

FACT BOOK

For the Six Months Ended September 30, 2018

November 9, 2018



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

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

Corporate Data

(As of September 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)

	Six Months Ended September 30		Change
	2018	2017	
Revenue from Operations	¥860,705	¥721,787	¥138,917
Leasing	292,882	271,766	21,115
Property Sales	233,259	134,811	98,447
Management	181,868	171,108	10,759
Mitsui Home	110,290	101,671	8,618
Other	42,404	42,428	(23)
Operating Income	112,110	92,232	19,878
Leasing	71,670	72,595	(924)
Property Sales	37,989	14,791	23,198
Management	22,894	21,958	936
Mitsui Home	(1,119)	(3,455)	2,336
Other	2,348	3,270	(922)
Elimination or Corporate	(21,673)	(16,927)	(4,746)
Non-Operating Income/Expenses	(5,580)	(11,345)	5,765
Equity in Net Income/Loss of Affiliated Companies	3,146	(197)	3,344
Interest Income/Expense, in Net	(12,578)	(13,241)	662
Other, in Net	3,851	2,093	1,757
Ordinary Income	106,529	80,886	25,643
Extraordinary Gains/Losses	-	-	-
Extraordinary Gains	-	-	-
Extraordinary Losses	-	-	-
Income before Income Taxes	106,529	80,886	25,643
Income Taxes	37,020	33,051	3,968
Profit	69,509	47,835	21,674
Profit (Loss) Attributable to Non-Controlling Interests	958	(742)	1,700
Profit Attributable to Owners of Parent	¥68,550	¥48,577	¥19,973

◆ Overview

● In the six-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, full-term contributions from office buildings and retail facilities that were completed and opened for operation during the previous fiscal year, as well as contributions from Mitsui Shopping Park LaLaport NAGOYA minato AQUUS, which opened during the fiscal period under review, and 55 Hudson Yards 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 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. In overall terms, revenue from operations increased ¥138.9 billion, or 19.2%, to ¥860.7 billion, and operating income climbed ¥19.8 billion, or 21.6%, to ¥112.1 billion year on year. Ordinary income grew ¥25.6 billion, or 31.7%, to ¥106.5 billion. Profit attributable to owners of parent rose ¥19.9 billion, or 41.1%, to ¥68.5 billion. Taking into consideration a variety of factors including the Company's robust results in the six-month period under review, Mitsui Fudosan has decided to upwardly revise its consolidated forecasts for the full fiscal year. Ordinary income is now projected to reach ¥236.0 billion compared with the previous forecast of ¥233.0 billion and profit attributable to owners of parent to come in at ¥163.0 billion compared with the previous forecast of ¥153.0 billion.

◆ Dividends

● The interim dividend is ¥20 per share (¥18 per share for the corresponding period of the previous fiscal year). This is unchanged from the forecast announced at the beginning of the period.

Progress Comparison with Full Year Forecasts

(¥ millions)

	Six Months Ended September 30, 2018	Year to March 2019 (Forecast as of November 9, 2018)	6-Month Results/Full-Year Forecast (%)
Revenue from Operations	¥860,705	¥1,870,000	46.0
Operating Income	112,110	250,000	44.8
Ordinary Income	106,529	236,000	45.1
Profit Attributable To Owners of Parent	¥68,550	¥163,000	42.1

Extraordinary Gains/Losses

(¥ millions)

Extraordinary Gains	-
Extraordinary Losses	-

Consolidated Statements of Comprehensive Income

(¥ millions)

	Six Months Ended September 30	
	2018	2017
Profit	¥69,509	¥47,835
Other Comprehensive Income	16,450	45,475
Valuation Difference on Available-For-Sale Securities	26,224	47,835
Deferred Gains or Losses on Hedges	277	37
Foreign Currency Translation Adjustment	(6,582)	(3,371)
Remeasurements of Defined Benefit Plans, Net of Tax	313	928
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	(3,782)	45
Comprehensive Income	¥85,960	¥93,310
(Comprehensive Income Attributable to Owners of the Parent)	85,354	93,987
(Comprehensive Income Attributable to Non-Controlling Interests)	605	(676)

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

(¥ millions)

		Six Months Ended September 30		Change
		2018	2017	
Revenue from Operations	Leasing	¥271,813	¥257,002	¥14,811
	Property Sales	24,888	25,242	(354)
	Other	18,098	16,665	1,432
	Total	314,799	298,910	15,889
Gross Profit Margin (%)	Leasing	18.3	20.8	(2.5)pt
	Property Sales	39.3	26.5	12.8pt
	Other	28.8	41.5	(12.7)pt
Operating Income		¥46,131	¥52,648	¥(6,517)

SEGMENT RESULTS

[1] LEASING

(¥ millions)

	Six Months Ended September 30		Change
	2018	2017	
Revenue from Operations	¥292,882	¥271,766	¥21,115
Operating Income	71,670	72,595	(924)

	Year to March 2019 (Forecast as of November 9, 2018)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥600,000	48.8	¥558,165
Operating Income	140,000	51.2	138,338

● For the six-month period under review, revenue from operations rose ¥21.1 billion compared with the corresponding period of the previous fiscal year for the segment as a whole. Operating income, on the other hand, decreased ¥0.9 billion year on year. This growth in revenue was mainly due to the upward revision of rents from existing office buildings in Japan, full-term contributions from office buildings and retail facilities that were completed and opened for operation during the previous fiscal year, as well as contributions from Mitsui Shopping Park LaLaport NAGOYA minato AQUUS, which opened during the fiscal period under review, and 55 Hudson Yards 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.

● The vacancy rate for the Company's office buildings located in the Tokyo metropolitan area was 2.7% on a non-consolidated basis as of September 30, 2018.

[Reference] Non-consolidated Results

(Revenue from operations)

- Newly on-stream and full-term contribution projects: ¥8.4 billion year-on-year increase in revenue
- Existing properties: ¥4.7 billion year-on-year increase in revenue
- Shifting and terminations, etc.: ¥1.5 billion year-on-year increase in revenue

Breakdown of Leasing Operations (Nonconsolidated)

		At September 30					
		2018		2017		2017	
		Total		Tokyo Metropolitan Area		Regional Areas	
Office Buildings	Number of Buildings	133	133	104	102	29	31
	Leased Floor Space (1,000m ²)	2,727	2,564	2,401	2,236	326	328
	Leasing Revenue (¥ millions)	143,333	133,242	132,500	122,453	10,833	10,789
	Vacancy Rate (%)	2.7	2.4	2.7	2.3	2.6	3.4
Retail Facilities	Number of Buildings	85	81	58	56	27	25
	Leased Floor Space (1,000m ²)	2,090	2,029	1,348	1,348	742	681
	Leasing Revenue (¥ millions)	112,340	109,441	79,167	76,876	33,172	32,565
	Vacancy Rate (%)	1.2	1.1	1.4	1.1	0.7	1.1

Leased Floor Space

(¥ millions)

		At September 30		Change	
		2018	2017		
Office Buildings and Retail Facilities	Revenue	Office Buildings	¥164,754	¥150,294	¥14,460
		Retail Facilities	115,099	111,827	3,272
	Total Leased Floor Space (1,000 m ²):		5,165	4,966	199
	Office Buildings		Owned	1,825	1,689
		Managed	1,171	1,174	(3)
Retail Facilities		Owned	1,580	1,539	41
		Managed	588	565	24
Other	Revenue		13,027	9,644	3,382
Total Revenue			¥292,882	¥271,766	¥21,115

Vacancy Rate

(%)

	9/2018	6/2018	3/2018	3/2017	3/2016	3/2015
Consolidated						
Office Buildings and Retail Facilities (including overseas)	3.0	2.9	2.4	3.1	2.2	3.2
Non-consolidated						
Tokyo Metropolitan Area Office Buildings	2.7	2.5	2.2	3.4	2.6	3.2
Regional Area Office Buildings	2.6	2.2	2.3	2.3	3.1	4.1

Major Projects during the Period (six-month total)

(NEWLY OPENED)

2 Television Centre (London, UK)	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
OVOL Nihonbashi Building (Chuo-ku, Tokyo)	Office building completed in June 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

	Six Months Ended September 30		Change
	2018	2017	
Revenue from Operations	¥233,259	¥134,811	¥98,447
Operating Income	37,989	14,791	23,198

(¥ millions)

	Year to March 2019 (Forecast as of November 9, 2018)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
	Revenue from Operations	¥535,000	43.6
Operating Income	90,000	42.2	83,010

● For the six-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. This was mainly due to increases in the reported number of units as well as profit margins. Revenue and earnings in the "Property Sales to Investors and Individuals (Overseas)" 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 ¥98.4 billion and operating income grew ¥23.1 billion year on year in this segment as a whole.

In newly constructed condominiums in Japan, the Company's contract rate as of September 30, 2018, was 90% of the 3,250 units projected for the year.

Major Projects Undertaken during the Period (six-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
THE GARDENS TOKYO OJI (Kita-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

	Six Months Ended September 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	¥122,943	1,387	¥8,864	¥86,738	1,359	¥6,382	¥36,205	28	¥2,482
	Detached Housing	19,915	268	7,431	15,689	271	5,790	4,225	(3)	1,641
	Subtotal	142,858	1,655	8,632	102,427	1,630	6,284	40,431	25	2,348
	Operating Income	17,820		8,422		9,397				
Property Sales to Investors and Individuals (Overseas), etc.	Revenue	90,400		32,383		58,016				
	Operating Income	20,169		6,368		13,800				
Total Revenue	233,259		134,811		98,447					
Total Operating Income	¥37,989		¥14,791		¥23,198					

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

		Six Months Ended September 30				Change	
		2018		2017		Revenue	Units
		Revenue	Units	Revenue	Units		
Condominiums	Tokyo Metropolitan Area	¥109,938	1,111	¥71,388	1,062	¥38,549	49
	Other	13,005	276	15,349	297	(2,344)	(21)
	Total	122,943	1,387	86,738	1,359	36,205	28
Detached Housing	Tokyo Metropolitan Area	19,915	268	14,836	256	5,079	12
	Other	-	-	853	15	(853)	(15)
	Total	¥19,915	268	¥15,689	271	¥4,225	(3)

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

	9/2018	6/2018	3/2018	3/2017	3/2016	3/2015
Condominiums	185	167	108	321	88	83
Detached Housing	40	31	40	69	127	100
Total	225	198	148	390	215	183

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	1,514	5,702	1,387	4,315	1,501
Detached Housing	153	191	344	268	76	189
Total	4,341	1,705	6,046	1,655	4,391	1,690

[3] MANAGEMENT

	Six Months Ended September 30		Change
	2018	2017	
Revenue from Operations	¥181,868	¥171,108	¥10,759
Operating Income	22,894	21,958	936

	Year to March 2019 (Forecast as of November 9, 2018)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥385,000	47.2	¥353,813
Operating Income	51,000	44.9	48,727

● For the six-month period under review, overall revenue from operations increased ¥10.7 billion and operating income climbed ¥0.9 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 the number of brokerage units handled in the “Mitsui Rehouse” business (brokerage business for individuals) and an increase in the number of Mitsui Fudosan Residential Co., Ltd. related consignment sales.

		Six Months Ended September 30		Change
		2018	2017	
Property Management	Revenue	¥134,009	¥129,143	¥4,865
	Operating Income	14,108	14,745	(637)
Brokerage, Asset Management, etc.	Revenue	47,858	41,964	5,893
	Operating Income	8,786	7,212	1,573
Total	Revenue	181,868	171,108	10,759
	Operating Income	¥22,894	¥21,958	¥936

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

	Six Months Ended September 30		Change
	2018	2017	
Total Managed Units	237,341	219,194	18,147

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

	Six Months Ended September 30				Change	
	2018		2017		Transaction Volume	Units
	Transaction Volume	Units	Transaction Volume	Units		
Brokerage	¥795,624	20,063	¥710,340	19,807	¥85,284	256

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)

	Six Months Ended September 30				Change	
	2018		2017		Transaction Volume	Units
	Transaction Volume	Units	Transaction Volume	Units		
Consignment Sales	¥42,163	482	¥18,311	305	¥23,852	177

[4] MITSUI HOME, [5] OTHER

[4] MITSUI HOME

	Six Months Ended September 30		Change
	2018	2017	
Revenue from Operations	¥110,290	¥101,671	¥8,618
Operating Income	(1,119)	(3,455)	2,336

	Year to March 2019 (Forecast as of November 9, 2018)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥260,000	42.4	¥252,180
Operating Income	5,800	-	5,463

● For the six-month period under review, revenue from operations for the segments as a whole was up ¥8.6 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 ¥2.3 billion.

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
		2018	2017	
New Construction	Revenue	¥67,331	¥64,251	¥3,080
	Orders	78,030	74,444	3,585
Reform/Renewal	Revenue	19,524	16,222	3,302
	Orders	25,458	22,439	3,019
Lease Management		13,146	12,244	902
Housing-Related Material Sales		10,287	8,953	1,334
Total Revenue		¥110,290	¥101,671	¥8,618

[5] OTHER

	Six Months Ended September 30		Change
	2018	2017	
Revenue from Operations	¥42,404	¥42,428	¥(23)
Operating Income	2,348	3,270	(922)

	Year to March 2019 (Forecast as of November 9, 2018)	6-Month Results/ Full-Year Forecast (%)	Year Ended March 31, 2018
Revenue from Operations	¥90,000	47.1	¥87,346
Operating Income	4,000	58.7	6,849

● For the six-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, Mitsui Garden Hotel Gotanda, and Mitsui Garden Hotel Nihonbashi Premier, operating income decreased ¥0.9 billion compared with the corresponding period of the previous year in the "Other" segment as a whole.

	Six Months Ended September 30		Change
	2018	2017	
Facility Operations	¥31,519	¥29,563	¥1,955
Other	10,885	12,864	(1,979)
Total Revenue	¥42,404	¥42,428	¥(23)

Major Projects during the Period (six-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

		Six Months Ended September 30		Change
		2018	2017	
Leasing	Revenue	¥25,514	¥20,329	¥5,185
	Operating Income	7,523	5,436	2,087
Property Sales	Revenue	62,201	0	62,201
	Operating Income	16,680	(803)	17,483
Management, Other, etc.	Revenue	7,470	7,594	(124)
	Operating Income	765	855	(90)
Pro forma Operating Income of Overseas Affiliates *1		4,168	312	3,856
Total Overseas Income		29,137	5,800	23,337
Overseas Income Ratio*2		25.1%	6.3%	18.8pt

*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 ÷ (Operating income + Pro forma operating income of overseas affiliates) x 100

CONSOLIDATED BALANCE SHEETS

	(¥ millions)		
ASSETS:	September 30, 2018	March 31, 2018	Change
I. Current Assets:	¥1,947,761	¥1,898,347	¥49,414
Cash and Time Deposits	124,604	100,889	23,715
Accounts Receivable—Trade	35,245	41,186	(5,940)
Marketable Securities	198	181	16
Real Property for Sale (including Advances Paid for Purchases)	1,538,460	1,524,863	13,597
Expenditure on Contracts in Progress	32,845	25,400	7,444
Other Inventories	6,158	4,857	1,300
Short-Term Loans	19,571	17,519	2,052
Equity Investments in Properties for Sale	6,708	6,723	(14)
Other	184,367	177,138	7,229
Allowance for Doubtful Accounts	(399)	(412)	12
II. Tangible and Intangible Fixed Assets:	3,405,026	3,318,928	86,098
1. Tangible Fixed Assets:	3,334,551	3,244,641	89,909
Buildings and Structures	913,289	857,308	55,981
Machinery, Equipment and Materials Handling Equipment	38,066	38,552	(485)
Land	2,093,110	2,038,163	54,947
Construction in Progress	247,563	270,964	(23,401)
Other	42,520	39,653	2,867
2. Intangible Fixed Assets:	70,475	74,286	(3,811)
III. Investments and Other Assets:	1,118,189	1,067,448	50,741
Investment Securities	825,795	787,958	37,836
Long-Term Loans	8,400	7,761	638
Lease Deposits	139,298	138,564	733
Net Defined Benefit Asset	17,036	17,975	(939)
Deferred Income Taxes	26,001	25,689	312
Deferred Tax Assets on Land Revaluation	2	34	(31)
Other	102,839	90,689	12,150
Allowance for Doubtful Accounts	(1,185)	(1,225)	39
Total Assets	¥6,470,977	¥6,284,723	¥186,253

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 September 30, 2018	At March 31, 2018	Change
Mitsui Fudosan Residential	¥579,289	¥611,976	¥(32,687)
Mitsui Fudosan	376,264	353,127	23,137
Mitsui Fudosan America Group	262,148	206,918	55,229
SPCs Total	234,744	235,610	(865)
Mitsui Fudosan UK Group	68,515	105,277	(36,761)
Other and Elimination	17,498	11,953	5,545
Consolidated Total	¥1,538,460	¥1,524,863	¥13,597

	(¥ millions)					
(b) Accounts of Real Property for Sale	Six Months Ended September 30	At Beginning of Period	New Investments*	Cost Recovery	Others	At End of Period
2018	¥1,524,863	¥167,669	¥(170,786)	¥16,715	¥1,538,460	
2017	¥1,334,167	¥154,813	¥(102,549)	¥(22,737)	¥1,363,694	

Note: Land acquisition-related expenditures by Mitsui Fudosan Residential Co., Ltd., totaled ¥39.4 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 ¥3,405.0 billion as of September 30, 2018, up ¥86.0 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:
¥110.54:US\$1 as of September 30, 2018, ¥113.00:US\$1 as of March 31, 2018;
¥144.59:£1 as of September 30, 2018, ¥151.95:£1 as of March 31, 2018

	(¥ millions)		
(a) Breakdown by Company	At September 30, 2018	At March 31, 2018	Change
Mitsui Fudosan	¥2,614,188	¥2,480,435	¥133,752
Mitsui Fudosan America Group	333,562	359,280	(25,717)
SPCs Total	223,899	239,366	(15,466)
Mitsui Fudosan UK Group	59,448	63,125	(3,676)
Mitsui Fudosan Residential	51,306	35,606	15,699
Other and Elimination	122,621	141,114	(18,492)
Consolidated Total	¥3,405,026	¥3,318,928	¥86,098

Above figures include revaluation reserve for land.

	(¥ millions)					
(b) Accounts of Tangible and Intangible Fixed Assets	Six Months Ended September 30	At Beginning of Period	New Investments*	Depreciation	Others	At End of Period
2018	¥3,318,928	¥174,955	¥(38,117)	¥(50,739)	¥3,405,026	
2017	¥2,967,788	¥60,972	¥(33,773)	¥3,474	¥2,998,462	

* 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:	September 30, 2018	March 31, 2018	Change
I. Current Liabilities:	¥1,197,658	¥1,063,616	¥134,041
Accounts Payable—Trade	66,107	123,988	(57,881)
Short-Term Debt	401,582	273,207	128,375
Commercial Paper	298,000	125,000	173,000
Bond Redeemable Within One Year	60,250	51,150	9,100
Income Taxes Payable	29,661	44,951	(15,289)
Advances from Contracts in Progress	23,947	19,900	4,046
Allowance for Completed Project Indemnities	849	965	(116)
Allowance for Possible Guarantee Losses	8	16	(7)
Other	317,250	424,435	(107,185)
II. Long-Term Liabilities:	2,949,171	2,933,406	15,764
Corporate Bonds	461,146	468,072	(6,926)
Long-Term Debt	1,683,678	1,687,226	(3,547)
Deposits from Tenants	422,363	403,413	18,950
Allowance for Directors' and Corporate Auditors' Retirement Benefits	730	715	14
Net Defined Benefit Liability	42,808	42,737	71
Deferred Income Taxes	142,502	134,520	7,981
Deferred Tax Liabilities on Land Revaluation	151,701	151,701	-
Other	44,240	45,020	(779)
Total Liabilities	4,146,829	3,997,023	149,806
NET ASSETS:			
Common Stock	339,766	339,766	-
Capital Surplus	403,678	409,764	(6,086)
Retained Earnings	880,748	834,497	46,251
Treasury Stock	(21,089)	(6,079)	(15,010)
Reserve on Land Revaluation	331,481	330,922	558
Net Unrealized Holding Gains on Securities	324,481	298,297	26,184
Deferred Gains or Losses on Hedges	(10)	(241)	231
Foreign Currency Translation Adjustment	(13,873)	(3,955)	(9,918)
Remeasurements of Defined Benefit Plans	2,216	1,910	306
New Share Subscription Rights	1,185	1,090	94
Non-Controlling Interests	75,562	81,727	(6,164)
Total Net Assets	2,324,147	2,287,700	36,447
Total Liabilities and Net Assets	¥6,470,977	¥6,284,723	¥186,253

Note: Debt-Equity Ratio 1.29 times (1.18 times at March 31, 2018)

Interest-Bearing Debt:	2,904,657	2,604,656	300,000
Non-recourse Debt	426,256	440,953	(14,697)
Surplus Lease Deposits/Guarantee Deposits	283,065	264,848	18,216

[Interest-Bearing Debt]

The Mitsui Fudosan Group witnessed a cash outflow from operating activities of ¥2.1 billion and a cash outflow from investing activities of ¥241.7 billion owing to the back of new investments in tangible and intangible assets. Cash outflow attributable to cash dividends paid came to ¥21.7 billion. As a result, interest-bearing debt stood at ¥2,904.6 billion on a consolidated basis as of September 30, 2018, up ¥300.0 billion compared with the end of the previous fiscal year.

Breakdown by Company

(¥ millions)

	At September 30, 2018	At March 31, 2018	Change
Mitsui Fudosan	¥2,203,074	¥1,904,499	¥298,574
Mitsui Fudosan Residential	524,000	450,500	73,500
Mitsui Fudosan America Group	460,686	445,385	15,300
SPCs Total	376,832	397,749	(20,917)
Mitsui Fudosan UK Group	80,098	125,601	(45,503)
Loans to Subsidiaries	(889,768)	(825,146)	(64,621)
Other and Elimination	149,734	106,066	43,668
Consolidated Total	¥2,904,657	¥2,604,656	¥300,000
(Non-recourse Debt of Total)	426,256	440,953	(14,697)

CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	Six Months Ended September 30	
	2018	2017
I. Revenue from Operations	¥860,705	¥721,787
II. Cost of Revenue from Operations	662,331	553,406
Gross Operating Profit	198,373	168,380
III. Selling, General and Administrative Expenses	86,263	76,148
Operating Income	112,110	92,232
IV. Non-Operating Income:	10,304	4,953
Interest Income	821	337
Dividend Income	3,024	2,825
Equity in Net Income of Affiliated Companies	3,146	-
Other Non-Operating Income	3,311	1,790
V. Non-Operating Expenses:	15,884	16,299
Interest Expenses	13,400	13,578
Equity in Net Loss of Affiliated Companies	-	197
Other Non-Operating Expenses	2,484	2,522
Ordinary Income	106,529	80,886
Income before Income Taxes	106,529	80,886
Income Taxes	37,020	33,051
Profit	69,509	47,835
Profit (Loss) Attributable to Non-Controlling Interests	958	(742)
Profit Attributable to Owners of Parent	¥68,550	¥48,577

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

	Six Months Ended September 30	
	2018	2017
I. Cash Flows From Operating Activities:		
Income before Income Taxes	¥106,529	¥80,886
Depreciation and Amortization	38,117	33,773
Interest and Dividend Income Receivable	(3,846)	(3,162)
Interest Expense	13,400	13,578
(Gain) Loss on Equity-Method Investments	(3,146)	197
(Increase) Decrease in Accounts Receivable	5,845	3,794
Increase (Decrease) in Accounts Payable	(13,801)	(11,871)
(Increase) Decrease in Real Property for Sale	(34,680)	(92,585)
Other	(47,717)	(66,850)
Subtotal	60,700	(42,237)
Cash Receipts of Interest and Dividend Income	6,145	5,871
Cash Payments of Interest Expense	(12,933)	(13,553)
Income Taxes Paid	(56,079)	(23,801)
Net Cash Provided by (Used in) Operating Activities	(2,166)	(73,721)
II. Cash Flows From Investing Activities:		
Purchase of Tangible and Intangible Fixed Assets	(218,936)	(62,888)
Sales of Tangible and Intangible Fixed Assets	561	2,324
Purchase of Investment Securities	(7,001)	(7,551)
Proceeds from Sale of Investment Securities	822	46
Payment of Lease Deposits	(5,858)	(2,254)
Proceeds from Collection of Lease Deposits	5,056	1,422
Repayment of Deposits from Tenants	(13,373)	(10,741)
Proceeds from Deposits from Tenants	32,555	23,513
Payment of Loan Receivable	(10,010)	(12,906)
Collection of Loan Receivable	7,949	6,162
Payments into Time Deposits	(22,992)	(0)
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	(2,147)	(268)
Other	(8,418)	(6,581)
Net Cash Provided by (Used in) Investing Activities	¥(241,794)	¥(69,724)

(¥ millions)

	Six Months Ended September 30	
	2018	2017
III. Cash Flows From Financing Activities:		
Proceeds from Short-Term Debt	¥1,682,999	¥1,551,508
Repayment of Short-Term Debt	(1,499,348)	(1,434,872)
Proceeds from Long-Term Debt	190,951	115,441
Repayment of Long-Term Debt	(72,504)	(99,200)
Proceeds from Issuance of Bonds	37,458	106,321
Redemption of Bonds	(41,150)	(48,997)
Cash Dividends Paid	(21,733)	(17,784)
Proceeds from Share Issuance to Non-Controlling Shareholders	12,890	375
Dividends Paid to Non-Controlling Shareholders	(1,843)	(2,123)
Repayments to Non-Controlling Shareholders	(392)	(105)
Payments from Changes in Ownership Interests in Subsidiaries Not Resulting in Change in Scope of Consolidation	(24,229)	-
Repayment of Finance Lease Obligations	(1,932)	(1,993)
(Increase) Decrease in Treasury Stock	(15,006)	(7)
Net Cash Provided by (Used in) Financing Activities	246,158	168,561
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,152)	(1,460)
V. Net Increase (Decrease) in Cash and Cash Equivalents	1,044	23,655
VI. Cash and Cash Equivalents at Beginning of the Period	100,708	148,546
VII. Cash and Cash Equivalents at End of the Period	¥101,752	¥172,202

CONSOLIDATED STATEMENTS OF EARNING FORECASTS

For the Year Ending March 31, 2019

(¥ millions)

	Year to March 31, 2019			<Reference>
	Latest forecast (As of November 9, 2018)	Previous forecast (As of May 11, 2018)	Difference	Year to March 31, 2018 (actual)
Revenue from Operations	¥1,870,000	¥1,870,000	-	¥1,751,114
Leasing	600,000	600,000	-	558,165
Property Sales	535,000	535,000	-	499,607
Property Sales to Individuals (Domestic)	277,000	277,000	-	275,988
Property Sales to Investors and Individuals (Overseas), etc.	258,000	258,000	-	223,619
Management	385,000	385,000	-	353,813
Mitsui Home	260,000	260,000	-	252,180
Other	90,000	90,000	-	87,346
Operating Income	250,000	250,000	-	245,902
Leasing	140,000	140,000	-	138,338
Property Sales	90,000	87,000	3,000	83,010
Property Sales to Individuals (Domestic)	26,000	26,000	-	31,167
Property Sales to Investors and Individuals (Overseas), etc.	64,000	61,000	3,000	51,843
Management	51,000	51,000	-	48,727
Mitsui Home	5,800	5,800	-	5,463
Other	4,000	4,000	-	6,849
Elimination or Corporate	(40,800)	(37,800)	(3,000)	(36,487)
Non-Operating Income/Expenses	(14,000)	(17,000)	3,000	(5,561)
Interest Income/Expense, in Net	(27,000)	(27,000)	-	(24,833)
Other, in Net	13,000	10,000	3,000	19,271
Ordinary Income	236,000	233,000	3,000	240,341
Extraordinary Gains/Losses	0	(5,000)	5,000	(15,592)
Income before Income Taxes	236,000	228,000	8,000	224,748
Income Taxes	71,000	71,000	-	66,771
Profit	165,000	157,000	8,000	157,976
Profit (Loss) Attributable to Non-controlling Interests	2,000	4,000	(2,000)	2,102
Profit Attributable to Owners of Parent	¥163,000	¥153,000	¥10,000	¥155,874

【Difference between Revised and Previous Forecasts (Announced on May 11, 2018)】

Taking into consideration such factors as the Group's robust results for the first half of the fiscal year under review, the Company has decided to revise its consolidated earnings forecasts for the fiscal year ending March 31, 2019. Brief details are as follows.

- Operating income is expected to reach ¥250.0 billion, unchanged from the previous forecast. While anticipating an improvement in profit margins in such categories as "Property Sales to Investors and Individuals (Overseas)," the Company has factored in an increase in Group-wide expenses.
- Ordinary income is projected to come in at ¥236.0 billion, up ¥3.0 billion compared with the previous forecast. This largely reflects an anticipated improvement in equity in net income of affiliates in the Group's overseas business.
- Profit attributable to owners of parent is expected to reach ¥163.0 billion, up ¥10.0 billion compared with the previous forecast. In addition to the forecast increase in ordinary income, this is mainly due to the estimated improvement in profit (loss) attributable to non-controlling interests.
- As a result, profit attributable to owners of parent is projected to increase compared with the fiscal year under review. Revenue from operations, operating income, and profit attributable to owners of parent for the fiscal year ending March 31, 2019 are all expected to reach record highs.

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 September 30, 2018. Mitsui Fudosan has posted all related temporary payments undertaken by Mitsui Fudosan Residential up to September 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.