MITSUI FUDOSAN

ANNUAL REPORT 2017
FINANCIAL SECTION

Year ended March 31, 2017

人と地球がともに豊かになる社会をめざして
&EARTH

都市に豊かさと潤いを
三井不動産

Consolidated Financial Statements

Consolidated Balance Sheets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
As of March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4)	¥ 148,547	¥ 109,966	¥ 118,960	$ 1,324,066
Marketable securities (Notes 4, 5)	69	142	303	615
Notes and accounts receivable—trade (Note 4)	36,073	36,094	34,760	321,535
Short-term loans receivable	5,524	8,899	10,683	49,238
Allowance for doubtful accounts	(340)	(327)	(353)	(3,031)
Inventories (Notes 8, 13)	1,344,126	1,187,020	1,050,478	11,980,800
Advances paid for purchases (Note 9)	18,653	9,352	8,177	166,263
Equity investments in properties for sale (Notes 4, 5)	6,747	10,160	9,692	60,139
Deferred income taxes (Note 11)	30,090	22,894	23,620	268,206
Other current assets	155,820	136,386	118,573	1,388,894
Total current assets	1,745,309	1,520,586	1,374,893	15,556,725
Property and equipment, at cost:				
Land (Notes 7, 13)	1,902,002	1,945,032	1,878,186	16,953,401
Buildings and structures (Notes 7, 13, 23)	1,416,866	1,399,068	1,294,480	12,629,165
Machinery and equipment (Note 23)	174,418	171,055	157,429	1,554,666
Construction in progress	211,529	162,358	110,960	1,885,453
	3,704,815	3,677,513	3,441,055	33,022,685
Accumulated depreciation	(759,050)	(727,076)	(670,375)	(6,765,755)
Net property and equipment	2,945,765	2,950,437	2,770,680	26,256,930
Investments and other assets:				
Investments in unconsolidated subsidiaries and affiliated companies	174,048	165,851	169,335	1,551,368
Investment securities (Notes 4, 5)	453,753	501,981	531,363	4,044,505
Non-current loans and accounts receivable	81,101	71,213	69,336	722,890
Allowance for doubtful accounts	(2,031)	(2,542)	(2,613)	(18,103)
Lease deposits (Notes 4, 10)	133,439	133,914	127,978	1,189,402
Net defined benefit asset (Note 12)	5,274	2,186	7,883	47,010
Deferred income taxes (Note 11)	12,069	12,109	10,337	107,576
Deferred tax assets on land revaluation	3	3	3	27
Other	22,021	18,540	17,954	196,283
Total investments and other assets	879,677	903,255	931,576	7,840,958
Total assets	¥5,570,751	¥5,374,278	¥5,077,149	$49,654,613

See accompanying notes.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Bank loans (Notes 4, 13)	¥ 64,944	¥ 73,854	¥ 47,296	$ 578,875
Commercial paper (Notes 4, 13)	82,000	109,000	—	730,903
Long-term debt due within one year (Notes 4, 13)	257,030	221,968	199,749	2,291,024
Notes and accounts payable—trade (Note 4)	113,682	95,876	98,247	1,013,299
Accrued expenses	34,800	36,254	30,049	310,188
Accrued income taxes	23,263	27,495	32,134	207,354
Advances and deposits received	257,886	196,156	180,241	2,298,654
Deferred income taxes (Note 11)	1,194	1,171	1,212	10,642
Other current liabilities (Note 14)	76,167	78,883	83,503	678,911
Total current liabilities	910,966	840,657	672,431	8,119,850
Long-term liabilities:				
Net defined benefit liability (Note 12)	41,083	40,110	31,192	366,191
Allowance for directors' and corporate auditors' retirement benefits	707	690	733	6,302
Long-term debt due after one year (Notes 4, 13)	1,883,515	1,821,415	1,729,105	16,788,618
Deposits from tenants (Notes 4, 15)	374,331	373,084	365,298	3,336,581
Deferred income taxes (Note 11)	112,690	124,538	151,848	1,004,457
Deferred tax liabilities on land revaluation	147,663	139,831	147,959	1,316,187
Other long-term liabilities (Note 14)	42,864	44,911	46,499	382,066
Total long-term liabilities	2,602,853	2,544,579	2,472,634	23,200,402
Contingent liabilities (Note 26)				
NET ASSETS (Notes 16, 17)				
Shareholders' equity:				
Common stock	339,767	339,767	339,767	3,028,496
Authorized—3,290,000,000 shares				
Issued—991,424,727 shares in 2017, 2016 and 2015				
Capital surplus	413,231	413,695	413,798	3,683,314
Retained earnings	722,364	640,205	549,660	6,438,756
Treasury stock—3,290,104 shares in 2017, 3,303,441 shares in 2016 and 3,263,711 shares in 2015	(6,245)	(6,242)	(6,065)	(55,664)
Total shareholders' equity	1,469,117	1,387,425	1,297,160	13,094,902
Accumulated other comprehensive income (loss):				
Net unrealized holding gains on securities	205,521	226,170	255,074	1,831,901
Deferred losses on hedging instruments	(357)	(694)	(879)	(3,182)
Reserve on land revaluation	323,828	305,633	298,230	2,886,425
Foreign currency translation adjustments	(7,076)	12,144	19,553	(63,072)
Accumulated adjustments for retirement benefit	(6,397)	(8,373)	2,784	(57,019)
Total accumulated other comprehensive income	515,519	534,880	574,762	4,595,053
Subscription rights to shares (Note 18)	1,104	1,032	914	9,840
Non-controlling interests	71,192	65,705	59,248	634,566
Total net assets	2,056,932	1,989,042	1,932,084	18,334,361
Total liabilities and net assets	¥5,570,751	¥5,374,278	¥5,077,149	$49,654,613

See accompanying notes.

Consolidated Statements of Income

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
Revenue from operations (Note 24)	¥ 1,704,416	¥ 1,567,970	¥ 1,529,037	$15,192,227
Cost of revenue from operations	(1,308,438)	(1,214,805)	(1,200,736)	(11,662,697)
Selling, general and administrative expenses	(163,279)	(150,682)	(142,226)	(1,455,379)
Operating income (Note 24)	232,699	202,483	186,075	2,074,151
Interest, dividends and miscellaneous income (Note 20)	13,127	10,665	14,489	117,007
Interest expense	(24,635)	(25,432)	(26,380)	(219,583)
Other expenses (Notes 19, 21)	(33,499)	(11,962)	(9,722)	(298,592)
Equity in net income of affiliated companies	4,565	5,564	2,379	40,690
Income before income taxes	192,257	181,318	166,841	1,713,673
Income taxes (Note 11):				
Current	61,063	63,892	56,544	544,282
Deferred	(2,388)	(1,881)	5,149	(21,285)
Total	58,675	62,011	61,693	522,997
Net income	133,582	119,307	105,148	1,190,676
Net income attributable to non-controlling interests	(1,766)	(1,584)	(4,962)	(15,741)
Net income attributable to shareholders of the Company	¥ 131,816	¥ 117,723	¥ 100,186	$ 1,174,935

See accompanying notes.

Consolidated Statements of Comprehensive Income

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
Net income	¥133,582	¥119,307	¥105,148	$1,190,676
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on securities	(20,704)	(28,943)	143,936	(184,544)
Deferred gains (losses) on hedging instruments	407	130	(36)	3,628
Reserve on land revaluation	139	7,885	14,812	1,239
Foreign currency translation adjustments	(14,407)	(1,808)	14,414	(128,416)
Adjustments for retirement benefit	2,050	(11,202)	5,603	18,273
Equity in other comprehensive income (loss) of affiliated companies	(4,854)	(5,927)	6,866	(43,266)
Total other comprehensive income (loss)	(37,369)	(39,865)	185,595	(333,086)
Total comprehensive income	¥ 96,213	¥ 79,442	¥290,743	$ 857,590
Comprehensive income attributable to:				
Shareholders of the Company	¥ 94,399	¥ 78,384	¥285,293	$ 841,421
Non-controlling interests	1,814	1,058	5,450	16,169
Total	¥ 96,213	¥ 79,442	¥290,743	$ 857,590

See Note 22.

Per Share Information

	Yen			U.S. dollars (Note 1)
	2017	2016	2015	2017
Net assets per share (*)	¥2,008.5	¥1,945.4	¥1,894.4	$17.902
Net income per share:				
—Basic	133.4	119.1	103.9	1.189
—Diluted	133.3	119.1	103.8	1.188
Cash dividends	34.0	30.0	25.0	0.303

(*) Net assets per share information does not include subscription rights to shares and non-controlling interests.

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2017, 2016 and 2015

	Millions of yen												
		Shareholders' equity				Accumulated other comprehensive income (loss)							
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Deferred losses on hedging instruments	Reserve on land revaluation	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Subscription rights to shares	Non-controlling interests	Total net assets
BALANCE AT APRIL 1, 2014	881,425	¥174,296	¥248,293	¥454,750	¥(5,926)	¥111,121	¥(840)	¥296,704	¥ (1,442)	¥ (2,601)	¥ 824	¥50,241	¥1,325,420
Cumulative effects of the changes in accounting policies	—	—	—	1,973	—	—	—	—	—	—	—	—	1,973
BALANCE AT APRIL 1, 2014, as adjusted for cumulative effects of the changes in accounting policies	881,425	174,296	248,293	456,723	(5,926)	111,121	(840)	296,704	(1,442)	(2,601)	824	50,241	1,327,393
Issuance of stock	110,000	165,471	165,471	—	—	—	—	—	—	—	—	—	330,942
Cash dividends paid	—	—	—	(20,530)	—	—	—	—	—	—	—	—	(20,530)
Net income attributable to shareholders of the Company	—	—	—	100,186	—	—	—	—	—	—	—	—	100,186
Reversal of reserve on land revaluation, net of tax	—	—	—	13,285	—	—	—	1,526	—	—	—	—	14,811
Purchase of treasury stock	—	—	—	—	(286)	—	—	—	—	—	—	—	(286)
Sales of treasury stock	—	—	30	—	147	—	—	—	—	—	—	—	177
Transfer of retained earnings to capital surplus	—	—	4	(4)	—	—	—	—	—	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	143,953	—	—	—	—	—	—	143,953
Deferred losses on hedging instruments	—	—	—	—	—	—	(39)	—	—	—	—	—	(39)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	20,995	—	—	—	20,995
Defined benefit pension plans	—	—	—	—	—	—	—	—	—	—	—	—	5,385
Subscription rights to shares	—	—	—	—	—	—	—	—	—	—	90	—	90
Non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	9,007	9,007
BALANCE AT MARCH 31, 2015	991,425	339,767	413,798	549,660	(6,065)	255,074	(879)	298,230	19,553	2,784	914	59,248	1,932,084
BALANCE AT APRIL 1, 2015	991,425	339,767	413,798	549,660	(6,065)	255,074	(879)	298,230	19,553	2,784	914	59,248	1,932,084
Cash dividends paid	—	—	—	(27,668)	—	—	—	—	—	—	—	—	(27,668)
Net income attributable to shareholders of the Company	—	—	—	117,723	—	—	—	—	—	—	—	—	117,723
Reversal of reserve on land revaluation, net of tax	—	—	—	493	—	—	—	7,403	—	—	—	—	7,896
Purchase of treasury stock	—	—	—	—	(237)	—	—	—	—	—	—	—	(237)
Sales of treasury stock	—	—	(5)	—	60	—	—	—	—	—	—	—	55
Changes in the Company's equity due to transactions with non-controlling interests	—	—	(103)	—	—	—	—	—	—	—	—	—	(103)
Changes in scope of consolidation	—	—	—	2	—	—	—	—	—	—	—	—	2
Transfer of retained earnings to capital surplus	—	—	5	(5)	—	—	—	—	—	—	—	—	—
Net unrealized holding losses on securities	—	—	—	—	—	(28,904)	—	—	—	—	—	—	(28,904)
Deferred gains on hedging instruments	—	—	—	—	—	—	185	—	—	—	—	—	185
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(7,409)	—	—	—	(7,409)
Defined benefit pension plans	—	—	—	—	—	—	—	—	—	(11,157)	—	—	(11,157)
Subscription rights to shares	—	—	—	—	—	—	—	—	—	—	118	—	118
Non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	6,457	6,457
BALANCE AT MARCH 31, 2016	991,425	339,767	413,695	640,205	(6,242)	226,170	(694)	305,633	12,144	(8,373)	1,032	65,705	1,989,042
BALANCE AT APRIL 1, 2016	991,425	339,767	413,695	640,205	(6,242)	226,170	(694)	305,633	12,144	(8,373)	1,032	65,705	1,989,042
Cumulative effects of the changes in accounting policies	—	—	—	44	—	—	—	—	—	—	—	—	44
BALANCE AT APRIL 1, 2016, as adjusted for cumulative effects of the changes in accounting policies	991,425	339,767	413,695	640,249	(6,242)	226,170	(694)	305,633	12,144	(8,373)	1,032	65,705	1,989,086
Cash dividends paid	—	—	—	(31,620)	—	—	—	—	—	—	—	—	(31,620)
Net income attributable to shareholders of the Company	—	—	—	131,816	—	—	—	—	—	—	—	—	131,816
Reversal of reserve on land revaluation, net of tax	—	—	—	(18,056)	—	—	—	18,195	—	—	—	—	139
Purchase of treasury stock	—	—	—	—	(112)	—	—	—	—	—	—	—	(112)
Sales of treasury stock	—	—	(25)	—	109	—	—	—	—	—	—	—	84
Changes in the Company's equity due to transactions with non-controlling interests	—	—	(464)	—	—	—	—	—	—	—	—	—	(464)
Transfer of retained earnings to capital surplus	—	—	25	(25)	—	—	—	—	—	—	—	—	—
Net unrealized holding losses on securities	—	—	—	—	—	(20,649)	—	—	—	—	—	—	(20,649)
Deferred gains on hedging instruments	—	—	—	—	—	—	337	—	—	—	—	—	337
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(19,220)	—	—	—	(19,220)
Defined benefit pension plans	—	—	—	—	—	—	—	—	—	1,976	—	—	1,976
Subscription rights to shares	—	—	—	—	—	—	—	—	—	—	72	—	72
Non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	5,487	5,487
BALANCE AT MARCH 31, 2017	991,425	¥339,767	¥413,231	¥722,364	¥(6,245)	¥205,521	¥(357)	¥323,828	¥ (7,076)	¥ (6,397)	¥1,104	¥71,192	¥2,056,932

	Thousands of U.S. dollars (Note 1)												
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Deferred losses on hedging instruments	Reserve on land revaluation	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Subscription rights to shares	Non-controlling interests	Total net assets
BALANCE AT APRIL 1, 2016		$3,028,496	$3,687,450	$5,706,436	$(55,638)	$2,015,955	$(6,186)	$2,724,245	$ 108,245	$(74,632)	$9,199	$585,658	$17,729,228
Cumulative effects of the changes in accounting policies		—	—	392	—	—	—	—	—	—	—	—	392
BALANCE AT APRIL 1, 2016, as adjusted for cumulative effects of the changes in accounting policies		3,028,496	3,687,450	5,706,828	(55,638)	2,015,955	(6,186)	2,724,245	108,245	(74,632)	9,199	585,658	17,729,620
Cash dividends paid		—	—	(281,843)	—	—	—	—	—	—	—	—	(281,843)
Net income attributable to shareholders of the Company		—	—	1,174,935	—	—	—	—	—	—	—	—	1,174,935
Reversal of reserve on land revaluation, net of tax		—	—	(160,941)	—	—	—	162,180	—	—	—	—	1,239
Purchase of treasury stock		—	—	—	(998)	—	—	—	—	—	—	—	(998)
Sales of treasury stock		—	(223)	—	972	—	—	—	—	—	—	—	749
Changes in the Company's equity due to transactions with non-controlling interests		—	(4,136)	—	—	—	—	—	—	—	—	—	(4,136)
Transfer of retained earnings to capital surplus		—	223	(223)	—	—	—	—	—	—	—	—	—
Net unrealized holding losses on securities		—	—	—	—	(184,054)	—	—	—	—	—	—	(184,054)
Deferred gains on hedging instruments		—	—	—	—	—	3,004	—	—	—	—	—	3,004
Foreign currency translation adjustment		—	—	—	—	—	—	—	(171,317)	—	—	—	(171,317)
Defined benefit pension plans		—	—	—	—	—	—	—	—	17,613	—	—	17,613
Subscription rights to shares		—	—	—	—	—	—	—	—	—	641	—	641
Non-controlling interests		—	—	—	—	—	—	—	—	—	—	48,908	48,908
BALANCE AT MARCH 31, 2017		$3,028,496	$3,683,314	$6,438,756	$(55,664)	$1,831,901	$(3,182)	$2,886,425	$ (63,072)	$(57,019)	$9,840	$634,566	$18,334,361

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
Cash flows from operating activities:				
Income before income taxes	¥ 192,257	¥ 181,318	¥ 166,841	$ 1,713,673
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	71,357	67,461	61,242	636,037
Loss on impairment of fixed assets	25,560	—	—	227,828
Interest and dividend income	(5,610)	(4,822)	(4,307)	(50,004)
Interest expense	24,635	25,432	26,380	219,583
Equity in net income of affiliated companies	(4,565)	(5,564)	(2,379)	(40,690)
Loss on disposal of property and equipment	1,791	3,894	1,531	15,964
Gain on sales of securities	—	(2,690)	(37)	—
Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	—	—	(5,604)	—
Increase in accounts receivable	(122)	(1,386)	(271)	(1,087)
Decrease (increase) in accounts payable	(9,118)	6,535	152	(81,273)
Increase in real property for sale and advances paid for purchases	(59,572)	(173,929)	(141,399)	(530,992)
Other, net	83,894	23,640	(2,292)	747,784
Subtotal	320,507	119,889	99,857	2,856,823
Interests and dividends received	8,604	6,756	5,248	76,691
Interests paid	(24,553)	(25,448)	(26,697)	(218,851)
Income taxes paid	(77,125)	(69,042)	(48,064)	(687,450)
Net cash provided by operating activities	227,433	32,155	30,344	2,027,213
Cash flows from investing activities:				
Purchases of property and equipment	(168,581)	(205,150)	(304,188)	(1,502,638)
Proceeds from sale of property and equipment	4,131	8,072	4,293	36,821
Purchases of investment securities	(16,157)	(9,263)	(10,687)	(144,015)
Proceeds from sale of investment securities	598	15,838	2,423	5,330
Payments of lease deposits	(8,291)	(13,548)	(6,428)	(73,901)
Proceeds from collections of lease deposits	8,844	5,735	11,876	78,831
Repayments of deposits from tenants	(32,514)	(35,295)	(44,169)	(289,812)
Proceeds from deposits from tenants	33,653	42,902	62,686	299,964
Increase in non-current loans and accounts receivable	(27,931)	(23,719)	(14,756)	(248,962)
Proceeds from collections of non-current loans and accounts receivable	13,872	20,064	24,596	123,647
Purchases of consolidated subsidiaries	(11,025)	(6,202)	(3,690)	(98,271)
Proceeds from sales of consolidated subsidiaries, net	—	—	6,127	—
Other, net	1,817	(39,154)	10,277	16,197
Net cash used in investing activities	(201,584)	(239,720)	(261,640)	(1,796,809)
Cash flows from financing activities:				
Proceeds from bank loans and commercial paper	3,170,459	3,166,555	906,523	28,259,729
Repayments of bank loans and commercial paper	(3,201,269)	(3,049,221)	(886,500)	(28,534,352)
Proceeds from long-term debt	225,268	311,532	162,232	2,007,915
Repayments of long-term debt	(178,816)	(174,762)	(289,195)	(1,593,867)
Proceeds from issuance of bond	105,993	46,911	88,940	944,763
Payments for redemption of bond	(66,972)	(68,118)	(55,520)	(596,952)
Proceeds from issuance of stock	—	—	329,125	—
Cash dividends paid	(31,621)	(27,674)	(20,538)	(281,852)
Proceeds from non-controlling shareholders	2,001	4,239	1,846	17,836
Payments of dividends to non-controlling shareholders	(5,251)	(1,667)	(4,465)	(46,805)
Repayments of capital to non-controlling shareholders	(196)	(1,274)	(7,570)	(1,747)
Repayments of lease obligations	(3,906)	(3,547)	(3,103)	(34,816)
Net increase in treasury stocks	(94)	(226)	(266)	(838)
Additional investments in consolidated subsidiaries	(525)	(1,637)	—	(4,679)
Net cash provided by financing activities	15,071	201,111	221,509	134,335
Effect of exchange rate changes on cash and cash equivalents	(2,339)	(2,540)	1,410	(20,849)
Net increase (decrease) in cash and cash equivalents	38,581	(8,994)	(8,377)	343,890
Cash and cash equivalents at beginning of year	109,966	118,960	127,337	980,176
Cash and cash equivalents at end of year	¥ 148,547	¥ 109,966	¥ 118,960	$ 1,324,066

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Fudosan Co., Ltd. and its Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Mitsui Fudosan Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. In compliance with the accounting standard, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, hereafter, "PITF No. 18"), certain adjustments, which are not recorded in the statutory books of overseas subsidiaries, are incorporated in the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law ("statutory Japanese language consolidated financial statements"). The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the statutory Japanese language consolidated financial statements. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2017, which was ¥112.19 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in equity method investees is amortized over a period of 5 years. If the amount is immaterial, it is fully recognized currently in earnings. The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries is recorded as goodwill.

All significant inter-company accounts and transactions have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

(B) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

(C) EQUITY METHOD

Investments in all significant affiliated companies are accounted for by the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.

(D) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Foreign currency receivables and payables are translated at appropriate year-end rates and the resulting translation gains or losses are taken into income currently.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Differences arising from translation are presented as "Foreign currency translation adjustments" in accumulated other comprehensive income under net assets section.

(E) CASH AND CASH EQUIVALENTS

Deposits in banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with a maturity of three months or less at the time of purchase are treated as cash equivalents.

(F) SECURITIES

Held-to-maturity securities are stated at amortized cost.

Other securities with fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income under net assets section. Realized gains and losses on sale of such securities are computed using moving-average cost.

Other securities without fair values are stated at moving-average cost.

The Company and its consolidated subsidiaries recognize losses for the difference between the fair value and the carrying amount when the fair value significantly declines. The Company and its consolidated subsidiaries consider the decline to be significant when the fair value of the other securities declines more than 50% of the carrying amount. When the fair value of the other securities declines from 30% to less than 50% of the carrying amount, the decline is also determined to be significant if the fair value of the securities is considered not to be recoverable to the carrying amount.

If the net realizable value of the securities without fair value declines significantly below the carrying amount, it is written down to net realizable value with a corresponding charge in the statements of income.

(G) INVENTORIES, REVENUE AND RELATED COSTS

The Company and its consolidated subsidiaries have followed accounting standard, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9). Under the standard, inventories are initially recorded at acquisition cost, and when net realizable value is less than the cost (i.e., profitability of inventory has declined), the cost basis is reduced to net realizable value. Costs are determined mainly by the specific identification method and do not include interest and administrative expenses incurred during or after development of real estate, which are charged to income when incurred.

Revenue from leasing is recognized on an accrual basis over the lease term.

Revenue from sale of properties is recognized in full when delivered and accepted by the customers.

The Company and its consolidated subsidiaries have followed "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15; December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18; December 27, 2007). The percentage-of-completion method shall be applied if the outcome of the construction activity is deemed certain during the course of the activity, otherwise the completed-contract method shall be applied.

(H) PROPERTY AND EQUIPMENT, RELATED DEPRECIATION AND REVALUATION—excluding leased assets

Property and equipment are carried mainly at cost.

When disposed of, the cost and related accumulated depreciation or revaluation of property and equipment are removed from the respective accounts and the net difference, less any amounts realized on disposal, is reflected in the statements of income.

Depreciation of property and equipment is mainly computed by the declining-balance method over the estimated useful lives of the assets, except for those listed below which are calculated using the straight-line method.

1. Office buildings (excluding building improvements) of the Company
2. Buildings (excluding building improvements) acquired by the Company and the domestic consolidated subsidiaries after April 1, 1998
3. Property and equipment of the overseas consolidated subsidiaries
4. Building improvements and structures acquired by the Company and the domestic consolidated subsidiaries after April 1, 2016

For buildings on fixed term leasehold, the Company computes depreciation using the straight-line method, over its lease term assuming no residual value.

(I) IMPAIRMENT LOSSES ON FIXED ASSETS

The Company and its consolidated subsidiaries have followed "Accounting Standard for Impairment of Fixed Assets" ("Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council) and "Guidance on Accounting Standard for Impairment of Fixed Assets" (ASBJ Guidance No. 6). The accounting standards require that fixed assets be tested for recoverability whenever events or changes in circumstances indicate that the assets may be impaired. When the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets, the net carrying value of assets not recoverable is reduced to recoverable amounts. Recoverable amounts are measured by net realizable values or values in current use. Net realizable values are determined mainly based upon appraisal value calculated by real-estate appraisers. Values in current use are calculated based on the present values of future cash flows.

Accumulated impairment losses are deducted from book values of related fixed assets.

(J) LAND REVALUATION

Pursuant to the Law Concerning Land Revaluation and the revisions thereof, the Company and certain consolidated subsidiaries revalued land used for business activities on March 31, 2002.

The land prices for revaluation were determined based on the appraisal prices by real estate appraisers in accordance with Article 2, Paragraph 5 of the Enforcement Ordinance Concerning Land Revaluation. The difference between quoted appraisal value and the carrying amount is recorded, net of applicable income taxes, as "Reserve on land revaluation" as a separate component of accumulated other comprehensive income under the net assets section.

(K) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are included in "Other" under caption of "INVESTMENTS and OTHER ASSETS."

Goodwill is amortized over a period of 5 years under straight-line method. If the amount is immaterial, it is fully recognized currently in earnings.

Other intangible assets are amortized under the straight-line method. Software (for internal use) is amortized over its estimated useful lives of 5 years.

(L) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(M) EMPLOYEES' RETIREMENT BENEFITS

The Company has a retirement plan which provides for lump-sum payment and annuity. Upon retirement age, a regular employee is entitled to receive a lump-sum payment and an annuity, or in certain cases at the option of the retiring employee, the full amount of the retirement benefits may be paid in a lump-sum. The retirement benefits are based primarily upon the years of employee's service and monthly pay at the time of retirement.

The Company and its consolidated subsidiaries record net defined benefit asset and liability at fiscal year-end based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The benefit formula method is adopted as an allocation method for the projected retirement benefits. Prior service costs are allocated under the straight-line method over a certain number of years within the average remaining service years (1–10 years). Actuarial differences are allocated, beginning in the year following their occurrence, under the straight-line method over a certain number of years within the average remaining service years (5–10 years).

Change in accounting policies for the year ended March 31, 2015:
The Company and its consolidated subsidiaries adopted the main text of Article 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, revised on May 17, 2012) and the main text of Article 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on May 17, 2012) commencing from the year ended March 31, 2015.

In accordance with those standards, the Company and its consolidated subsidiaries changed an allocation method for the projected retirement benefits from the straight-line method to the benefit formula method, and discount rate determination method to be determined based on a single weighted average discount rate.

In accordance with transitional treatment described in Article 37 of "Accounting Standard for Retirement Benefits," effects of the changes in accounting policies arising from initial application are recognized in retained earnings as of April 1, 2014.

As a result, net defined benefit asset increased by ¥1,307 million, net defined benefit liability decreased ¥3,056 million and retained earnings increased by ¥1,973 million as of April 1, 2014. Effect of those changes on the consolidated income statements and per share information is immaterial.

(N) ALLOWANCE FOR DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

Allowance for retirement benefits for directors and corporate auditors of the Company and its 30 consolidated subsidiaries are also provided at the amounts to be paid if all eligible directors and corporate auditors would have retired at year end under the internal guidelines.

(O) ACCOUNTING FOR LEASE TRANSACTIONS

The Company and its consolidated subsidiaries have followed "Accounting Standard for Lease Transactions" (Statement No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by ASBJ on March 30, 2007) and the "Implementation Guidance on Accounting Standard for Lease Transactions" (the Financial Accounting Standard Implementation Guidance No. 16 issued originally by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by ASBJ on March 30, 2007).

Those standards require finance leases to be accounted for in a manner similar to the accounting treatment for ordinary sales transactions. Lessees are required to record assets and liabilities regarding finance leases with recognition of depreciation and interest expenses. Capitalized leased assets are depreciated under the straight-line method, over the lease term assuming no residual value. Lessors are required to recognize lease receivables or investments in leased assets along with related lease (interest) income.

It should be noted that finance leases which do not transfer ownership of the leased assets to lessees whose commencement day falls on or prior to March 31, 2008 are accounted for as operating leases.

(P) INCOME TAXES

Income taxes are provided for on the basis of income for financial statement purposes. The tax effect of temporary differences between the carrying amounts of assets and liabilities for financial statements and income tax purposes is recognized as deferred income taxes.

Tax rates:

The Company and its consolidated domestic subsidiaries are subject to a corporate tax of approximately 23%, an inhabitants tax of approximately 5% and a deductible enterprise tax of approximately 4%, which in the aggregate resulted in a statutory income tax rate of approximately 31% for the year ended March 31, 2017.

The Company and its consolidated domestic subsidiaries are subject to a corporate tax of approximately 24%, an inhabitants tax of approximately 5% and a deductible enterprise tax of approximately 6%, which in the aggregate resulted in a statutory income tax rate of approximately 33% for the year ended March 31, 2016.

The Company and its consolidated domestic subsidiaries are subject to a corporate tax of approximately 26%, an inhabitants tax of approximately 5% and a deductible enterprise tax of approximately 8%, which in the aggregate resulted in a statutory income tax rate of approximately 36% for the year ended March 31, 2015.

Tax reforms:

As a result of promulgation of the amended tax laws on March 31, 2016, the Company and its domestic consolidated subsidiaries are subject to the reduced effective income tax rate of 31% for the years beginning on or after April 1, 2016.

As a result of promulgation of the amended tax laws on March 31, 2015, the Company and its domestic consolidated subsidiaries are subject to the reduced effective income tax rate of 33% for the years beginning on or after April 1, 2015.

As a result of promulgation of the amended tax laws on March 31, 2014, the restoration surtax was abolished a year ahead of the original schedule, reducing the effective income tax rate from 38% to 36% for the year beginning on or after April 1, 2014.

(Q) DERIVATIVES AND HEDGE ACCOUNTING

1. Hedge accounting

The Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized, if derivative financial instruments are used as hedges and meet certain hedging criteria.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statements in the period which includes the inception date, and
  (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

2. The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

Hedging instruments:
  Forward foreign exchange contracts
  Foreign currency swap contracts
  Interest rate swap contracts

Hedged items:
  Expected foreign currency transactions
  Foreign currency debt
  Borrowings and debentures

3. Hedge policy

The Company and its consolidated subsidiaries use interest rate swap contracts to mitigate risk of fair value changes of borrowings due to fluctuating interest rates and risk of changes in cash flows. Exchange rate risk on borrowings made and debentures issued in non-functional currencies is hedged by utilizing currency swaps. Exchange rate risk on forecasted transactions to be settled in non-functional currencies is hedged by using forward foreign exchange contracts.

4. Assessment of hedge effectiveness

The assessment of hedge effectiveness is omitted because significant terms of hedging instruments and those of the items hedged are the same and the risk of changes in foreign exchange rates and interest rates would be entirely eliminated.

(R) EQUITY INVESTMENTS REGARDING REAL ESTATE SECURITIZATION-RELATED BUSINESS

Equity investments in tokumei-kumiai, or silent partnerships ("TK"), preferred securities issued by tokutei-mokuteki-kaisha, or specific purpose companies ("TMK") and others regarding real estate securitization-related business (collectively, "equity investments") are presented in the balance sheets as follows.

Equity investments held for sale are presented as "Equity investments in properties for sale" under "CURRENT ASSETS" and those held other than for sale are presented as "Investment securities" under "INVESTMENTS and OTHER ASSETS."

(S) REVENUE FROM JAPANESE REAL ESTATE INVESTMENT TRUST (J-REIT)

Revenue from J-REIT is included in "Revenue from operations."

(T) DIRECTORS' BONUS

The Company and its consolidated subsidiaries have followed the accounting standard, "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4). Directors' bonuses are charged to income as selling, general and administrative expenses.

(U) SHARE-BASED PAYMENTS

The Company and its consolidated subsidiaries have followed the accounting standards, "Accounting Standard for Share-Based Payment" (ASBJ Statement No. 8) and the "Implementation Guidance for the Accounting Standard for Share-Based Payment" ASBJ Guidance No. 11).

Those standards require that the cost of stock options be measured based on the grant-date fair value. Outstanding options are presented as subscription rights to shares as a component of net assets in the balance sheet.

(V) ASSET RETIREMENT OBLIGATIONS

The Company and its consolidated subsidiaries have followed "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18; March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008). According to the standards, obligations associated with the retirement of tangible fixed assets are recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured by discounting the future cash flows. The associated asset retirement costs are capitalized as part of the carrying amount of the fixed asset and allocated as period expenses.

(W) ACCOUNTING CHANGES AND ERROR CORRECTIONS

The Company and its consolidated subsidiaries have followed "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009). Those standards require that changes in accounting policies, changes in presentations and corrections of prior period errors be accounted for retrospectively, and changes in accounting estimates be accounted for prospectively.

(X) EARNINGS PER SHARE

Basic income per share is computed by dividing the net income available for distribution to shareholders of common stock by the weighted average number of shares of common stock outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

(Y) RECLASSIFICATIONS

Certain prior years' amounts have been reclassified to conform to the current presentation.

(Z) CHANGES IN ACCOUNTING POLICIES

Commencing from the year ended March 31, 2016, the Company and its consolidated subsidiaries adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013). In compliance with those standards, the changes in the Company's ownership interest in its subsidiary while it retains its controlling interest in the subsidiary is recognized in capital surplus, and acquisition-related costs are expensed in the period incurred. Also, finalization of provisional purchase price allocation, which arose from business combinations occurred on and after April 1, 2015, is reflected in the consolidated financial statements for the year in which the business combination occurred. In addition, the presentation of net income has changed and former "minority interests" is presented as "non-controlling interests." Prior years' consolidated financial statements have been reclassified to conform to the change.

Cash flows from purchases and sales of shares of subsidiaries which do not give rise to changes in the scope of consolidation is presented in "cash flows from financing activities," while cash flows from acquisition related costs of subsidiaries which give rise to changes in the scope of consolidation and cash flows from costs related to purchases and sales of shares of subsidiaries which do not give rise to changes in the scope of consolidation is presented in "cash flows from operating activities."

In accordance with the transitional treatment set forth in those standards, the Company and its consolidated subsidiaries adopted those standards prospectively commencing on April 1, 2015.

Effect of those changes on capital surplus at March 31, 2016, the consolidated income statement for the year then ended and per share information is immaterial.

Commencing from the year ended March 31, 2017, the Company and its consolidated subsidiaries adopted "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, revised on March 28, 2016), which resulted in certain changes in the accounting treatment regarding recoverability of deferred tax assets.

In accordance with transitional treatment described in Article 49, Section 4 of the Guidance, the difference between the deferred tax assets and liabilities as of April 1, 2016 calculated under the Guidance and the deferred tax assets and liabilities as of March 31, 2016 is recognized in retained earnings as of April 1, 2016.

Effect of those changes on deferred tax assets and retained earnings as of April 1, 2016 is immaterial.

3. BUSINESS REORGANIZATIONS

There were no significant business reorganizations for the year ended March 31, 2017.

Significant business reorganizations for the year ended March 31, 2016 is described as follows:

On October 1, 2015, the Company transferred its residential leasing business to Mitsui Fudosan Residential Co. Ltd. through corporate divestiture.

(1) Outline of the transaction

(a) Business subject to the transfer
The business subject to the transfer is residential leasing business, which includes construction, leasing and sale of residences for leasing.

(b) Date of the business combination
October 1, 2015

(c) Legal form of the business combination
Absorption-type split where the Company is a split company and Mitsui Fudosan Residential Co. Ltd. is a successor company.

(d) Name of the company after the business combination
Mitsui Fudosan Residential Co. Ltd. ("MFR")

(e) Allotment of shares
The transfer was made in exchange for 500,000 shares of common stock issued by MFR. The Company owns 100% of common stock issued by MFR and all new shares of common stock issued by MFR in connection with the transfer is owned by the Company. Thus, there were no changes in the Company's shareholders' equity regardless of the numbers of new shares issued.

(f) Other matters
Integration of the Company's residential leasing business and MFR's residential sales business will enable one-stop and quick offering of solutions for various demands on housing based on diversifying life styles of customers confronting the mature society.

The business transfer aims to strengthen the ability to develop and provide variety of products such as urban development by a combination of residential sales and leasing. It is also believed to contribute to centralize land acquisition function and strengthen construction order ability, thus enhancing the business efficiency.

(2) Accounting treatment
The transfer is to be accounted for as transactions among entities under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised on September 13, 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on September 13, 2013).

There were no significant business reorganizations for the year ended March 31, 2015.

4. FINANCIAL INSTRUMENTS

(1) Risk management policy regarding financial instruments

a. Policy on financial instruments

The Company and its consolidated subsidiaries make fund procurements mainly through bank loans and issuance of bonds. The temporary surplus funds are invested in low-risk financial assets. Derivative instruments are used to mitigate risks referred to below, and the Company and its consolidated subsidiaries do not enter into speculative derivative transactions or transactions with high volatility on fair value.

b. Risk management

Notes and accounts receivable and lease deposits are subject to customers' credit risk (risk related to customers' failure to perform a contract). Each business division monitors due dates and balances for each counterparty to mitigate the risk of those receivables being uncollectible due to financial difficulties and other factors.

Investment in equity securities is exposed to market-price risk. The securities are mainly those of companies with business relationships. The Company and its consolidated subsidiaries periodically monitor market prices and continuously review whether the securities should be held.

Notes and accounts payable are mostly due within one year.

Short-term debt is mainly used for funding working capital. Procurement from long-term debt and bonds payable, of which the maturities are due within 40 years from the balance sheet date, are mainly used for capital expenditures. Debt with floating interest rates is subject to interest-rate risk. The Company and its consolidated subsidiaries utilize derivatives (interest rate swaps) as hedging instruments for some long-term debt with floating interest rates to fix the cash flows of interest payments. Exchange rate risk on borrowings made in non-functional currencies are hedged by utilizing currency swaps. Refer to Note 2 (Q) for details on hedge accounting, hedge policy, assessment of hedge effectiveness and other matters.

By using derivative instruments, the Company and its consolidated subsidiaries are exposed to counterparty's credit risk and market risks such as interest rate risk and exchange rate risk. The Company and its consolidated subsidiaries manage the credit risk by carefully evaluating the financial positions of major financial institutions before entering into contracts. The derivative transactions are executed in compliance with procedures set forth in the policies established in each group company, and transaction volumes and fair values are reported as appropriate to directors in charge.

Payables, debt and deposits from customers are subject to liquidity risk (risk of being unable to pay on a due date). The risk is managed by preparing and updating monthly cash schedules and by preserving liquidity on hand.

(2) Estimated fair value of financial instruments

The carrying amount, estimated fair value and the difference of financial instruments as of March 31, 2017, 2016 and 2015 are summarized in the following table. Information on financial instruments for which the fair value is not reliably measurable is not included in the below table (refer to b).

	Millions of yen			Thousands of U.S. dollars (See Note 1)		
	2017					
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits (*1)	¥ 148,742	¥ 148,742	¥ —	$ 1,325,804	$ 1,325,804	$ —
Notes and accounts receivable—trade	36,073	36,073	—	321,535	321,535	—
Marketable and investment securities	428,604	428,656	52	3,820,340	3,820,803	463
Liabilities:						
Notes and accounts payable—trade	113,682	113,682	—	1,013,299	1,013,299	—
Bank loans and long-term debt due within one year:						
Non-recourse	105,455	105,469	14	939,968	940,093	125
Recourse	216,519	217,588	1,069	1,929,931	1,939,459	9,528
Commercial paper	82,000	82,000	—	730,903	730,903	—
Long-term debt due after one year:						
Non-recourse	260,631	261,234	603	2,323,122	2,328,497	5,375
Recourse	1,622,884	1,688,526	65,642	14,465,496	15,050,593	585,097
Derivative instruments (*3)	2,352	2,352	—	20,964	20,964	—

	Millions of yen					
	2016			2015		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits (*1)	¥ 111,157	¥ 111,157	¥ —	¥ 107,152	¥ 107,152	¥ —
Certificates of deposits (*2)	—	—	—	12,000	12,000	—
Notes and accounts receivable—trade	36,094	36,094	—	34,760	34,760	—
Marketable and investment securities	447,987	448,067	80	499,296	499,355	59
Liabilities:						
Notes and accounts payable—trade	95,876	95,876	—	98,247	98,247	—
Bank loans and long-term debt due within one year:						
Non-recourse	32,738	32,742	4	13,731	13,731	—
Recourse	263,084	264,637	1,553	233,314	234,843	1,529
Commercial paper	109,000	109,000	—	—	—	—
Long-term debt due after one year:						
Non-recourse	289,343	289,722	379	257,861	257,984	123
Recourse	1,532,072	1,630,390	98,318	1,471,244	1,529,258	58,014
Derivative instruments (*3)	4,663	4,663	—	6,389	6,389	—

(*1) Carrying amount of cash and bank deposits consists of ¥148,547 million ($1,324,066 thousand) of cash and cash equivalents and ¥195 million ($1,738 thousand) of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2017.

Carrying amount of cash and bank deposits consists of ¥109,966 million of cash and cash equivalents and ¥1,191 million of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2016.

Carrying amount of cash and bank deposits consists of ¥118,960 million of cash and cash equivalents subtracted by ¥12,000 million of certificates of deposits (refer to *2) and ¥192 million of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2015.

(*3) Carrying amount and estimated fair value of derivative instruments represent derivative liabilities netted against derivative assets.

a. Estimation of fair value

The following methods and significant assumptions were used to estimate the fair value of financial instruments for which the fair value is reasonably measurable.

Cash and bank deposits and notes and accounts receivable—trade — The carrying amount of cash and bank deposits and notes and accounts receivable—trade approximates fair value due to their relatively short maturity.

Certificates of deposits—Fair value of certificates of deposits is based on quoted market prices.

Marketable and investment securities—Fair value of those securities is based on quoted market prices. Refer to Note 5 for detailed information.

Notes and accounts payable—trade and commercial paper— The carrying amount of notes and accounts payable—trade and commercial paper approximates fair value due to their relatively short maturity.

Bank loans and long-term debt due within one year—The carrying amount of bank loans approximates fair value due to their relatively short maturity. Fair value of long-term debt and bonds payable due within one year is calculated by discounting the future cash flows, using the borrowing interest rates expected to be currently available for the Company and its consolidated subsidiaries for debt with similar terms and remaining maturities as the discount rates.

Long-term debt due after one year—Fair value of long-term debt due after one year is calculated by discounting the future cash flows, using the borrowing interest rates expected to be currently available for the Company and its consolidated subsidiaries for debt with similar terms and remaining maturities as the discount rates.
Derivative instruments—Refer to Note 6.

Fair value of financial instruments includes amounts based on quoted market prices and amounts reasonably calculated. Fair value reasonably calculated, incorporating fluctuating factors, is subject to change under different assumptions. Nominal amount shown in Note 6 does not represent the market risk regarding the derivative transactions.

b. Financial instruments for which the fair value is not reliably measurable
For the following financial instruments, for which there were no quoted market prices, reasonable estimates of fair values could not be made without incurring excessive costs because of the difficulty in estimating future cash flows. Thus, information on those instruments is not presented in the above table.

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Assets:				
Equity investments in properties for sale	¥ 6,747	¥ 10,160	¥ 9,692	$ 60,139
Other securities:				
Unlisted stocks (excluding OTC securities)	6,275	33,689	13,700	55,932
Other (TK investments, preferred securities and others)	18,821	20,331	18,537	167,760
Lease deposits (*)	133,439	133,914	127,978	1,189,402
Liabilities:				
Deposits from tenants (*)	374,331	373,084	365,298	3,336,581

(*) While fair value accounting is applied to some lease deposits and deposits from tenants, they are not separately disclosed since they are not material.

c. Redemption schedule
The redemption schedule on cash and cash equivalents, receivables and securities with maturities as of March 31, 2017, 2016 and 2015 is as follows.
Refer to Note 13 for redemption schedule for long-term debt.

	Millions of yen			
	2017			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 Years and within 10 Years	Due after 10 Years
Cash and bank deposits (*1)	¥148,742	¥ —	¥ —	¥—
Notes and accounts receivable—trade	36,073	—	—	—
Other securities				
National and local government bonds and other	69	1,338	377	—
Total	¥184,884	¥1,338	¥377	¥—

	Millions of yen			
	2016			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 Years and within 10 Years	Due after 10 Years
Cash and bank deposits (*1)	¥111,157	¥ —	¥ —	¥—
Notes and accounts receivable—trade	36,094	—	—	—
Other securities				
National and local government bonds and other	142	1,500	379	—
Total	¥147,393	¥1,500	¥379	¥—

	Millions of yen			
	2015			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 Years and within 10 Years	Due after 10 Years
Cash and bank deposits (*1)	¥107,152	¥ —	¥ —	¥—
Certificates of deposits (*2)	12,000	—	—	—
Notes and accounts receivable—trade	34,760	—	—	—
Other securities				
National and local government bonds and other	298	1,211	585	—
Total	¥154,210	¥1,211	¥585	¥—

	Thousands of U.S. dollars (See Note 1)			
	2017			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 Years and within 10 Years	Due after 10 Years
Cash and bank deposits (*1)	$1,325,804	$ —	$ —	$—
Notes and accounts receivable—trade	321,535	—	—	—
Other securities				
National and local government bonds and other	615	11,926	3,361	—
Total	$1,647,954	$11,926	$3,361	$—

(*1) Carrying amount of cash and bank deposits consists of ¥148,547 million ($1,324,066 thousand) of cash and cash equivalents and ¥195 million ($1,738 thousand) of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2017.

Carrying amount of cash and bank deposits consists of ¥109,966 million of cash and cash equivalents and ¥1,191 million of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2016.

Carrying amount of cash and bank deposits consists of ¥118,960 million of cash and cash equivalents subtracted by ¥12,000 million of certificates of deposits (refer to *2) and ¥192 million of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2015.

5. FAIR VALUE INFORMATION OF MARKETABLE SECURITIES, INVESTMENT SECURITIES AND OTHERS

(1) The following tables summarize historical cost, book value and fair value of securities as of March 31, 2017, 2016 and 2015:

(a) Held-to-maturity securities:

	Millions of yen								
	2017			2016			2015		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Securities whose fair value exceeds book value									
National and local government bonds and other	¥1,784	¥1,836	¥52	¥2,021	¥2,101	¥80	¥1,807	¥1,868	¥61
Securities whose fair value does not exceed book value									
National and local government bonds and other	—	—	—	—	—	—	287	285	(2)
Total	¥1,784	¥1,836	¥52	¥2,021	¥2,101	¥80	¥2,094	¥2,153	¥59

	Thousands of U.S. dollars (See Note 1)		
	2017		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value			
National and local government bonds and other	$15,902	$16,365	$463
Securities whose fair value does not exceed book value			
National and local government bonds and other	—	—	—
Total	$15,902	$16,365	$463

(b) Other securities:

	Millions of yen								
	2017			2016			2015		
	Book value (fair value)	Historical cost	Difference	Book value (fair value)	Historical cost	Difference	Book value (fair value)	Historical cost	Difference
Securities whose book value (fair value) exceeds historical cost:									
Stocks	¥359,967	¥ 87,716	¥272,251	¥379,671	¥ 76,207	¥303,464	¥443,102	¥ 89,013	¥354,089
Other	61,609	36,380	25,229	53,850	31,259	22,591	51,395	28,600	22,795
Subtotal	421,576	124,096	297,480	433,521	107,466	326,055	494,497	117,613	376,884
Securities whose book value (fair value) does not exceed historical cost:									
Stocks	5,239	6,798	(1,559)	12,443	15,455	(3,012)	2,705	2,955	(250)
Other	5	6	(1)	2	2	—	—	—	—
Subtotal	5,244	6,804	(1,560)	12,445	15,457	(3,012)	2,705	2,955	(250)
Total	¥426,820	¥130,900	¥295,920	¥445,966	¥122,923	¥323,043	¥497,202	¥120,568	¥376,634

	Thousands of U.S. dollars (See Note 1)		
	2017		
	Book value (fair value)	Historical cost	Difference
Securities whose book value (fair value) exceeds historical cost:			
Stocks	$3,208,548	$ 781,852	$2,426,696
Other	549,148	324,271	224,877
Subtotal	3,757,696	1,106,123	2,651,573
Securities whose book value (fair value) does not exceed historical cost:			
Stocks	46,697	60,593	(13,896)
Other	45	53	(8)
Subtotal	46,742	60,646	(13,904)
Total	$3,804,438	$1,166,769	$2,637,669

(2) The following table summarizes other securities sold in the years ended March 31, 2017, 2016 and 2015:

	Millions of yen								
	2017			2016			2015		
	Sales amount	Gains	Losses	Sales amount	Gains	Losses	Sales amount	Gains	Losses
Stocks	¥620	¥278	¥(113)	¥15,977	¥2,690	¥—	¥77	¥37	¥—
Total	¥620	¥278	¥(113)	¥15,977	¥2,690	¥—	¥77	¥37	¥—

	Thousands of U.S. dollars (See Note 1)		
	2017		
	Sales amount	Gains	Losses
Stocks	$5,526	$2,478	$(1,007)
Total	$5,526	$2,478	$(1,007)

(3) The Company and its consolidated subsidiaries did not recognize impairment loss on investment securities for the years ended March 31, 2017, 2016 and 2015.

6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The following summarizes derivative financial instruments for which hedge accounting is not applied as of March 31, 2017, 2016 and 2015:

		Millions of yen			
		2017			
		Nominal Amount			
		Total	Due after 1 year	Fair value (*)	Gain (loss)
Non-market transactions	Interest rate and currency swap	¥12,350	¥8,147	¥1,412	¥1,412
	Foreign exchange forward				
	Buy				
	U.S. dollars	642	—	37	37
Total		¥12,992	¥8,147	¥1,449	¥1,449

		Millions of yen			
		2016			
		Nominal Amount			
		Total	Due after 1 year	Fair value (*)	Gain (loss)
Non-market transactions	Interest rate and currency swap	¥5,465	¥5,465	¥1,040	¥1,040
	Foreign exchange forward				
	Buy				
	U.S. dollars	987	—	11	11
Total		¥6,452	¥5,465	¥1,051	¥1,051

		Millions of yen			
		2015			
		Nominal Amount			
		Total	Due after 1 year	Fair value (*)	Gain (loss)
Non-market transactions	Interest rate and currency swap	¥3,679	¥3,679	¥107	¥107
Total		¥3,679	¥3,679	¥107	¥107

		Thousands of U.S. dollars (See Note 1)			
		2017			
		Nominal Amount			
		Total	Due after 1 year	Fair value (*)	Gain (loss)
Non-market transactions	Interest rate and currency swap	$110,081	$72,618	$12,586	$12,586
	Foreign exchange forward				
	Buy				
	U.S. dollars	5,723	—	330	330
Total		$115,804	$72,618	$12,916	$12,916

(*) Fair values are calculated mainly by discounting the future cash flows.

The following summarizes hedging derivative financial instruments accounted for under hedge accounting as of March 31, 2017, 2016 and 2015:

		Millions of yen		
		2017		
		Nominal Amount		
	Hedged items	Total	Due after 1 year	Fair value (*4)
Interest rate swap	Long-term debt	¥599,759	¥544,359	(*1)
Pay: fixed rate				
Receive: floating rate				
Interest rate swap (*2)	Long-term debt	5,824	5,824	¥ 24
Pay: fixed rate				
Receive: floating rate				
Interest rate and currency swap (*2)	Long-term debt	16,000	14,000	(3,887)
Foreign exchange forward (*3)	Forecasted transactions denominated			
Buy	in foreign currencies	1,468	—	62
U.S. dollars				
Total		¥623,051	¥564,183	¥(3,801)

		Millions of yen		
		2016		
		Nominal Amount		
	Hedged items	Total	Due after 1 year	Fair value (*4)
Interest rate swap	Long-term debt	¥681,710	¥594,310	(*1)
Pay: fixed rate				
Receive: floating rate				
Interest rate swap (*2)	Long-term debt	6,031	6,031	¥ (5)
Pay: fixed rate				
Receive: floating rate				
Interest rate and currency swap (*2)	Long-term debt	18,000	16,000	(5,533)
Foreign exchange forward (*3)	Forecasted transactions denominated			
Buy	in foreign currencies	2,676	—	(176)
U.S. dollars				
Total		¥708,417	¥616,341	¥(5,714)

		Millions of yen		
		2015		
		Nominal Amount		
	Hedged items	Total	Due after 1 year	Fair value (*4)
Interest rate swap	Long-term debt	¥699,428	¥636,500	(*1)
Pay: fixed rate				
Receive: floating rate				
Interest rate and currency swap (*2)	Long-term debt	20,000	18,000	¥(6,508)
Foreign exchange forward (*3)	Forecasted transactions denominated			
Buy	in foreign currencies	1,309	—	12
U.S. dollars				
Total		¥720,737	¥654,500	¥(6,496)

		Thousands of U.S. dollars (See Note 1)		
		2017		
		Nominal Amount		
	Hedged items	Total	Due after 1 year	Fair value (*4)
Interest rate swap	Long-term debt	$5,345,922	$4,852,117	(*1)
Pay: fixed rate				
Receive: floating rate				
Interest rate swap (*2)	Long-term debt	51,912	51,912	$ 214
Pay: fixed rate				
Receive: floating rate				
Interest rate and currency swap (*2)	Long-term debt	142,615	124,788	(34,647)
Foreign exchange forward (*3)	Forecasted transactions denominated			
Buy	in foreign currencies	13,085	—	553
U.S. dollars				
Total		$5,553,534	$5,028,817	$(33,880)

(*1) The net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Thus, the fair value of the interest rate swap is included in the fair value of long-term debt including those due within one year.
(*2) Recognition of gains or losses resulting from changes in fair value of interest rate swap contracts and foreign currency swap contracts are deferred until the related losses or gains on the hedged items are recognized.
(*3) Future transactions denominated in foreign currencies will be recorded using the contracted forward rate, and no gains and losses on the foreign exchange forward contract are recognized.
(*4) Fair values are calculated mainly by discounting the future cash flows.

7. INVESTMENT AND LEASING PROPERTIES

The Company and its consolidated subsidiaries have followed "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20; November 28, 2008) and its implementation guidance "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, November 28, 2008) which require explanations on investment and leasing properties and disclosure of fair value of those properties. Investment and leasing properties are properties held to earn rentals or for capital appreciation, and include (1) properties classified as investment properties in the balance sheet, (2) idle properties and (3) leasing properties other than (1) and (2).

The Company and its certain subsidiaries own office buildings for rent, commercial facilities and other properties in Tokyo and other areas. Net rent income, impairment loss and loss on disposal of property and equipment regarding those investments and leasing properties were ¥130,099 million ($1,159,631 thousand), ¥14,206 million ($126,624 thousand), and ¥829 million ($7,389 thousand) for the year ended March 31, 2017. Net rent income and loss on disposal of property and equipment was ¥117,891 million and ¥203 million for the year ended March 31, 2016, respectively. Net rent income was ¥103,423 million for the year ended March 31, 2015. Gross rent revenue is included in revenue from operations and gross cost for rent is included in cost of revenue from operations. Gain on disposal of property and equipment is included in interest, dividends and miscellaneous income (see Note 20). Impairment loss and loss on disposal of property and equipment are included in other costs and expenses (see Note 21).

The carrying amounts, net changes in the carrying amounts and the fair value of the investment and leasing properties as of and for the years ended March 31, 2017, 2016 and 2015 are stated below:

Millions of yen											
2017				2016				2015			
Carrying amount			Fair value	Carrying amount			Fair value	Carrying amount			Fair value
Beginning of year	Net increase during the year	End of year	End of year	Beginning of year	Net increase during the year	End of year	End of year	Beginning of year	Net increase during the year	End of year	End of year
¥2,648,353	¥(3,296)	¥2,645,057	¥4,828,440	¥2,489,933	¥158,420	¥2,648,353	¥4,560,531	¥2,256,786	¥233,147	¥2,489,933	¥4,054,376

Thousands of U.S. dollars (See Note 1)			
2017			
Carrying amount			Fair value
Beginning of year	Net Increase during the year	End of year	End of year
$23,605,963	$(29,379)	$23,576,584	$43,038,060

Carrying amount represents acquisition cost less accumulated depreciation and accumulated loss on impairment.

The net decrease in the carrying amounts mainly consists of acquisitions of real estate which amounts to ¥140,501 million ($1,252,349 thousand), transfer to inventories which amounts to ¥67,987 million ($605,999 thousand) and sales of real estate which amounts to ¥4,485 million ($39,977 thousand) for the year ended March 31, 2017.

The net increase in the carrying amounts mainly consists of acquisitions of real estate which amounts to ¥169,243 million and sales of real estate which amounts to ¥6,528 million for the year ended March 31, 2016.

The net increase in the carrying amounts mainly consists of acquisitions of real estate which amounts to ¥237,573 million and sales of real estate which amounts to ¥8,328 million for the year ended March 31, 2015.

Estimated fair value was calculated internally based on Japanese Real Estate Appraisal Standards.

8. INVENTORIES

Inventories at March 31, 2017, 2016 and 2015 comprise the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Real property for sale:				
Completed	¥ 647,536	¥ 571,371	¥ 481,389	$ 5,771,780
In progress	454,764	399,361	299,837	4,053,516
Land held for development	213,215	187,661	241,677	1,900,481
Expenditure on contracts in progress	24,247	23,804	22,584	216,124
Other	4,364	4,823	4,991	38,899
Total	¥1,344,126	¥1,187,020	¥1,050,478	$11,980,800

9. ADVANCES PAID FOR PURCHASES

Advances paid for purchases comprise primarily advance payments for purchasing real estate for sale.

10. LEASE DEPOSITS

The Company and its consolidated subsidiaries lease certain office buildings and commercial facilities from the owners thereof and sublease them to subtenants. In these transactions, the Company and its consolidated subsidiaries pay lease deposits to the owners and receive deposits from subtenants (See Note 15).

11. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2017, 2016 and 2015 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Deferred tax assets:				
Loss on impairment of fixed assets	¥ 17,563	¥ 7,008	¥ 7,493	$ 156,547
Net defined benefit liability	11,848	12,100	11,151	105,607
Unrealized inter-company transactions	7,466	7,592	7,415	66,548
Excess depreciation expense	5,644	5,410	4,004	50,308
Accrued employees' bonuses	5,610	5,564	5,800	50,004
Allowance for loss on devaluation of real property held for sale	5,207	6,061	7,543	46,412
Allowance for loss on valuation of securities	4,119	5,250	8,494	36,715
Unrealized loss on valuation of lease deposits	3,558	3,545	3,723	31,714
Accrued enterprise tax	2,773	3,564	3,306	24,717
Other	26,198	25,352	25,257	233,514
Total	89,986	81,446	84,186	802,086
Deferred tax liabilities:				
Unrealized gain on valuation of securities	(91,091)	(100,622)	(121,809)	(811,935)
Deferred gain on sale of land and buildings for tax purposes	(12,350)	(12,444)	(15,500)	(110,081)
Consolidation difference in real property	(5,684)	(5,779)	(6,623)	(50,664)
Unrealized gain on valuation of lease deposits	(3,498)	(3,480)	(3,653)	(31,179)
Other	(49,088)	(49,827)	(55,704)	(437,544)
Total	(161,711)	(172,152)	(203,289)	(1,441,403)
Net deferred tax assets (liabilities)	¥ (71,725)	¥ (90,706)	¥(119,103)	$ (639,317)

Amounts of total deferred tax assets as of March 31, 2017, 2016 and 2015 are presented net of valuation allowances of ¥4,101 million ($36,554 thousand), ¥4,257 million and ¥4,158 million, respectively.

Differences between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2017, 2016 and 2015 were immaterial, and therefore are not disclosed.

As a result of promulgation of the amended tax laws on March 31, 2015, the Company and its domestic consolidated subsidiaries are subject to the new income tax rates for the years beginning on or after April 1, 2015 (Refer to Note 2 (P)).

As a result of the amendment, income taxes increased by ¥1,518 million. Current deferred income tax assets, non-current deferred income tax assets, current deferred income tax liabilities, non-current deferred income tax liabilities, deferred income tax assets on land revaluation and deferred income tax liabilities on land revaluation decreased by ¥2,300 million, ¥4,524 million, ¥463 million, ¥17,507 million, ¥2,819 million and ¥17,632 million, respectively. Net unrealized holding gains on securities, reserve on land revaluation and accumulated adjustments for retirement benefit increased by ¥12,473 million, ¥14,813 million and ¥192 million, respectively.

As a result of promulgation of the amended tax laws on March 31, 2016 based on passage of the tax reform bill by the National Diet on March 29, 2016, the Company and its domestic consolidated subsidiaries are subject to the new income tax rates for the years beginning on or after April 1, 2016 (Refer to Note 2 (P)).

As a result of the amendment, deferred income taxes for the year ended March 31, 2016 increased by ¥698 million. Current deferred income tax assets, non-current deferred income tax assets, current deferred income tax liabilities, non-current deferred income tax liabilities, deferred income tax assets on land revaluation, deferred income tax liabilities on land revaluation and accumulated adjustments for retirement benefit as of March 31, 2016 decreased by ¥1,230 million, ¥2,366 million, ¥297 million, ¥7,723 million, ¥1,406 million, ¥8,619 million and ¥207 million, respectively. Net unrealized holding gains (losses) on securities and reserve on land revaluation as of March 31, 2016 increased by ¥5,329 million and ¥7,214 million, respectively.

12. EMPLOYEES' RETIREMENT BENEFITS

(1) Outline of retirement benefit plan

The Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans for employees' retirement benefits.

The Company and its consolidated subsidiaries have adopted a corporate pension plan and lump-sum pension plans as defined benefit plans, under which employees are entitled to lump-sum or annuity payments based on their respective salaries and service periods. The Company has established a retirement benefit trust for its corporate pension plan. The Company's certain consolidated subsidiaries have calculated net defined benefit liability and retirement benefit expenses using the simplified method, under which actuarial calculation is not adopted. The Company and its consolidated subsidiaries, upon employees' retirement and other cases, may pay supplemental benefits that are not subject to retirement benefit obligation actuarially calculated in compliance with accounting standard for retirement benefits.

(2) Defined benefit plans

(a) Change in benefit obligation, excluding plans accounted for under the simplified method, for the years ended March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Benefit obligation at beginning of year	¥155,983	¥141,550	¥133,076	$1,390,347
Cumulative effects of the changes in accounting policies	—	—	(4,363)	—
Benefit obligation at beginning of year, as adjusted for cumulative effects of the changes in accounting policies	155,983	141,550	128,713	1,390,347
Service cost	7,395	6,716	6,145	65,915
Interest cost	1,455	1,653	2,097	12,969
Actuarial differences	(1,606)	10,665	9,921	(14,315)
Prior service costs	105	56	—	936
Benefits paid	(4,539)	(4,820)	(4,394)	(40,458)
Other	(19)	163	(932)	(170)
Benefit obligation at end of year	¥158,774	¥155,983	¥141,550	$1,415,224

(b) Change in plan assets, excluding plans accounted for under the simplified method, for the years ended March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Fair value of plan assets at beginning of year	¥121,301	¥121,462	¥ 98,458	$1,081,210
Expected return on plan assets	2,545	2,511	2,133	22,685
Actuarial differences	(1,144)	(6,083)	17,174	(10,197)
Employer contribution	6,601	6,678	6,660	58,838
Benefits paid	(3,030)	(3,267)	(2,708)	(27,008)
Other	111	—	(255)	990
Fair value of plan assets at end of year	¥126,384	¥121,301	¥121,462	$1,126,518

(c) Change in net defined benefit liability under simplified method for the years ended March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Net defined benefit liability at beginning of year	¥3,241	¥3,222	¥2,706	$28,888
Retirement benefit expenses	521	435	785	4,644
Benefits paid	(248)	(218)	(263)	(2,211)
Contribution to the plan	(44)	(42)	(42)	(392)
Other	(50)	(156)	36	(445)
Net defined benefit liability at end of year	¥3,420	¥3,241	¥3,222	$30,484

(d) Amount recognized in the consolidated balance sheets, including plans accounted for under the simplified method, at March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Benefit obligation for funded plan	¥ 135,011	¥ 131,897	¥ 118,915	$ 1,203,414
Plan assets	(126,749)	(121,638)	(121,776)	(1,129,771)
	8,262	10,259	(2,861)	73,643
Benefit obligation for unfunded plan	27,547	27,665	26,170	245,538
Net amount recognized on the consolidated balance sheets	¥ 35,809	¥ 37,924	¥ 23,309	$ 319,181
Net defined benefit liability	¥ 41,083	¥ 40,110	¥ 31,192	$ 366,191
Net defined benefit asset	(5,274)	(2,186)	(7,883)	(47,010)
Net amount recognized on the consolidated balance sheets	¥ 35,809	¥ 37,924	¥ 23,309	$ 319,181

(e) Details of retirement benefit expenses for the years ended March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Service cost	¥ 7,395	¥ 6,716	¥ 6,145	$ 65,915
Interest cost	1,455	1,653	2,097	12,969
Expected return on plan assets	(2,545)	(2,511)	(2,134)	(22,685)
Actuarial differences recognized in earnings	2,570	555	1,221	22,908
Prior service costs recognized in earnings	77	(19)	(21)	686
Retirement benefit expenses under simplified method	521	426	785	4,644
Defined benefit expenses	¥ 9,473	¥ 6,820	¥ 8,093	$ 84,437

Premium benefits payments other than the above defined benefit expenses of ¥144 million ($1,284 thousand), ¥133 million and ¥124 million are recognized for the years ended on March 31, 2017, 2016 and 2015, respectively.

(f) Amount recognized in other comprehensive income (pretax) at March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Prior service costs	¥ 27	¥ 75	¥ 28	$ 241
Actuarial differences	(3,032)	16,171	(8,574)	(27,026)
Total	¥(3,005)	¥16,246	¥(8,546)	$(26,785)

(g) Amount recognized in accumulated other comprehensive income (pretax) at March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Unrecognized prior service costs	¥ (9)	¥ (37)	¥ (111)	$ (80)
Unrecognized actuarial differences	9,082	12,115	(4,057)	80,952
Total	¥9,073	¥12,078	¥(4,168)	$80,872

(h) The asset allocation for the plans, excluding plans accounted for under the simplified method, at March 31, 2017, 2016 and 2015:

	2017	2016	2015
Domestic bonds	27.5%	29.1%	25.9%
Domestic stocks	22.9	23.7	28.2
Foreign stocks	14.3	12.2	12.8
Life insurance company general accounts	11.4	11.6	11.9
Foreign bonds	6.0	5.5	4.7
Cash and bank deposits	3.8	5.3	0.7
Other	14.1	12.6	15.8
Total	100.0%	100.0%	100.0%

(*) The plan assets include retirement benefit trust established for corporate pension plan which accounts for 9.1%, 11.8% and 13.3% of the total plan assets as of March 31, 2017, 2016 and 2015, respectively.

The expected long-term rate of return on plan assets is determined based on the actual return on the plan asset portfolios and the expected rate of return on those portfolios.

(i) Basis for actuarial calculation:

	2017	2016	2015
Discount rates	0.5–1.2%	0.6–1.3%	0.7–1.9%
Expected long-term rates of return on plan assets	1.0–2.5%	1.5–2.5%	1.5–2.5%

(3) Defined contribution plans

Contribution made to the defined contribution plans by the Company's certain consolidated subsidiaries amounted to ¥241 million ($2,148 thousand), ¥227 million and ¥204 million for the years ended March 31,2017, 2016 and 2015, respectively.

13. BANK LOANS, COMMERCIAL PAPER AND LONG-TERM DEBT

(1) Bank loans and commercial paper

Bank loans consist mainly of short-term notes and short-term borrowings under the loan agreements. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes and borrowings, when they considered it appropriate to do so.

The amounts and the weighted average interest rates of bank loans and commercial paper at March 31, 2017, 2016 and 2015 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Bank loans:				
Non-recourse, with the weighted average interest rates of 0.12% in 2017 and 0.16% in 2016	¥ 40	¥ 200	¥ —	$ 357
Recourse, with the weighted average interest rates of 0.98% in 2017, 0.63% in 2016 and 0.49% in 2015	64,904	73,654	47,296	578,518
Commercial paper, with the weighted average interest rates of –0.01% in 2017 and 0.00% in 2016	82,000	109,000	—	730,903

(2) Long-term debt

Long-term debt at March 31, 2017, 2016 and 2015 comprise the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Long-term loans, principally from banks and insurance companies:				
Loans secured by collateral or bank guarantees	¥ 246,129	¥ 212,982	¥ 161,704	$ 2,193,859
Unsecured loans	1,496,497	1,471,502	1,387,045	13,338,951
Total long-term loans, principally from banks and insurance companies	1,742,626	1,684,484	1,548,749	15,532,810
Bonds and debentures:				
1.65%yen notes due 2015	—	—	10,000	—
1.81%yen notes due 2016	—	—	20,000	—
1.99%yen notes due 2016	—	10,000	10,000	—
1.91%yen notes due 2016	—	20,000	20,000	—
1.84%yen notes due 2017	—	10,000	10,000	—
2.06%yen notes due 2017	20,000	20,000	20,000	178,267
1.97%yen notes due 2017	20,000	20,000	20,000	178,267
1.92%yen notes due 2018	10,000	10,000	10,000	89,135
2.09%yen notes due 2019	10,000	10,000	10,000	89,135
1.72%yen notes due 2019	10,000	10,000	10,000	89,135
1.63%yen notes due 2019	10,000	10,000	10,000	89,135
1.49%yen notes due 2019	10,000	10,000	10,000	89,135
1.50%yen notes due 2020	10,000	10,000	10,000	89,135
1.19%yen notes due 2020	10,000	10,000	10,000	89,135
1.06%yen notes due 2020	10,000	10,000	10,000	89,135
1.32%yen notes due 2020	10,000	10,000	10,000	89,135
2.30%yen notes due 2030	10,000	10,000	10,000	89,135
1.27%yen notes due 2021	10,000	10,000	10,000	89,135
1.17%yen notes due 2021	10,000	10,000	10,000	89,135
1.00%yen notes due 2022	10,000	10,000	10,000	89,135
0.96%yen notes due 2022	10,000	10,000	10,000	89,135
1.95%yen notes due 2032	10,000	10,000	10,000	89,135
2.05%yen notes due 2033	10,000	10,000	10,000	89,135
1.33%yen notes due 2046	10,000	10,000	—	89,135
1.00%yen notes due 2046	10,000	—	—	89,135
0.00%yen notes due 2019	10,000	—	—	89,135
0.71%yen notes due 2036	7,000	—	—	62,392
1.18%yen notes due 2056	6,000	—	—	53,479
0.00%yen notes due 2020	25,000	—	—	222,835
0.93%yen notes due 2037	10,000	—	—	89,135
0.02%–0.99% notes due 2017–2021 (*1)	119,919	108,899	110,105	1,068,892
Total bonds and debentures	397,919	358,899	380,105	3,546,832
Less amount due within one year	(257,030)	(221,968)	(199,749)	(2,291,024)
Long-term debt due after one year	¥1,883,515	¥1,821,415	¥1,729,105	$16,788,618

(*1) Represents the total balance of asset backed securities issued by the Company's consolidated special purpose entities. The interest rates include both fixed rates and floating rates.

Long-term loans, principally from banks and insurance companies consist of the following:

	Millions of yen 2017	2016	2015	Thousands of U.S. dollars (See Note 1) 2017
Due within one year:				
Non-recourse, with the weighted average interest rate of 1.52% in 2017, 0.58% in 2016 and 0.65% in 2015	¥ 97,760	¥ 17,695	¥ 6,213	$ 871,379
Recourse, with the weighted average interest rate of 1.84% in 2017, 1.17% in 2016 and 1.76% in 2015	111,615	149,430	156,018	994,875
Subtotal	209,375	167,125	162,231	1,866,254
Due after one year:				
Non-recourse, with the weighted average interest rate of 0.76% in 2017, 0.92% in 2016 and 0.76% in 2015	148,368	195,287	155,274	1,322,471
Recourse, with the weighted average interest rate of 1.34% in 2017, 1.42% in 2016 and 1.38% in 2015	1,384,883	1,322,072	1,231,244	12,344,085
Subtotal	1,533,251	1,517,359	1,386,518	13,666,556
Total	¥1,742,626	¥1,684,484	¥1,548,749	$15,532,810

Bonds and debentures consist of the following:

	Millions of yen 2017	2016	2015	Thousands of U.S. dollars (See Note 1) 2017
Due within one year:				
Non-recourse	¥ 7,655	¥ 14,843	¥ 7,518	$ 68,232
Recourse	40,000	40,000	30,000	356,538
Subtotal	47,655	54,843	37,518	424,770
Due after one year:				
Non-recourse	112,263	94,056	102,587	1,000,651
Recourse	238,001	210,000	240,000	2,121,411
Subtotal	350,264	304,056	342,587	3,122,062
Total	¥397,919	¥358,899	¥380,105	$3,546,832

Long-term debt secured by collateral or bank guarantees consist of the following:

	Millions of yen 2017	2016	2015	Thousands of U.S. dollars (See Note 1) 2017
Secured loans				
Long-term loans, principally from banks and insurance companies:				
Non-recourse	¥246,129	¥212,982	¥161,487	$2,193,859
Recourse	—	—	217	—
Subtotal	246,129	212,982	161,704	2,193,859
Bonds and debentures				
Non-recourse	119,919	108,899	110,105	1,068,892
Subtotal	119,919	108,899	110,105	1,068,892
Total	¥366,048	¥321,881	¥271,809	$3,262,751

The following assets are pledged as collateral for secured loans:

	Millions of yen 2017		2016		2015		Thousands of U.S. dollars (See Note 1) 2017	
	Total	Non-recourse (*)	Total	Non-recourse (*)	Total	Non-recourse (*)	Total	Non-recourse (*)
Real property for sale	¥288,684	¥288,684	¥278,104	¥278,104	¥191,962	¥191,962	$2,573,171	$2,573,171
Buildings and structures	63,562	59,787	50,845	46,920	51,656	47,368	566,557	532,908
Land	81,891	74,087	72,988	65,184	73,399	65,184	729,931	660,371
Other	140,492	140,477	133,531	133,516	65,036	65,020	1,252,268	1,252,135
Total	¥574,629	¥563,035	¥535,468	¥523,724	¥382,053	¥369,534	$5,121,927	$5,018,585

(*) Represents assets pledged as collateral for non-recourse loans.

As is customary in Japan, collateral must be given if requested, under certain circumstances, by a lending bank and such bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in case of default and certain other specified events, against all debt payable to the bank. The Company and its consolidated subsidiaries have never received any such requests nor do they expect that any such request will be made.

The annual maturities of long-term debt at March 31, 2017, 2016 and 2015 are as follows:

	Millions of yen								
	2017			2016			2015		
	Non-recourse	Recourse	Total	Non-recourse	Recourse	Total	Non-recourse	Recourse	Total
Due within 1 year	¥105,416	¥ 151,614	¥ 257,030	¥32,538	¥ 189,430	¥ 221,968	¥ 13,731	¥ 186,018	¥ 199,749
Due after 1 to 2 years	51,030	172,672	223,702	85,741	151,638	237,379	44,888	166,673	211,561
Due after 2 to 3 years	125,430	176,628	302,058	65,130	168,522	233,652	81,438	146,950	228,388
Due after 3 to 4 years	84,170	127,020	211,190	93,358	165,858	259,216	26,550	162,627	189,177
Due after 4 to 5 years	—	135,380	135,380	45,113	103,405	148,518	98,485	165,167	263,652
Thereafter	—	1,011,185	1,011,185	1	942,649	942,650	6,500	829,827	836,327
Total	¥366,046	¥1,774,499	¥2,140,545	¥321,881	¥1,721,502	¥2,043,383	¥271,592	¥1,657,262	¥1,928,854

	Thousands of U.S. dollars (See Note 1)		
	2017		
	Non-recourse	Recourse	Total
Due within 1 year	$ 939,620	$ 1,351,404	$ 2,291,024
Due after 1 to 2 years	454,854	1,539,103	1,993,957
Due after 2 to 3 years	1,118,014	1,574,365	2,692,379
Due after 3 to 4 years	750,245	1,132,186	1,882,431
Due after 4 to 5 years	—	1,206,703	1,206,703
Thereafter	—	9,013,148	9,013,148
Total	$3,262,733	$15,816,909	$19,079,642

14. ASSET RETIREMENT OBLIGATIONS

(1) Asset retirement obligations recognized in the consolidated balance sheets as of March 31, 2017, 2016 and 2015

The Company and its consolidated subsidiaries, in connection with operating commercial facilities and parking business (Mitsui Repark), have entered into real estate lease contracts with terms ranging from several months to 20 years. Asset retirement obligations have been recognized in respect of the obligation of the Company and its consolidated subsidiaries to the landlords to remove the facilities from leased real estate at the end of those contracts. The liability has been calculated with expected useful lives ranging from several months to 20 years and discount rates ranging from 0 to 2.5%.

Asset retirement obligations are included in other current liabilities and other long-term liabilities on the consolidated balance sheets.

The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the year ended March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Beginning of year	¥3,718	¥3,520	¥3,475	$33,140
Increase due to acquisition of fixed assets	451	324	356	4,020
Net increase due to revisions to original estimate (*)	25	109	60	223
Decrease due to settlement	(287)	(258)	(176)	(2,558)
Other	17	23	(195)	151
End of year	¥3,924	¥3,718	¥3,520	$34,976

(*) Increase for the year ended March 31, 2017, 2016 and 2015 was mainly due to additions of decommissioning costs that have become measurable in a more accurate manner.

(2) Asset retirement obligations not recognized in the consolidated balance sheets as of March 31, 2017, 2016 and 2015

The Company and its consolidated subsidiaries own properties containing asbestos material and are obligated to remove those materials upon disposition of the properties. However, since sufficient information is not available to reasonably estimate the obligation amount due to uncertainty about the method and timing of settlement, asset retirement obligation is not recognized for the obligations to remove asbestos materials.

The Company and its consolidated subsidiaries, in connection with some commercial facilities, hotels and retail premises, have entered into real estate lease contracts and are obligated to the landlords to dismantle the facilities upon exit. However, sufficient information is not available to reasonably estimate the obligation amount due to uncertainty about the timing of settlement or lack of plan to settle. Thus asset retirement obligation regarding reestablishing the previous state is not recognized except for those mentioned in (1) above.

15. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 2017, 2016 and 2015 comprise the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Non-interest-bearing	¥372,802	¥371,261	¥363,173	$3,322,952
Interest-bearing	1,529	1,823	2,125	13,629
Total	¥374,331	¥373,084	¥365,298	$3,336,581
Average interest rate	1.03%	1.03%	1.03%	

The Company and its consolidated subsidiaries generally make lease agreements with tenants under which they receive both interest-bearing deposits and non-interest-bearing deposits from tenants. The non-interest-bearing deposits and some of the interest-bearing deposits are not refundable during the life of the lease. The rest of the interest-bearing deposits are generally refundable to the tenant in equal annual or monthly payments with interest over certain periods of time commencing after the grace periods, depending on the terms of the contracts.

16. NET ASSETS

Net assets comprises four subsections, which are shareholders' equity, accumulated other comprehensive income, subscription rights to shares and non-controlling interests, as applicable.

Under the Japanese Company Law (the "Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit, or may be capitalized by resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

17. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(1) Changes in number of shares issued and outstanding during the years ended March 31, 2017, 2016 and 2015 are as follows:

	Thousands of shares	
	Issued	Treasury stock
	Common stock	Common stock
Numbers of shares as of March 31, 2014	881,425	3,271
Numbers of shares increased (*1) (*2)	110,000	85
Numbers of shares decreased (*3)	—	(92)
Numbers of shares as of March 31, 2015	991,425	3,264
Numbers of shares increased (*1)	—	72
Numbers of shares decreased (*4)	—	(33)
Numbers of shares as of March 31, 2016	991,425	3,303
Numbers of shares increased (*1)	—	44
Numbers of shares decreased (*5)	—	(57)
Numbers of shares as of March 31, 2017	991,425	3,290

(*1) Treasury stock increased due to purchase of odd shares.
(*2) Common stock increased due to issuance of new shares through public offering and third-party allotment.
(*3) Treasury stock decreased due to sale of 5 thousand odd shares, exercise of 56 thousand shares of subscription rights and sale by affiliated companies of 31 thousand shares attributable to the Company.
(*4) Treasury stock decreased due to sale of 4 thousand odd shares and exercise of 29 thousand shares of subscription rights.
(*5) Treasury stock decreased due to sale of 7 thousand odd shares and exercise of 50 thousand shares of subscription rights.

(2) Information of subscription rights to shares is summarized as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)		
	Company	Consolidated subsidiaries	Total	Company	Consolidated subsidiaries	Total
Type of subscription rights to shares	Stock option					
Balance as of March 31, 2015	¥ 914	—	¥ 914			
Balance as of March 31, 2016	1,032	—	1,032			
Balance as of March 31, 2017	1,104	—	1,104	$9,840	—	$9,840

Number of shares regarding stock options as of March 31, 2017, 2016 and 2015 and number of such shares increased and decreased during the years then ended are not presented as they are insignificant.

(3) Information of dividends is summarized as follows:
(a) Dividends paid
The following resolution was approved by the ordinary general shareholders' meeting held on June 29, 2016, on June 26, 2015 and June 27, 2014:

Date of shareholders' meeting	June 29, 2016	June 26, 2015	June 27, 2014
Type of stock	Common stock	Common stock	Common stock
Total amount	¥15,810 million ($140,922 thousand)	¥13,834 million	¥9,660 million
Per share amount	¥16 ($0.143)	¥14	¥11
Record date	March 31, 2016	March 31, 2015	March 31, 2014
Effective date	June 30, 2016	June 29, 2015	June 30, 2014

The following resolution was approved by the Board of Directors' meeting held on November 11, 2016, November 6, 2015 and November 6, 2014:

Date of board of directors' meeting	November 11, 2016	November 6, 2015	November 6, 2014
Type of stock	Common stock	Common stock	Common stock
Total amount	¥15,810 million ($140,922 thousand)	¥13,834 million	¥10,870 million
Per share amount	¥16 ($0.143)	¥14	¥11
Record date	September 30, 2016	September 30, 2015	September 30, 2014
Effective date	December 2, 2016	December 2, 2015	December 2, 2014

(b) Dividend whose record date falls within the current fiscal year but to be effective in the following fiscal year
The following resolution was approved by the ordinary general shareholders' meeting held on June 29, 2017, June 29, 2016 and June 26, 2015:

Date of shareholders' meeting	June 29, 2017	June 29, 2016	June 26, 2015
Type of stock	Common stock	Common stock	Common stock
Total amount	¥17,786 million ($158,535 thousand)	¥15,810 million	¥13,834 million
Source	Retained earnings	Retained earnings	Retained earnings
Per share amount	¥18 ($0.160)	¥16	¥14
Record date	March 31, 2017	March 31, 2016	March 31, 2015
Effective date	June 30, 2017	June 30, 2016	June 29, 2015

18. STOCK OPTION PLANS

The following table summarizes the stock option plans introduced by the Company.
Stock option expenses charged to income for the years ended March 31, 2017, 2016 and 2015 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Cost of revenue from operations	¥ 38	¥ 41	¥ 47	$ 339
Selling, general and administrative expenses	100	121	120	891
Total	¥138	¥162	¥167	$1,230

The following table summarizes the contents and activity of stock options as of March 31, 2017 and for the year then ended:

	2016 plan	2015 plan	2014 plan	2013 plan	2012 plan	2011 plan	2010 plan	2009 plan	2008 plan	2007 plan
Grantees	Directors, corporate officers and group managing officers; 27 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 26 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)
Type of stock and number of shares granted	77,720 shares of common stock	50,460 shares of common stock	52,450 shares of common stock	66,650 shares of common stock	134,640 shares of common stock	143,040 shares of common stock	140,420 shares of common stock	109,650 shares of common stock	71,250 shares of common stock	48,880 shares of common stock
Grant date	August 19, 2016	August 21, 2015	August 22, 2014	August 23, 2013	August 17, 2012	August 12, 2011	August 13, 2010	August 14, 2009	August 15, 2008	September 18, 2007
Vesting conditions	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)
Requisite service period	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
Exercise period (*2)	August 20, 2016– August 19, 2046	August 22, 2015– August 21, 2045	August 23, 2014– August 22, 2044	August 24, 2013– August 23, 2043	August 18, 2012– August 17, 2042	August 13, 2011– August 12, 2041	August 14, 2010– August 13, 2040	August 15, 2009– August 14, 2039	August 16, 2008– August 15, 2038	September 19, 2007– September 18, 2037
Non-vested options (number of shares):										
Outstanding at beginning of year	—	50,460	47,320	60,130	110,910	118,640	71,780	55,430	25,270	15,900
Granted	77,720	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—
Vested	(4,690)	(3,020)	(3,100)	(3,940)	(6,870)	(7,340)	(5,510)	(4,360)	(2,430)	(1,660)
Outstanding at end of year	73,030	47,440	44,220	56,190	104,040	111,300	66,270	51,070	22,840	14,240
Vested options (number of shares):										
Outstanding at beginning of year	—	—	5,130	6,520	13,100	13,040	18,160	10,230	2,050	1,330
Vested	4,690	3,020	3,100	3,940	6,870	7,340	5,510	4,360	2,430	1,660
Exercised	—	—	(1,340)	(1,700)	(7,620)	(12,270)	(13,200)	(10,230)	(2,050)	(1,330)
Expired	—	—	—	—	—	—	—	—	—	—
Outstanding at end of year	4,690	3,020	6,890	8,760	12,350	8,110	10,470	4,360	2,430	1,660
	Yen/U.S. dollars (See Note 1)					Yen				
Exercise price	¥1/$0.01	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price on exercise date	—/—	—	2,504	2,504	2,504	2,423	2,413	2,448	2,504	2,504
Grant-date fair value	1,670/14.89	3,218	3,067	2,796	1,265	919	1,029	1,493	1,967	2,357

(*1) Grantees consist of 8 directors (excluding outside directors), 13 corporate officers (non-directors) and 6 group managing officers for 2016 plan, 8 directors (excluding outside directors), 14 corporate officers (non-directors) and 5 group managing officers for 2015 plan, 2014 plan and 2013 plan, 9 directors (excluding outside directors), 9 corporate officers (non-directors) and 7 group managing officers for 2012 plan, 9 directors (excluding outside directors), 8 corporate officers (non-directors) and 8 group managing officers for 2011 plan, 8 directors (excluding outside directors), 9 corporate officers (non-directors) and 8 group managing officers for 2010 plan and 2009 plan, 6 directors (excluding outside directors), 12 corporate officers (non-directors) and 8 group managing officers for 2008 plan, and 6 directors (excluding outside directors), 13 corporate officers (non-directors) and 8 group managing officers for the 2007 plan.

(*2) Vesting conditions and exercise period:

Stock options granted are exercisable on the day following grantees leaving the positions of director, corporate officer or group managing officer, and for 5 years commencing on that date.

The fair value of options was estimated using the Black-Scholes option pricing-model under the following assumptions:

	2016 plan	2015 plan	2014 plan
Expected volatility (*1)	38%	38%	39%
Expected life (*2)	15 years	15 years	15 years
Expected dividend (*3)	¥32 ($0.29) per share	¥28 per share	¥22 per share
Risk-free rate (*4)	0.08%	0.76%	0.98%

(*1) Expected volatility is calculated based on the historical stock price for the 15-year period ending on the grant date.

(*2) Options are assumed to be exercised at the midpoint of the exercise period because of the difficulty to reasonably estimate expected life due to insufficient historical data.

(*3) Expected dividend is the expected dividend amount for the fiscal year in which the options are granted, estimated as of the grant date.

(*4) Risk-free rate represents the interest rate of Japanese government bonds whose life corresponds to the expected life of stock options.

Number of vesting options is estimated based on actual forfeitures due to difficulty in reasonably estimating future forfeitures.

19. IMPAIRMENT LOSS ON FIXED ASSETS

During the year ended March 31, 2017, the Company and certain consolidated subsidiaries recognized impairment losses for the following groups of assets.

Primary use	Type of assets	Location
Leasing properties and other	Buildings, land and other	Osaka City, Osaka, Japan and other
Operating facilities	Buildings, land and other	Minato-ku, Tokyo, Japan and other

For the purpose of identifying fixed assets that are impaired, the Company and certain consolidated subsidiaries grouped their fixed assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or groups of assets. The corporate headquarters' facilities are treated as common assets.

In the light of a significant decrease in the projected recoverable amount due to the Company's decision to sell the leasing properties early, the Company recorded impairment loss on those properties. In addition, considering significant deterioration of profitability due to a decline in current rental rates, adverse changes in market conditions and other factors, the Company reduced the book values of operating facilities to their recoverable amounts and recognized impairment losses.

Impairment losses totaling ¥25,560 million ($227,828 thousand) are comprised of ¥17,044 million ($151,921 thousand) of land, ¥7,731 million ($68,910 thousand) of buildings and structures and ¥785 million ($6,997 thousand) of others.

Recoverable amounts are measured by net realizable values. Net realizable values are determined mainly based upon income approach and comparable transactions.

During the years ended March 31, 2016 and 2015, there were no impairment losses recognized by the Company and its consolidated subsidiaries.

20. MAJOR COMPONENTS OF INTEREST, DIVIDENDS AND MISCELLANEOUS INCOME

	Millions of yen			Thousands of U.S. dollars (See Note 1)
Years ended March 31,	2017	2016	2015	2017
Interest income	¥ 1,104	¥ 727	¥ 722	$ 9,840
Dividend income	4,506	4,095	3,585	40,164
Gain on sale of investment securities	—	2,690	—	—
Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	—	—	5,604	—
Gain on sale of property and equipment	—	—	—	—
Other	7,517	3,153	4,578	67,003
Total	¥13,127	¥10,665	¥14,489	$117,007

21. MAJOR COMPONENTS OF OTHER EXPENSES

	Millions of yen			Thousands of U.S. dollars (See Note 1)
Years ended March 31,	2017	2016	2015	2017
Loss on disposal of property and equipment	¥ 1,791	¥ 3,894	¥2,136	$ 15,964
Impairment loss on fixed assets	25,560	—	—	227,828
Other	6,148	8,068	7,586	54,800
Total	¥33,499	¥11,962	¥9,722	$298,592

22. COMPREHENSIVE INCOME

An analysis of each component of other comprehensive income (loss) and related tax effects for the year ended March 31, 2017, 2016 and 2015 is presented as follows.

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Net unrealized holding gains (losses) on securities:				
Unrealized holding gains (losses) arising during the year	¥(29,588)	¥(51,296)	¥204,211	$(263,731)
Reclassification to income for the year	(278)	(461)	(11)	(2,478)
Pretax amount	(29,866)	(51,757)	204,200	(266,209)
Tax benefit (expense)	9,162	22,814	(60,264)	81,665
Net-of-tax amount	(20,704)	(28,943)	143,936	(184,544)
Deferred gains (losses) on hedging instruments:				
Deferred gains (losses) arising during the year	28	(550)	(909)	250
Reclassification to income for the year	722	861	856	6,435
Pretax amount	750	311	(53)	6,685
Tax benefit (expense)	(343)	(181)	17	(3,057)
Net-of-tax amount	407	130	(36)	3,628
Reserve on land revaluation				
Tax benefit	139	7,885	14,812	1,239
Foreign currency translation adjustments:				
Aggregated adjustment during the year resulting from foreign currency translation	(13,551)	(1,808)	14,414	(120,786)
Reclassification to income for the year	(856)	—	—	(7,630)
Net amount	(14,407)	(1,808)	14,414	(128,416)
Adjustments for retirement benefit:				
Adjustments for retirement benefit arising during the year	463	(16,782)	7,347	4,127
Reclassification to income for the year	2,542	536	1,199	22,658
Pretax amount	3,005	(16,246)	8,546	26,785
Tax benefit (expense)	(955)	5,044	(2,943)	(8,512)
Net-of-tax amount	2,050	(11,202)	5,603	18,273
Equity in other comprehensive income (loss) of affiliated companies:				
Unrealized gains (losses) arising during the year	(4,070)	(5,927)	6,866	(36,278)
Reclassification to income for the year	(784)	—	—	(6,988)
Net amount	(4,854)	(5,927)	6,866	(43,266)
Total other comprehensive income (loss)	¥(37,369)	¥(39,865)	¥185,595	$(333,086)

23. LEASES

As lessee:

(A) Finance leases

Assets leased under finance leases that do not transfer ownership to the lessee consist mainly of buildings and structures used in leasing business. Such assets are capitalized as assets and depreciated using the straight-line method over their lease term assuming no residual value.

As described in Note 2 (O), finance leases that do not transfer ownership to the lessee whose commencement day falls on or before March 31, 2008 are accounted for as operating lease. Information on such leases is summarized as follows:

(1) Assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2017, 2016 and 2015:

	Millions of yen								
	2017			2016			2015		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥778	¥—	¥778	¥2,111	¥48	¥2,159	¥2,184	¥49	¥2,233
Accumulated depreciation	590	—	590	1,765	46	1,811	1,658	41	1,699
Net book value	¥188	¥—	¥188	¥ 346	¥ 2	¥ 348	¥ 526	¥ 8	¥ 534

	Thousands of U.S. dollars (See Note 1)		
	2017		
	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$6,935	$—	$6,935
Accumulated depreciation	5,259	—	5,259
Net book value	$1,676	$—	$1,676

(2) Future lease payment inclusive of interest at March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Amount due within one year	¥ 50	¥159	¥188	$ 446
Amount due after one year	138	189	346	1,230
Total	¥188	¥348	¥534	$1,676

(3) Lease expense and the assumed amount of depreciation expense for the years ended March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Lease expense	¥159	¥188	¥222	$1,417
Depreciation expense	159	188	222	1,417

(4) Calculation of the assumed amount of depreciation expense:

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(B) Operating leases

Future lease payments under non-cancellable operating leases at March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Amount due within one year	¥ 69,028	¥ 66,588	¥ 62,538	$ 615,277
Amount due after one year	261,667	271,944	233,020	2,332,356
Total	¥330,695	¥338,532	¥295,558	$2,947,633

As lessor:

Operating leases

Future lease revenue under non-cancellable operating leases at March 31, 2017, 2016 and 2015:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Amount due within one year	¥ 76,029	¥ 74,720	¥ 67,110	$ 677,681
Amount due after one year	278,571	239,263	246,148	2,483,029
Total	¥354,600	¥313,983	¥313,258	$3,160,710

24. SEGMENT INFORMATION

Reportable Segment Information:

The reportable segments of the Company represent its components for which operating results are regularly reviewed, utilizing separately available financial information, by the management in deciding how to allocate resources and assessing segment performance.

The Company's Head Office organizes its business units based on products and services, with each unit controlling subsidiaries with related business, mainly consisting of leasing, property sales and management.

The Company employs a matrix form of segment categorized by business unit organized by Head Office and by services provided. The Company's segments have been aggregated based on the nature of products and services into the 5 reportable segments of "Leasing," "Property Sales," "Management," "Mitsui Home," a listed subsidiary, and "Other."

Descriptions of reportable segments are stated below.

(1) Leasing
Leasing of office buildings and commercial facilities and other

(2) Property Sales
Sales of condominiums and detached housing to individuals, and sales of rental housing and office buildings and other to investors

(3) Management
Property management and brokerage and asset management and other

(4) Mitsui Home
New housing construction and renovation and other

(5) Other
Facility operations and other

Financial information about reportable segments for the years ended March 31, 2017, 2016 and 2015 is summarized in the following tables. The accounting policies of segments are almost the same as those described in Note 2. Segment operating income is based on revenue from operations, cost of revenue from operations and selling, general and administrative expenses. Transactions and transfers between segments are made at amounts based on prevailing market prices.

				Millions of yen			
Year ended March 31,2017	(1)	(2)	(3)	(4)	(5)	Adjustments (*1)	Consolidated
Revenue from operations:							
Outside customers	¥ 536,519	¥ 488,710	¥347,672	¥247,195	¥ 84,320	¥ —	¥1,704,416
Inter-segment	17,484	—	68,349	7,649	4,321	(97,803)	—
Total revenue from operations	¥ 554,003	¥ 488,710	¥416,021	¥254,844	¥ 88,641	¥ (97,803)	¥1,704,416
Segment operating income	¥ 135,775	¥ 65,286	¥ 53,839	¥ 4,907	¥ 5,995	¥ (33,103)	¥ 232,699
Segment assets	3,178,949	1,523,060	342,521	130,183	101,215	294,823	5,570,751
Depreciation	52,104	1,354	8,770	2,946	4,794	1,389	71,357
Loss on impairment of fixed assets	19,174	—	542	—	5,844	—	25,560
Additions to property and equipment and intangible assets	139,527	8,030	12,426	2,455	11,020	288	173,746

				Millions of yen			
Year ended March 31,2016	(1)	(2)	(3)	(4)	(5)	Adjustments (*2)	Consolidated
Revenue from operations:							
Outside customers	¥ 509,179	¥ 391,578	¥334,652	¥247,455	¥ 85,106	¥ —	¥1,567,970
Inter-segment	17,948	3,287	64,951	8,792	3,092	(98,070)	—
Total revenue from operations	¥ 527,127	¥ 394,865	¥399,603	¥256,247	¥ 88,198	¥ (98,070)	¥1,567,970
Segment operating income	¥ 124,113	¥ 44,525	¥ 52,447	¥ 4,725	¥ 7,164	¥ (30,491)	¥ 202,483
Segment assets	3,166,125	1,354,808	309,575	129,779	107,139	306,852	5,374,278
Depreciation	49,523	1,251	8,087	3,245	4,123	1,232	67,461
Additions to property and equipment and intangible assets	174,891	4,294	10,561	2,998	15,779	(1,350)	207,173

				Millions of yen			
Year ended March 31,2015	(1)	(2)	(3)	(4)	(5)	Adjustments (*3)	Consolidated
Revenue from operations:							
Outside customers	¥ 464,843	¥ 425,442	¥317,818	¥242,151	¥78,783	¥ —	¥1,529,037
Inter-segment	17,372	—	63,173	10,832	2,762	(94,139)	—
Total revenue from operations	¥ 482,215	¥ 425,442	¥380,991	¥252,983	¥81,545	¥ (94,139)	¥1,529,037
Segment operating income	¥ 107,863	¥ 45,494	¥ 49,318	¥ 4,017	¥ 5,187	¥ (25,804)	¥ 186,075
Segment assets	2,930,908	1,288,248	289,488	127,948	95,787	344,770	5,077,149
Depreciation	44,172	1,372	7,312	3,091	4,030	1,265	61,242
Additions to property and equipment and intangible assets	252,098	1,685	9,569	2,988	4,817	2,331	273,488

				Thousands of U.S. dollars (See Note 1)			
Year ended March 31,2017	(1)	(2)	(3)	(4)	(5)	Adjustments (*1)	Consolidated
Revenue from operations:							
Outside customers	$ 4,782,235	$ 4,356,092	$3,098,957	$2,203,360	$751,583	$ —	$15,192,227
Inter-segment	155,843	—	609,226	68,179	38,514	(871,762)	—
Total revenue from operations	$ 4,938,078	$ 4,356,092	$3,708,183	$2,271,539	$790,097	$ (871,762)	$15,192,227
Segment operating income	$ 1,210,224	$ 581,924	$ 479,891	$ 43,738	$ 53,436	$ (295,062)	$ 2,074,151
Segment assets	28,335,404	13,575,720	3,053,044	1,160,380	902,175	2,627,890	49,654,613
Depreciation	464,426	12,069	78,171	26,259	42,731	12,381	636,037
Loss on impairment of fixed assets	170,906	—	4,831	—	52,091	—	227,828
Additions to property and equipment and intangible assets	1,243,667	71,575	110,759	21,883	98,226	2,566	1,548,676

(*1) Adjustments to segment operating income of ¥(33,103) million ($(295,062) thousand) consists of ¥(842) million ($(7,505) thousand) of inter-segment elimination and ¥(32,261) million ($(287,557) thousand) of corporate expenses, which mainly represent the Company's general and administrative expenses that are not allocable to any of the reportable segments. Adjustments to segment assets of ¥294,823 million ($2,627,890 thousand) consists of ¥(761,831) million ($(6,790,543) thousand) of inter-segment elimination, ¥882,606 million ($7,867,065 thousand) of corporate assets and investments in affiliated companies of ¥174,048 million ($1,551,368 thousand).

(*2) Adjustments to segment operating income of ¥(30,491) million consists of ¥(1,355) million of inter-segment elimination and ¥(29,136) million of corporate expenses, which mainly represent the Company's general and administrative expenses that are not allocable to any of the reportable segments. Adjustments to segment assets of ¥306,852 million consists of ¥(788,155) million of inter-segment elimination, ¥929,156 million of corporate assets and investments in affiliated companies of ¥165,851 million.

(*3) Adjustments to segment operating income of ¥(25,804) million consists of ¥(947) million of inter-segment elimination and ¥(24,857) million of corporate expenses, which mainly represent the Company's general and administrative expenses that are not allocable to any of the reportable segments. Adjustments to segment assets of ¥344,770 million consists of ¥(756,995) million of inter-segment elimination, ¥932,430 million of corporate assets and investments in affiliated companies of ¥169,335 million.

Reportable segment information regarding carrying amount and amortization of goodwill and income recognized from negative goodwill has been omitted due to their immateriality.

Products and Services Information:
Refer to reportable segment information.

Geographic Area Information:
Geographic area information has been omitted since revenue from outside customers in the Japan area and property and equipment located in the Japan area accounted for more than 90% of revenue from operations on the consolidated income statements and property and equipment on the consolidated balance sheets, respectively.

Customer Information:
Customer information has been omitted since revenue from no single customer exceeded 10% of revenue from operations on the consolidated income statements.

25. RELATED PARTIES

There were no significant related party transactions for the year ended March 31, 2017 and 2016.

Significant related party transactions for the year ended March 31, 2015 are summarized as follows:

Transaction with the Company's directors and major individual shareholders

				Millions of yen	
				2015	
Type	Name	Ownership ratio of voting shares	Nature of transaction	Transaction amount	Balance outstanding at year end
Director	Hiroshi Asai	Directly owns 0.00%	Renovation of residence	¥33	—
Director	Toshiaki Egashira	Directly owns 0.00%	Renovation of residence	12	—

Policies for terms and conditions of the transaction:
The price of residence is determined in reference to market prices.

26. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2017, 2016 and 2015 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2017	2016	2015	2017
Loans guaranteed	¥27,051	¥31,826	¥24,665	$241,118

It had been presumed that some of the foundation piles, part of a building's substructure, were faulty on a condominium complex (the "Condominiums") located in the City of Yokohama that were sold by Mitsui Fudosan Residential Co., Ltd. ("MFR"), one of the Company's consolidated subsidiaries. On April 11, 2016, MFR received a report of an investigation of current conditions confirming that a portion of the piles used in the construction failed to reach the required bearing layer from the building contractor, Sumitomo Mitsui Construction Co., Ltd. ("SMC"). On April 28, 2016, MFR received an assessment from the Japan Association for Building Research Promotion, an independent third party, that SMC's investigation was proper. In addition, on August 26, 2016, MFR received a notice from the City of Yokohama stating that the Condominiums were in violation of the Building Standards Law and requesting that MFR consult with the unit owners of the Condominiums and take all responsible steps to resolve the situation.

On May 8, 2016, MFR executed an agreement (the "Agreement") with the condominium association (the "Condominium Association"), establishing a basic framework to remedy the defects in the installation of the foundation piles, including the possibility of reconstructing the Condominiums, as well as compensation and providing that MFR would bear the expenses arising out of such defects. On September 19, 2016, the Condominium Association resolved in accordance with the Act on Building Unit Ownership, etc. and determined that it would seek the complete reconstruction of the entire Condominiums as the corrective measure.

With regard to the Condominiums, we received the report from the building contractor, SMC, which noted that construction records had been diverted and modified at the time of the installation of the foundation piles, and it was revealed that certain foundation piles failed to reach the required bearing layer and the Condominiums violated the Building Standards Law. Accordingly, MFR will seek all damages incurred including reconstruction costs and expenses relating to the temporary housing of unit owners of the Condominiums during the period of reconstruction against the building contractor, SMC, as well as Hitachi High-Technologies Corporation and Asahi Kasei Construction Materials Corporation, which installed the foundation piles, based on their tort liabilities and defect liabilities. The costs and expenses identified above are estimated to be an aggregate of approximately ¥39 billion ($348 million). All related temporary payments undertaken by MFR up to March 31, 2017 are recorded as current assets on the consolidated balance sheets.

Depending on the outcome of future events, the matters referred to above may impact the consolidated results of operations of the Company and its consolidated subsidiaries. At this stage, however, it is difficult to estimate reasonably the amount of any such impact.

27. SUBSEQUENT EVENTS

There were no applicable items under this category.

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Mitsui Fudosan Co., Ltd.:

We have audited the accompanying consolidated financial statements of Mitsui Fudosan Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui Fudosan Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 29, 2017
Tokyo, Japan