hotel Nihonbashi Premier.

	Nine Months Ended December 31		Change
	2018	2017	
Facility Operations	¥49,177	¥45,984	¥3,192
Other	16,916	19,463	(2,546)
Total Revenue	¥66,093	¥65,447	¥646

Major Projects during the Period (nine-month total)

(NEWLY OPENED)

Mitsui Garden Hotel Otemachi (Chiyoda-ku, Tokyo)	Hotel opened in June 2018
Mitsui Garden Hotel Gotanda (Shinagawa-ku, Tokyo)	Hotel opened in June 2018
Mitsui Garden Hotel Nihonbashi Premier (Chuo-ku, Tokyo)	Hotel opened in September 2018

(FULL-TERM CONTRIBUTION)

HOTEL THE CELESTINE KYOTO GION (Kyoto, Kyoto)	Hotel opened in September 2017
HOTEL THE CELESTINE GINZA (Chuo-ku, Ginza)	Hotel opened in October 2017

[REFERENCE] OVERSEAS BUSINESS

		Nine Months Ended December 31		Change
		2018	2017	
Leasing	Revenue	¥40,143	¥31,458	¥8,684
	Operating Income	12,175	8,396	3,778
Property Sales	Revenue	73,903	0	73,903
	Operating Income	18,557	(1,189)	19,746
Management, Other, etc.	Revenue	11,661	12,022	(360)
	Operating Income	1,405	1,706	(301)
Pro forma Operating Income of Overseas Affiliates *1		11,980	959	11,021
Total Overseas Income		44,118	9,873	34,244
Overseas Income Ratio*2		26.2%	7.2%	19.0pt

*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:	December 31, 2018	March 31, 2018	Change
I. Current Assets:	¥2,069,476	¥1,898,347	¥171,129
Cash and Time Deposits	180,586	100,889	79,697
Accounts Receivable—Trade	35,321	41,186	(5,865)
Marketable Securities	913	181	731
Real Property for Sale (including Advances Paid for Purchases)	1,576,066	1,524,863	51,202
Expenditure on Contracts in Progress	38,942	25,400	13,541
Other Inventories	6,543	4,857	1,686
Short-Term Loans	16,963	17,519	(555)
Equity Investments in Properties for Sale	6,703	6,723	(19)
Other	207,848	177,138	30,710
Allowance for Doubtful Accounts	(411)	(412)	0
II. Tangible and Intangible Fixed Assets:	3,447,002	3,318,928	128,074
1. Tangible Fixed Assets:	3,376,438	3,244,641	131,796
Buildings and Structures	914,060	857,308	56,752
Machinery, Equipment and Materials Handling Equipment	38,586	38,552	34
Land	2,098,862	2,038,163	60,699
Construction in Progress	282,527	270,964	11,562
Other	42,401	39,653	2,748
2. Intangible Fixed Assets:	70,564	74,286	(3,722)
III. Investments and Other Assets:	1,105,880	1,067,448	38,432
Investment Securities	806,439	787,958	18,480
Long-Term Loans	11,476	7,761	3,714
Lease Deposits	139,609	138,564	1,044
Net Defined Benefit Asset	16,520	17,975	(1,455)
Deferred Income Taxes	25,864	25,689	174
Deferred Tax Assets on Land Revaluation	2	34	(31)
Other	107,154	90,689	16,464
Allowance for Doubtful Accounts	(1,185)	(1,225)	39
Total Assets	¥6,622,360	¥6,284,723	¥337,636

[Real Property for Sale]

(a) Breakdown by Company

(¥ millions)

	At December 31, 2018	At March 31, 2018	Change
Mitsui Fudosan Residential	¥596,051	¥611,976	¥(15,924)
Mitsui Fudosan	378,851	353,127	25,723
Mitsui Fudosan America Group	278,345	206,918	71,426
SPCs Total	241,137	235,610	5,527
Mitsui Fudosan UK Group	62,927	105,277	(42,349)
Other and Elimination	18,752	11,953	6,799
Consolidated Total	¥1,576,066	¥1,524,863	¥51,202

(b) Accounts of Real Property for Sale

(¥ millions)

Nine Months Ended December 31	At Beginning of Period	New Investments*	Cost Recovery	Others	At End of Period
2018	¥1,524,863	¥243,604	¥(217,539)	¥25,137	¥1,576,066
2017	¥1,334,167	¥275,405	¥(159,035)	¥(23,075)	¥1,427,462

Note: Land acquisition-related expenditures by Mitsui Fudosan Residential Co., Ltd., totaled ¥61.7 billion for the nine-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 ¥3,447.0 billion as of December 31, 2018, up ¥128.0 billion compared with the end of the previous fiscal year. This was mainly due to new investments undertaken by the Company in Nihonbashi Takashimaya Mitsui Building and Mitsui Shopping Park LaLaport NAGOYA minato AQUUS and by Mitsui Fudosan America Group in 55 Hudson Yards and the 50 Hudson Yards project.

Foreign currency exchange rates:

¥113.57: US\$1 as of December 31, 2018, ¥113.00: US\$1 as of March 31, 2018;

¥148.53: £1 as of December 31, 2018, ¥151.95: £1 as of March 31, 2018

(a) Breakdown by Company

(¥ millions)

	At December 31, 2018	At March 31, 2018	Change
Mitsui Fudosan	¥2,631,275	¥2,480,435	¥150,839
Mitsui Fudosan America Group	352,932	359,280	(6,347)
SPCs Total	223,456	239,366	(15,909)
Mitsui Fudosan UK Group	62,254	63,125	(870)
Mitsui Fudosan Residential	51,724	35,606	16,117
Other and Elimination	125,358	141,114	(15,755)
Consolidated Total	¥3,447,002	¥3,318,928	¥128,074

Above figures include revaluation reserve for land.

(b) Accounts of Tangible and Intangible Fixed Assets

(¥ millions)

Nine Months Ended December 31	At Beginning of Period	New Investments*	Depreciation	Others	At End of Period
2018	¥3,318,928	¥226,552	¥(58,179)	¥(40,297)	¥3,447,002
2017	¥2,967,788	¥201,232	¥(51,235)	¥(1,154)	¥3,116,630

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

CONSOLIDATED BALANCE SHEETS

(¥ millions)

LIABILITIES:	December 31, 2018	March 31, 2018	Change
I. Current Liabilities:	¥1,291,402	¥1,063,616	¥227,786
Accounts Payable—Trade	85,954	123,988	(38,033)
Short-Term Debt	461,405	273,207	188,198
Commercial Paper	291,000	125,000	166,000
Bond Redeemable Within One Year	84,016	51,150	32,866
Income Taxes Payable	10,105	44,951	(34,846)
Advances from Contracts in Progress	27,131	19,900	7,230
Allowance for Completed Project Indemnities	836	965	(129)
Allowance for Possible Guarantee Losses	7	16	(8)
Other	330,943	424,435	(93,492)
II. Long-Term Liabilities:	3,007,976	2,933,406	74,569
Corporate Bonds	475,579	468,072	7,506
Long-Term Debt	1,734,075	1,687,226	46,849
Deposits from Tenants	423,912	403,413	20,499
Allowance for Directors' and Corporate Auditors' Retirement Benefits	762	715	47
Net Defined Benefit Liability	43,044	42,737	307
Deferred Income Taxes	134,526	134,520	5
Deferred Tax Liabilities on Land Revaluation	151,701	151,701	-
Other	44,372	45,020	(647)
Total Liabilities	4,299,379	3,997,023	302,356
NET ASSETS:			
Common Stock	339,766	339,766	-
Capital Surplus	403,018	409,764	(6,745)
Retained Earnings	894,793	834,497	60,296
Treasury Stock	(21,094)	(6,079)	(15,015)
Reserve on Land Revaluation	331,481	330,922	558
Net Unrealized Holding Gains on Securities	302,611	298,297	4,314
Deferred Gains or Losses on Hedges	36	(241)	278
Foreign Currency Translation Adjustment	(7,028)	(3,955)	(3,072)
Remeasurements of Defined Benefit Plans	2,378	1,910	468
New Share Subscription Rights	1,237	1,090	147
Non-Controlling Interests	75,778	81,727	(5,948)
Total Net Assets	2,322,980	2,287,700	35,280
Total Liabilities and Net Assets	¥6,622,360	¥6,284,723	¥337,636

Note: Debt-Equity Ratio 1.36 times (1.18 times at March 31, 2018)

Interest-Bearing Debt:	3,046,077	2,604,656	441,421
Non-recourse Debt	427,881	440,953	(13,072)
Surplus Lease Deposits/Guarantee Deposits	284,303	264,848	19,454

[Interest-Bearing Debt]

The Mitsui Fudosan Group witnessed a cash inflow from operating activities of ¥11.6 billion and a cash outflow from investing activities of ¥301.2 billion owing mainly to new investments in tangible and intangible assets. Cash outflow attributable to cash dividends paid came to ¥41.3 billion. Taking into account the increase in cash and cash equivalents of ¥70.9 billion, interest-bearing debt stood at ¥3,046.0 billion on a consolidated basis as of December 31, 2018, up ¥441.4 billion compared with the end of the previous fiscal year.

Breakdown by Company

(¥ millions)

	At December 31, 2018	At March 31, 2018	Change
Mitsui Fudosan	¥2,316,419	¥1,904,499	¥411,919
Mitsui Fudosan Residential	540,200	450,500	89,700
Mitsui Fudosan America Group	488,863	445,385	43,478
SPCs Total	378,392	397,749	(19,357)
Mitsui Fudosan UK Group	73,776	125,601	(51,825)
Loans to Subsidiaries	(907,090)	(825,146)	(81,944)
Other and Elimination	155,515	106,066	49,449
Consolidated Total	¥3,046,077	¥2,604,656	¥441,421
(Non-recourse Debt of Total)	427,881	440,953	(13,072)

CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	Nine Months Ended December 31	
	2018	2017
I. Revenue from Operations	¥1,244,009	¥1,101,607
II. Cost of Revenue from Operations	960,917	850,437
Gross Operating Profit	283,092	251,169
III. Selling, General and Administrative Expenses	126,738	115,216
Operating Income	156,353	135,953
IV. Non-Operating Income:	19,842	7,768
Interest Income	1,402	575
Dividend Income	5,734	5,229
Equity in Net Income of Affiliated Companies	9,849	210
Other Non-Operating Income	2,855	1,753
V. Non-Operating Expenses:	23,660	22,421
Interest Expenses	20,563	19,374
Other Non-Operating Expenses	3,097	3,047
Ordinary Income	152,536	121,299
VI. Extraordinary Gains:	-	-
VII. Extraordinary Losses:	1,825	7,023
Impairment Loss	-	7,023
Loss on Retirement of Fixed Assets	1,825	-
Income before Income Taxes	150,710	114,276
Income Taxes	46,947	42,666
Profit	103,763	71,609
Profit (Loss) Attributable to Non-Controlling Interests	1,522	(464)
Profit Attributable to Owners of Parent	¥102,240	¥72,074

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

	Nine Months Ended December 31	
	2018	2017
I. Cash Flows From Operating Activities:		
Income before Income Taxes	¥150,710	¥114,276
Depreciation and Amortization	58,179	51,235
Impairment Loss	-	7,023
Interest and Dividend Income Receivable	(7,137)	(5,804)
Interest Expense	20,563	19,374
(Gain) Loss on Equity-Method Investments	(9,849)	(210)
Loss on Retirement of Fixed Assets	1,825	-
(Increase) Decrease in Accounts Receivable	5,860	3,635
Increase (Decrease) in Accounts Payable	(13,398)	(8,132)
(Increase) Decrease in Real Property for Sale	(47,319)	(143,863)
Other	(56,021)	(78,849)
Subtotal	103,412	(41,315)
Cash Receipts of Interest and Dividend Income	10,462	9,246
Cash Payments of Interest Expense	(18,108)	(17,953)
Income Taxes Paid	(84,093)	(35,860)
Net Cash Provided by (Used in) Operating Activities	11,673	(85,882)
II. Cash Flows From Investing Activities:		
Purchase of Tangible and Intangible Fixed Assets	(286,123)	(197,839)
Sales of Tangible and Intangible Fixed Assets	797	2,823
Purchase of Investment Securities	(12,308)	(8,282)
Sales of Investment Securities	1,227	254
Payment of Lease Deposits	(7,015)	(3,938)
Proceeds from Collection of Lease Deposits	5,932	1,979
Repayment of Deposits from Tenants	(20,347)	(15,977)
Proceeds from Deposits from Tenants	41,064	34,949
Payment of Loan Receivable	(14,789)	(17,295)
Collection of Loan Receivable	13,200	8,990
Payments into Time Deposits	(26,771)	(0)
Proceeds from Withdrawal of Time Deposits	18,108	14
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	(3,301)	(268)
Other	(10,897)	(12,661)
Net Cash Provided by (Used in) Investing Activities	¥(301,223)	¥(207,251)

(¥ millions)

	Nine Months Ended December 31	
	2018	2017
III. Cash Flows From Financing Activities:		
Proceeds from Short-Term Debt	¥2,696,024	¥2,357,925
Repayment of Short-Term Debt	(2,430,396)	(2,193,315)
Proceeds from Long-Term Debt	259,529	228,208
Repayment of Long-Term Debt	(128,213)	(146,546)
Proceeds from Issuance of Bonds	77,708	126,421
Redemption of Bonds	(41,150)	(48,997)
Cash Dividends Paid	(41,330)	(35,541)
Proceeds from Share Issuance to Non-Controlling Shareholders	13,593	2,570
Dividends Paid to Non-Controlling Shareholders	(1,962)	(4,258)
Repayments to Non-Controlling Shareholders	(392)	(105)
Repayment of Finance Lease Obligations	(2,897)	(2,971)
(Increase) Decrease in Treasury Stock	(15,010)	(13)
Payments from Changes in Ownership Interests in Subsidiaries Not Resulting in Change in Scope of Consolidation	(24,229)	(431)
Other	(8)	-
Net Cash Provided by (Used in) Financing Activities	361,264	282,943
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(805)	(1,393)
V. Net Increase (Decrease) in Cash and Cash Equivalents	70,909	(11,583)
VI. Cash and Cash Equivalents at Beginning of the Period	100,708	148,546
VII. Cash and Cash Equivalents at End of the Period	¥171,617	¥136,963

CONSOLIDATED STATEMENTS OF EARNING FORECASTS

For the Year Ending March 31, 2019 (¥ millions)

	Year to March 31		Difference
	Latest forecast (As of November 9, 2018)	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
Property Sales to Individuals (Domestic)	277,000	275,988	1,012
Property Sales to Investors and Individuals (Overseas), etc.	258,000	223,619	34,381
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	90,000	83,010	6,990
Property Sales to Individuals (Domestic)	26,000	31,167	(5,167)
Property Sales to Investors and Individuals (Overseas), etc.	64,000	51,843	12,157
Management	51,000	48,727	2,273
Mitsui Home	5,800	5,463	337
Other	4,000	6,849	(2,849)
Elimination or Corporate	(40,800)	(36,487)	(4,313)
Non-Operating Income/Expenses	(14,000)	(5,561)	(8,439)
Interest Income/Expense, in Net	(27,000)	(24,833)	(2,167)
Other, in Net	13,000	19,271	(6,271)
Ordinary Income	236,000	240,341	(4,341)
Extraordinary Gains/Losses	0	(15,592)	15,592
Income before Income Taxes	236,000	224,748	11,252
Income Taxes	71,000	66,771	4,229
Profit	165,000	157,976	7,024
Profit (Loss) Attributable to Non-controlling Interests	2,000	2,102	(102)
Profit Attributable to Owners of Parent	¥163,000	¥155,874	¥7,126

* Mitsui Home segment revenue figures differ from those disclosed by Mitsui Home because sales to Mitsui Fudosan Group companies are eliminated upon consolidation.

CONSOLIDATED STATEMENTS OF EARNING FORECASTS

【Property Sales】

Revenue, Operating Margin (¥ millions)

	Year to March 2019 (Forecast as of November 9, 2018)	Year Ended March 2018 (Actual)	YoY Change
Property Sales to Individuals (Domestic)			
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 and Individuals (Overseas), etc.			
Revenue from Operations	258,000	223,619	34,381
Operating Income	64,000	51,843	12,157
Total			
Revenue from Operations	535,000	499,607	35,393
Operating Income	¥90,000	¥83,010	¥6,990

Number of Domestic Housing Units (Units)

	Year to March 2019 (Forecast as of November 9, 2018)	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 as of November 9, 2018)	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 as of November 9, 2018)	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 as of November 9, 2018)	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 as of November 9, 2018)	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 compensation against the three companies identified above on November 28, 2017. The total compensation amount is around ¥50.9 billion as of December 31, 2018. Mitsui Fudosan has posted all related temporary payments undertaken by Mitsui Fudosan Residential up to December 31, 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.