

Earnings Highlights for FY2019  
(The Fiscal Year Ended March 31, 2019)

Mitsubishi Estate Co., Ltd.

● Earnings for FY 2019 (Consolidated)

Millions of yen (rounded down)

	FY2019 Results	FY2018 Results	Change	Change (%)	FY2019 Estimates (Announced on May 14, 2018)
Office Building Business	529,695	506,161	23,533	4.6%	545,000
Lifestyle Property Business	106,182	97,920	8,261	8.4%	113,000
Residential Business	420,405	410,598	9,807	2.4%	440,000
International Business	81,844	86,925	(5,080)	(5.8)%	74,000
<b>Revenue from Operations</b>	<b>1,263,283</b>	<b>1,194,049</b>	<b>69,233</b>	<b>5.8%</b>	<b>1,290,000</b>
Office Building Business	147,691	147,243	448	0.3%	148,000
Lifestyle Property Business	32,560	28,079	4,480	16.0%	31,000
Residential Business	30,428	23,860	6,567	27.5%	23,000
International Business	26,927	24,147	2,779	11.5%	25,000
<b>Operating Income</b>	<b>229,178</b>	<b>213,047</b>	<b>16,131</b>	<b>7.6%</b>	<b>215,000</b>
<b>Income Before Taxes and Special Items</b>	<b>206,587</b>	<b>190,506</b>	<b>16,081</b>	<b>8.4%</b>	<b>191,000</b>
<b>Profit Attributable to Owners of Parent</b>	<b>134,608</b>	<b>120,443</b>	<b>14,165</b>	<b>11.8%</b>	<b>123,000</b>
<b>EBITDA</b>	<b>320,641</b>	<b>302,424</b>	<b>18,217</b>	<b>6.0%</b>	<b>303,000</b>

< Summary >

【 Overview 】

There is an increase in income and profits compared with FY2018. Main factors include an increase in rental income and profits in the Office Building Business; an increase in sales income and profits from rental apartments in the Residential Business; and an increase in property sales income and profits in the Investment Management Business. Factors affecting individual segments compared with FY2018 are detailed below.

【 Office Building Business 】

Despite a decrease in property sales income and profits, an increase in rental income and profits from both new and existing buildings resulted in an overall increase.

(Vacancy Rate)

The vacancy rate had been temporarily increased due to vacancies in existing buildings as a result of tenant relocations to new buildings in Marunouchi. However, with leasing is well underway, the vacancy rate is expected to be improved by the end of FY 2020.

(Average Rents)

The average rents increased as a result of rents from new buildings coming into effect as well as an increase in rents from existing buildings.

(yen/tsubo.month)

		2018/3 Results	2018/12 Results	2019/3 Results
Vacancy rates	Japan (all uses)	1.87%	1.56%	1.80%
	Marunouchi (offices)	1.65%	1.27%	2.19%
Average rents (Japan, all uses)		¥26,193	¥26,664	¥26,702

### 【Lifestyle Property Business】

An increase in property sales profits, an increase in rental income and profits from Tokyo Ryutsu Center Distribution B Building completed in June 2017, and a favorable performance in outlet mall business resulted in an overall increase.

### 【Residential Business】

Despite a decrease in property sales income and profits from domestic condominiums, an increase in sales income and profits from rental apartments led to an overall increase.

### 【International Business】

A decrease both in property sales income and in rental income from buildings currently under renewal constructions in U.S. resulted in a decrease in income. However, factors, such as an increase in income and profits related to Hybrid Investment Business Model\* as well as an increase in profits in condominiums in China, led to an overall increase in profits.

\*Hybrid Investment Business Model: Funds structured by the Group companies that combine Mitsubishi Estate's and third-party equity. They support portfolio diversification and increased investment scale while concurrently earning management fees from investors for providing services to them.

## ● Earnings Estimates for FY2020 (Consolidated)

Millions of yen (rounded down)

	FY2020 Estimates	FY2019 Results	Change	Change (%)
Office Building Business	590,000	529,695	60,305	11.4%
Lifestyle Property Business	120,000	106,182	13,818	13.0%
Residential Business	402,000	420,405	(18,405)	(4.4)%
International Business	137,000	81,844	55,156	67.4%
<b>Revenue from Operations</b>	<b>1,360,000</b>	<b>1,263,283</b>	<b>96,717</b>	<b>7.7%</b>
Office Building Business	153,000	147,691	5,309	3.6%
Lifestyle Property Business	35,000	32,560	2,440	7.5%
Residential Business	20,000	30,428	(10,428)	(34.3)%
International Business	37,000	26,927	10,073	37.4%
<b>Operating Income</b>	<b>230,000</b>	<b>229,178</b>	<b>822</b>	<b>0.4%</b>
<b>Income Before Taxes and Special Items</b>	<b>207,000</b>	<b>206,587</b>	<b>413</b>	<b>0.2%</b>
<b>Profit Attributable to Owners of Parent</b>	<b>137,000</b>	<b>134,608</b>	<b>2,392</b>	<b>1.8%</b>
<b>EBITDA</b>	<b>324,000</b>	<b>320,641</b>	<b>3,359</b>	<b>1.0%</b>

< Summary >

### 【Overview】

While a decrease in property sales and profits from domestic condominiums in Residential Business and a decrease in property sales accounted in the previous period in Investment Management Business is expected, an overall increase is also expected in income and profits. Main factors include an increase in rental income and profits in the Office Building Business and an increase in property sales income and profits mainly in the Office building Business and the International Business. Factors affecting individual segments compared with FY2019 are detailed below.

### 【Office Building Business】

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

(Vacancy Rate)

The vacancy rate for the end of March 2020 (Japan, all purpose) is expected to be 1.5%.

(Average Rents)

The average rents for the end of March 2020 (Japan, all purpose) is expected to reach 26,900yen/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 property sales income and profits.

### 【Residential Business】

A decrease in income and profits is expected as a result of a decrease in income and profits from condominiums both in Japan and overseas as well as a decrease in property sales profits.

### 【International Business】

An increase in income and profits is expected as a result of rents from a building currently under Renewal constructions in U.S. as well as an increase in property sales income and profits.

## ●Dividends

Although the Company recognizes capital requirements for future business developments such as the redevelopment of Marunouchi, it focuses on the provision of an appropriate return to all shareholders as a key point of the basic policy on dividends by considering overall performance levels and business environment in real estate market etc. In terms of dividends for both FY2019 and FY2020, the Company has decided to aim for consolidated payment ratio of 30%.

Interim dividends for FY2019 are ¥13 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 ¥ 4, up to ¥ 17 per share (annual dividend payout is ¥ 30 per share).

For FY 2020, along with future prospects as well as dividend policy stated in above and also after taking into consideration on a decrease in the certain number of shares to be distributed (meaning the number of shares obtained by deducting the number of treasury stocks from the total number of outstanding shares) as a result of repurchasing own shares planned in FY2020, the interim dividend will be set at ¥15 and the year-end dividend will be set at ¥16 and annual dividend payout will be ¥31 per share for FY 2020. By aiming for consolidated payment ratio of around 30%, the Company will decide dividends per share based on the number of shares to be distributed.

## ●Repurchase of own shares

As a part of flexible capital policy dependent on the real estate market conditions, the Company has decided to repurchase own shares worth 100 billion Japanese yen at the Board of Directors of the Company meeting on May 14, 2019 for further improvement of capital performance and shareholders' return.

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

		Quantitative Target (announced on May 11, 2017)	Previous Estimates (as of May 14, 2018)	Current Estimates (as of May 14, 2019)
Growth Potential	Operating Income	¥220 billion	¥230 billion	¥230 billion
Performance	Operating Income / Total Assets(ROA)	Around 3.5%	3.8%	3.9%
Stability	Net Debt / EBITDA (Hybrid Finance reflected)	Around 8.5 times (Around 8 times)	Around 8times (Around 7.5times)	7.4times (6.9times)

< Summary >

**【Overview】**

In regards to quantitative targets for each indicator stated in Medium-Term Management Plan announced on 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 Office 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 Office Building Business.

**【Performance】**

In addition to an increase in operating income, ROA is expected to be 3.9 % with 0.4 % above the target as a result of a decrease in debt by improving cash flow and a reduction of total assets by repurchase of own shares.

**【Stability】**

In addition to an increase in operating income, a decrease in debt by improving cash flow 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>

(End)