

●Earnings for 2015/3-2Q

Million yen (figures under a million are rounded down)

	2015/3 2Q Results	2014/3 2Q Results	Change	Change (%)
(New Segment*)				
Building Business	262,951	267,717	(4,766)	(1.8) %
Residential Business	115,314	129,002	(13,687)	(10.6) %
International Business	32,473	55,852	(23,378)	(41.9) %
Revenue from Operations	438,521	481,001	(42,479)	(8.8) %
(New Segment*)				
Building Business	64,048	56,654	7,394	13.1 %
Residential Business	(514)	4,281	(4,795)	(112.0) %
International Business	11,289	20,168	(8,878)	(44.0) %
Operating Income	66,732	73,748	(7,015)	(9.5) %
Income Before Taxes & Special Items	56,779	62,704	(5,925)	(9.4) %
Net Income	53,436	43,631	9,805	22.5 %
EBITDA	108,409	115,657	(7,248)	(6.3) %

*Segment Changes: As of April 2014, the Commercial Property Development & Investment Business has been integrated into the Building Business.

Summary
【Overview】

There is a decrease in income and profits compared with 2014/3-2Q. Major factors for the decrease of income include the selling off of a large-scale property in the International Business in the first half of the previous period, and the decrease of condominium units sold in the Residential Business.

Despite an increase of rental profits in the Building Business, the selling off of a large-scale property in the International Business in the first half of the previous period, and the decrease of condominium units sold in the Residential Business factored towards a decrease of profits. Factors affecting the individual segments compared with 2014/3-2Q are detailed below.

【Building Business】

Despite gains from the effects of buildings completed in 2012, a decrease in buildings sold led to a decrease in income. However, there was an increase in profits due to the effects of buildings completed in 2012 and the favorable performance of the outlet mall business.

(Vacancy rates)

Leasing both within and outside of Marunouchi are progressing, with the vacancy rates for Japan (all purpose) improved by 1.00% and by 0.92% for Marunouchi (offices) compared with the end of June 2014. Figures are in line with estimates.

Japan (all purpose) (2014/6: 5.70% → 2014/9: 4.70%, 2015/3 Estimate: 3.5%)

Marunouchi (offices) (2014/6: 6.43% → 2014/9: 5.51%)

(Average rents)

The average rents (Japan-all purpose) compared with the end of June 2014 saw a slight increase by ¥16/tsubo.month. The main factor is due to the effects of raising rents, particularly in Marunouchi. However, further progression of leasing in new buildings in Marunouchi is planned, which puts average rents in line with estimates.

Japan (all purpose) (2014/6: ¥23,129/tsubo.month → 2014/9: ¥23,145/tsubo.month)
(2015/3 Estimate: ¥23,500/tsubo.month)

【Residential Business】

A factor for the decrease in income and profits is the decrease in condominium units sold. Of expectations for the sales of condominiums (¥255 billion), 84.4% of contracts had been finalized by the end of September 2014, which is in line with estimates.

【International Business】

The decrease in income and profits is due to selling off a large-scale property in the first half of the previous period.

●Revision of 2015/3 Estimates

Million yen (figures under a million are rounded down)

	2015/3 Estimates (Current)	2015/3 Estimates (Previous)	Change	Change (%)
Building Business	579,000	553,000	26,000	4.7 %
Residential Business	393,000	393,000	—	— %
International Business	62,000	61,000	1,000	1.6 %
Eliminations	(20,000)	(18,000)	(2,000)	
Revenue from Operations	1,104,000	1,079,000	25,000	2.3 %
Building Business	121,000	116,000	5,000	4.3 %
Residential Business	17,000	17,000	—	— %
International Business	18,000	10,000	8,000	80.0 %
Eliminations or Corporate	(15,000)	(15,000)	—	
Operating Income	147,000	134,000	13,000	9.7 %
Income Before Taxes & Special Items	108,000	95,000	13,000	13.7 %
Net Income	60,000	60,000	—	— %
EBITDA	227,000	214,000	13,000	6.1 %

Summary

【Overview】

The revision of the March 2015 estimates includes an upward adjustment of revenue from operations by ¥25bn and operating income by ¥13bn. However, due to a concurrent augmentation of extraordinary income, extraordinary losses, corporation tax, etc., net income remains at ¥60bn.

【Building Business】

An upward adjustment to income has been made after a revision of property sales. Profits were also upwardly revised due to an increase in rental income, and an increase of profits from selling off property.

【International Business】

An upward adjustment to income and profits has been made after a temporary increase in profits from the sale of property, management fees, etc.

Disclaimer

This data contains predictions and aims which relate to our future economic performance and projections of revenue and other financial items. These predictions are inherently subject to risks and uncertainties, due to unforeseeable events or external factors. Future events and actual results, financial and otherwise, may differ materially.

The Summary of Consolidated Financial Statements and Fact Book can be found on the homepage.

◇ Summary of Consolidated Financial Statements

(<http://www.mec.co.jp/e/investor/irlibrary/tanshin/index.html>)

◇ FACT BOOK

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