

Earnings Highlights for FY2018  
(The Fiscal Year Ended March 31, 2018)

Mitsubishi Estate Co., Ltd.

● Earnings for FY 2018 (Consolidated)

Millions of yen (rounded down)

	FY2018 Results	FY2017 Results	Change	Change (%)	FY2018 Estimates (Announced on Feb 7, 2018)
Office Building Business	506,161	484,238	21,923	4.5%	501,000
Lifestyle Property Business	105,817	88,955	16,862	19.0%	108,000
Residential Business	410,598	407,850	2,747	0.7%	426,000
International Business	86,925	66,556	20,368	30.6%	82,000
<b>Revenue from Operations</b>	<b>1,194,049</b>	<b>1,125,405</b>	<b>68,644</b>	<b>6.1%</b>	<b>1,202,000</b>
Office Building Business	147,243	133,570	13,672	10.2%	143,000
Lifestyle Property Business	31,184	25,807	5,377	20.8%	30,000
Residential Business	23,860	19,253	4,607	23.9%	20,000
International Business	24,147	26,313	(2,166)	(8.2)%	24,000
<b>Operating Income</b>	<b>213,047</b>	<b>192,495</b>	<b>20,551</b>	<b>10.7%</b>	<b>205,000</b>
<b>Income Before Taxes and Special Items</b>	<b>190,506</b>	<b>169,851</b>	<b>20,654</b>	<b>12.2%</b>	<b>179,000</b>
<b>Profit Attributable to Owners of Parent</b>	<b>120,443</b>	<b>102,681</b>	<b>17,762</b>	<b>17.3%</b>	<b>112,000</b>
<b>EBITDA</b>	<b>302,424</b>	<b>279,718</b>	<b>22,706</b>	<b>8.1%</b>	<b>293,000</b>

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【 Overview 】

There is an increase in income and profits compared with FY2017. Main factors include an increase in rental income and profits in the Building Business; an increase in property sales income and profits both in the Lifestyle Property Business and the International Business; and an increase in income and profits from condominiums in the Residential Business. Factors affecting individual segments compared with FY2017 are detailed below.

【 Building Business 】

An increase in rental income and profits from both new and existing buildings as well as an increase in property sales income resulted in an overall increase.

(Vacancy Rate)

The vacancy rate for Japan (all purpose) and Marunouchi (offices) had been improved due to an increase of leasing among new buildings in Marunouchi as well as existing buildings in and outside of Marunouchi.

(Average Rents)

The average rents increased as a result of rents from new buildings in Marunouchi as well as an increase in rents from existing buildings mainly in Marunouchi.

(yen/tsubo.month)

		2017/3 Results	2017/12 Results	2018/3 Results	2018/3 Estimates (Announced on Feb 7, 2018)
Vacancy rates	Japan (all purpose)	2.93%	2.61%	1.87%	2.5%
	Marunouchi (offices)	2.42%	2.57%	1.65%	
Average rents (Japan, all purpose)		¥25,842	¥26,157	¥26,193	¥26,200

**【Lifestyle Property Business】**

An increase in property sales income and profits as well as a favorable performance in outlet mall business resulted in an overall increase.

**【Residential Business】**

Despite a decrease in property sales income and profits, sales of large-scale tower condominiums led to an increase in income and profits from condominiums; thus resulted in an overall increase in the Residential Business segment.

**【International Business】**

An increase in property sales income resulted in an increase in income; however, factors, such as the absence of temporary profits accounted in the previous period of the same year as well as a decrease in rental profits, led to an overall decrease in profits.

**● Earnings Estimates for FY2019 (Consolidated)**

Millions of yen (rounded down)

	FY2019 Estimates	FY2018 Results	Change	Change (%)
(New Segment*)				
Office Building Business	545,000	506,161	38,839	7.7%
Lifestyle Property Business	113,000	97,920	15,080	15.4%
Residential Business	440,000	410,598	29,402	7.2%
International Business	74,000	86,925	(12,925)	(14.9)%
<b>Revenue from Operations</b>	<b>1,290,000</b>	<b>1,194,049</b>	<b>95,951</b>	<b>8.0%</b>
(New Segment*)				
Office Building Business	148,000	147,243	757	0.5%
Lifestyle Property Business	31,000	28,079	2,921	10.4%
Residential Business	23,000	23,860	(860)	(3.6)%
International Business	25,000	24,147	853	3.5%
<b>Operating Income</b>	<b>215,000</b>	<b>213,047</b>	<b>1,953</b>	<b>0.9%</b>
<b>Income Before Taxes and Special Items</b>	<b>191,000</b>	<b>190,506</b>	<b>494</b>	<b>0.3%</b>
<b>Profit Attributable to Owners of Parent</b>	<b>123,000</b>	<b>120,443</b>	<b>2,557</b>	<b>2.1%</b>
<b>EBITDA</b>	<b>303,000</b>	<b>302,424</b>	<b>576</b>	<b>0.2%</b>

As of April 2018, the following segments or businesses were integrated into newly established Hotel and Airport Business segment:

- previous Hotel Business segment
- Hotel Development Business previously in Lifestyle Property Business segment
- Airport Management Business and Resort Hotel Development Business previously in Business Creation Department

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### 【 Overview 】

While a decrease in sales and profits from condominiums is expected, an increase is also expected in income and profits. Main factors include an increase in rental income and profits in the Building Business and an increase in income and profits in the Lifestyle Property Business. Factors affecting individual segments compared with FY2018 are detailed below.

### 【 Building Business 】

While a decrease in temporary profits is expected, an overall increase is expected as a result of an increase in rental income and profits from operations of new buildings to be completed in 2018 and Otemachi Park Building completed in January, 2017.

#### (Vacancy Rate)

The vacancy rate for the end of March 2019 (Japan, all purpose) is expected to be 2.5%.

#### (Average Rents)

The average rents for the end of March 2019 (Japan, all purpose) is expected to reach 26,800/tsubo.month due to the effect of operations of new buildings and the rent increase for existing buildings.

### 【 Lifestyle Property Business 】

An increase in income and profits is expected as a result of an increase in rental income from operations of new commercial buildings as well as an increase in property sales profits.

### 【 Residential Business 】

While an increase in profits as a result of an increase in income and profits of property sales is expected, an overall decrease in profits is expected due to a decrease in gross margin on condominiums.

### 【 International Business 】

While a decrease in income as a result of a decrease in property sales income is expected, an increase in profits is expected due to profits generated from Hybrid model investment.

## ● Dividends

Although the Company recognizes capital requirements for future business developments such as the redevelopment of Marunouchi, it focuses on dividends and the provision of a stable return to all shareholders as a key point of the basic policy on dividends. While overall performance levels etc. will also be taken into account, the Company has decided to aim for consolidated payment ratio of 25% to 30%.

Interim dividends for the current term are ¥12 yen per share. Upon balancing the accounts, profit attributable to owners of parent had considerably increased compared with the most recent full-year financial forecasts. Therefore the year-end dividend is scheduled to be increased by ¥ 2, up to ¥ 14 per share (annual dividend payout is ¥ 26 per share).

After taking into deep consideration on future prospects as well as dividend policy stated in above, both the interim dividend and the year-end dividend will be set at ¥13 and annual dividend payout will be ¥26 per share for FY 2019.

● **Estimates for Quantitative Targets in FY2020**  
**(in Medium-Term Management Plan announced on May 11, 2017)**

		<b>Quantitative Target</b> (announced on May 11, 2017)	<b>FY2020 Estimates</b> (as of May 14, 2018)
<b>Growth Potential</b>	<b>Operating Income</b>	<b>¥220 billion</b>	<b>¥230 billion</b>
<b>Performance</b>	<b>Operating Income / Total Assets (ROA)</b>	<b>Around 3.5%</b>	<b>3.8%</b>
<b>Stability</b>	<b>Net Debt / EBITDA</b> (Hybrid Finance reflected)	<b>Around 8.5 times</b> (Around 8 times)	<b>Around 8 times</b> (Around 7.5times)

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**【Overview】**

In regards to quantitative targets for each indicator stated in Medium-Term Management Plan released in May 11<sup>th</sup>, 2017, each indicator is expected to exceed the target as a result of maintaining a good business environment particularly in Building Business.

**【Growth Potential】**

With exceeding the target over 10 billion, operating income of ¥230 billion is expected mainly due to an increase in rental profits as well as property sales profits in Building Business.

**【Performance】**

As a result of an increase in operating income, ROA is expected to be 3.8 % with 0.3 % above the target.

**【Stability】**

The investment-return plan is expected to be improved as property sales income in each business segment to be above the target stated in Medium-Term Management Plan as of 2017. As a result, a decrease in newly acquired funds is expected; thus leads to an improvement in stability.

**Disclaimer**

The forecasts contained in this report, the Summary of Consolidated Financial Statements, and FACT BOOK are based on information available to the Company at the time of disclosure. Therefore, actual performance may differ from such forecasts due to various factors.

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

◇ <http://www.mec.co.jp/j/investor/irlibrary/materials/index.html>

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