

Earnings Highlights for FY2016

Mitsubishi Estate Co., Ltd.

●Earnings for FY2016

Millions of yen (rounded down)

	FY2016	FY2015	Change	Change (%)	FY2016 Estimates (Announced on Feb 4, 2016)
Building Business	422,349	484,816	(62,467)	(12.9)%	422,000
Lifestyle Property Business	86,569	105,706	(19,137)	(18.1)%	87,000
Residential Business	345,226	383,887	(38,661)	(10.1)%	356,000
International Business	75,956	71,176	4,779	6.7%	76,000
Revenue from Operations	1,009,408	1,110,259	(100,851)	(9.1)%	1,017,000
Building Business	108,940	102,820	6,120	6.0%	105,000
Lifestyle Property Business	25,842	26,162	(319)	(1.2)%	25,000
Residential Business	18,035	11,532	6,502	56.4%	14,000
International Business	19,421	25,901	(6,479)	(25.0)%	18,000
Operating Income	166,199	156,332	9,866	6.3%	155,000
Income Before Taxes and Special Items	144,851	133,113	11,738	8.8%	130,000
Profit Attributable to Owners of Parent	83,426	73,338	10,088	13.8%	75,000
EBITDA	252,034	239,934	12,100	5.0%	239,000

Summary
【Overview】

There is a decrease in income and an increase profits compared with FY2015. Main factors for the decrease in income are due to selling off large-scale property in the previous period in the Building Business, and a decrease in condominiums sold in the Residential Business. Main factors for the increase in profits include an improvement of rental profits and an increase in profits from property sales in the Building Business. Factors affecting the individual segments compared with FY2015 are detailed below.

【Building Business】

There is a decrease in income due to selling off large-scale property in the previous period. However, an increase of rental income from existing buildings, an improvement of rental profits as a result of cost reductions, and an increase in profits from property sales led to an increase in profits.

(Vacancy rates)

The Japan (all purpose) vacancy rate at the end of March 2016 saw the leasing in Marunouchi performing above expectations, and this was one factor for the vacancy rate being above estimate.

Japan (all purpose) 2.22% (Feb 4, 2016 Estimate: 2.5%, 2015/3: 2.8%)

Marunouchi (offices) 1.37% (2015/3: 1.82%)

(Average rents)

Due to factors such as the leasing in Marunouchi performing above expectations and the effect of rent increases, rent at the end of March 2016 is above estimate.

Japan (all purpose) ¥25,234/tsubo.month

(Feb 4, 2016 Estimate: ¥25,000/tsubo.month)

【Lifestyle Property Business】

Although there was a decrease in income due to the effects of property sold off in the previous period, an increase in rental profits in the outlet mall business led to stabilization of profits.

【Residential Business】

A factor for the decrease in income was the decrease in the number of condominiums sold. However, the effects of a write down in the previous period and an improvement of gross margin on condominiums resulted in an increase in profits.

【International Business】

An increase in income occurred as factors such as the decrease in income from property sales in the same period of the previous year were offset by the effects of the exchange rate. A factor for the decrease in profits was a decrease in profits from property sales.

●Earnings Estimates for FY2017

	Millions of yen (rounded down)			
	FY2017 Estimates	FY2016 Results	Change	Change (%)
Building Business	443,000	422,349	20,651	4.9%
Lifestyle Property Business	85,000	86,569	(1,569)	(1.8)%
Residential Business	426,000	345,226	80,774	23.4%
International Business	65,000	75,956	(10,956)	(14.4)%
Revenue from Operations	1,102,000	1,009,408	92,592	9.2%
Building Business	112,000	108,940	3,060	2.8%
Lifestyle Property Business	24,000	25,842	(1,842)	(7.1)%
Residential Business	28,000	18,035	9,965	55.3%
International Business	22,000	19,421	2,579	13.3%
Operating Income	175,000	166,199	8,801	5.3%
Income Before Taxes and Special Items	150,000	144,851	5,149	3.6%
Profit Attributable to Owners of Parent	86,000	83,426	2,574	3.1%
EBITDA	262,500	252,034	10,466	4.2%

【Overview】

An increase is expected in income and profits for FY2017, due to an increase in rental income and profits in the Building Business, and the sale of property in the Residential Business.

Factors affecting the individual segments compared with FY2016 are detailed below.

【Building Business】

The effects of Otemon Tower·JX Building and Dai Nagoya Building completed in the previous period, and an increase of rental profits on existing building etc. are estimated to result in an increase in income and profits.

(Vacancy rate)

Factoring in short-term vacancy due to tenant changeover, the vacancy rate for the end of March 2017 (Japan, all purpose) is expected to temporarily rise to 3.5%.

(Average rent)

Average rent (Japan, all purpose) is expected to reach ¥25,500/tsubo.month due to rent increases and the result of the leasing of new buildings performing well.

【Lifestyle Property Business】

A decrease in income and profits is estimated as an effect of properties sold in the previous period.

【Residential Business】

An increase in income and profits is expected due to an increase in condominiums for sale and the sale of properties.

【International Business】

A decrease in income from property sales and the effects of the exchange rate is expected to result in a decrease in income. An increase in profits is expected due to a increase in profits from property sales.

●Dividends

In FY2016, interim dividends were ¥7 yen per share. However, upon balancing the accounts, profit attributable to owners of parent had considerably increased compared with FY2015 with the year-end dividend scheduled to be increased by ¥2, up to ¥9 per share (annual dividend payout is ¥16 per share). After taking into deep consideration the above dividend objectives as well as future prospects, both the interim dividend and year-end dividend will be set at ¥8 and annual dividend payout will be ¥16 per share for FY2017.

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 Financial Statements and Fact Book can be found on the homepage.

◇Summary of Financial Statements

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

◇Fact Book

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