MITSUBISHI ESTATE CO., LTD. ANNUAL REPORT 2005

We will strive to create a truly meaningful society through the development of a secure, safe, comfortable and appealing urban environment in each of our locations, acting as representatives of the people who live, work, and seek leisure there.

With a core in development, the Mitsubishi Estate Group aims to increase corporate value by wielding the synergistic effects of its value chain of businesses related to real estate.

To this end, we have positioned compliance and consideration of the global environment as cornerstones of our efforts to fulfill our corporate social responsibility. We aim to become a trusted partner of society and to meet the expectations of all stakeholders.

MISSION

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Caution regarding forward-looking statements
Statements made in this annual report with respect to the Mitsubishi Estate Group's current plans, estimates and strategies are forward-looking statements about the future performance of the Mitsubishi Estate Group. These statements are based on management's assumptions, which are founded on currently available information and therefore should not be unduly relied upon. The Mitsubishi Estate Group cautions that a number of significant factors could cause future results to differ from forecasts in the forward-looking statements.

To Our Shareholders

Mitsubishi Estate Co., Ltd. ("Mitsubishi Estate" or the "Company") deeply regrets the inconvenience caused to the customers who purchased condominiums and all the parties involved in connection with the sale of condominiums at OAP Residence Tower. Spurred by this unfortunate event, Mitsubishi Estate has implemented customer-oriented measures to resolve all issues in order to prevent similar incidents from recurring, and to restore market confidence. In moving forward, the Company will continue to enhance its compliance structure as a key management priority.

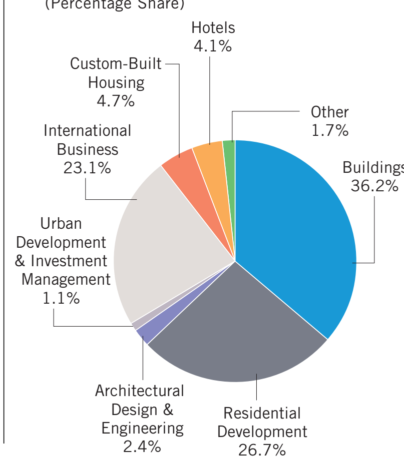
Financial Results

During the fiscal year ended March 31, 2005, Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries (collectively, the "Mitsubishi Estate Group" or the "Group") recorded revenue from operations of ¥775,381 million, an increase of 14.0% from the previous fiscal year. Operating income also climbed 14.0% year on year to ¥118,233 million. In Building Business operations, the closure of certain buildings as part of the Marunouchi Redevelopment Project negatively impacted on revenue. In the Residential Development business, however, results were boosted by an increase in the number of condominiums sold, and in International Business operations by the sale of certain overseas-owned properties. Net income for the period under review was ¥36,245 million, impacted by the loss on disposal of businesses, the loss on disposal of fixed assets in

	Millions of yen						Thousands of U.S. dollars
Years ended March 31	2000	2001	2002	2003	2004	**2005**	**2005**
Revenue from operations	¥ 574,396	¥ 630,990	¥ 631,564	¥ 681,726	¥ 679,918	**¥ 775,381**	**$ 7,220,234**
Net income (loss)	18,421	19,832	(71,058)	36,039	34,989	**36,245**	**337,508**
As a percentage of revenue from operations	3.2%	3.1%	(11.3)%	5.3%	5.1%	**4.7%**	—
As a percentage of shareholders' equity	4.1%	4.1%	(10.5)%	4.3%	4.0%	**4.0%**	—
Total assets	2,285,771	2,535,263	3,035,795	3,007,927	3,068,842	**3,124,514**	**29,095,018**
Total shareholders' equity	440,731	518,766	832,497	839,953	897,499	**920,930**	**8,575,565**
Common stock	86,534	86,534	86,534	86,534	86,534	**86,534**	**805,791**
	Yen						U.S. dollars
Per share amounts:							
Net income (loss)	¥14.18	¥15.26	¥(54.70)	¥27.61	¥26.96	**¥27.93**	**$0.26**
Cash dividends applicable to the year	8.00	8.00	8.00	8.00	8.00	**8.00**	**0.07**

Note: Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2005, of ¥107.39 to US$1.00.

Revenue by Segment
(Percentage Share)



connection with the reconstruction of the Shin-Marunouchi Building, and other factors.

Operating Environment

In the office building market, the negative impact caused by the excess amount of large space supply in 2003 softened, as the number of new office building completions halved. Favorable conditions were also encouraged by the consolidation of offices and the trend toward relocation, which generated new demand and helped to reduce the vacancy rate. Rising rates offered to prospective tenants already reflect the upswing in the market. Renegotiations with existing tenants, however, continue to lag, with some time expected before existing contracts contribute to an increase in rental revenues.

Despite the continuous supply of condominiums in the Tokyo Metropolitan area, demand in the residential market remains steady, buoyed by a low interest rate environment and demand primarily from the post-war baby boom generation and the elderly. In certain areas, however, where supply remains high, competition continues to be stiff as consumers become increasingly selective, casting a keen eye over the comparative merits of location, product planning and design, and price.

In the real estate investment market, conditions were bolstered by an easing of quantitative monetary government policy and the subsequent inflow of investment funds. As competition for the acquisition of prime properties intensified, particularly in the Tokyo Metropolitan area which consists of the five central wards of Tokyo, property prices increased overall for the first time in 14 years. Buoyed by continuous strong investment demand both in trust funds and real estate investment trusts (REITs), these favorable conditions are expected to spread through to other major cities in regional areas.

Under these circumstances, the Mitsubishi Estate Group will endeavor to foresee changes in its business environment, while enhancing management efficiency and earnings power.

New Medium-Term Management Plan

In its three-year Medium-Term Management Plan announced in March 2002, Mitsubishi Estate identified an EBITDA target of ¥170.0 billion for the final year of the plan. Against this target, EBITDA for the fiscal year ended March 31, 2005 was ¥178.4 billion, mainly owing to continued progress in the Marunouchi Redevelopment Project, increased earnings power in condominium operations, and growth in the Urban Development & Investment Management business.

In recent years, the real estate investment market has been providing new investment alternatives in Japan such as J-REITs and private funds. As a result, inflow of funds to the real estate market has steadily increased, prompting calls for real estate companies

Overview of the New Medium-Term Management Plan

Basic Mission

Creating a truly meaningful society

Operating Environment

Increased demands on companies to fulfill their corporate social responsibility

High expectations for various real estate value creation capabilities

Management Policies

Increase real corporate value
- Creative approach toward society
- Customer-oriented focus
- High-value creation through human resource training
- Share value improvement

Basic Objective

FF2007~Foundation for the Future~

Cultivate capabilities for real estate value creation with “development” at the heart of business operations, and secure a leading position in the industry as a real estate company for the new era

Strategic Policies

Infrastructure Strategy	Rebuild a dynamic and flexible management platform and system
Management Strategy	Optimize business portfolio and improve asset portfolio
Core Growth Strategy	Strategically reinforce capabilities for development-based real estate solutions (Development, real estate service, and Group-wide proposal-oriented marketing capabilities)

Targets

	Fiscal Year Ending March 31, 2008	Fiscal Year Ended March 31, 2005
EBITDA	¥200.0 billion	¥178.4 billion
EBITDA/Net Interest Bearing Debt*	5 times or less	6.16 times
* Net Interest Bearing Debt = Interest Bearing Debt - (Cash + Marketable Securities)		
Assumptions:		
Revenue from Operations	¥863.0 billion	¥775.3 billion
Operating Income	¥135.0 billion	¥118.2 billion

to deliver more sophisticated products and services and to enhance their value creation capabilities. Under these circumstances, Mitsubishi Estate formulated its new three-year Medium-Term Management Plan commencing the fiscal year ending March 31, 2006. As a real estate company for the new era with “development function” at the heart of its operations, Mitsubishi Estate will leverage its value creation capabilities to achieve a leading position in the industry. Within its Medium-Term Management Plan, the Company has employed the corporate slogan FF (Foundation for the Future) 2007 and established a new EBITDA target of ¥200.0 billion. Throughout the duration of the plan, Mitsubishi Estate will continuously strive to increase its value as a real estate company based on the fundamental strategies of rebuilding a dynamic and flexible management structure, securing an optimal business portfolio, improving its asset portfolio, and strengthening its development-based real estate solutions capabilities.

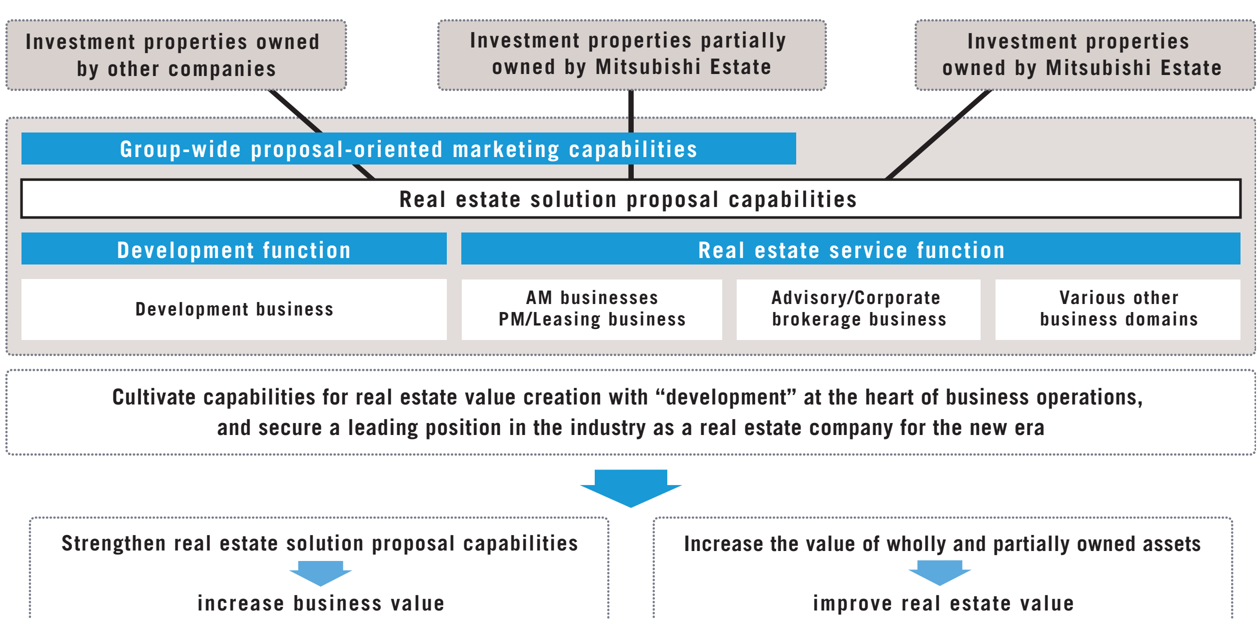
Business Strategies

The goal of the Mitsubishi Estate Group is to effectively combine the merits of its development-oriented asset business that strives to increase asset value through income gain, with those of its non-asset business that strives to increase its capital efficiency through the introduction of third-party capital as a means to expand capital gain and fee income based on exit strategies.

In this context, we are working to increase our competitiveness and expand business opportunities by improving the Group’s capabilities across three key functions, namely development, real estate services and proposal-oriented marketing.

In Building Business operations, Mitsubishi Estate will improve and enhance its functions through the Marunouchi Redevelopment Project intending to further distinguish Marunouchi from all other areas. At the same time, we will invest in highly profitable, growth-oriented assets and consistently update our property holdings in an

Growth Strategy Overview



effort to enhance asset portfolio quality.

In Residential Development operations, we will continue our focus on the Tokyo Metropolitan area, which is expected to face ongoing population growth, and supply an estimated 3,500 condominiums to address needs. In addition to this area-based strategy and an emphasis on product planning to better address the needs of demanding consumers, we will further reinforce our competitive advantage by strengthening the equity participation in TOWA REAL ESTATE DEVELOPMENT CO., LTD., with which a business cooperation agreement was concluded in March 2005, in order to better leverage the complementary position of both companies.

In the Urban Development & Investment Management operations, we will continue to expand development of income-generating real estate projects beyond exit strategies and strengthen our asset solutions business by providing solutions for our customers' property portfolios focused on effective real estate usage, disposal and management. In addition, we will actively develop our fee-based asset management and other businesses primarily through Group company, Mitsubishi Jisho Investment Advisors, Inc.

By providing a significant risk hedge and working to build a global real estate service network, we are developing International Business operations as a strategic activity based on considerations of risks and return.

In the overall context of its business portfolio, Mitsubishi Estate will allocate resources to high-potential areas. In addition to the operations of Building Business, Residential Development, and Urban Development & Investment Management, we will strengthen our capabilities in businesses that are essential to increasing our development prowess, leasing and related activities. We will also pursue growth in high-profit areas such as corporate brokerage and advisory services, and at the same time, further promote selection and focus initiatives while undertaking drastic measures to shift away from underperforming operations.

Corporate Governance

With a focus on shareholder value, the Mitsubishi Estate Group strives to rebuild a dynamic and flexible management system with the aim of displaying increasingly efficient and sound management throughout the Group. To this end, we position corporate governance as a top priority and will strive to achieve the highest standards in governance.

In April 2003, Mitsubishi Estate introduced an executive officer system. The objectives of the new system are to reinforce the management, oversight and executive functions, to increase management efficiency, and to accelerate the decision-making process. At the same time, we established the Strategic Planning Committee to encourage Group-wide discussion of management strategies, and the Strategic Investment Committee to assess and consider major investment proposals, and as a support organization for the Group's Executive Committee to raise the quality of management resolutions. Furthermore, we created an Advisory Board, comprised of externally appointed leading professionals, and in June 2005, we set up the specialist Internal Audit Office, reporting directly to the president, with the aims of enhancing the internal audit function and securing greater management transparency and objectivity in the decision-making process.

Compliance

Mitsubishi Estate recognizes that its social responsibility is not limited to compliance with statutory requirements. Of equal importance is the Company's ability to address and satisfy the needs of all stakeholders. To this end, we acknowledge the need for each and every employee to maintain an acute personal awareness of their individual responsibilities, and to act with integrity, humility, common sense and to the highest ethical standards. Our goal is to create a truly meaningful society through honest and open communication with all stakeholders and a corporate culture based on teamwork.

Driven by its focus on the growth of development business, Mitsubishi Estate will endeavor to increase its asset value, and at the same time, to enhance the value of assets held by its customers and business partners. By leveraging its capabilities to create real estate value, the Company will evolve toward a company for the new era. Underpinning these activities, we will reposition compliance at the heart of our business platform. With the commitment of each and every member of the Mitsubishi Estate Group, we will fulfill our corporate social responsibility, restore market confidence, and enhance corporate value.

August 2005

Keiji Kimura
President

Special Feature

Through the Marunouchi Redevelopment Project, Mitsubishi Estate is committed to creating an attractive and vibrant city center, universally recognized as the global center of dynamic interaction. To this end, Mitsubishi Estate is endeavoring to renew office building specifications, upgrade infrastructure, entice commercial and retail stores, and enhance facilities and services in cooperation with business and academic institutions. Boasting a long history of development experience and the know-how accumulated from the Marunouchi Redevelopment Project, Mitsubishi Estate is working to build attractive new cities in a variety of locations.

in and outside marunouchi

1894

Construction of the Mitsubishi No. 1 Building completed, the first office building in Marunouchi

1923

Construction of the Marunouchi Building completed

1959

Marunouchi remodeling plans formulated

—forever on the move

1995

Plans for the rebuilding of the Marunouchi Building announced

1998

Work for the first stage of the Marunouchi Redevelopment Project commenced

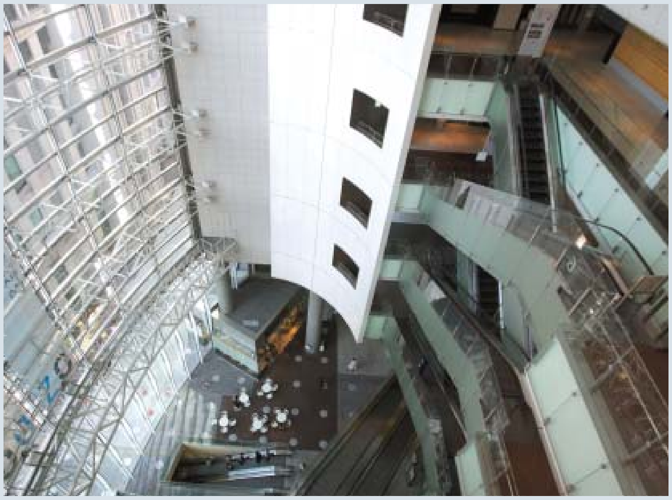
2008

Work for the second stage of the Marunouchi Redevelopment Project to commence

Marunouchi on the Move

Mitsubishi No. 1 Building

Marunouchi is the first city center in Japan to house predominantly office buildings, and it continues to serve as a hub of real-time global information. In this context, the key feature of the Marunouchi Redevelopment Project is to maximize the potential that the area offers. In a similar vein, the Otemachi/ Marunouchi/Yurakucho District City Development Association, made up of representatives from the Tokyo Metropolitan Government, the Chiyoda Ward Government, East Japan Railway Company, local landowners, and leaseholders formulated the "Central Ward Area Development Guidelines," in 2000, a set of common rules that serve to enhance city development through public and private sector cooperation. As a result of these initiatives, the district has experienced progressive deregulation that has facilitated the redevelopment of certain buildings to increase site use and to transfer unused air rights from other sites in the district to increase floor space. As a forum for the creation of new and innovative ideas, the ultimate goal is to build a rich and dynamic city environment. In addition, plans are in place to restore the red brick station house at Tokyo Station and improve Gyoko Dori, which connects Tokyo Station and the Imperial Palace. As the gateway to Tokyo, this area will serve as the symbol, provide aesthetic appeal, and epitomize plans for redevelopment as a whole. With respect for both the old and the new, plans to redevelop Marunouchi will encompass efforts to maximize the unique features that the area offers. Accordingly, a key issue is to ensure the optimal mix and use of state-of-the-art office buildings and heritage structures spread throughout the district.



Marunouchi OAZO

Open cafe on Marunouchi's Naka Dori

Mitsubishi Estate is conscious of its responsibilities in efforts to redevelop the Marunouchi area. Recognizing the treasure that is Marunouchi, and its unlimited potential that extends well beyond business use, we will work to create a city center that caters to workers and visitors. Guided by the keyword, "Interaction," Mitsubishi Estate is committed to redevelopment in harmony with the environment that delivers a rich and fulfilling experience for all.

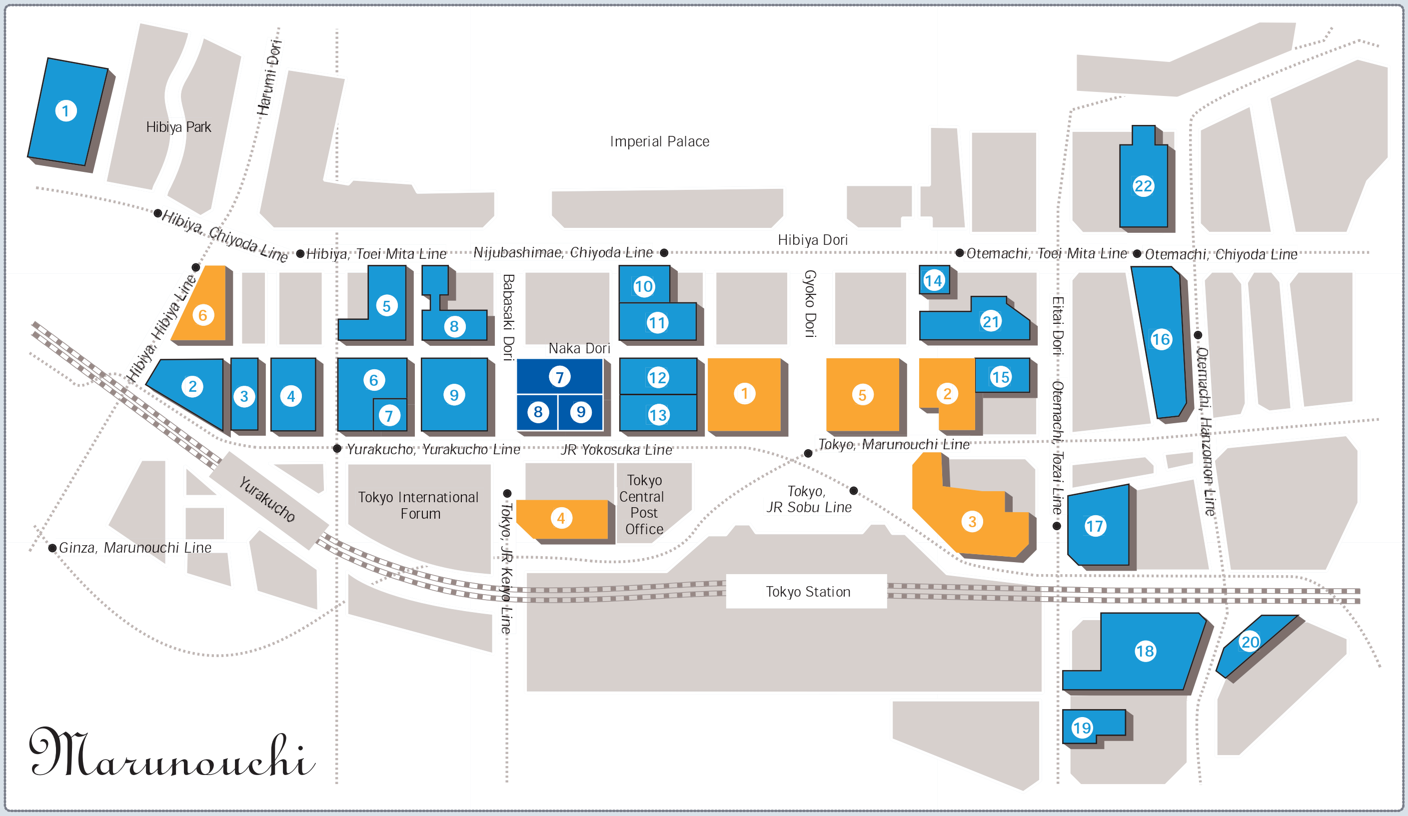
Marunouchi Redevelopment Project—A Transition from the First Stage to the Second Stage

Mitsubishi Estate identified the 10-year period beginning in 1998 as the first stage of the Marunouchi Redevelopment Project, and has since continued efforts to create a new cityscape primarily in the areas in front of Tokyo Station. Investment during this 10-year period will total ¥500 billion. Together with the renewal of existing buildings, the plan calls for the reconstruction of six buildings, from the redevelopment of the Marunouchi Building completed in August 2002 to the Shin-Marunouchi Building, scheduled for completion in the fiscal year ending March 31, 2008. The reconstruction will double the leasable floor space of the original buildings, and cash flow will increase by 2.5 times.

Fashion Show at the Marunouchi Building

The first stage is distinguished by a variety of features, including the concentration of leading corporations that define both their industries and each new era; communications and IT infrastructure upgrade; and measures that address diverse needs related to business and leisure time, and that fulfill environmental concerns such as energy and resource conservation, as well as calls for a green environment. These measures are being undertaken from the perspective of the creation of an urban center suited to the needs of the future. In preserving the unique characteristic of the streets and avenues of Marunouchi, beginning with Naka Dori, we will foster a new flow of workers and visitors, and transform the area adjoining Tokyo Station into an even more vibrant and dynamic space.

The Marunouchi OAZO was opened near the Marunouchi North Exit of Tokyo Station in September 2004, and the Tokyo Building, near the Marunouchi South Exit of Tokyo Station, is scheduled for completion in October 2005. These two buildings offer advanced and luxurious office environments, and also provide the latest in common-use facilities including security and barrier-free facilities that exits in harmony with the environment. Moreover, in order to create a comfortable walking path network in the area from Tokyo Station to both buildings, we are constructing an integrated underground and aboveground walkway featuring free and open spaces, such as



To the north and south of the area that connects Tokyo Station and the Imperial Palace lie the Otemachi, Marunouchi, and Yurakucho districts. Representing Japan's principal business district, these areas collectively offer unparalleled access and transportation infrastructure. The area is serviced by nine rail and seven subway lines; each office building is within a three to five minute walking distance from rail transport. Boasting more than 4,000 offices employing approximately 240,000 workers, it is estimated that the area has commuter traffic of 1.5 million daily. Of the 98 office buildings in the area, Mitsubishi Estate owns and manages 31 buildings.

Leasing Buildings

1. Hibiya Kokusai Building
2. Yurakucho Denki Building
3. Yurakucho Building
4. Shin-Yurakucho Building
5. Kokusai Building
6. Shin-Kokusai Building
7. Shin-Nisseki Building
8. Fuji Building
9. Shin-Tokyo Building
10. Kishimoto Building
11. Mitsubishi Denki Building
12. Ministry of Education, Culture, Sports, Science and Technology Building
13. Mitsubishi Building
14. Tokyo Ginko Kyokai Building
15. Togin Building
16. Otemachi Building
17. Shin-Otemachi Building
18. Nippon Building
19. Nippon Steel Building
20. JFE Shoji Building
21. Mizuho Corporate Bank Ltd. Head Office Building
22. UFJ Tokyo Building

Reconstruction Projects

Reconstruction Projects	Completion
First Stage (1998~2007)	
1. Marunouchi Building	August 2002
2. The Industry Club of Japan and Mitsubishi Trust and Banking Building	February 2003
3. Marunouchi OAZO	September 2004
4. Tokyo Building	2006*
5. Shin-Marunouchi Building	2008*
6. The Peninsula Tokyo (tentative name)	2008*
Second Stage (2008~2017)	
7. Furukawa Building	2010*
8. Mitsubishi Shoji Building	2010*
9. Marunouchi Yaesu Building	2010*

*Years indicate fiscal years ending March 31.

atriums and halls. These are examples of our efforts toward creating safe and optimal environments.

Mitsubishi Estate is working to enhance the Marunouchi area's image as "an attractive and vibrant city center, acknowledged throughout the world as a leading global center of dynamic interaction," and is advancing with this stunning and ambitious urban redevelopment project. While raising the area's status as a premier business center, we are working to transform the district into a vibrant hub of business, leisure and social exchange that is forever on the move.

The second stage of the Marunouchi Redevelopment Project, which begins in 2008, aims to create a leading center for the knowledge industry in Asia and form an urban tourist attraction representative of Japan. The basic theme of the second stage is to accelerate the broadening and deepening of the Marunouchi Redevelopment Project. While extending the vitality of areas around Tokyo Station, the development focus in the first stage, to the Otemachi, Marunouchi and Yurakucho districts, Mitsubishi Estate plans to comprehensively redevelop the entire area. We aim to create a more active and open urban network by linking together pleasantly designed roads between these areas, and creating a town setting with unique characteristics in each district. During the 10-year period of the second stage, Mitsubishi Estate plans to invest an additional ¥450 billion to rebuild seven or eight buildings and step up improvements to downtown facilities by remodeling existing buildings and upgrading infrastructure.

The first phase of the second stage entails rebuilding and construction work on the site where the Mitsubishi Shoji Building, the Furukawa Building and the Marunouchi Yaesu Building are currently located, which includes a multi-function high-rise building and rebuilding the historical Mitsubishi No. 1 Building on its original 1894 site in Marunouchi. Designed by the English architect Josiah Conder, who bestowed Japan with many Western-style buildings, the Mitsubishi No. 1 Building was the first tenant building in Marunouchi. In light of its historical significance as the wellspring for Marunouchi over the past century, and as a place that can bring people together by connecting Marunouchi and Yurakucho, we aim to restore the site to its original splendor, creating a state-of-the-art office building and area management center for disseminating information about its history and cultural activities such as the fine arts.

Marunouchi is changing into a downtown area that is attractive for its businesses, retailers and residences, and more generally, for interaction, education, culture and tourism. Leveraging every one of these qualities, we aim to create value that is only available in Marunouchi, by providing a rich and fulfilling urban lifestyle through the establishment of an area management structure and network that integrates public and private services.

Marunouchi and Other Areas—Asset and Non-Asset Businesses

In addition to owning select properties in the Marunouchi area, Mitsubishi Estate is engaged in asset management activities with the aim of maximizing asset values. Against the background of significant change in the business environment, such as the launch in Japan of a real estate investment trust (J-REIT) market, Mitsubishi Estate is also active in non-asset businesses, buoyed by increased liquidity in real estate markets. Leveraging our longstanding experience in property development, we are pursuing projects in areas outside Marunouchi, and broadening activities to include properties in which the Company has no ownership. As part of its overall activities, Mitsubishi Estate is engaged in property development earmarked for future income generation. We limit risk by engaging in developments earmarked for sale. These comprise limited fund-type developments from which the Company enjoys income gains through rental income and fees and capital gains from property sale in line with market circumstances. Maintaining this stance into the future, the Mitsubishi Estate Group will work to further enhance its value by continuing to build an optimal asset portfolio with a best-fit mix of stable cash flows from asset businesses and non-asset businesses that involve income-generating real estate developments utilizing third-party capital.

GENTO YOKOHAMA

In the area of office buildings and retail facilities regarded as income-generating real estate, Mitsubishi Estate has participated in projects such as Somerset Azabu East, a serviced apartment complex, GENTO YOKOHAMA, a comprehensive entertainment facility located in the Minato Mirai district of Yokohama, and kurax, a commercial facility that opened in Aoba-ku, Sendai City. Among its many activities are properties such as Nibancho Garden a project for which an end-purchaser has been confirmed.

As part of Mitsubishi Estate's asset solution business, construction of the Osaki Front Tower was completed in June 2005. The Osaki Front Tower is an example of an office building project that has utilized development securitization methods to meet the owner's needs. Under this method, a special purpose company in which Mitsubishi Estate maintains an equity interest effectively utilizes leasehold land. In addition, benefits accrue throughout the Group. Mitsubishi Estate's project management and architectural design and engineering activities were all involved in this project. Following construction completion, the property has been sublet and the Company commissioned to provide asset and property management services.


Shiodome Stage I-2 Area Project (tentative name)

Furthermore, Mitsubishi Estate is pushing forward with a number of projects including the Kudan-Kita Project (tentative name), the Nagoya Nishiki 2-chome Project (tentative name) and Shiodome Stage I-2 Area Project (tentative name), a large-scale project located in the 31-hectare mixed commercial zone I-2 area, which is the last of the large-scale Shiodome Shiosite redevelopment projects. In the future, along with office building, retail facility and rental housing activities, Mitsubishi Estate will actively work to expand its development menu


Nibancho Garden

in directions leading to the creation of new business opportunities.

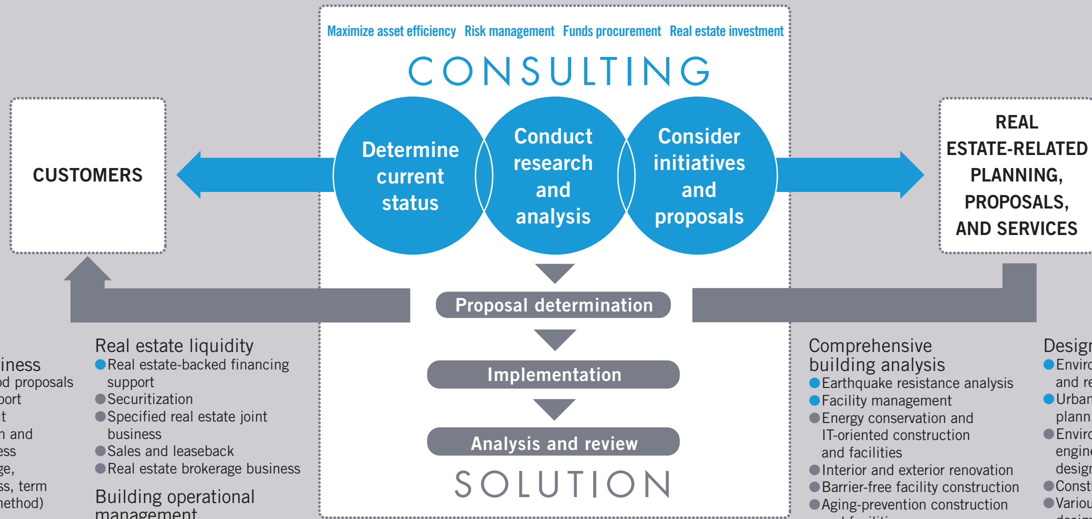
Overseas, Mitsubishi Estate has commenced a second redevelopment project in London, following completion in 2003 of the Paternoster Square Redevelopment Project. The Bow Bells (House) Redevelopment Project is a joint venture between Mitsubishi Corporation and Mitsubishi Estate. Utilizing the land and existing building owned by Mitsubishi Corporation, plans call for the construction of a new commercial development in a central London area conducive to office and retail use, and serviced by Bank Station, St. Paul's Station and Cheapside. The project is adjacent to the historical St. Mary-Le-Bow Church and is attracting considerable attention. Construction will commence in Autumn 2005 with scheduled completion in the beginning of 2007. At present, we are adopting the stance to promptly sell the property on completion, thereby recovering substantial funds. Based on the success of the Paternoster project and plans for this new development, we are continuing to cement our position as a leading developer in London.

Nagoya Nishiki 2-chome Project (tentative name)

Underpinned by the know-how accumulated through the Marunouchi Redevelopment Project, Mitsubishi Estate is endeavoring to further enhance its capabilities in building and facility development, as well as in the amenities that support property development, and to realize true value in its fields of operation.

Paternoster Square

Business Information



Real estate development business
- Development method proposals
- Financing plan support
- Project management
- Effective application and collaboration business (Equivalent exchange, commission business, term leasehold interest method)
- Provisional use
- Reconstruction

Real estate investment-related business
- Real estate investment strategy formulation support
- Market research and analysis
- Due diligence
- Acquisition support
- Property management
- Asset management

Real estate liquidity
- Real estate-backed financing support
- Securitization
- Specified real estate joint business
- Sales and leaseback
- Real estate brokerage business

Building operational management
- Operational management plan analysis and proposals
- Long-term maintenance plan consulting
- Building, retail facility, and hotel operational management consignment
- Sub-leasing
- Tenant marketing

Comprehensive building analysis
- Earthquake resistance analysis
- Facility management
- Energy conservation and IT-oriented construction and facilities
- Interior and exterior renovation
- Barrier-free facility construction
- Aging-prevention construction and facilities
- Conversion

Construction
- Office building and retail facility construction
- Detached-housing, leased residence, company dormitory and housing construction
- Temple, hospital, and other specialized building construction
- Residence and office building renovation

Design and supervision
- Environmental assessment and research
- Urban development planning-related, PFI consulting
- Environmental and civil engineering-related consulting, design and supervision
- Construction management
- Various construction building design and supervision
- Interior, exterior, and other design and supervision

Lifestyle services
- Complex housing, company dormitory and housing operation and management
- Community residence operation for the elderly
- Complex housing and other Internet connection services

Real Estate Consulting & Solution Department

Mitsubishi Estate is strengthening efforts toward proposal-based marketing with the aim of cultivating business opportunities across the Group

Standing at the heart of Mitsubishi Estate's strategic marketing structure, the Real Estate Consulting & Solution Department works to strengthen proposal-based marketing across the Group as a whole. Underpinned by its wealth of accumulated real estate development, planning and management know-how and expertise, the Real Estate Consulting & Solution Department is active in its efforts to realize maximum value for its corporate clients.

The Mitsubishi Estate Group's Marketing Structure

The Mitsubishi Estate Group is a comprehensive real estate development Group engaged in activities across eight business operations comprising Building Business, Residential Business, Urban Development & Investment Management, International Business, Architectural Design & Engineering, Custom-Built Housing, Hotel Business, and Real Estate Service operations. Independent of the aforementioned eight business operations, the Real Estate Consulting & Solution Department promotes proposal-based marketing on a cross-sectional basis across the entire Group. Leveraging the collective strengths of the Group, the Real Estate Consulting & Solution Department provides a full range of best-fit, customer-oriented consulting services and solutions including effective real estate acquisition and usage.

Large-Scale Joint Development and Private Finance Initiative Businesses

The Real Estate Consulting & Solution Department is pursuing initiatives in response to large-scale joint developments and the increase in recent years of private finance initiatives (PFIs) as a means to create new business opportunities. Against this background, and supported by its know-how and expertise accumulated over many years, the Real Estate Consulting & Solution Department actively pursues development securitization and other new business methods.

1. Marunouchi OAZO
A multi-function development comprising office buildings, retail facilities and a hotel, Marunouchi OAZO opened in September 2004.

Building Business Operations

Enhancing Urban Functions from the Perspective of Area Management

Building Business operations primarily handle the development, leasing and property management of office buildings in Japan's major cities, as well as management of large-scale shopping centers, operation of parking lots and operation of heating and cooling services throughout Japan, enhancing urban functions from the perspective of area management.

Promoting Increased Interaction in the Marunouchi District

The Marunouchi district, with its overwhelming infrastructure and corporate scale, offers a variety of business opportunities. For its part, Mitsubishi Estate strives to transform Marunouchi into a world-class center of dynamic interaction, thereby creating the potential for even more opportunity. In the Marunouchi Building, which opened in September 2002, Mitsubishi Estate established Tokyo 21c Club, a facility to allow professionals and business persons from a variety of fields to interact and exchange views. Interaction is not limited to the corporate sector: Mitsubishi Estate has also introduced the “Marunouchi Academic Suites,” which serve as a common communication forum for private, public and academic circles.

The Second Stage of the Marunouchi Redevelopment

In an effort to raise awareness of Tokyo as an international city among business people all over the world, to maximize its full potential, and to deliver new functions that meet today's and tomorrow's business needs, Mitsubishi Estate is acting beyond the role of developer to that of a producer. In 1998, we commenced the first stage of the Marunouchi Redevelopment, a 10-year program encompassing the upgrade, reconstruction and renovation of much of the Marunouchi district. Beginning with the Marunouchi Building, Mitsubishi Estate has made steady progress in the

2. The Shin-Marunouchi Building
Rebuilding plans are proceeding on schedule for the completion of the Shin-Marunouchi Building by the fiscal year ending March 31, 2008. Completion of construction will coincide with the close of the first stage of the Marunouchi Redevelopment.

3. The Peninsula Tokyo (tentative name)
Constructed by Mitsubishi Estate, the Peninsula Tokyo will be leased and operated by The Hongkong and Shanghai Hotels, Limited. Scheduled to open in the fiscal year ending March 31, 2008, this world-class luxury hotel is attracting considerable expectations and interest.

4. Toki Premium Outlets
The Toki Premium Outlets, which opened in March 2005, is the fifth premium outlet in Japan operated by Chelsea Japan Co., Ltd., a joint venture among Mitsubishi Estate, U.S.-based Chelsea Property Group, Inc. and Sojitz Corporation.

5. The Tokyo Building
Completion of the Tokyo Building is scheduled for October 2005. This is the first development in Japan to take advantage of regulations allowing unused air rights to be transferred from within the Marunouchi side of the Tokyo station house, to increase floor space.

ensuing period. In February 2003, the Industry Club of Japan and Mitsubishi Trust and Banking Building was completed. This was followed in September 2004 by the completion of Marunouchi OAZO, which faces Tokyo Station on the former site of Japan National Railways Headquarters. The planned completion of the Tokyo Building in October 2005 and the Shin-Marunouchi Building and The Peninsula Tokyo (tentative name) by the fiscal year ending March 31, 2008, will bring the first stage of the Marunouchi Redevelopment to a close. Thereafter, we will commence the second stage of the project, which involves the simultaneous redevelopment of the Mitsubishi Shoji Building, the Furukawa Building and the Marunouchi Yaesu Building. This will serve as the hub that joins the Marunouchi and Yurakucho districts. Based on the achievements of the Marunouchi Redevelopment Project to date, the second stage will encompass broader and more comprehensive plans to rejuvenate the Otemachi, Marunouchi and Yurakucho districts, an area of approximately 111 hectares. Mitsubishi Estate will not only focus on providing renewed infrastructure, but will also provide intangible benefits to create a fresh, appealing and comfortable environment. We are committed to creating a dynamic Marunouchi district that offers a variety of functions and caters to diverse needs.

Expanding the Shopping Center Business Throughout Japan

Building Business operations include shopping centers in Tokyo (in Odaiba), Yokohama, Hakata and other locations, and work is also proceeding on the commercialization of Marunouchi Naka Dori, as part of its redevelopment. In addition, Mitsubishi Estate is in a partnership with U.S.-based Chelsea Property Group, Inc. and Sojitz Corporation. The partnership vehicle, Chelsea Japan Co., Ltd., operates outlet malls in Gotemba (Shizuoka Prefecture), Izumisano (Osaka Prefecture), Sano (Tochigi Prefecture) and Tosu (Saga Prefecture), and opened Toki Premium Outlets in Toki (Gifu Prefecture) in March 2005.

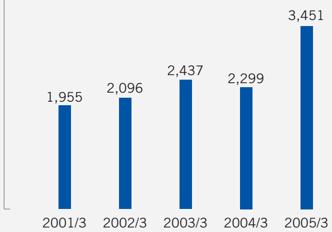
1. Minami-Aoyama Terrace Tokiwamatsu Forest
Mitsubishi Estate, Sumitomo Corporation and other parties are constructing the Minami-Aoyama Terrace Tokiwamatsu Forest, a 196-condominium joint development located in Minami Aoyama, Minato Ward. The development offers stately external tiling, two courtyards, nestled in a leafy natural environment. Facilities include a 24-hour heating and cooling ventilation system, which contribute to an optimal lifestyle.

Residential Business Operations

In Partnership with TOWA REAL ESTATE DEVELOPMENT CO., LTD., Mitsubishi Estate is Pushing Forward to the Next Stage in Residential Business Operations

Residential Business operations aim to provide ideal living environments in concert with a healthy and fulfilling lifestyle, by developing and marketing condominiums, single-unit homes and residential land, as well as engaging in businesses such as condominium administration and consulting services for the optimal use of real estate. At the same time, Mitsubishi Estate manages fitness clubs.

Condominium Sales



Growth in the Condominium Business Spurred by Market-Oriented Products and Services

Sales of condominiums, particularly in the Tokyo Metropolitan area, continued to increase as a result of the supply of market-oriented properties that fulfill the diverse needs of customers. Underpinned by its product planning capabilities, Mitsubishi Estate strives for competitive advantage by focusing on properties in popular urban areas that offer superior and convenient location, large-scale properties with comprehensive communal facilities built with the environment in mind, high-rise condominiums that provide spectacular views, and collaboration with leading designers and firms from a variety of industries to distinguish itself from competitors.

To further address the growing variety in customer demand, we developed and are marketing full order-made condominiums under the STYLE HOUSE brand. To further these efforts, Mitsubishi Estate established the Detached Housing Office in the current fiscal year with the aim of cultivating a new housing market that caters to the second-generation of baby boomers.

As an adjunct to its existing activities, Mitsubishi Estate is reinforcing its focus on quality assurance. Utilizing its proprietary disclosure system, we provide an easy-to-understand written record of property features, facilities and quality, at each stage of design,

2. PARK HOUSE IKEDAYAMA KOEN, SHIROKANEDAI NO MORI
Park House Ikedayama Koen, Shirokanedai no Mori is a 148-condominium joint development project between Mitsubishi Estate and Nippon Oil Real Estate Co., Ltd. Located in Higashi Gotanda, Shinagawa Ward, the complex is set in a natural green environment and is comprised of two towers, one tower facing Ikedayama Koen (Parkside Court), the other facing Hatakeyama Memorial Museum Hannya-en (Hillside Court).

3. M.M. TOWERS FORESIS
In collaboration with leading companies including Tokyu Corporation, Mitsubishi Estate is currently constructing a twin-tower, 1,226-condominium complex located in the Yokohama Minato Mirai district. Taking into consideration location, the environment, safety and comfort, this development offers a spacious green location, energy-conservation facilities, seismic isolation and the latest in security facilities.

4. Sanbancho Park Terrace Ouen
Sanbancho Park Terrace Ouen is a joint residential development project between Mitsubishi Estate and Mitsubishi Corporation for the construction of a 102-condominium complex in Sanbancho, Chiyoda Ward. In harmony with an environment that includes 50 year old cherry-blossom trees and existing forestation, the development boasts underground parking, a standard ceiling height of 2,700mm, 24-hour caretaker services and the latest in home security.

construction and completion. This information is supplemented by a maintenance report after individual property owners take occupation.

Equity Participation and Business Collaboration with TOWA REAL ESTATE

In March 2005, Mitsubishi Estate formed an equity partnership with TOWA REAL ESTATE DEVELOPMENT CO., LTD. At the same time, the two companies executed a business cooperation agreement. Under this agreement, both companies will work to leverage their unique capabilities and strengths. With little overlap in customer base and operating areas, the two companies are expected to maximize synergy benefits. Based on the move toward business integration between Towa Community Service Co., Ltd., a TOWA REAL ESTATE subsidiary, and Mitsubishi Jisho Community Service Co., Ltd., Mitsubishi Estate acquired 51% of Towa Community Service's shares. Accordingly, Towa Community Service was included in Mitsubishi Estate's scope of consolidation. With a combined stock of approximately 137,000 properties, the two companies enjoy the leading position in Japan's condominium management market. Based on these measures, Mitsubishi Estate is building a highly competitive condominium, housing and related property business. Focusing on core competencies such as condominium dvelopment, brokerage and property management, we will endeavor to maintain a balanced business portfolio.

Contributing to a Healthy Lifestyle through the Fitness Business

Mitsubishi Estate is also engaged in a number of leisure services such as the management of golf courses, fitness clubs and businesses associated with increased leisure time and the promotion of good health. Against the background of a rapidly aging society, Liv Sports Co., Ltd. in particular is actively expanding activities in the fitness business. With the opening of Fitness Club Liv Hashimoto in August 2004, Liv Sports has expanded its network to include nine branches of its fitness clubs. In addition, Liv Sports operates futsal clubs and massage facilities, as well as other fitness clubs in the Tokyo Metropolitan area. In the future, Liv Sports will actively pursue family-oriented branches in suburban areas around Tokyo.

Urban Development & Investment Management Operations

Prioritizing Development and Management in Business Opportunity Expansion

1-2. OSAKI FRONT TOWER
The OSAKI FRONT TOWER is an office building in Osaki, which has been designated as an urgent urban revitalization area. The building is one example of our asset solutions that used development-based securitization methods to meet the owners' needs to effectively utilize land.

Based on the fundamental policy of developing and managing quality real estate, Urban Development & Investment Management operations are responding to increasing demand for income-generating real estate for investment purposes among investors. We are developing business through optimal application of the development and management functions.

Actively Promoting the Development Business by Strengthening Asset Solutions Capabilities

In the context of the development function, we optimize the timing of supply of prime investment products soon after construction completion and the commencement of operations. In this manner, we are fostering the development business of income-generating real estate.

At the end of June 2005, construction of the OSAKI FRONT TOWER in Osaki, Shinagawa Ward, was completed. Through its Urban Development & Investment Management operations, Mitsubishi Estate is also active in a number of development projects including the Shiodome Stage I-2 Area (tentative name), which forms part of the large-scale Shiodome Shiosite redevelopment project, the Kudan-Kita and the Nagoya Nishiki 2-chome Projects (tentative names). Mitsubishi Estate does not limit its activities solely to office buildings: it also engage in the development of a broad range of real estate, including retail facilities, residential properties and serviced apartments, in an effort to address the diverse needs of the investment market. In its retail facility activities, Mitsubishi Estate participated in the development of GENTO YOKOHAMA, a comprehensive entertainment facility located in the Minato Mirai 21 district of Yokohama and which opened in November 2004. Another example is kurax, a commercial

3. Kudan-Kita Project (tentative name)
This project uses development-based securitization methods to procure development funds through non-recourse loans and equity financing from joint-venture partners. The Kudan-Kita Project provides commuting convenience as well as an ideal environment located next to Kudanshita Station, Ushigafuchi and Kitanomaru Park. A multi-purpose project, the building houses offices, retail stores and condominiums.

4. kurax
Kurax is a commercial facility that opened in Aoba-ku, Sendai City in February 2005. A total of 12 stores have opened in the facility, including stores opening for the first time in Sendai.

5. PARK HABIO GAKUGEI DAIGAKU
PARK HABIO GAKUGEI DAIGAKU was completed in March 2005. Located 7 minutes on foot from Gakugei Daigaku Station on the Tokyu Toyoko Line, all units of this designer condominium complex face south towards Himonya Park.

facility that opened in Sendai in February 2005. Leveraging our performance and accumulated know-how in residential property development, and the renowned Park House brand in condominium developments, we are pushing forward with the development of the PARK HABIO brand of condominium complex for leasing purposes. Conscious of the recent growth in investment funds including real estate investment trusts, our intention is to sell each complex as a whole upon construction completion.

In September 2004, construction was completed on PARK HABIO KYOBASHI, the first building of the series of condominiums. In February 2005, we completed two more buildings, the PARK HABIO MEGURO FUDOMAE and PARK HABIO GAKUGEI DAIGAKU. Mitsubishi Estate plans to continue supplying high-quality condominiums in central city locations that meet various needs.

In its development projects, Mitsubishi Estate plans to use special-purpose companies to limit business investment risk in the investment of approximately ¥20 billion per year raised through equity financing. Looking forward, Mitsubishi Estate is making every effort to secure more business opportunities by strengthening asset solutions capabilities to maximize asset value for real estate customers.

Providing a Broad Range of Specialized Services for Real Estate Investment

Mitsubishi Estate is developing a fee-based business through Mitsubishi Jisho Investment Advisors, Inc., which provides comprehensive services related to real estate investment, and Japan Real Estate Asset Management Co., Ltd., which engages in asset management for Japan Real Estate Investment Corporation. Earnings from fund management are steadily growing at Mitsubishi Jisho Investment Advisors, which is building the MJ Retail Fund, a real estate private equity fund comprising commercial facilities, and also a rental-housing fund. Continuing to secure management opportunities, Mitsubishi Jisho Investment Advisors aims to increase the number of funds it manages and expand the balance of assets under management.

Focusing on both development and management, Mitsubishi Estate aims to expand business opportunities through growth in the real estate investment market and by responding to socio-economic needs for urban redevelopment.

1. Bow Bells House Redevelopment Project
Located in the heart of London's financial district, the Bow Bells House Redevelopment Project calls for the construction of a 20,000m2 office building.

2. The McGraw-Hill Building
With 51 floors above ground and five floors below ground, the McGraw-Hill Building boasts total floor space of 237,000m2. Located in Manhattan, New York, this office building was completed in March 1972. Mitsubishi Estate acquired an interest in the building in April 1990.

International Business Operations

Comprehensive, Worldwide Real Estate Services

In International Business operations, Mitsubishi Estate operates mainly through Rockefeller Group, Inc. (RGI), which owns, leases and manages office buildings in such locations as New York (the Time-Life and McGraw-Hill buildings) and London (Paternoster Square), and is active in real estate development across the United States and in London. In addition, Cushman & Wakefield, Inc. (C&W), an RGI subsidiary, offers global comprehensive real estate services, centered mainly on real estate brokerage, primarily in the United States and Europe.

Bow Bells House Redevelopment Project Commences

Operating mainly from the state of New Jersey, RGI is active in the real estate development business across the United States. In 2004, RGI sold to investors the 777 Tower in Los Angeles and certain development properties in New Jersey. In addition to securing profits from developments, RGI has procured funds for future investment.

Following in the footsteps of the Paternoster Square Redevelopment Project, completed in 2003, Mitsubishi Estate has embarked on a second redevelopment project in London. In Autumn 2005, construction will commence on the Bow Bells House Redevelopment Project, a joint venture with Mitsubishi Corporation, with completion scheduled in early 2007. The project calls for the demolition of an existing building owned by Mitsubishi Corporation to be followed immediately by joint construction of a new building. Located in an area conducive to office and retail use, and adjacent to the historic St. Mary-Le-Bow Church, the site is attracting significant attention.

Focusing mainly on the bullish U.S. real estate investment market, C&W is continuing to produce solid results. The company is pushing toward further growth spurred by a steady expansion in market share.

1.

1. Osaka Securities Exchange Building
Located in Osaka, this building was completed in November 2004. Two floors are below ground and 24 floors above ground.

2. Minato Mirai Business Square
Located in Yokohama, Kanagawa Prefecture, this building was completed in August 2004. Two floors are below ground and 14 floors above ground.

2.

Architectural Design & Engineering Operations

Leveraging Accumulated Know-How to Expand Peripheral Businesses

At the core of Mitsubishi Estate's Architectural Design & Engineering operations is Mitsubishi Jisho Sekkei Inc., a business engaged in the design and administration of construction and civil engineering projects, building renovation work, projects related to urban and regional development, as well as comprehensive consulting.

Robust Architectural Design & Engineering Operations Coupled with Peripheral Business Expansion

The major projects that were completed during the fiscal year ended March 31, 2005 included the Osaka Securities Exchange Building, Marunouchi OAZO's Marunouchi Hotel and the Minato Mirai Business Square. The Tokyo Building, the Mitsubishi Corporation new office building, and Kudan-Kita Project (tentative name) are planned for completion in the fiscal year ending March 31, 2006. In the future we will continue efforts to secure orders in architectural design and engineering for office buildings, condominiums and retail facilities, and actively pursue business expansion by cultivating new business domains in refurbishment, construction management, PFIs and district heating and cooling, all areas earmarked for potential growth.

Continuous Efforts to Enhance Customer Satisfaction

Mitsubishi Jisho Sekkei consistently endeavors to improve its planning, design and technical capabilities in an effort to swiftly and accurately address the varied and increasingly sophisticated needs of its clients. In addition, Mitsubishi Jisho Sekkei, together with MEC Design International Corporation, a company that provides interior design services, fully utilize the technological strengths that support the entire Mitsubishi Estate Group to deliver high-quality products and services. Furthermore, as part of the quality management system, Mitsubishi Jisho Sekkei conducts periodic customer satisfaction surveys. The results are shared in-house to ensure consistent and continuous improvement in customer satisfaction.

1. TRESTELLA
TRESTELLA, a new concept in open-style kitchen created in conjunction with the renowned Italian industrial design company Giugiaro Design.

2. Master
A new product with a distinctive external facade.

Custom-Built Housing Operations

New Ideas for Every Lifestyle

Custom-Built Housing operations seek to supply the kind of quality housing that is the foundation of a rewarding life. Through Mitsubishi Estate Home Co., Ltd., our principal vehicle in these activities, we undertake construction contracts for custom-built housing for individuals as well as housing development companies.

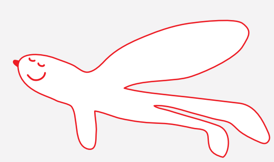
"Aerotech," an Innovative Open-Design Housing Concept

Focusing on the two-by-four construction method, the principal method for single unit custom-built housing, Mitsubishi Estate Home strives to deliver living safety and comfort. Leveraging its accumulated technical know-how and expertise, the company boasts stringent quality standards, offering maximum protection from earthquakes, durability and energy efficiency. The company is also renowned for its "Aerotech" mainstay brand. As well as providing a 24-hour central heating, cooling and ventilation system, Aerotech delivers the best in comfortable living, with an open-design concept that fully satisfies the diverse needs of customers.

Based on the theme of communication that starts and is centered around the kitchen, Mitsubishi Estate Home launched "TRESTELLA" in April 2005, a concept that positions an open-style kitchen at the core of communication and family life.

On the theme of home safety and security, Mitsubishi Estate Home markets the "Prote" series of security-conscious residences and for the senior demographic, the "Master" brand, distinguished for its elegant and sophisticated external facade. In addition to the new TRESTELLA, the Prote and Master brands, Mitsubishi Estate offers a wealth of variations.

Mitsubishi Estate Home is also active in fostering business opportunities with housing development companies and in house renovations. Based on its residential design know-how, accumulated over a number of years, the company endeavors to create comfortable living environments on an individual and town-wide basis.



フーさん®

Air Mascot Fu-san

1. Royal Park Shiodome Tower
Located in Shiodome Media City, Tokyo, this new style of hotel was created around the concepts of stylish space, a convenient environment and flexible service.

2. Sendai Royal Park Hotel
This beautifully designed hotel is located near Sendai City. Within the seasonally expressive gardens that surround the hotel, are wedding facilities for hotel and other guests. Wedding facilities include a garden chapel and other facilities such as an esthetic salon directly operated by the hotel.

Hotel Business Operations

Enhancing Brand Power and Management Efficiency

In Hotel Business operations, Royal Park Hotels and Resorts Co., Ltd. integrates the administration and management of each hotel to ensure consistency throughout the hotel chain, to enhance management efficiency and to improve the level of management. With hotels in Tokyo, Yokohama, Sendai and other locations, the Royal Park chain comprises a network of seven hotels offering 2,235 guestrooms.

A New Style of Hotel that Supports Business

Opened in July 2003 in Shiodome, Tokyo, the Royal Park Shiodome Tower offers a new paradigm in hotel services, including Japan's first Mandara Spa for relaxation, and the use of a time-sharing service where members are able to use guestrooms on an hourly basis. These unique services have sustained a high rate of occupancy. Mitsubishi Estate plans to use the development and management know-how gained from the Royal Park Shiodome Tower to create new business opportunities.

Increasing the Brand Value of Royal Park Hotels Through Management Focused on Customer Satisfaction

Based on the "Best for the Guest" philosophy of the Royal Park Hotels, we take one step beyond customer satisfaction by aiming to delight our guests.

As part of an initiative to enhance the hotel chain, in July 2004 we launched a central reservation office, a first for a locally owned hotel chain in Japan. Using this system, it is possible to directly make reservations on a Web site for rooms at hotels in Japan and other countries around the world. We will aggressively promote the use of this online reservation system to hotels outside the Royal Park Hotels group.

Real Estate Service Operations

Placing Further Strategic Focus on Real Estate Brokerage Operations

1. Nabeaure Yokohama Tower Residence*
A joint development between Mitsubishi Logistics Corporation and Mitsubishi Estate, Nabeaure Yokohama Tower Residence is a 390 condominium high-rise luxury complex currently under construction in Kanagawa-ku, Yokohama.

2. Forton Hills*
A joint development among a number of companies including TOWA REAL ESTATE DEVELOPMENT CO., LTD., Forton Hills is a large-scale 888 condominium complex currently under construction in Totsuka-ku, Yokohama.

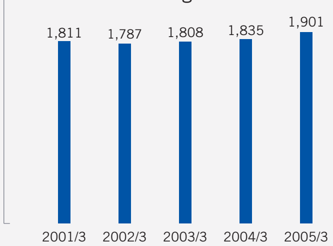
*Mitsubishi Real Estate Services Co., Ltd. acts as sales agent.

Real Estate Service operations, which provide real estate brokerage, condominium sales agency, and office and residential property leasing services, are primarily handled by Mitsubishi Real Estate Services Co., Ltd. Real Estate Service operations is committed to delivering customer-oriented services that meet every conceivable requirement and need.

Real Estate Brokerage Services

Mitsubishi Real Estate Services strives to deliver a comprehensive range of consulting services that support customers in the optimal application of real estate. It is mainly engaged in the real estate brokerage business, active in the purchase, sale and leasing of condominiums and single-unit homes and residential land for individuals, and building and factory sites for the corporate sector. Mitsubishi Real Estate Services also boasts a nationwide network of branches and sales offices, as well as a comprehensive online database. Through these means, Mitsubishi Real Estate Services is consistently able to provide the latest in real estate information.

Real Estate Brokerage Transactions



Sales Agency Services for Properties such as Condominiums

Qualified staff, who are well versed in the unique features and characteristics of individual properties, as well as real estate finance, law, taxation and related matters, are on hand to assist customers in sale of properties such as condominiums. Mitsubishi Real Estate Services also offers specialist staff to assist customers in peripheral procedures such as property registration, real estate finance and other administrative matters. In the area of property development and sales, the Company is on hand to provide total support to property owners and developers. We offer a full range of services including property information, surveys and appraisal, market data, product planning, and advertising and promotional planning.

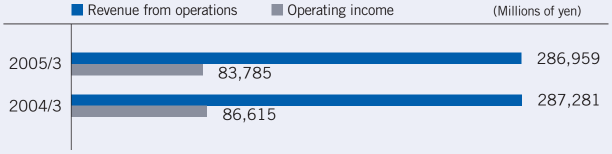
Office and Residential Leasing Services

Mitsubishi Real Estate Services is engaged in a full range of office and residential property leasing services. Mitsubishi Real Estate Services offers a sublease system, under which it leases an entire property from the owner and under a master-lease agreement, sublets to tenants. It also provides a property agency system that includes a comprehensive range of leasing services.

Financial Review

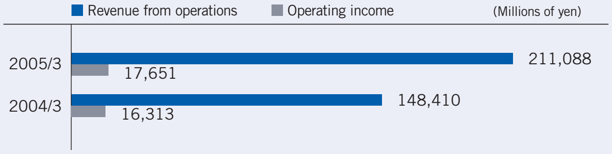
BUILDINGS SEGMENT

Buildings segment revenues are derived mainly from building development and leasing in Japan. This segment is also engaged in building management, parking facilities, district heating and cooling, and other operations.



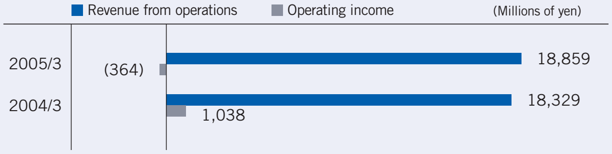
RESIDENTIAL DEVELOPMENT SEGMENT

Residential Development segment revenues are derived from the construction and sale of condominiums and single-unit homes; the development and sale of residential, resort, and commercial lots; the management of condominiums and homes, and; related activities.

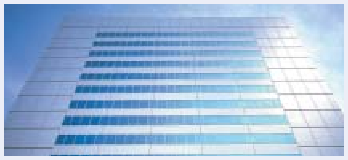


ARCHITECTURAL DESIGN & ENGINEERING SEGMENT

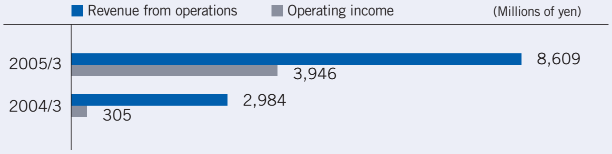
Architectural Design & Engineering segment activities are primarily conducted through Mitsubishi Jisho Sekkei Inc. Segment revenues are derived from the design and project supervision of construction and civil engineering projects.



URBAN DEVELOPMENT & INVESTMENT MANAGEMENT SEGMENT

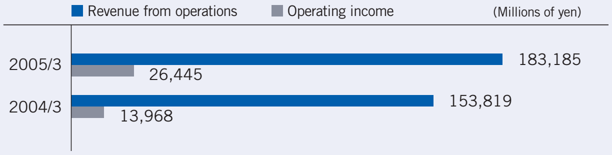


Urban Development & Investment Management segment revenues are derived from the development of income-generating real estate for investment purposes; asset management, and; related activities.



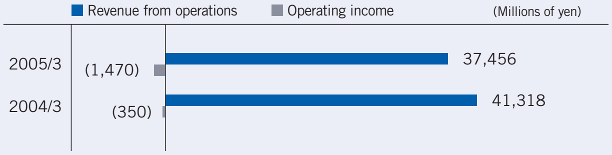
INTERNATIONAL BUSINESS SEGMENT

International Business segment activities are primarily conducted through U.S.-based Rockefeller Group, Inc. Segment revenues are derived from real estate development and leasing; brokerage, and; related activities.



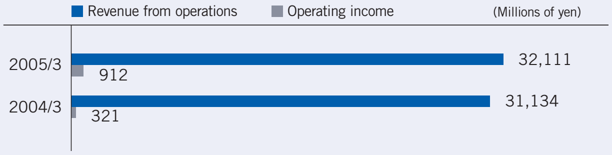
CUSTOM-BUILT HOUSING SEGMENT

Customer-Built Housing segment activities are primarily conducted through Mitsubishi Estate Home Co., Ltd. Segment revenues are derived from contract construction of custom-built housing.



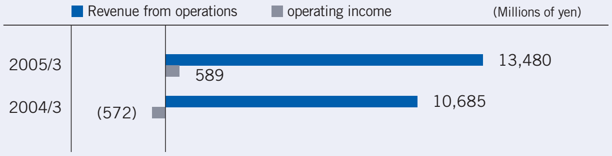
HOTELS SEGMENT

Hotels segment revenues are derived from the operation of Royal Park Hotels.



OTHER SEGMENT

Other segment revenues are derived from the management of leisure-related operations such as golf courses and fitness clubs.



Financial Review

Summary

In the fiscal year ended March 31, 2005, revenue from operations showed an increase. In Building Business operations, results were impacted by the closure of buildings in connection with the Marunouchi Redevelopment Project and a drop in revenues from existing buildings. This was more than offset by growth in Residential Development operations, driven by an increase in the number of condominiums sold and contributions from the sale of overseas property holdings. Operating income increased mainly from profits generated through the sale of overseas buildings. Results were further boosted by an increase in profits in Residential Development operations and from Urban Development & Investment Management operations. Income before income taxes and minority interests also grew on the back of improvements in the Company's net other income and expenses position. This was mainly attributed to the drop in interest expenses reflecting the low interest rate environment that extended throughout the period.

Additional items of significance within other income and expenses included gains on the sale of fixed assets and investment securities and losses on disposal of its ski and golf resort ONIKOUBE business, disposal of fixed assets relating to the reconstruction of the Shin-Marunouchi Building, sales of fixed assets, and valuation of inventories. As a result, net income for the fiscal year under review amounted to ¥36,245 million.

Analysis of Revenue

Revenue from operations for the fiscal year ended March 31, 2005 was ¥775,381 million, an increase of 14.0% compared with the previous fiscal year. Details of results and operating conditions for each business segment are provided as follows.

In the Buildings segment, occupancy rates for existing buildings improved significantly, while the Marunouchi OAZO Building, which was completed in September 2004, commenced full operations. However, results were impacted by the closure of the Shin-Marunouchi Building for reconstruction as part of the Marunouchi Redevelopment Project, and a decline in revenue from existing buildings. Accounting for these factors, total revenue in this segment edged down 0.1% compared with the previous fiscal year, to ¥286,959 million.

In the Residential Development segment, revenue climbed substantially by 42.2% year on year, to ¥211,088 million. This was due to a jump in the number of condominiums sold particularly in the Tokyo Metropolitan area, and an increase in the number of real estate brokerage transactions by Mitsubishi Real Estate Services Co., Ltd.

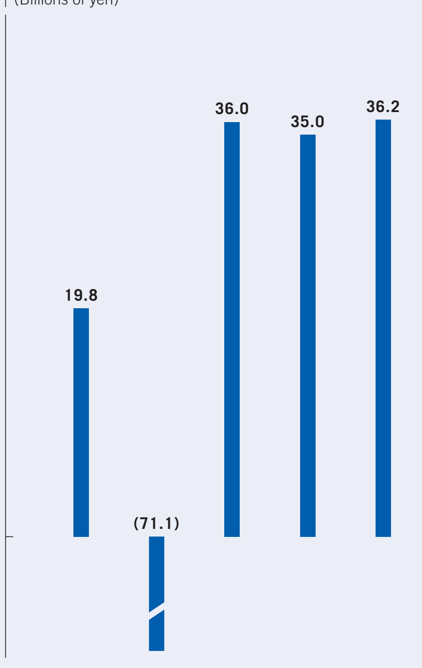
Revenue from the Architectural Design & Engineering segment rose 2.9% to ¥18,859 million. This was attributable to increasing revenues from interior and design work.

In the Urban Development & Investment Management segment, revenue surged 188.5% year on year to ¥8,609 million. In April 2004, construction of Nibancho Garden was completed and the building became fully operational. This contributed significantly to the segment's robust performance. Results were also buoyed by benefits from anonymous associations investments underpinned by the Company's use of special purpose companies in its development business.

Focusing mainly on the robust U.S. real estate market, revenue from Mitsubishi Estate's International Business segment rose 19.1% to ¥183,185 million. This was primarily attributed to the increase in profit at Cushman & Wakefield, Inc. and to the sale of

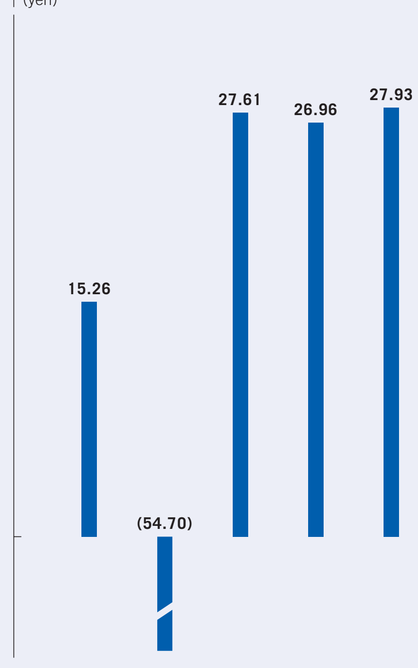
Net Income

(Billions of yen)



Net Income per Share

(yen)



the 777 Tower located in Los Angeles.

In the Custom-Built Housing segment, revenue declined 10.3% to ¥37,456 million. Despite an increase in orders through efforts to promote product differentiation with enhanced features such as "Aerotech," a 24-hour central heating, cooling and ventilation system, the drop in revenue reflects the delays in property settlement, which caused a fall in the number of completions,.

No longer affected by the Iraq conflict and the SARS outbreak of the pervious year, results in the Hotels segment were steady. Performance was also spurred by a full-year contribution from the Royal Park Shiodome Tower, which opened during the previous year. As a result, revenue in this segment increased 3.1% to ¥32,111 million.

Revenue from the Other segment climbed 26.2% to ¥13,480 million. This healthy performance was the result of increases in revenues at Shiki Resorts Company, Limited, in recreational facility accommodation businesses, and in the fitness club business of Liv Sports Co., Ltd.

Analysis of Income

Compared with the previous fiscal year, operating income increased 14.0% to ¥118,233 million.

Operating income in the Buildings segment declined 3.4% due to a drop in income from existing buildings. Losses in the Custom-Built Housing segment continued to deteriorate owing to the delays in property settlement resulting in a drop in completions, and the increase in cost of sales. Despite these results, the increase in overall operating income is attributed to a year-on-year increase in the Residential Development segment, underpinned by the increase in the number of condominiums sold, and to the significant 89.3% jump in operating income from the International Business segment following the sale of the 777 Tower.

Other Income (Expenses)

Other income (expenses) for the fiscal year under review amounted to net other expenses of ¥42,300 million. This was a decline of ¥4,506 million compared with the previous fiscal year. Within other income, Mitsubishi Estate reclassified profits from silent partnerships, which were transferred to operating income (expenses). Other, net totaled expenses of ¥20,912 million. This included loss on disposal of fixed assets of ¥6,733 million relating to the reconstruction of the Shin-Marunouchi Building, and loss on sales of fixed assets of ¥4,730 million. The Company also reported gains on sales of fixed assets and investment securities of ¥1,196 million and ¥2,644 million, respectively. During the fiscal year under review, Mitsubishi Estate also incurred loss on valuation of inventories of ¥5,102 million, loss on disposal of resort and golf businesses of ¥6,390 million, mainly reflecting the sale of the ONIKOUBE business, and other, net expenses of ¥1,799 million.

Net Income

Compared with the previous fiscal term, income before income taxes and minority interests increased ¥18,990 million to ¥75,933 million. Net income in the period under review rose ¥1,256 million to ¥36,245 million, and net income per share was ¥27.93.

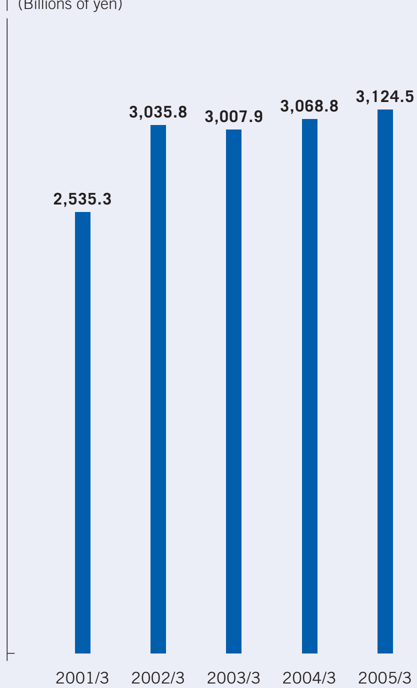
Analysis of Financial Position

(1) Consolidated Cash Flows

On a consolidated basis, cash and cash equivalents (hereafter "cash") at end of the fiscal year declined ¥38,739 million to

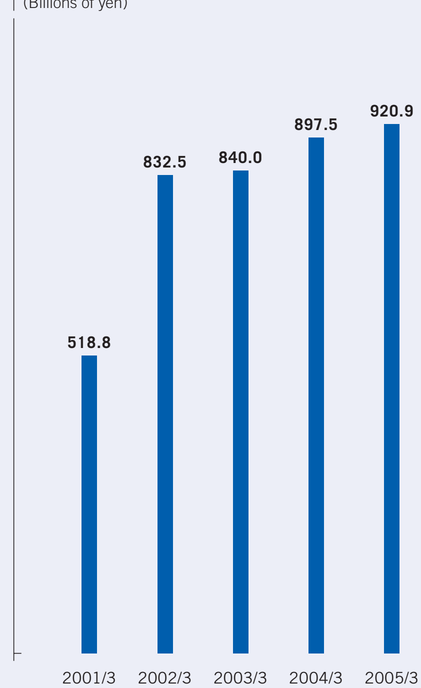
Total Assets

(Billions of yen)



Shareholder' Equity

(Billions of yen)



¥97,324 million. The main sources of cash were income before income taxes and minority interests, depreciation and amortization, increase in commercial paper, and increase in long-term borrowings, while the main uses of cash were purchases of property and equipment, repayments of corporate bonds and long-term borrowings.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥88,900 million, up ¥11,192 million compared with the previous fiscal year. In the period under review, income before income taxes and minority interests of ¥75,933 million and non-cash items such as depreciation and amortization of ¥55,545 million were recorded. In addition, Mitsubishi Estate reported an increase in cash from recovery of the cost of inventories.

Cash Flows from Investing Activities

In the fiscal year under review, net cash used in investing activities was ¥92,409, an increase of ¥31,764 million from the previous fiscal year. This was mainly attributed to capital investment in connection with construction work related to the Marunouchi Redevelopment Project, including Marunouchi OAZO and the Tokyo Building.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥33,485 million, an increase of ¥1,827 million. While Mitsubishi Estate received cash from the increase in long-term borrowings and the increase in commercial paper, this was more than offset by outflows attributed to repayments of long-term borrowings and corporate bonds.

(2) Consolidated Balance Sheets

Compared with the previous fiscal year-end, total assets increased ¥55,672 million to ¥3,124,514 million as a result of the operating, investing, and financing activities previously mentioned.

Liabilities, when compared with the previous fiscal year-end, rose ¥29,040 million to ¥2,168,280 million. Minority interests climbed ¥3,201 million to ¥35,303 million. Total shareholders' equity stood at ¥920,930 million, an increase of ¥23,431 million. This was mainly attributed to net income and the increase in land revaluation reserve.

Management Initiatives and Financial Strategies

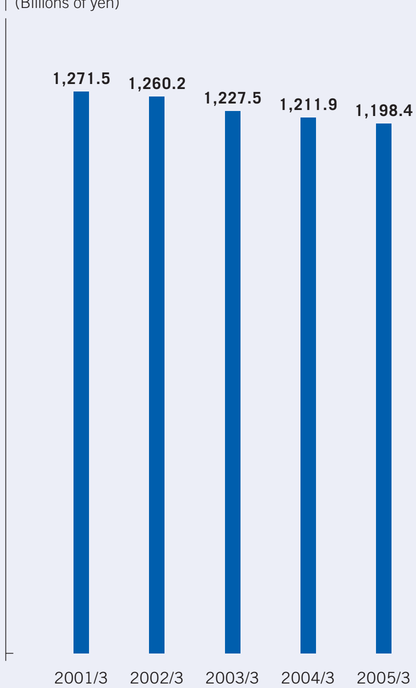
In its three-year Medium-Term Management Plan (April 1, 2002 through March 31, 2005), the Company set a goal for earnings before interest, taxes, depreciation and amortization (EBITDA) of ¥170 billion, to be achieved by the fiscal year ended March 31, 2005. Against this target, EBITDA for the fiscal year under review was ¥178.4 billion.

Looking to the future, Mitsubishi Estate has identified an EBITDA goal of ¥200 billion in its new three-year Medium-Term Management Plan, which covers the period from April 1, 2005 through March 31, 2008. To this end, the Company has formulated the fundamental strategies of rebuilding a dynamic and flexible management structure, securing an optimal business portfolio, improving its asset portfolio, and strengthening its development-based real estate solutions capabilities.

Recognizing the long-term nature of cash flows in its mainstay Building Business operations, Mitsubishi Estate has adopted a financial strategy based on stable interest rate long-term funds procurement. At the present time, Mitsubishi Estate is taking advantage of favorably low interest rates through the issue of long-term corporate bonds with maturity dates of more than 10 years.

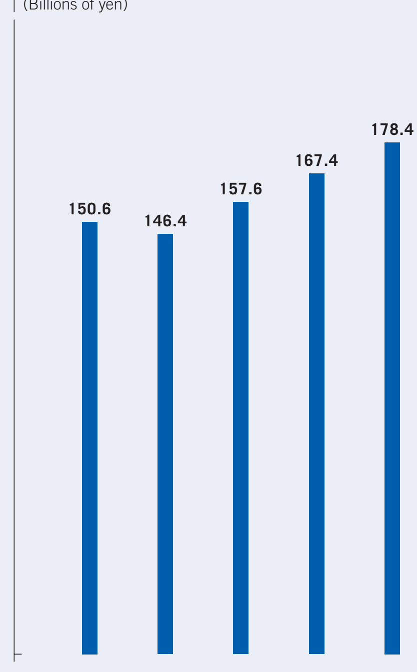
Interest-Bearing Debt

(Billions of yen)



EBITDA

(Billions of yen)



Financial Statements

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	**2005**
Revenue from operations (Note 2)	**¥775,381**	¥679,918	¥681,726	**$7,220,234**
Cost of revenue from operations	**606,957**	530,729	538,105	**5,651,894**
Selling, general and administrative expenses	**50,190**	45,438	47,598	**467,361**
Operating income	**118,233**	103,749	96,023	**1,100,968**
Other income (expenses):				
Interest and dividend income	**2,046**	2,240	2,618	**19,052**
Interest expense	**(26,102)**	(27,482)	(29,647)	**(243,058)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**2,670**	2,164	1,811	**24,862**
Other, net (Note 14)	**(20,912)**	(23,729)	(942)	**(194,729)**
	(42,300)	(46,806)	(26,159)	**(393,891)**
Income before income taxes and minority interests	**75,933**	56,943	69,864	**707,077**
Income taxes (Notes 1 and 9):				
Current	**11,525**	10,970	11,925	**107,319**
Deferred	**20,956**	7,872	18,786	**195,139**
	32,482	18,842	30,711	**302,467**
Minority interests	**7,205**	3,111	3,114	**67,091**
Net income	**¥ 36,245**	¥ 34,989	¥ 36,039	**$337,508**

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004

Assets	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 3) 2005
Current assets:			
Cash (Note 15)	**¥ 83,226**	¥ 127,185	**$ 774,988**
Notes and accounts receivable—trade	**75,063**	60,497	**698,975**
Marketable securities (Note 4)	**12,547**	7,612	**116,835**
Allowance for doubtful receivables	**(3,127)**	(3,041)	**(29,118)**
Inventories (Note 5)	**263,566**	276,445	**2,454,288**
Equity investments (Notes 2 and 4)	**103,761**	—	**966,207**
Deferred income taxes (Note 9)	**36,545**	50,073	**340,301**
Other current assets	**34,006**	37,027	**316,658**
Total current assets	**605,590**	555,799	**5,639,165**
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	**50,520**	26,526	**470,434**
Investment securities (Note 4)	**176,068**	190,040	**1,639,519**
Other investments (Notes 6 and 7)	**128,641**	151,230	**1,197,886**
Total investments	**355,231**	367,798	**3,307,859**
Property and equipment (Note 7):			
Land	**1,365,534**	1,341,932	**12,715,653**
Buildings and structures	**1,509,040**	1,492,552	**14,051,960**
Machinery and equipment	**94,369**	89,995	**878,750**
Construction in progress	**22,778**	30,119	**212,105**
	2,991,723	2,954,600	**27,858,487**
Less accumulated depreciation	**(890,762)**	(867,778)	**(8,294,645)**
Property and equipment, net	**2,100,961**	2,086,821	**19,563,842**
Intangible and other assets	**62,731**	58,422	**584,141**
Total assets	**¥3,124,514**	¥3,068,842	**$29,095,018**

See accompanying notes to consolidated financial statements.

Liabilities and shareholders' equity	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 3) 2005
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 7)	**¥ 218,603**	¥ 300,328	**$ 2,035,599**
Notes and accounts payable—trade	**82,192**	59,270	**765,359**
Accrued income taxes (Note 9)	**7,291**	5,913	**67,892**
Advances and deposits	**80,477**	72,208	**749,390**
Accrued expenses and other current liabilities (Note 9)	**60,075**	42,920	**559,409**
Total current liabilities	**448,639**	480,641	**4,177,660**
Long-term debt (Note 7)	**979,768**	911,559	**9,123,456**
Lease deposits received	**298,388**	309,209	**2,778,545**
Accrued employees' retirement benefits (Note 8)	**10,590**	9,644	**98,612**
Deferred income taxes (Note 9)	**388,516**	383,484	**3,617,804**
Other non-current liabilities	**42,375**	44,700	**394,589**
Total liabilities	**2,168,280**	2,139,240	**20,190,706**
Minority interests	**35,303**	32,102	**328,736**
Shareholders' equity (Note 10):			
Common stock, without par value:			
Authorized—1,980,000,000 shares;			
Issued—1,299,185,054 shares in 2005 and 2004	**86,534**	86,534	**805,791**
Capital surplus	**115,236**	115,216	**1,073,060**
Land revaluation reserve	**424,785**	421,663	**3,955,535**
Retained earnings	**243,577**	220,178	**2,268,153**
Unrealized holding gain on securities	**68,865**	70,296	**641,260**
Foreign currency translation adjustments	**(16,268)**	(15,016)	**(151,485)**
	922,730	898,872	**8,592,327**
Less treasury stock, at cost; 1,865,364 shares in 2005 and 1,471,130 shares in 2004	**(1,800)**	(1,373)	**(16,761)**
Total shareholders' equity	**920,930**	897,499	**8,575,565**
Contingent liabilities (Notes 13 and 18)			
Total liabilities and shareholders' equity	**¥3,124,514**	¥3,068,842	**$29,095,018**

Consolidated Statements of Shareholders' Equity

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen							
	Common stock	Capital surplus	Land revaluation reserve	Retained earnings	Unrealized gain on securities	Foreign currency translation adjustments	Treasury stock	Total shareholders equity
Balance at March 31, 2002	¥86,534	¥115,216	¥399,769	¥182,529	¥48,709	¥ (144)	¥ (116)	¥832,497
Net income	—	—	—	36,039	—	—	—	36,039
Foreign currency translation adjustments	—	—	—	—	—	(6,312)	—	(6,312)
Net decrease in unrealized gain on securities	—	—	—	—	(20,350)	—	—	(20,350)
Land revaluation reserve (Note 1)	—	—	10,837	(1,421)	—	—	—	9,416
Changes in consolidated subsidiaries and companies accounted for by the equity method	—	—	—	61	—	—	—	61
Cash dividends paid	—	—	—	(10,392)	—	—	—	(10,392)
Directors' and statutory auditors' bonuses	—	—	—	(3)	—	—	—	(3)
Treasury stock	—	—	—	—	—	—	(1,003)	(1,003)
Balance at March 31, 2003	86,534	115,216	410,606	206,813	28,359	(6,456)	(1,119)	839,953
Net income	—	—	—	34,989	—	—	—	34,989
Foreign currency translation adjustments	—	—	—	—	—	(8,560)	—	(8,560)
Net increase in unrealized gain on securities	—	—	—	—	41,937	—	—	41,937
Land revaluation reserve (Note 1)	—	—	11,056	(11,056)	—	—	—	—
Changes in consolidated subsidiaries and companies accounted for by the equity method	—	—	—	1	—	—	—	1
Cash dividends paid	—	—	—	(10,383)	—	—	—	(10,383)
Directors' and statutory auditors' bonuses	—	—	—	(184)	—	—	—	(184)
Treasury stock	—	—	—	—	—	—	(254)	(254)
Balance at March 31, 2004	86,534	115,216	421,663	220,178	70,296	(15,016)	(1,373)	897,499
Net income	**—**	**—**	**—**	**36,245**	**—**	**—**	**—**	**36,245**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(1,252)**	**—**	**(1,252)**
Net decrease in unrealized gain on securities	**—**	**—**	**—**	**—**	**(1,430)**	**—**	**—**	**(1,430)**
Gain on sales of treasury stock	**—**	**20**	**—**	**—**	**—**	**—**	**—**	**20**
Land revaluation reserve (Note 1)	**—**	**—**	**3,121**	**(2,739)**	**—**	**—**	**—**	**382**
Changes in consolidated subsidiaries and companies accounted for by the equity method	**—**	**—**	**—**	**278**	**—**	**—**	**—**	**278**
Cash dividends paid	**—**	**—**	**—**	**(10,381)**	**—**	**—**	**—**	**(10,381)**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(5)**	**—**	**—**	**—**	**(5)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(427)**	**(427)**
Balance at March 31, 2005	**¥86,534**	**¥115,236**	**¥424,785**	**¥243,577**	**¥68,865**	**¥(16,268)**	**¥(1,800)**	**¥920,930**

	Thousands of U.S. dollars (Note 3)							
Balance at March 31, 2004	$805,791	$1,072,874	$3,926,464	$2,050,265	$654,586	$(139,826)	$(12,785)	$8,357,379
Net income	**—**	**—**	**—**	**337,508**	**—**	**—**	**—**	**337,508**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(11,658)**	**—**	**(11,658)**
Net decrease in unrealized gain on securities	**—**	**—**	**—**	**—**	**(13,315)**	**—**	**—**	**(13,315)**
Gain on sales of treasury stock	**—**	**186**	**—**	**—**	**—**	**—**	**—**	**186**
Land revaluation reserve (Note 1)	**—**	**—**	**29,062**	**(25,505)**	**—**	**—**	**—**	**3,557**
Changes in consolidated subsidiaries and companies accounted for by the equity method	**—**	**—**	**—**	**2,588**	**—**	**—**	**—**	**2,588**
Cash dividends paid	**—**	**—**	**—**	**(96,666)**	**—**	**—**	**—**	**(96,666)**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(46)**	**—**	**—**	**—**	**(46)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(3,976)**	**(3,976)**
Balance at March 31, 2005	**$805,791**	**$1,073,060**	**$3,955,535**	**$2,268,153**	**$641,260**	**$(151,485)**	**$(16,761)**	**$8,575,565**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	**2005**
Operating activities				
Income (loss) before income taxes and minority interests	**¥ 75,933**	¥ 56,943	¥ 69,864	**$ 707,077**
Depreciation and amortization	**55,545**	56,982	56,739	**517,152**
Loss (gain) on sales or disposal of property and equipment	**11,434**	12,809	(10,508)	**106,471**
Loss (gain) on sales of beneficial interests in trust of property and equipment	**(0)**	174	—	**(0)**
Gain on sales of securities	**(2,644)**	(7,074)	(1,887)	**(24,620)**
Valuation loss on securities	**346**	1,059	3,957	**3,221**
Valuation loss on inventories	**5,102**	4,008	5,915	**47,509**
Equity in net income of affiliates	**(2,670)**	(2,164)	(1,811)	**(24,862)**
Increase (decrease) in allowances	**958**	(3,324)	(225)	**8,920**
Interest and dividend income	**(2,047)**	(2,240)	(2,619)	**(19,061)**
Interest expense	**26,105**	27,482	29,649	**243,085**
Increase in notes and accounts receivable	**(15,237)**	(8,126)	(7,342)	**(141,884)**
Decrease (increase) in inventories	**17,005**	(614)	12,917	**158,348**
Increase in equity investments	**(70,960)**	—	—	**(660,769)**
Increase (decrease) in notes and accounts payable	**29,462**	(7,529)	17,518	**274,345**
Decrease in lease deposits received	**(10,818)**	(10,989)	(2,907)	**(100,735)**
Other	**4,603**	(4,705)	1,816	**(617,906)**
Subtotal	**122,111**	112,692	171,076	**1,137,079**
Interest and dividends received	**2,814**	3,457	3,010	**26,203**
Interest paid	**(25,195)**	(26,991)	(29,854)	**(234,612)**
Income taxes paid	**(10,830)**	(11,449)	(9,626)	**(100,847)**
Net cash provided by operating activities	**88,900**	77,708	134,606	**827,823**
Investing activities				
Proceeds from sales of marketable securities	**2,025**	10,028	41,946	**18,856**
Purchases of marketable securities	**(1,899)**	(8,200)	(20,093)	**(17,683)**
Proceeds from sales of property and equipment	**7,304**	3,459	29,325	**68,013**
Purchases of property and equipment	**(79,793)**	(70,205)	(128,807)	**(743,020)**
Proceeds from sales of investment securities	**5,498**	9,292	6,689	**51,196**
Purchases of investment securities	**(25,705)**	(7,149)	(4,609)	**(239,361)**
Proceeds from sales of beneficial interests in trust of property and equipment	**58**	954	—	**540**
Other	**101**	1,175	3,238	**940**
Net cash used in investing activities	**(92,409)**	(60,645)	(72,311)	**(860,499)**
Financing activities				
Net decrease in short-term borrowings	**(1,487)**	(39,609)	(5,566)	**(13,846)**
Net increase (decrease) in commercial paper	**58,000**	—	(1,877)	**540,087**
Increase in long-term borrowings	**152,513**	139,960	61,972	**1,420,178**
Repayment of long-term borrowings	**(133,234)**	(78,737)	(42,760)	**(1,240,655)**
Proceeds from issuance of corporate bonds	**51,489**	85,190	132,538	**479,458**
Repayment of corporate bonds	**(146,618)**	(115,406)	(171,723)	**(1,365,285)**
Cash dividends paid	**(10,381)**	(10,383)	(10,391)	**(96,666)**
Other	**(3,764)**	(12,672)	(1,094)	**(35,049)**
Net cash used in financing activities	**(33,485)**	(31,658)	(38,901)	**(311,807)**
Effect of exchange rate changes on cash and cash equivalents	**(1,977)**	(1,801)	(2,431)	**(18,409)**
Net (decrease) increase in cash and cash equivalents	**(38,971)**	(16,397)	20,963	**(362,892)**
Cash and cash equivalents at beginning of year	**136,063**	152,450	131,374	**1,266,998**
Increase in cash and cash equivalents arising from mergers and acquisitions	**233**	9	113	**2,169**
Cash and cash equivalents at end of year (Note 15)	**¥ 97,324**	¥ 136,063	¥ 152,450	**$ 906,266**

See accompanying notes to consolidated financial statements.

1.

Significant Accounting Policies

Basis of preparation

The accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which may not be required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the subsidiaries that it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The actual results could differ from those estimates.

Foreign currency translation

Current and non-current monetary accounts denominated in foreign currencies are translated into yen at the current rates.

The revenue and expense accounts of the foreign consolidated subsidiaries are translated using the average rate during the year. Except for shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

Cash equivalents

The Company considers all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less to be cash equivalents. Reconciliation between cash in the balance sheet and cash equivalents at March 31, 2005, 2004 and 2003 is presented in Note 15.

Marketable securities and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

Inventories

Inventories are mainly stated at cost, determined by the identified cost method; however, when the fair value is substantially less than cost and the decline in fair value is considered to be permanent, inventories are revalued at fair value.

Property and equipment, depreciation and impairment

Property and equipment, except for land as discussed below, is stated at cost less accumulated depreciation. Depreciation is calculated principally by the declining-balance method, except for buildings acquired in Japan subsequent to March 31, 1998 and property and equipment of foreign subsidiaries on which depreciation is calculated by the straight-line method at rates determined based on the estimated useful lives of the respective assets. The Company has capitalized the costs incurred for significant renewals and additions; however, costs for maintenance and repairs are charged to income.

As of March 31, 2002, the Company revalued its land at fair value, pursuant to Article 2 of the "Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land" and its amendments (the "Law"). The related unrealized gain, net of applicable income taxes, has been recorded as "Land revaluation reserve" in shareholders' equity.

The Company reviews its property and equipment (including land) for impairment whenever events or changes in its business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company performs cash flow analyses to determine if an impairment exits. If impairment is determined to exist, any related loss on impairment is calculated based on the cash flow analyses.

Leases

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases that stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

Intangible and other assets

Intangible and other assets primarily consist of goodwill and land use rights. Goodwill is stated on the basis of cost and is being amortized over a period of 5 years or an estimated economical period on a straight-line basis, except for any goodwill and any indefinite lived intangible assets of subsidiaries in the United States acquired in a business combination completed after June 30, 2001, which have not been amortized. A loss is recognized if the fair value falls below the carrying amount. Land use rights are stated on a cost basis.

Retirement benefits
The Company and most consolidated subsidiaries have noncontributory funded and unfunded defined benefit plans covering most of their employees. Employees of the Company and its consolidated subsidiaries are entitled under most employment termination circumstances to annuity payments or lump-sum payments, the amounts of which are determined principally by reference to their basic rates of pay, length of service, and the conditions under which the termination occurs.

Accrued employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the employees.

The net retirement benefit obligation at transition incurred at the Company and its domestic consolidated subsidiary was charged to operations as incurred. The net retirement benefit obligation at transition incurred at certain foreign subsidiaries is amortized over 20 years.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the period of the range from 5 years to 15 years which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over the period of 6 years or 10 years which are shorter than the average remaining years of service of the employees.

In addition, directors and statutory auditors are customarily entitled to lump-sum payments under the Company's internal regulations. Accrued severance benefits for these officers of the Company have been provided at estimated amounts and are included in other noncurrent liabilities.

Income taxes
Deferred tax assets and liabilities are determined based on the financial statements and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carry forwards. Valuation allowances are established to reduce deferred tax assets if it is more likely than not that the some portion or all of the deferred tax assets will not be realized.

Derivative financial instruments
The Company and certain of its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations and changes in interest rates (interest rate swaps) and weather (weather derivatives), but do not enter into such transactions for speculative or trading purposes.

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or liability.

Revenue recognition
The consolidated statements of income reflect revenue from operations in the following manner:
(a) Revenue from the leasing of office space is recognized as rent accrued over the leasing period.
(b) Revenue from sales of condominiums, residential houses and land is recognized when the units are delivered and accepted by the customers.
(c) Revenue from real estate brokerage is recognized when an underlying lease agreement goes into force or the underlying units are delivered.
(d) Revenue from architectural design and supervision is recognized at the date of completion of each relevant project, except that certain long-term projects over ¥500 million in total revenue are recognized by the percentage of completion method.
(e) Revenue from construction contracts is recognized at the date of completion of each relevant project, except that certain long-term projects over ¥5,000 million in total revenue are recognized by the percentage of completion method.
(f) Other operating revenue is recognized on an accrual basis.

Appropriation of retained earnings
Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

Reclassifications
Certain reclassifications have been made to the 2004 and 2003 financial statements in order to conform them to the 2005

2.
Accounting Change

Effective April 1, 2004, the Company has changed its presentation of income and loss concerning real estate business using special purpose companies from non-operating income and loss to operating income and loss. This change was made in order to achieve a more accurate presentation of the operating results of the Company. The effect of this change was to increase revenue from operations by ¥3,656 million. There was no effect to income before income taxes and minority interests for the year ended March 31, 2005.

According to the above change, the Company reclassified investments in silent partnerships, preferred investments and real estate trust investments relating to the real estate business to the account of Equity investments in the balance sheet as of March 31, 2005. At the last year end, March 31, 2004, those investments were included in and presented as Other investments (investments in silent partnership of ¥21,870 million) and Investment securities (preferred investments and real estate trust investments totaled ¥11,463 million).

3.
U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥107.39 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2005. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4.
Marketable Securities and Investment Securities

Marketable and investment securities classified as other securities at March 31, 2005 and 2004 are summarized as follows:

	2005					
	Millions of yen			Thousands of U.S. dollars		
	Cost	Fair value	Unrealized gain (loss)	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:						
Equity securities	**¥60,139**	**¥176,341**	**¥116,202**	**$560,005**	**$1,642,061**	**$1,082,056**
Subtotal	**60,139**	**176,341**	**116,202**	**560,005**	**1,642,061**	**1,082,056**
Securities whose cost exceeds their fair value:						
Equity securities	**66**	**49**	**(17)**	**614**	**456**	**(158)**
Corporate bonds	**108**	**108**	**—**	**1,005**	**1,005**	**—**
Subtotal	**175**	**157**	**(17)**	**1,629**	**1,461**	**(158)**
Total	**¥60,314**	**¥176,498**	**¥116,184**	**$561,635**	**$1,643,523**	**$1,081,888**

	2004		
	Millions of yen		
	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥60,088	¥178,687	¥118,599
Debt securities:			
Corporate bonds	392	392	—
Subtotal	60,480	179,079	118,599
Securities whose cost exceeds their fair value:			
Equity securities	—	—	—
Subtotal	—	—	—
Total	¥60,480	¥179,079	¥118,599

Proceeds from sales of securities classified as other securities totaled ¥3,752 million ($34,938 thousand) in 2005 and ¥8,755 million in 2004. Gross realized gain was ¥2,644 million ($24,620 thousand) in 2005 and ¥7,160 million in 2004 and ¥86 million in 2003, respectively.

Marketable debt securities classified as held-to-maturity securities at March 31, 2005 and 2004 are summarized as follows:

	2005					
	Millions of yen			Thousands of U.S. dollars		
	Amortized cost	Fair value	Unrealized gain (loss)	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:						
Government bonds	¥ 197	¥ 199	¥ 1	$ 1,834	$ 1,853	$ 9
Subtotal	197	199	1	1,834	1,853	9
Debt securities whose cost exceeds their fair value:						
Government bonds	9	9	(0)	83	83	(0)
Other	1,899	1,898	(0)	17,683	17,673	(0)
Subtotal	1,909	1,908	(0)	17,776	17,767	(0)
Total	¥2,106	¥2,107	¥ 0	$19,610	$19,620	$(0)

	2004		
	Millions of yen		
	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 222	¥ 224	¥ 1
Subtotal	222	224	1
Debt securities whose cost exceeds their fair value:			
Other	1,899	1,898	(1)
Subtotal	1,899	1,898	(1)
Total	¥2,121	¥2,122	¥ 0

Marketable and investment securities recorded at cost at March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Other securities:			
Nonmarketable equity securities (other than equity securities listed on the over-the-counter market)	¥ 18,948	¥10,831	$ 176,441
Mutual funds	343	448	3,193
Commercial paper	10,181	2,142	94,803
MMF	—	9	—
Other	—	20	—
Corporate bonds	—	1,000	—
Other:			
Investments in silent partnerships	84,299	—	784,979
Held-to-maturity securities:			
Commercial paper	—	1,999	—
Total	¥113,771	¥16,449	$1,059,418

The redemption schedule for securities classified as other securities at March 31, 2005 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Due within one year or less	Due after one year through five years	Due after five years or more	Due within one year or less	Due after one year through five years	Due after five years or more
Bonds:						
Government bonds	¥ 40	¥160	¥10	$ 372	$1,489	$93
Corporate bonds	160	—	—	1,489	—	—
Other bonds	1,900	—	—	17,692	—	—
Other	—	—	—	—	—	—
Total	¥2,100	¥160	¥10	$19,554	$1,489	$93

The Company recognized losses on other securities considered other-than-temporary amounting to ¥346 million ($3,221 thousand) and ¥1,059 million for the years ended March 31, 2005 and 2004, respectively.

5.
Inventories

Inventories at March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Real estate for sale	**¥128,853**	¥141,443	**$1,199,860**
Land and housing projects in progress	**109,600**	109,668	**1,020,579**
Land held for development	**13,616**	14,262	**126,790**
Other	**11,495**	11,070	**107,039**
Total	**¥263,566**	¥276,445	**$2,454,288**

6.
Other Investments

Other investments at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Lease deposits	**¥ 72,625**	¥ 74,691	**$ 676,273**
Long-term prepaid expenses and other	**56,016**	76,539	**521,612**
Total	**¥128,641**	¥151,230	**$1,197,886**

7.
Short-Term Borrowings and Long-Term Debt

At March 31, 2005 and 2004, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Loans, principally from banks	**¥ 45,971**	¥ 47,325	**$ 428,075**
Commercial paper	**58,000**	—	**540,087**
Current portion of long-term debt	**114,631**	253,003	**1,067,427**
Total	**¥218,603**	¥300,328	**$2,035,599**

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2005 and 2004 were 0.68% and 0.46%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2005 and 2004, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Zero coupon convertible bonds due 2006	**¥ 100,000**	¥ 100,000	**$ 931,185**
5.6% mortgage bonds due 2004	**—**	50,000	**—**
5.275% mortgage bonds due 2005	**—**	50,000	**—**
4.8% mortgage bonds due 2005	**50,000**	50,000	**465,592**
0.9% unsecured bonds due 2004	**—**	10,000	**—**
2.55% unsecured bonds due 2004	**—**	10,000	**—**
2.125% unsecured bonds due 2005	**10,000**	10,000	**93,118**
2.21% unsecured bonds due 2006	**10,000**	10,000	**93,118**
1.325% unsecured bonds due 2006	**10,000**	10,000	**93,118**
3.4% unsecured bonds due 2006	**10,000**	10,000	**93,118**
3% unsecured bonds due 2006	**10,000**	10,000	**93,118**
2.975% unsecured bonds due 2007	**30,000**	30,000	**279,355**
2.575% unsecured bonds due 2008	**10,000**	10,000	**93,118**
0.37% unsecured bonds due 2008	**10,000**	10,000	**93,118**
2.525% unsecured bonds due 2008	**10,000**	10,000	**93,118**
3.1% unsecured bonds due 2008	**10,000**	10,000	**93,118**
1.82% unsecured bonds due 2009	**10,000**	10,000	**93,118**
3.075% unsecured bonds due 2009	**10,000**	10,000	**93,118**
2% unsecured bonds due 2009	**10,000**	10,000	**93,118**
1.985% unsecured bonds due 2009	**10,000**	10,000	**93,118**
0.72% unsecured bonds due 2009	**10,000**	10,000	**93,118**
1.9% unsecured bonds due 2010	**10,000**	10,000	**93,118**
1.55% unsecured bonds due 2011	**10,000**	10,000	**93,118**
1.44% unsecured bonds due 2011	**10,000**	10,000	**93,118**
1.16% unsecured bonds due 2011	**10,000**	10,000	**93,118**
3.275% unsecured bonds due 2012	**10,000**	10,000	**93,118**
1.47% unsecured bonds due 2012	**10,000**	10,000	**93,118**
1.58% unsecured bonds due 2012	**20,000**	20,000	**186,237**
1.395% unsecured bonds due 2012	**10,000**	10,000	**93,118**
1.2% unsecured bonds due 2012	**10,000**	10,000	**93,118**
1% unsecured bonds due 2013	**10,000**	10,000	**93,118**
0.785% unsecured bonds due 2013	**10,000**	10,000	**93,118**
1.675% unsecured bonds due2014	**10,000**	—	**93,118**
1.349% unsecured bonds due 2014	**10,000**	10,000	**93,118**
1.65% unsecured bonds due 2014	**10,000**	10,000	**93,118**
1.75% unsecured bonds due2014	**10,000**	—	**93,118**
1.655% unsecured bonds due 2014	**10,000**	10,000	**93,118**
1.409% unsecured bonds due2015	**10,000**	—	**93,118**
3.125% unsecured bonds due 2017	**10,000**	10,000	**93,118**
3% unsecured bonds due 2018	**10,000**	10,000	**93,118**
2.5% unsecured bonds due 2020	**10,000**	10,000	**93,118**
2.42% unsecured bonds due 2022	**10,000**	10,000	**93,118**
1.50% unsecured bonds due 2022	**10,000**	10,000	**93,118**
2.28% unsecured bonds due2024	**10,000**	—	**93,118**
2.9% unsecured bonds due 2032	**10,000**	10,000	**93,118**
2.615% unsecured bonds due 2032	**10,000**	10,000	**93,118**
2.04% unsecured bonds due 2032	**20,000**	20,000	**186,237**
1.72% unsecured bonds due 2033	**10,000**	10,000	**93,118**
7.37% unsecured bonds due 2008 (payable in U.S. dollars)	**2,977**	3,826	**27,721**
Floating rate bonds due 2004 (payable in U.S. dollars)	**—**	14,024	**—**
Floating rate bonds due 2005 (payable in U.S. dollars)	**2,261**	2,324	**21,054**
Loans from banks and insurance companies:			
Secured	**78,821**	72,599	**733,969**
Unsecured	**400,340**	381,788	**3,727,907**
	1,094,399	1,164,561	**10,190,883**
Less current portion	**(114,631)**	(253,002)	**(1,067,427)**
Total	**¥ 979,768**	¥ 911,559	**$ 9,123,456**

Certain bonds have call options that may be exercised at the respective expiry dates.

The agreements under which the zero coupon convertible bonds were issued provide for conversion of the bonds into shares of common stock at the current conversion prices per share of ¥1,200 ($11) subject to adjustment in certain cases, for example, the Company issues stock at a price which is lower than market value.

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2006	¥ 114,631	$ 1,067,427
2007	244,876	2,280,249
2008	93,248	868,311
2009	60,653	564,791
2010 and thereafter	580,990	5,410,094
Total	¥1,094,399	$10,190,883

The assets pledged as collateral for short-term borrowings of ¥1,846 million ($17,189 thousand), and long-term debt of ¥78,821 million ($733,969 thousand) at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 12,979	$ 120,858
Buildings and structures	73,190	681,534
Machinery and equipment	13,310	123,940
Other investments	27,975	260,499
Total	¥127,276	$1,185,175

Additionally, all assets of the Company are subject to the terms of an enterprise mortgage for mortgage bonds, which amounted to ¥50,000 million ($465,592 thousand) at March 31, 2005.

As is customary in Japan, collateral must be given if requested by lending institutions under certain circumstances, and banks, in general, have the right to offset cash deposited with them against any debt or obligations payable to a bank which become due in cases of default or certain other specified events. The Company has never received any such requests nor does it expect that any such requests will be made.

8.
Pension and Severance Plans

The following table sets forth the funded status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2005 and 2004 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Retirement benefit obligation	**¥(80,222)**	¥(77,622)	**$(746,987)**
Plan assets at fair value	**62,062**	63,190	**577,912**
Unfunded retirement benefit obligation	**(18,159)**	(14,432)	**(169,066)**
Unrecognized net benefit obligation at transition	**391**	453	**3,640**
Unrecognized actuarial loss	**10,869**	10,397	**101,182**
Unrecognized prior service cost	**922**	1,083	**8,585**
Unrecognized gain of plan assets	**—**	(2,903)	**—**
Net amounts recognized in the consolidated balance sheet	**(5,976)**	(5,402)	**(55,647)**
Prepaid pension expenses	**4,614**	4,241	**42,964**
Accrued employees' retirement benefits	**¥(10,590)**	¥ (9,644)	**$ (98,612)**

The components of expenses related to the pension and severance plans for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service cost	**¥ 3,740**	¥ 3,470	**$ 34,826**
Interest cost	**1,982**	2,210	**18,456**
Expected return on plan assets	**(1,194)**	(1,105)	**(11,118)**
Amortization of net retirement benefit obligation at transition	**48**	54	**446**
Other	**1,700**	3,202	**15,830**
Total	**¥ 6,277**	¥ 7,833	**$ 58,450**

The assumptions used in accounting for the pension and severance plans for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004
Discount rate	**2.0–6.0%**	2.0–6.25%
Expected rate of return on plan assets	**1.0–7.5%**	2.25–7.5%

9.
Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rates of 40.69% for the year ended March 31, 2005 and 42.05% for the years ended March 31, 2004 and 2003. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the three years ended March 31, 2005 differ from the statutory tax rate for the following reasons:

	2005	2004	2003
Statutory tax rate	**40.69%**	42.05%	42.05%
Increase (decrease) in income taxes resulting from:			
Change in valuation allowance	**(2.26)**	(15.95)	(7.62)
Different tax rates applied	**1.88**	1.41	1.07
Revenues deductible for income tax purposes	**(0.26)**	(0.22)	(0.10)
Expenses not deductible for income tax purposes	**0.48**	0.77	0.65
Undistributed earnings of affiliates	**2.53**	4.86	2.69
Adjustment of deferred tax assets to reflect change in effective tax rate	**—**	—	1.41
Other	**(0.27)**	0.17	3.81
Effective tax rates	**42.79%**	33.09%	43.96%

The significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Net operating loss carry forwards	**¥ 22,362**	¥ 28,720	**$ 208,231**
Accrued retirement allowances and pension costs	**14,813**	11,925	**137,936**
Valuation loss on inventories	**23,192**	30,213	**215,960**
Unrealized loss on property and equipment	**46,505**	49,139	**433,047**
Land revaluation reserve	**98,555**	100,885	**917,729**
Other	**17,419**	18,995	**162,203**
	222,850	239,880	**2,075,146**
Valuation allowance	**(14,366)**	(14,776)	**(133,774)**
Total deferred tax assets	**208,483**	225,104	**1,941,363**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	**(63,127)**	(63,616)	**(587,829)**
Land revaluation reserve	**(389,720)**	(390,170)	**(3,629,015)**
Unrealized gain on property and equipment	**(33,062)**	(31,161)	**(307,868)**
Unrealized gain on securities	**(47,282)**	(48,258)	**(440,283)**
Other	**(24,498)**	(23,349)	**(228,121)**
Total deferred tax liabilities	**(557,690)**	(556,555)	**(5,193,127)**
Net deferred tax liabilities	**¥(349,207)**	¥(331,451)	**$(3,251,764)**

10.
Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥21,663 million ($201,722 thousand) and ¥21,658 million as of March 31, 2005 and 2004, respectively.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

11.
Amounts Per Share

	Yen			U.S. dollars
Year ended March 31,	**2005**	2004	2003	**2005**
Net income:				
Basic	**¥27.93**	¥26.96	¥27.61	**$0.26**
Diluted	**26.24**	25.33	25.87	**0.24**
Cash dividends applicable to the year	**8.00**	8.00	8.00	**0.07**

	Yen		U.S. dollars
	March 31,		
	2005	2004	**2005**
Net assets	**¥709.83**	¥691.60	**$6.60**

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

12.
Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2005 and 2004, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
March 31, 2005						
Buildings and structures	**¥ 7,881**	**¥1,646**	**¥ 6,234**	**$ 73,386**	**$15,327**	**$58,050**
Others	**8,746**	**4,378**	**4,366**	**81,441**	**40,767**	**40,655**
Total	**¥16,629**	**¥6,026**	**¥10,602**	**$154,846**	**$56,113**	**$98,724**
March 31, 2004						
Buildings and structures	¥ 4,322	¥ 888	¥3,434			
Others	8,432	3,864	4,567			
Total	¥12,756	¥4,753	¥8,002			

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥2,683 million ($24,983 thousand), ¥2,105 million and ¥1,864 million for the years ended March 31, 2005, 2004 and 2003, respectively.

Future minimum lease payments subsequent to March 31, 2005 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
Year ending March 31:				
2006	¥ 2,801	¥ 5,661	$26,082	$ 52,714
2007 and thereafter	7,801	39,139	72,641	364,456
Total	¥10,602	¥44,800	$98,724	$417,171

The Company and its consolidated subsidiaries lease office buildings and commercial properties and earn income on these leases. Future minimum lease income subsequent to March 31, 2005 from noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2006	¥105,993	$ 986,991
2007 and thereafter	573,069	5,336,334
Total	¥679,062	$6,323,326

13.
Contingent Liabilities

At March 31, 2005, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of affiliates' loans from banks	¥1,011	$ 9,414
Guarantees of employees' housing loans from banks and others	534	4,972
Other	68	633
Total	¥1,613	$15,020

14.
Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for each of the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Loss on disposal of fixed assets	**¥ (6,733)**	¥(18,002)	¥(7,541)	**$ (62,696)**
Loss on sales of fixed assets	**(4,730)**	(4,562)	—	**(44,045)**
Gain on sales of fixed assets	**1,196**	—	18,427	**11,136**
Gain on sales of investment securities	**2,644**	7,160	1,872	**24,620**
Loss on valuation of investment securities	**—**	(1,059)	(3,957)	**—**
Loss on cancellation of sublease contracts	**—**	(5,061)	—	**—**
Loss on valuation of inventories	**(5,102)**	(4,008)	(5,915)	**(47,509)**
Loss on disposal of resort and golf businesses	**(6,390)**	—	—	**(59,502)**
Other, net	**(1,799)**	1,806	(3,828)	**(16,733)**
Total	**¥(20,912)**	¥(23,729)	¥ (942)	**$(194,738)**

15.
Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2005, 2004 and 2003:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Cash	**¥83,226**	¥127,185	¥143,553	**$774,988**
Time deposits with maturities of more than three months	**(1,375)**	(1,665)	(1,925)	**(12,803)**
Marketable securities with maturities of three months or less	**10,472**	5,543	10,822	**97,513**
Resell agreements with maturities of three months or less	**5,000**	5,000	—	**46,559**
Cash and cash equivalents	**¥97,324**	¥136,063	¥152,450	**$906,266**

16.
Derivatives

The Company and certain of its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations and changes in interest rates (interest rate swaps) and weather (weather derivatives), but do not enter into such transactions for speculative or trading purposes.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to the derivatives, but any loss would not be material because the Company enters into such transactions only with financial institutions with high credit ratings. The notional amounts of the derivatives do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's related risk exposure.

Summarized below are the notional amounts and the estimated fair value of the interest-related derivative positions outstanding at March 31, 2005 and 2004:

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
March 31, 2005						
Interest rate swaps:						
Receive/floating and pay/fixed	**¥ 5,000**	**¥(49)**	**¥(49)**	**$46,559**	**$(456)**	**$(456)**
Receive/fixed and pay/floating	**5,000**	**75**	**75**	**46,559**	**698**	**698**
Total	**¥10,000**	**¥ 25**	**¥ 25**	**$93,118**	**$ 232**	**$ 232**
March 31, 2004						
Interest rate swaps:						
Receive/floating and pay/fixed	¥ 5,000	¥(86)	¥(86)			
Receive/fixed and pay/floating	5,000	138	138			
Total	¥10,000	¥ 51	¥ 51			

The notional amounts and estimated fair value of the derivatives to which hedge accounting has been applied have been excluded from the presentation in the above table.

17.
Segment Information

Business segments

The Company and its consolidated subsidiaries are primarily engaged in the real estate business. Effective the year ended March 31, 2005, the Company reorganized its corporate structure and changed its business segmentation from seven segments to newly established eight segments in order to present and disclose the group businesses more appropriately. Their business segments are newly reclassified in terms of the nature of each operation or service and consist of eight segments: (1) buildings; (2) residential development; (3) architectural design & engineering; (4) urban development & investment management; (5) international business; (6) custom-built housing; (7) hotels; and (8) other businesses.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005, 2004 and 2003 are summarized as follows:

Millions of yen

2005

	Buildings	Residential development	Architectural design & engineering	Urban development & investment management	International business	Custom-built housing	Hotels	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income											
Revenue from:											
External customers	¥ 281,454	¥210,681	¥12,435	¥8,501	¥183,185	¥35,723	¥31,974	¥11,426	¥ 775,381	¥ —	¥ 775,381
Intersegment or transfers	5,504	407	6,423	108	—	1,733	136	2,054	16,369	(16,369)	—
Total revenue	286,959	211,088	18,859	8,609	183,185	37,456	32,111	13,480	791,750	(16,369)	775,381
Operating expense	203,173	193,436	19,224	4,662	156,740	38,926	31,199	12,891	660,255	(3,107)	657,147
Operating income (loss)	¥ 83,785	¥ 17,651	¥ (364)	¥3,946	¥ 26,445	¥ (1,470)	¥ 912	¥ 589	¥ 131,495	¥(13,261)	¥ 118,233
Total assets, depreciation, and capital expenditures											
Assets	¥2,063,603	¥368,760	¥16,415	¥88,268	¥302,049	¥14,812	¥33,069	¥73,277	¥2,960,257	¥164,256	¥3,124,514
Depreciation	43,702	689	113	539	7,793	161	1,312	730	55,042	502	55,545
Capital expenditures	67,398	945	22	5,374	9,121	333	1,634	911	85,742	(954)	84,787

Thousands of U.S. dollars

2005

	Buildings	Residential development	Architectural design & engineering	Urban development & investment management	International business	Custom-built housing	Hotels	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income											
Revenue from:											
External customers	$ 2,620,858	$1,961,830	$115,792	$ 79,160	$1,705,791	$332,647	$297,737	$106,397	$ 7,220,234	$ —	$ 7,220,234
Intersegment or transfers	51,252	3,789	59,810	1,005	—	16,137	1,266	19,126	152,425	(152,425)	—
Total revenue	2,672,120	1,965,620	175,612	80,165	1,705,791	348,784	299,012	125,523	7,372,660	(152,425)	7,220,234
Operating expense	1,891,917	1,801,247	179,011	43,411	1,459,539	362,473	290,520	120,039	6,148,198	(28,931)	6,119,256
Operating income (loss)	$ 780,193	$ 164,363	$ (3,389)	$ 36,744	$ 246,251	$ (13,688)	$ 8,492	$ 5,484	$ 1,224,462	$(123,484)	$ 1,100,968
Total assets, depreciation, and capital expenditures											
Assets	$19,215,969	$3,433,839	$152,854	$821,938	$2,812,636	$137,927	$307,933	$682,344	$27,565,480	$1,529,527	$29,095,018
Depreciation	406,946	6,415	1,052	5,019	72,567	1,499	12,217	6,797	512,543	4,674	517,226
Capital expenditures	627,600	8,799	204	50,041	84,933	3,100	15,215	8,483	798,416	(8,883)	789,524

To conform to the segmentation used in the year ended March 31, 2005, the segment information for the year ended March 31, 2004 has been restated in accordance with the new segments.

Millions of yen

2004 (renewal segment)

	Buildings	Residential development	Architectural design & engineering	Urban development & investment management	International business	Custom-built housing	Hotels	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income											
Revenue from:											
External customers	¥ 281,606	¥147,993	¥14,172	¥ 2,825	¥153,819	¥39,560	¥30,986	¥ 8,954	¥ 679,918	¥ —	¥ 679,918
Intersegment or transfers	5,675	417	4,156	158	—	1,757	148	1,731	14,045	(14,045)	—
Total revenue	287,281	148,410	18,329	2,984	153,819	41,318	31,134	10,685	693,964	(14,045)	679,918
Operating expense	200,666	132,097	17,291	2,678	139,850	41,668	30,813	11,258	576,324	(155)	576,168
Operating income (loss)	¥ 86,615	¥ 16,313	¥ 1,038	¥ 305	¥ 13,968	¥ (350)	¥ 321	¥ (572)	¥ 117,639	¥(13,890)	¥ 103,749
Total assets, depreciation, and capital expenditures											
Assets	¥1,996,856	¥298,395	¥16,831	¥59,676	¥314,790	¥14,871	¥32,272	¥70,039	¥2,803,733	¥265,109	¥3,068,842
Depreciation	44,328	701	122	198	8,852	167	1,265	845	56,482	542	57,024
Capital expenditures	48,856	821	81	4,373	24,597	164	2,381	338	81,614	(489)	81,125

	Millions of yen									
	2004 (former segment)									
	Buildings	Residential development	Architectural design & engineering	Real estate brokerage	Custom-built housing	Hotels	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income										
Revenue from:										
External customers	¥ 345,519	¥143,383	¥14,172	¥83,266	¥39,560	¥30,986	¥ 23,028	¥ 679,918	¥ —	¥ 679,918
Intersegment or transfers	5,727	363	4,156	151	1,757	148	1,864	14,169	(14,169)	—
Total revenue	351,246	143,747	18,329	83,417	41,318	31,134	24,893	694,087	(14,169)	679,918
Operating expense	250,004	128,506	17,291	80,508	41,668	30,813	25,535	574,327	1,840	576,168
Operating income (loss)	¥ 101,242	¥ 15,240	¥ 1,038	¥ 2,908	¥ (350)	¥ 321	¥ (641)	¥ 119,760	¥ (16,010)	¥ 103,749
Total assets, depreciation, and capital expenditures										
Assets	¥2,224,297	¥306,393	¥16,831	¥63,836	¥14,871	¥32,272	¥127,891	¥2,786,395	¥282,447	¥3,068,842
Depreciation	49,402	655	122	2,909	167	1,265	1,794	56,317	707	57,024
Capital expenditures	69,331	701	81	1,390	164	2,381	7,062	81,113	11	81,125

	Millions of yen									
	2003 (former segment)									
	Buildings	Residential development	Architectural design & engineering	Real estate brokerage	Custom-built housing	Hotels	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income										
Revenue from:										
External customers	¥ 347,661	¥158,168	¥11,596	¥81,108	¥32,623	¥29,131	¥ 21,439	¥ 681,726	¥ —	¥ 681,726
Intersegment or transfers	5,916	348	6,892	183	1,472	177	2,160	17,148	(17,148)	—
Total revenue	353,577	158,516	18,488	81,291	34,095	29,308	23,599	698,874	(17,148)	681,726
Operating expense	254,950	146,006	18,246	79,037	34,971	28,785	25,484	587,479	(1,776)	585,703
Operating income (loss)	¥ 98,626	¥ 12,510	¥ 242	¥ 2,254	¥ (875)	¥ 523	¥ (1,885)	¥ 111,395	¥ (15,372)	¥ 96,023
Total assets, depreciation, and capital expenditures										
Assets	¥2,277,103	¥276,459	¥17,287	¥70,299	¥16,209	¥31,197	¥100,647	¥2,789,201	¥218,726	¥3,007,927
Depreciation	48,261	674	94	3,168	171	1,155	1,913	55,436	686	56,122
Capital expenditures	133,269	915	365	2,352	113	786	3,425	141,225	1,550	142,775

Geographical segments

The Company and its consolidated subsidiaries operate primarily in Japan, the United States and certain other areas. The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005, 2004 and 2003 is summarized as follows:

	Millions of yen					
	2005					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	**¥ 592,791**	**¥148,420**	**¥34,169**	**¥ 775,381**	**¥ —**	**¥ 775,381**
Intersegment or transfers	**590**	**—**	**—**	**590**	**(590)**	**—**
Total revenue	**593,381**	**148,420**	**34,169**	**775,972**	**(590)**	**775,381**
Operating expenses	**489,133**	**126,799**	**29,453**	**645,386**	**11,761**	**657,147**
Operating income	**¥ 104,247**	**¥ 21,621**	**¥ 4,715**	**¥ 130,585**	**¥ (12,351)**	**¥ 118,233**
Total assets	**¥2,652,657**	**¥207,870**	**¥93,811**	**¥2,954,338**	**¥170,175**	**¥3,124,514**

	Thousands of U.S. dollars					
	2005					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	**$ 5,519,983**	**$1,382,065**	**$318,176**	**$ 7,220,234**	**$ —**	**$ 7,220,234**
Intersegment or transfers	**5,493**	**—**	**—**	**5,493**	**(5,493)**	**—**
Total revenue	**5,525,477**	**1,382,065**	**318,176**	**7,225,737**	**(5,493)**	**7,220,234**
Operating expenses	**4,554,735**	**1,180,733**	**274,262**	**6,009,740**	**109,516**	**6,119,256**
Operating income	**$ 970,732**	**$ 201,331**	**$ 43,905**	**$ 1,215,988**	**$ (115,010)**	**$ 1,100,968**
Total assets	**$24,701,154**	**$1,935,655**	**$873,554**	**$27,510,364**	**$1,584,644**	**$29,095,018**

	Millions of yen					
	2004					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	¥ 526,598	¥110,043	¥43,276	¥ 679,918	¥ —	¥ 679,918
Intersegment or transfers	594	—	4	599	(599)	—
Total revenue	527,193	110,043	43,280	680,517	(599)	679,918
Operating expenses	423,862	97,927	39,169	560,959	15,209	576,168
Operating income	¥ 103,331	¥ 12,116	¥ 4,111	¥ 119,558	¥ (15,809)	¥ 103,749
Total assets	¥2,482,924	¥219,673	¥77,921	¥2,780,519	¥288,323	¥3,068,842

	Millions of yen					
	2003					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	¥ 531,044	¥126,666	¥24,016	¥ 681,726	¥ —	¥ 681,726
Intersegment or transfers	943	85	202	1,230	(1,230)	—
Total revenue	531,987	126,751	24,218	682,956	(1,230)	681,726
Operating expenses	439,555	110,047	22,711	572,313	13,390	585,703
Operating income	¥ 92,432	¥ 16,704	¥ 1,507	¥ 110,643	¥ (14,620)	¥ 96,023
Total assets	¥2,445,190	¥316,421	¥19,786	¥2,781,397	¥226,530	¥3,007,927

Unallocatable operating expenses

Unallocatable operating expenses included under "Eliminations or corporate" for the years ended March 31, 2005, 2004 and 2003 amounted to ¥12,778 million ($118,986 thousand), ¥15,729 million and ¥14,806 million, respectively, and consisted of operating expenses incurred in the Administration Department of the Company. Corporate assets included under "Eliminations or corporate" for the years ended March 31, 2005, 2004 and 2003 amounted to ¥303,660 million ($2,827,637 thousand), ¥378,598 million and ¥248,536 million, respectively, and consisted principally of cash, marketable securities, investments in other securities, deferred tax assets and other assets allocated to the Administration Department of the Company.

Overseas revenue

The following table represents overseas revenue earned by the Company's consolidated subsidiaries in foreign countries during the years ended March 31, 2005, 2004 and 2003:

	Millions of yen		
	2005		
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	**¥148,428**	**¥34,170**	**¥182,598**
Consolidated revenue			**775,381**
% of overseas revenue to consolidated revenue	**19.1%**	**4.4%**	**23.5%**

	Thousands of U.S. dollars		
Overseas revenue			
Overseas revenue	**$1,382,139**	**$318,186**	**$1,700,325**
Consolidated revenue			**$7,220,234**

	Millions of yen		
	2004		
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	¥112,568	¥40,665	¥153,233
Consolidated revenue			¥679,918
% of overseas revenue to consolidated revenue	16.6%	6.0%	22.5%

	Millions of yen		
	2003		
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	¥104,177	¥24,029	¥128,207
Consolidated revenue			¥681,726
% of overseas revenue to consolidated revenue	15.3%	3.5%	18.8%

18.

Subsequent Events

The Company has seriously continued negotiations with related parties to resolve the issue on how to treat the contaminated soil and underwater of the OAP Residence Tower in Kita-ku, Osaka. In this matter, the entrepreneurs participated in the development project (Mitsubishi Materials Corporation, the Company, OBAYASHI CORPORATION, and Mitsubishi Materials Real Estate Corporation) and the OAP Residence Tower Management Association achieved on May 8, 2005, an agreement on making proposals regarding monetary solution and other matters to the current owners who purchased the OAP Residence Tower condominiums from the entrepreneurs, and entered into a confirmation. The Company formally decided the confirmation at the Board of Directors meeting held on May 12, 2005, to the effect as described below.

1. Proposal to purchasers who intend to continuously own their condominiums

The entrepreneurs shall pay a 25% amount of the purchase price to each purchaser. If any objection will be raised after investigation results are revealed and the subsequent countermeasure works are determined, the purchaser side may be able to make a proposal for negotiations. If the negotiations between the entrepreneurs and the purchasers cannot reach an amicable agreement, the final solution shall be handed to a public conflict-solving organization.

2. Proposal to purchasers who intend to sell their condominiums

An appraisal of the real property shall be requested to a real estate appraiser whom both parties shall agree with on the supposition that there is no problem regarding soil and underground water, then the entrepreneurs shall repurchase the relevant condominiums at the appraised prices. The entrepreneurs shall pay an extra amount of 10% the appraised price other than the repurchase price to each purchaser.

3. Proposal to purchasers who wish any solutions other than the above two proposals

The method of resolving the soil and underwater problems shall be negotiated in good faith. If the negotiations cannot reach an amicable agreement, the final solution shall be handed to a public conflict-solving organization. The entrepreneurs shall pay 5% of the purchase price to each purchaser. This value shall be included in and form a part of the settlement money to be paid by the entrepreneurs to the purchasers.

Based on the substance of the confirmation described above as a basic guideline, the intention of all the owners who bought the condominiums will be checked from now onward and the agreement along with the guidelines will be pursued individually. At this time, the final amount of influence is undeterminable.

Report of Independent Auditors

The Board of Directors
Mitsubishi Estate Co., Ltd.

We have audited the accompanying consolidated balance sheet of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the year ended March 31, 2005, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries at March 31, 2005, and the consolidated results of their operations and their cash flows for the year ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in Note 2, effective April 1, 2004, the Company has changed its presentation of income and loss concerning real restate business using specific purpose companies, etc. from non-operating income and loss to operating income and loss.

2. As described in Note 17, effective April 1, 2004, the Company has changed its business segmentation.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon

Tokyo, Japan
June 29, 2005

Independent Auditors' Report

To the Shareholders and Board of Directors of
Mitsubishi Estate Co., Ltd.:

We have audited the consolidated balance sheets of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2004, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. As more fully described in Notes 2 and 16 to the consolidated financial statements, effective in the year ended March 31, 2002, the Company has changed its method of accounting for revenue recognition policy concerning certain long-term projects from the completion method to the percentage of completion method. Furthermore, as more fully described in Note 16 to the consolidated financial statements, effective in the year ended March 31, 2002, the Company has changed its classification of certain personnel expenses in the segment information.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes, with which we concur, as described in the preceding paragraph.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audits also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Toyo & Co.

Tokyo, Japan
June 29, 2004

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Mitsubishi Estate Corporate Data

Directors and Statutory Auditors

Chairman of the Board
Takeshi Fukuzawa

President and Chief Executive Officer
Keiji Kimura*

Director/Deputy President
Nobuyuki Iizuka*

Directors/Executive Vice Presidents
Takayuki Hara
Terutake Miyamoto*
Kazuo Odagawa
Hiroharu Koinuma
Satoshi Oyama*
Toshio Nagashima*
Hiroshi Danno*

Director/Executive Counsel
Shigeru Takagi

Senior Executive Officers
Takaya Endo
Seiichiro Suzuki
Mitsuo Iwai
Toyohisa Miyauchi
Masaaki Kono
Takao Yagihashi
Hiroyoshi Ito
Yutaka Yanagisawa

Executive Officers
Toshihide Yoshimura
Kazuo Takahashi
Yuzuru Shibagaki
Hiroshi Nakajima
Masao Ouchi
Hirotaka Sugiyama
Yasuo Fujiwara
Ichiro Watarai
Megumu Ono

Statutory Auditors
Eiji Tan
Kunihiro Inoue
Kenjiro Hata
Kazuya Okamoto
Toyoshi Nakano

*Representative Director

(as of June 29, 2005)

Corporate Information

Head Office:
Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100-8133, Japan
Web site: http://www.mec.co.jp
Phone: (03) 3287-5100

Date of Establishment:
May 7, 1937

Paid-in Capital:
¥86,534 million

Number of Shares of Common Stock Issued:
1,299,185,054 shares

Number of Shareholders:
83,385 (excluding shareholders with less than 1,000 shares)

Major Shareholders:	% of total
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.54
Meiji Yasuda Life Insurance Company	4.42
Japan Trustee Services Bank, Ltd. (Trust Account)	4.22
State Street Bank and Trust Company 505103	4.03
The Bank of Tokyo-Mitsubishi, Limited	3.33
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3.12
State Street Bank and Trust Company	2.53
The Chase Manhattan Bank, N.A. London, S.L. Omnibus Account	2.35
Taisei Corporation	2.25
Takenaka Corporation	2.17

Major Consolidated Subsidiaries:
Mitsubishi Real Estate Services Co., Ltd.
Mitsubishi Estate Home Co., Ltd.
Mitsubishi Jisho Sekkei Inc.
Yokohama Royal Park Hotel Co., Ltd.
Mitsubishi Estate Building Management Co., Ltd.
Marunouchi Heat Supply Co., Ltd.
Yokohama Sky Building Co., Ltd.
Royal Park Hotel Co., Ltd.
Towa Community Service Co., Ltd.
Rockefeller Group, Inc.

Stock Exchange Listings:
Tokyo Stock Exchange and other major Japanese stock exchanges

Transfer Agent and Registrar:
The Mitsubishi Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Auditor:
Ernst & Young ShinNihon

(as of March 31, 2005)

Organization

- Meeting of Shareholders
  - Board of Directors
    - Chairman of the Board
      - President
        - Compliance Advisory Committee
        - Strategic Planning Committee
        - CSR Committee
          - Compliance Subcommittee
          - Environmental Subcommittee
        - Executive Committee
        - Strategic Investment Committee
        - Advisory Board*
        - Internal Audit Office
        - Real Estate Consulting & Solution Department
        - Commercial Real Estate Division
          - Business Planning Department
            - Group Companies Management Office
          - Leasing Department
            - Agency Leasing Office
            - Relocation Management Office
          - Property Management Department
            - Building Management Advisory Office
            - Building Safety Management Office
          - Marunouchi-Otemachi Area Building Management Department
          - Yurakucho Area Building Management Department
          - Tokyo Metropolitan Area Building Management Department
          - Area Brand Management Department
            - Area Brand Promotion Office
          - Retail & Shopping Center Department
          - Development Department
          - Area Planning Office
        - Residential Business Division
          - Residential Development Promotion Department
          - Condominium Development Department
          - Master-Planned Development Department
            - Detached housing Office
          - PARTNER System Department
          - Residential Planning & Marketing Department
            - Customer Service Office
          - Recreational Facility Office
        - Urban Development & Investment Management Division
          - Planning & Promotion Department
          - Development & Investment Department
        - International Business Division
          - International Business Department
        - Corporate Planning & Administration Division
          - Corporate Planning Department
          - Personnel Planning Department
          - Finance & Accounting Department
          - Corporate Communications Department
            - Investor Relations Office
          - General Affairs Department
            - Secretary Office
          - CSR Department
        - Sapporo Branch
        - Tohoku Branch
        - Yokohama Branch
        - Nagoya Branch
        - Osaka Branch
        - Chugoku Branch
        - Kyushu Branch
- Statutory Auditor
- Board of Statutory Auditors
  - Office of Statutory Auditors

* Advisory bodies comprising external influential professionals. (The Compliance Advisory Committee has been established for a fixed term commencing July 2005 through December 2005.)

(as of September 1, 2005)

Mitsubishi Estate Group

Mitsubishi Estate Co., Ltd.

Building Business

Building Leasing Business
- ● IMS Co., Ltd.
- ● Aqua City Co., Ltd.
- ● Yokohama Sky Building Co., Ltd.
- ■ Tokyo Kotsu Kaikan Co., Ltd.
- ■ Chelsea Japan Co., Ltd.

Building Management Business
- ● Mitsubishi Estate Building Management Co., Ltd.
- ● MEC Building Facilities Co., Ltd.
- ● Ryoei Building Management Co., Ltd.
- ● Hokuriku City Management Co., Ltd.
- ● Hokuryo City Service Co., Ltd.
- ● Hibiya City Co., Ltd.
- ● MJ Building Service Co., Ltd.
- ● Yuden Building Kanri Co., Ltd.
- ■ O.A.P. Management Co., Ltd.

Parking Business
- ● Marunouchi Parking Co., Ltd.
- ● Grand Parking Center Co., Ltd.
- ● Hibiya City Parking Co., Ltd.
- ● Tokyo Garage Co., Ltd.

District Heating and Cooling Business
- ● Marunouchi Heat Supply Co., Ltd.
- ■ O.A.P. D.H.C. Supply Co., Ltd.
- ■ Minato Mirai 21 D.H.C Co., Ltd.

- ● Marunouchi Direct Access Limited
- ● Marunouchi Hotel Co., Ltd.

Urban Development & Investment Management
- ● Mitsubishi Jisho Investment Advisors, Inc.
- ■ Ascott International Management Japan Co., Ltd.
- ■ Japan Real Estate Asset Management Co., Ltd.

Architectural Design & Engineering
- ● Mitsubishi Jisho Sekkei Inc.
- ● MEC Design International Corporation

Hotel Business
- ● Royal Park Hotels and Resorts Co., Ltd.
- ● Ryoei Kanko Development Co., Ltd.
- ● Royal Park Inn Nagoya Co., Ltd.
- ● Tohoku Royal Park Hotel Co., Ltd.
- ● Royal Park Shiodome Tower Co., Ltd.
- ● Yokohama Royal Park Hotel Co., Ltd.
- ● Royal Park Hotel Co., Ltd.

International Business
- ● Rockefeller Group, Inc. (RGI)
  - (● 185 other companies
  - ■ 22 other companies)

Custom-Built Housing
- ● Mitsubishi Estate Home Co., Ltd.
- ● Mitsubishi Estate Housing Components Co., Ltd.
- ■ Prime Truss Co., Ltd.

Real Estate Services
- ● Mitsubishi Real Estate Services Co., Ltd.

Others
- ● MEC Information Development Co., Ltd.
- ● MEC Human Resources, Inc.
- ● Keiyo Tochi Kaihatsu Co., Ltd.
- ● Shiki Resorts Company, Limited
- ■ (4 other companies)

Residential Business

Real Estate Sales
- ■ TOWA REAL ESTATE DEVELOPMENT CO., LTD.

Residence Management Business
- ● Izumi Park Town Service Co., Ltd.
- ● Mitsubishi Jisho Community Service Co., Ltd.
- ● Towa Community Service Co., Ltd.
- ● Towa Life Service Co., Ltd.

Recreational Facility
- ● Higashinihon Kaihatsu Co., Ltd.
- ● MEC Urban Resort Tohoku Co., Ltd.
- ● Liv Sports Co., Ltd.

- ● Ryoei Life Service Co., Ltd.
- ■ Tsunagu Network Communications, Inc.

● Consolidated Subsidiaries
■ Equity-Method Affiliates

(as of June 29, 2005)

Corporate Social Responsibility Initiatives

In the recent past, Corporate Social Responsibility (CSR) has continued to attract increased interest in Japan. In addition, with the growing trend toward a global economy, companies have redoubled efforts to review and upgrade existing internal control systems, to incorporate international standards in their CSR activities and to fulfill certain domestic accounting disclosure requirements. Under these circumstances, the Mitsubishi Estate Group has continued to foster the unwavering trust of society and to implement CSR initiatives as a good corporate citizen.

Compliance Measures

Underpinned by the support of its stakeholders, Mitsubishi Estate has formulated its "Code of Corporate Conduct," a set of guidelines common throughout the Group. At the same time, Mitsubishi Estate endeavors to enhance its compliance systems and structure in an effort to fulfill its corporate social responsibility.

CODE OF CORPORATE CONDUCT

OUR MISSION

"Creating a Truly Meaningful Society Through Urban Development"

We will strive to create a truly meaningful society through the development of a secure, safe, comfortable and appealing urban environment in each of our locations, acting as representatives of the people who live, work, and seek leisure there.

To achieve this goal, we will adhere to the following eight principles:

Principles of Corporate Conduct

Article 1 : Fostering Communication
We will make fair disclosure of corporate information by communicating with shareholders, investors, business partners, local community members and all other persons affected by our activities.

Article 2 : Being Good Citizens
We, as good corporate citizens, will respect human rights and actively contribute to society, and will support our employees in their endeavors to this end.

Article 3 : Caring about the Environment
We will place conservation of the global environment as a business priority. We will strive to operate in harmony with the environment in all our business activities, by promoting conservation of energy, reduction of waste, recycling and so forth.

Article 4 : Fostering Integrity
We will conduct our business on the basis of free, fair and transparent market competition. We will consider our social credibility as the most important factor when making management decisions.

Article 5 : Upholding the Law and Avoiding Antisocial Forces
We will observe all laws and ordinances and endeavor to conduct ourselves at all times in compliance with social morals. We will avoid ties with forces that threaten to disrupt civil society or undermine public safety.

Article 6 : Having a Global Outlook
We will develop our business based on a global perspective and contribute to local development while respecting local rules and cultures in our overseas operations.

Article 7 : Enhancing Creativity and Motivation
We will strive to create a business environment conducive to the full utilization of our employees' capabilities. We will endeavor to maximize our employees' creativity and expertise while respecting their dignity and individuality.

Article 8 : Duties of Our Directors and Management Staff
The directors and management staff of our company recognize that it is their duty to put the spirit of this Code into practice. Each director and manager will take the initiative to exercise leadership and create a corporate system to achieve our goals. Infractions of the Code will be investigated and the findings made public. We will reaffirm the responsibilities of our directors and managers in such an event and take measures to prevent any recurrences.

Code of Corporate Conduct as of September 1, 2005.

Social Contributions and Environmental Efforts

Mitsubishi Estate established the Corporate Philanthropy & Environmental Affairs Promotion Department (the predecessor to the current CSR Department) in 1994 and has continued to reinforce its in-house promotion systems and to promote educational activities. Based on Article 2, "Being Good Citizens," and Article 3, "Caring about the Environment," of its Code of Corporate Conduct, Mitsubishi Estate is leveraging the collective strengths of the Group in an effort to realize a sustainable society.

Mitsubishi Estate has positioned environmental preservation, support for the arts and culture, the welfare of society and community events as cornerstones of its social contribution activities. In cooperation with employee volunteer and other programs, Mitsubishi Estate is committed to contributing to the society that it serves. Mitsubishi Estate established the Marunouchi Bird Song Plaza in 1999 in cooperation with the Wild Bird Society of Japan as a base for its environmental preservation activities in the Marunouchi district. The Marunouchi Bird Song Plaza represents an oasis in the heart of Tokyo's central business districts, where workers and visitors can experience the wonders of nature in a relaxed and comfortable atmosphere. Along with the wild fowl, the Plaza also provides information on various flora and fauna, and serves as an educational resource to further increase environmental awareness within the general community.

In support of cultural activities and the arts, Mitsubishi Estate is a co-sponsor of the NHK Symphony Orchestra and provides street galleries that exhibit sculptures in locations such as Marunouchi's Naka Dori. In an effort to support the entire community, we produce a nature cassette tape for the visually impaired and invite the handicapped and the elderly to Mitsubishi Estate organized local concerts. Mitsubishi Estate is also proud to sponsor an art contest for physically disabled children, publishing all exhibits on a Web site.

Based on the principles of its Code of Corporate Conduct, the Mitsubishi Estate Group is active in implementing environmental preservation measures and efforts to reduce environmental impact. Mitsubishi Estate was also the first in its industry to begin publishing an Environmental Report in 2000 and has actively introduced Environmental Management Systems (EMS) across the Group. Of its various activities, Mitsubishi Estate's Buildings segment has the largest impact on the environment. Standing at the forefront of its industry, in 1999 the Building Business Division was one of the first to acquire ISO 14001 certification. In quick succession, Mitsubishi Estate has acquired accreditation in Residential Development, Architectural Design & Engineering, Custom-Built Housing and Hotel Business operations. While having relatively little impact on the environment, Mitsubishi Estate's administrative offices have introduced EMS and continue to promote preservation activities.

Mitsubishi Estate recognizes environmental preservation measures to be a key CSR issue and will continue efforts to enhance activities through the Group's urban redevelopment programs. The Group is committed to further educating all employees on the importance of environmental preservation and heightening awareness through information disclosure.

Rooftop garden at Marunouchi OAZO

Offering increased space and comfort, the Marunouchi Bird Song Plaza was relocated to the Shin-Yurakucho Building in March 2005.

Mitsubishi Estate Company, Limited
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