



July 31, 2008

To whom it may concern:

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Notice Concerning Allotment of Stock Acquisition Rights (Stock Compensation-Type Stock Options)

Mitsubishi Estate Co., Ltd. (hereafter “Mitsubishi Estate” or “the Company”) announced today that it had resolved at a meeting of its Board of Directors held on July 31, 2008 to establish the following terms and conditions regarding the offering of stock acquisition rights as stock compensation-type stock options to its directors (9 directors, excluding outside directors) and to solicit subscribers to said stock acquisition rights in accordance with the provisions of Articles 238-1, 238-2 and 240 of the Corporation Law.

1. Name of the Stock Acquisition Rights: Mitsubishi Estate Co., Ltd. Stock Acquisition Rights to be issued in 2008
2. Total Number of Stock Acquisition Rights to Be Issued: 35
The above number is the total number of the Stock Acquisition Rights that are expected to be allotted and, accordingly, in the event that the total number of applications for subscription to the Stock Acquisition Rights does not reach the abovementioned number, or there occurs a reduction in the total number of Stock Acquisition Rights to be allotted, the total number of Stock Acquisition Rights shall be equal to the total number of Stock Acquisition Rights that are actually allotted.
3. Class and Number of Shares Underlying the Stock Acquisition Rights:
The type of shares underlying the Stock Acquisition Rights shall be common shares in the Company, and the number of shares to be issued or transferred upon exercise of one (1) Stock Acquisition Right (hereinafter

referred to as the “Number of Granted Shares”) shall be 1,000 shares; provided, however, that, when the Company conducts any share split (including any allotment of common shares in the Company free of charge, and the same shall apply hereinafter for any reference to share splits) or any share consolidation for its common shares after the date of allotment of the Stock Acquisition Rights, the Number of Granted Shares shall be adjusted in accordance with the formula set forth below and any fraction less than one whole share arising therefrom shall be rounded down to the nearest one whole share.

Formula:

Post-Adjustment Number of Granted Shares = Pre-Adjustment Number of Granted Shares × Share Split (or Share Consolidation) Ratio

The Post Adjustment Number of Granted Shares shall apply from the day immediately following the base date of the share split in the case of a share split, and from the effective date of share consolidation in the case of share consolidation. However, if the share split is to be conducted on condition that (i) a resolution of the general meeting of shareholders indicating that the amount of surplus will be reduced and capital and capital reserve shall be increased accordingly will be approved and (ii) that the base date of such a share split will be set prior to the date of completion of a general meeting of shareholders, the Post Adjustment Number of Granted Shares shall, after the day immediately following the conclusion of a general meeting of shareholders, apply retroactively from the day immediately following the base date.

In addition to the above, should there occur any event that would require adjustment after the date of allotment of the Stock Acquisition Rights, the Number of Granted Shares shall be adjusted to the extent reasonable.

Furthermore, the Company shall, in adjusting the Number of Granted Shares, notify each holder of Stock Acquisition Rights registered in the Stock Acquisition Rights Register (hereinafter referred to as the “Holders”) of the relevant matters by no later than the day immediately preceding the date from which the Post-Adjustment Number of Granted Shares is to be applied; provided, however, that, in the event that the Company is unable to give such notice prior to such date, the Company shall promptly give such notice thereafter.

4. Amount of Property to be Provided as Contribution upon Exercise of the Stock Acquisition Rights:

The amount of property to be provided as contribution upon exercise of each Stock Acquisition Right shall be the amount calculated by multiplying the Number of Granted Shares by one (1) yen, the amount to be paid per share granted upon the exercise of each Stock Acquisition Right (hereinafter referred to as the “Exercise Price”).

5. Period during Which the Stock Acquisition Rights May be Exercised:

From August 16, 2008 to August 15, 2038

6. Matters regarding Amount of Capital and Capital Reserve to Be Increased:

(1) The amount by which capital will be increased as a result of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be the “maximum amount of increase in capital, etc.” to be calculated in accordance with Paragraph 1, Article 40 of the Corporate Calculation Rules multiplied by 0.5 (with any fractional amount less than one whole yen rounded up to the nearest whole yen).

(2) The amount by which the capital reserve will be increased as a result of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be the abovementioned “maximum amount of increase in capital, etc.” minus the abovementioned amount of capital increase.

7. Restrictions on Transfer of Stock Acquisition Rights:

Transfer of the Stock Acquisition Rights shall be subject to the approval of the Company’s Board of Directors.

8. Events and Conditions regarding Acquisition of Stock Acquisition Rights:

In the event that proposals (i), (ii), (iii), (iv) and (v) as follows are approved at the Company’s general meeting of shareholders (or approvals from the Company’s Board of Directors’ meetings when resolutions at general meetings of shareholders are not required), the Company can acquire Stock Acquisition Rights free of charge on a date separately designated by its Board of Directors.

(i) Proposal to approve a merger agreement under which the Company is to be the dissolving company

(ii) Proposal to approve a demerger agreement or demerger plan under which the Company shall be the transferor

- (iii) Proposal to approve a statutory share exchange agreement or statutory share transfer agreement under which the Company shall be the wholly owned subsidiary
 - (iv) Proposal to approve changes to the Company's Articles of Incorporation to establish provisions concerning the requirement for the Company's approval with regard to the acquisition of all outstanding shares through a transfer.
 - (v) Proposal to approve changes to the Company's Articles of Incorporation to establish provisions concerning the requirement for the Company's approval with regard to (1) the acquisition through a transfer of shares issued upon the exercise of these stock options or (2) the acquisition by the Company of all shares issued upon the exercise of stock options by resolution of the Company's general meeting of shareholders.
9. Cancellation of the Stock Acquisition Rights or the Grant of the Stock Acquisition Rights by a Successor Company in relation to Organizational Restructuring:
- In the case where the Company conducts any merger (limited to cases where the Company is the dissolving company), demerger by transfer to an existing company (*kyushu-bunkatsu*), demerger by transfer to a newly established company (*shinsetsu-bunkatsu*), statutory share exchange (*kabushiki kokan*) or statutory share transfer (*kabushiki iten*) (collectively, hereinafter referred to as "Organizational Restructuring"), each person that holds Stock Acquisition Rights that are outstanding immediately prior to the time at which the relevant Organizational Restructuring becomes effective (hereinafter referred to as the "Outstanding Stock Acquisition Rights") shall be granted the stock acquisition rights to acquire shares in the respective "*kabushiki kaisha*," as set forth in Article 236, Paragraph 1, Items 8(a) to 8(e) of the Corporation Law (hereinafter referred to as the "Successor Company"), in which case, the Outstanding Stock Acquisition Rights shall be cancelled, and new stock acquisition rights shall be issued by the Successor Company; provided however, that this shall be on condition that the issuance of the stock acquisition rights by the Successor Company in accordance with the following terms and conditions is set forth in the relevant merger agreement, demerger agreement or demerger plan, statutory share exchange agreement or statutory share transfer plan:

- (1) Number of stock acquisition rights to be issued by the Successor Company:
Same number as the Outstanding Stock Acquisition Rights held by the relevant Holder
- (2) Class of shares underlying the stock acquisition rights:
Common shares in the Successor Company
- (3) Number of shares underlying the stock acquisition rights:
To be determined in accordance with Condition 4 above, upon taking into account the terms and conditions of the relevant Organizational Restructuring.
- (4) Amount of property to be provided as contribution upon exercise of each stock acquisition right:
The amount of property to be provided as contribution upon the exercise of each stock acquisition right shall be calculated by multiplying the post-reorganization exercise price by the number of shares underlying each stock acquisition right, as set forth in (3) above. The post-reorganization exercise price shall be one (1) yen per share of the Successor Company to be granted upon the exercise of each issued stock acquisition right.
- (5) Period during which stock acquisition rights may be exercised:
The period commencing on the later of (i) the first day of the period during which the Stock Acquisition Rights may be exercised, as set forth in Condition 6 above or (ii) the date on which the relevant Organizational Restructuring becomes effective, and ending on the expiration date of the period during which Stock Acquisition Rights may be exercised, as set forth in Condition 6 above.
- (6) Matters regarding the amount of capital and capital reserve to be increased:
To be determined in accordance with the conditions set forth in Condition 7 above.
- (7) Restrictions on transfer of the stock acquisition rights:
Transfer of the stock acquisition rights shall be subject to the approval of the Successor Company's Board of Directors.

- (8) Conditions for acquisition of stock acquisition rights:
To be determined in accordance with Condition 8 above.
- (9) Event and conditions for acquisition of stock acquisition rights:
To be determined in accordance with Condition 11 below.

10. Treatment of Fractional Shares Arising from the Exercise of the Stock Acquisition Rights

If any fractional shares of less than one whole share arise as a result of exercising the Stock Acquisition Rights, such fractional shares shall be rounded down to the nearest whole share.

11. Other Conditions for Exercise of Stock Acquisition Rights:

- (1) Stock Acquisition Right Holders may exercise their Stock Acquisition Right during the period stipulated in Condition 5 above only when they have left their positions of directors, auditors or executive officers. In such cases, however, Stock Acquisition Right Holders can exercise their Stock Acquisition Rights for a period of five years from the day after their departures from office (hereafter referred to as the “Commencement Day of Exercising Rights”).
- (2) Notwithstanding (1) above, in the event that the Company approves a merger agreement under which the Company is to be the dissolving company, or a statutory share exchange agreement or statutory share transfer agreement under which the Company shall be the wholly owned subsidiary at its general meetings of shareholders (or at the Company’s Board of Directors meetings when resolutions of general meetings of shareholders are not required), Stock Acquisition Right Holders may exercise their Stock Acquisition Rights for 15 days from the day after approval is given.
- (3) If a Stock Acquisition Right Holder waives his or her Stock Acquisition Rights, he or she may not exercise Stock Acquisition Rights.

12. Amount to Be Paid in Exchange for the Stock Acquisition Rights

The amount to be paid in exchange for each Stock Acquisition Right shall be the amount derived by multiplying the option price per share, calculated based on the Black-Scholes formula:

$$C = Se^{-qt} N(d) - Xe^{-rt} N(d - \sigma\sqrt{T})$$

In which

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (1) Option price per share (C)
- (2) Stock price (S): The closing price of the common shares in the Company under normal trading on the Tokyo Stock Exchange on August 15, 2008 (in the event that there is no closing price, the standard price on the following day of trading).
- (3) Exercise price (X): One yen

- (4) Expected residual period (T): 15 years
- (5) Stock price fluctuation (σ): The fluctuation rate calculated based on the closing price of the common shares in the Company on each of the trading days over 15 years (from August 16, 1993 to August 15, 2008)
- (6) No-risk interest rate (r): Interest rate on a government bond, the outstanding years of which correspond to the expected residual period.
- (7) Dividend yield (q): Dividend per share (dividend paid for the fiscal year ended March 31, 2008) divided by the stock price provided for in (2) above.
- (8) Cumulative distribution function for standard normal distribution ($N(\cdot)$)

- The amount calculated based on the above formula is fair value of Stock Acquisition Rights and does not fall into the category of offering at low price.
- The Company shall grant compensation equivalent to the total paid amount for Stock Acquisition Rights to the parties for allotment to offset the compensation request rights and the obligation for the payment of Stock Acquisition Rights.

13. Date of Allotment of the Stock Acquisition Rights:

August 15, 2008

14. Due Date for Payment in Exchange for the Stock Acquisition Rights

The due date for payment shall be August 15, 2008

15. Method of Exercise of the Stock Acquisition Rights and Payment of the Amount to Be Paid in Exchange for the Stock Acquisition Rights:

- (1) In order to make a request to exercise the Stock Acquisition Rights, the Holder must complete and execute the Company-prescribed exercise request form and then submit it to the Exercise Request Handling Place set forth in Condition 16 below.
- (2) In addition to submitting the exercise request form set forth in (1) above, the Holder shall pay in cash into the Company-designated account (hereafter referred to as the "Designated Account") held with the Subscription Payment Handling Place set forth in Condition 17 the total amount issued or transferred upon the exercise of each Stock Acquisition Right by the number of the Stock Acquisition Rights related to the relevant exercise (hereafter referred to as the "Amount Paid") below by a date specified by the Company.

16. Exercise Request Handling Place for the Stock Acquisition Rights:

The Company's Personnel Planning Department (or any other relevant department in charge from time to time)

17. Subscription Payment Handling Place for the Stock Acquisition Rights:

Head office of Mitsubishi UFJ Trust and Banking Corporation (or any other successor bank or successor branch from time to time)

18. Exercise Period of Share Purchase Warrants

- (1) Stock Acquisition Rights shall be effective on the date stipulated on the exercise

request form in item 15 above; provided, however, in the event that the day the Subscription Payment Handling Place receives the exercise request form and the Amount Paid stipulated in 15 (2) above is transferred to the Designated Account later than the date on the exercise request form, such Stock Acquisition Rights shall be effective on the date when the Subscription Payment Handling Place receives the exercise request form and the Amount Paid is transferred to the Designated Account.

(2) The Company shall issue the shares immediately after the completion of the exercise procedure. However, the Company does not issue odd lots.

19. Treatment of Amendments to the Provisions of These Terms and Conditions and Other Measures:

In the event that it becomes necessary to amend any part of these terms and conditions or take other measures, the Company may, pursuant to the provisions of the Corporation Law of Japan and in accordance with the objectives of Stock Acquisition Rights, amend these terms and conditions and take any other measures in a manner in which the Company deems appropriate, and such amendment shall comprise a part of these terms and conditions.

20. Public Notice of These Terms and Conditions:

The Company shall keep a copy of these terms and conditions at its head office and make that copy available to Holders for review during normal business hours.

21. Other matters regarding Stock Acquisition Rights shall be determined as necessary by the representative director of the Company at his sole discretion.