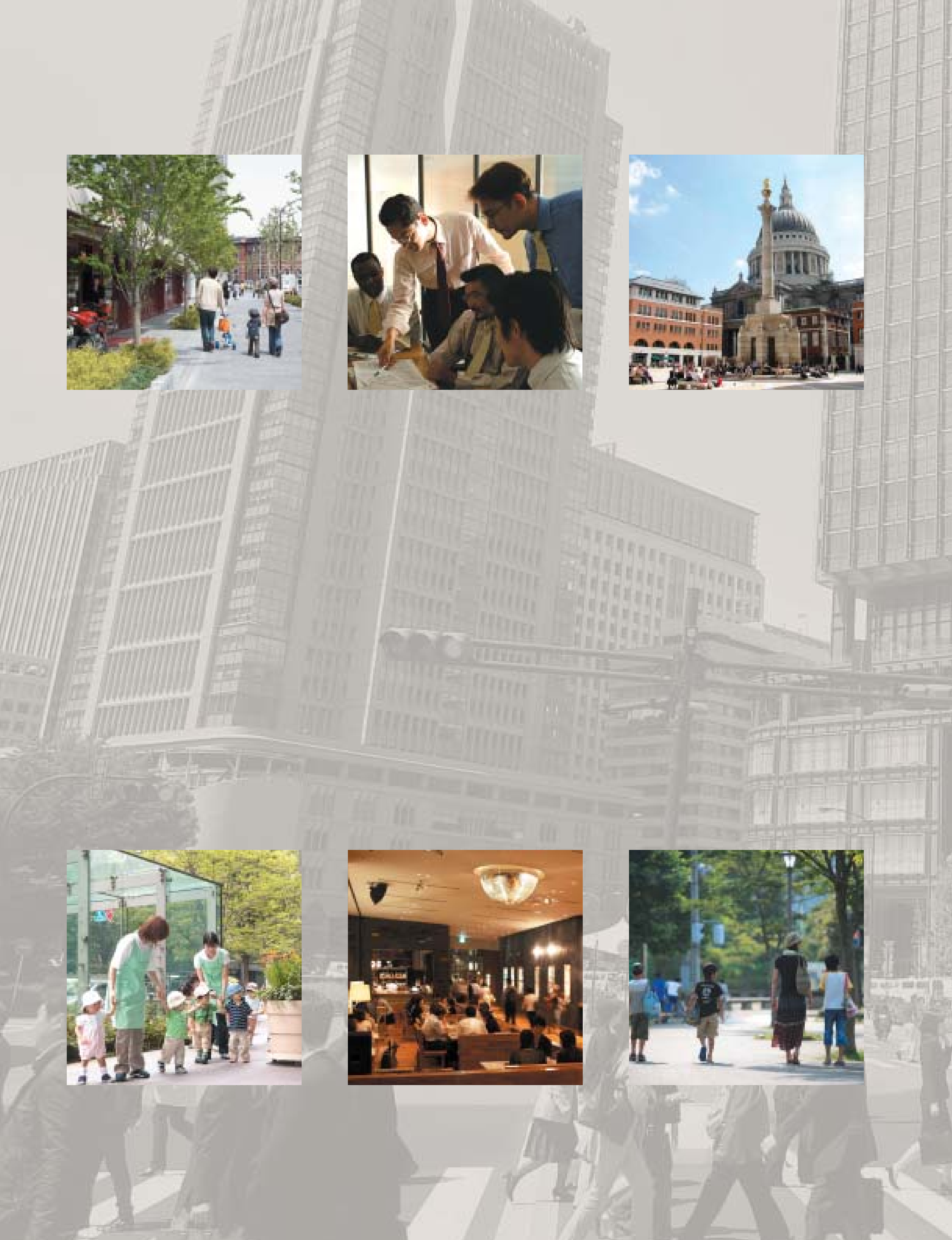
MITSUBISHI ESTATE CO., LTD.

ANNUAL REPORT 2007



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A Love for People
A Love for the City

—Forever Taking on New Challenges—The Mitsubishi Estate Group

TO OUR SHAREHOLDERS

Keiji Kimura, President & CEO

Mitsubishi Estate's earnings are steadily growing in the midst of continuing brisk activity in the real estate market. From this point forward, we will pursue even greater management efficiency and stronger earning capacity to increase corporate value. Furthermore, we have created a brand slogan and brand statement that express the direction of the Mitsubishi Estate Group's vision and our promise to all of our stakeholders. Guided by this slogan and statement, we will continue our efforts with an eye toward further growth.

FINANCIAL RESULTS

A Year of Record Results

During the fiscal year ended March 31, 2007, Mitsubishi Estate Co., Ltd. ("Mitsubishi Estate" or the "Company") and its consolidated subsidiaries (collectively, the "Mitsubishi Estate Group" or the "Group") recorded revenue from operations of ¥947,641 million, an increase of 12.3% from the previous fiscal year. Operating income also climbed 20.7% year on year to ¥166,165 million. Supporting these results were a full period's contribution from new buildings in the Building Business; capital gains from the reshuffling of assets, as well as higher condominium sales in the Residential Business; and capital gains from the sale of large development properties in the Urban Development & Investment Management business. Collectively, these factors were the principal cause for the increase in revenues and earnings. In the fiscal year under review, Mitsubishi Estate recorded a gain on the sale of shares of affiliated company Cushman & Wakefield, a Rockefeller Group subsidiary, exceeding the loss related to the retirement of fixed assets associated with building demolition as part of the Marunouchi Redevelopment Project. As a result of the above factors, net income for the period under review surged 74.9% to ¥97,662 million.

OPERATING ENVIRONMENT

Continued Strong Real Estate Market

In the office building leasing market, there is an increasing shortage of space resulting from office relocations to prime facilities due to a stronger economy and burgeoning demand. In central Tokyo, with vacancy rates at below 3%, demand is especially tight for large office building space in prime locations. The supply of new office buildings in Japan temporarily increased from the previous year through the current year, but as tenants have already leased a majority of the available space, the outlook is for continued tight demand and rising rental rates, especially in central Tokyo.

In the residential market, condominium supply in the Tokyo Metropolitan area dropped below 80,000 units for the first time in eight years, due to postponement of sales by owners in an environment marked by rising prices and intensifying competition for land acquisition. Meanwhile, despite such concerns as rising interest rates, with a continuing population influx into large metropolitan areas, especially Tokyo, demand remains brisk. In the wake of rising land acquisition and construction costs, the outlook is for sales prices to trend upward. However, whether sales of condominiums will be favorable or not based on location and product planning should become clearer as we move ahead.

In the real estate investment market, with a low-interest rate policy triggering an inflow of investment funds, competition for the acquisition of property intensified with real estate prices for some properties rising sharply, resulting in an accelerating increase in land prices primarily in Japan's three major metropolitan areas. Land prices of prime real estate in urban centers that has become more profitable as a result of redevelopment are rising at a rapid rate. While the impact of interest rates bears watching, higher rental rates are expected to boost profitability and real estate prices in urban centers are likely to firm up.

Consequently, the Mitsubishi Estate Group has continued to respond quickly and unerringly to business environment and market changes, as it enhances management efficiency, improves earnings power and takes steps to raise corporate value.

BUSINESS STRATEGIES

Maintaining Balance between Asset Development Businesses that Have Holding Strategies with those that Have Exit Strategies

With development as its core, the Mitsubishi Estate Group will strike a good balance between its "develop and hold" business, which involves increasing cash flow (income gains) and raising asset value while maintaining its holdings, and its "develop and exit" business, which involves leveraging real estate securitization and non-recourse loans and increasing capital gains through property sales. This strategy will then serve as our growth engine.

Financial Highlights

						Millions of yen	Thousands of U.S. dollars
Years ended March 31	2002	2003	2004	2005	2006	2007	2007
Revenue from operations	¥ 631,564	¥ 681,726	¥ 679,918	¥ 775,381	¥ 844,217	¥ 947,641	$ 7,956,016
Net income (loss)	(71,058)	36,039	34,989	36,245	55,825	97,662	819,937
As a percentage of revenue from operations	(11.3)%	5.3%	5.1%	4.7%	6.6%	10.3%	—
As a percentage of total equity	(10.5)%	4.3%	4.0%	4.0%	5.4%	8.3%	—
Total assets	3,035,795	3,007,927	3,068,842	3,124,514	3,280,209	3,447,272	28,941,922
Total equity	832,497	839,953	897,499	920,930	1,133,623	1,225,644	10,290,018
Common stock	86,534	86,534	86,534	86,534	129,736	136,534	1,146,286
Per share amounts:						Yen	U.S. dollars
Net income (loss)	¥ (54.70)	¥ 27.61	¥ 26.96	¥ 27.93	¥ 42.60	¥ 70.95	$ 0.59
Cash dividends applicable to the year	8.00	8.00	8.00	8.00	10.00	14.00	0.11

Notes: 1. Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2007, of ¥119.11 to US$1.00.
2. Total equity is calculated by deducting minority interests and stock acquisition rights from total net assets.

The Building Business will push ahead with the Marunouchi Redevelopment Project, the centerpiece of its portfolio, and boost the amount of cash flow that the entire area generates by creating synergistic effects from more floor space devoted to sales and higher rents, thereby raising the asset value of holdings. In addition, to raise asset efficiency, we will improve the quality of our portfolio by reshuffling non-core assets and reinvesting in highly profitable properties with high-growth potential. As future areas of growth, we will integrate and thereby strengthen the development, administration and management of the shopping center business, and take steps to expand our business foundation with projects outside the Marunouchi area as well.

In the Residential Business, Mitsubishi Estate will continue to focus on the Tokyo Metropolitan area and supply annually an estimated 3,500 condominiums of high quality and reliability, a hallmark of the Company, emphasizing a location-based strategy and product planning. In March 2005, Mitsubishi Estate formed a strategic partnership with and took an equity stake in TOWA REAL ESTATE DEVELOPMENT CO., LTD. This complementary relationship has the advantage of providing customer targets and supply areas that can be leveraged with the aim of increasing earnings while sharing know-how.

In the Urban Development & Investment Management business, we see the asset-utilization needs of customers that own real estate as a business opportunity and are aggressively expanding the development business, which puts to use the real estate value creation know-how of Mitsubishi Estate. At the same time, as we take steps to diversify methods of development, such as through value-added investments that increase real estate value, we are investing more in the development of income-generating real estate with a focus on exit strategies. Moreover, in response to the expanding real estate development market, we will aggressively develop the real estate investment advisory business and strive to produce synergies together with income-generating real estate exit strategies.

In the International Business, with real estate investment funds increasingly in search of global opportunities, the proceeds from the previous fiscal year's sale of shares in Cushman & Wakefield will be invested in the growth of the development and real estate advisory businesses, in an attempt to manage market and country risks as we take steps to expand business globally.

In addition, we will aggressively expand proposal-based marketing throughout the entire Group, focusing primarily on the Real Estate Consulting & Solution Department, a strategic marketing structure within the Group, with the aim of increasing business opportunities. At the same time, we will fortify our property management and leasing businesses, which are essential to a stronger development business, as well as our corporate brokerage and advisory service businesses, which handle real estate liquidity needs. By so doing, the overall real estate solution capability of the entire Mitsubishi Estate Group will increase in a strategic way.

STRENGTHENING THE CORPORATE BRAND

Listening Carefully to Every Customer and Challenging New Horizons in Value Creation

Based on integrity, open mindedness and teamwork, and acting in a humane spirit of honesty, humility and thoughtful consideration for all, we of the Mitsubishi Estate Group will always maintain an open mind and cooperative spirit and respond to the expectations of every stakeholder, including customers and shareholders.

To reinforce the competitive position of the Mitsubishi Estate Group as a whole, we have started taking steps to strengthen the corporate brand. As an expression of the corporate direction that we have set our sights on and the promise to our stakeholders, the Mitsubishi Estate Group has drawn up a clearly stated brand slogan and brand statement.

September 2007

Medium-Term Management Plan "FF2007"

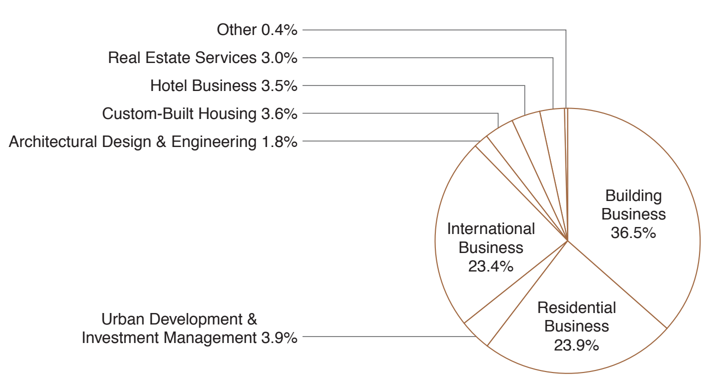
Basic Objective

Foundation for the Future 2007
To 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 services, and Group-wide proposal-oriented marketing capabilities)

Revenue Share by Segment



Brand Slogan

A Love for People
A Love for the City

—Forever Taking on New Challenges—The Mitsubishi Estate Group

Brand Statement

Our wish is to provide people who live in, work in and visit the city
with enriching and fulfilling lives,
full of stimulating opportunities to meet.

The Mitsubishi Estate Group
has always pursued the genuine value sought by people
in the environments and services it provides.
With an eye to the future,
we carefully listen to each and every customer,
and create the true value they seek.

We wish to share with our customers
the inspiration and passion we derive from our work.
We will constantly take on new challenges to achieve this vision,
and through it, we will continuously evolve.

This aspiration will always drive our growth.

The Use of "Love" in our Brand Slogan

A Love for People
"People" in this instance refers to all the stakeholders of the Mitsubishi Estate Group, including customers and Group employees, and people who live in, work in and visit the city. How can we delight each and every one of them? How can we make them happy? How can we inspire their dreams and passion? We at Mitsubishi Estate approach our work every day in constant pursuit of answers to these questions. Each and every Group member involved in urban development contributes to creating a work environment where dreams and passion can be shared through the work they do. "A love for people" is a phrase that expresses this attitude and intent.

A Love for the City
The Mitsubishi Estate Group's business domain encompasses everything associated with the city. When we think of the word "city," we feel a deep appreciation of history and tradition, and our hearts overflow with the sense of pride and mission that we hold as members of the Mitsubishi Estate Group. The city is our "stage," and upon this stage we create new value and create urban designs that harmonize with the environment. This is our contribution to society. The phrase "A love for the city" evinces the sentiments and determination behind our work.

A Genuine Love
Every day, we conscientiously ask ourselves: "What is the real value that customers seek?" By continuously creating new value in the city, we share our dreams and passion. As a result, we win the trust of our customers. "A genuine love captures the attitude of each and every one of our employees who are diligently working to create value and taking on new challenges.

New Challenges
In order to create new value and share with customers our dreams and passion, we must aggressively take on new challenges unconstrained by convention and precedent. The real risk lies in not changing. "New Challenges" reflects our strong commitment to continually reinventing ourselves and forever taking on new challenges with the goal of reinforcing the position of the Mitsubishi Estate Group as the most trusted and preferred real estate developer by customers.

Special Feature

LINKING THE PAST, PRESENT, AND TOMORROW

100 YEARS OF MARUNOUCHI DEVELOPMENT
Our Goal—An Attractive and Vibrant City Center Recognized Worldwide as the Leading Hub of Dynamic Interaction

Marunouchi is an international center of business that lies between Tokyo Station and the Imperial Palace. The area's 120 hectares accommodate approximately 100 buildings, of which Mitsubishi Estate owns and manages roughly 30%. Approximately 4,000 companies are headquartered there and nearly 10% of the companies listed on the First Section of the Tokyo Stock Exchange have offices there, and some 240,000 people work in Marunouchi.

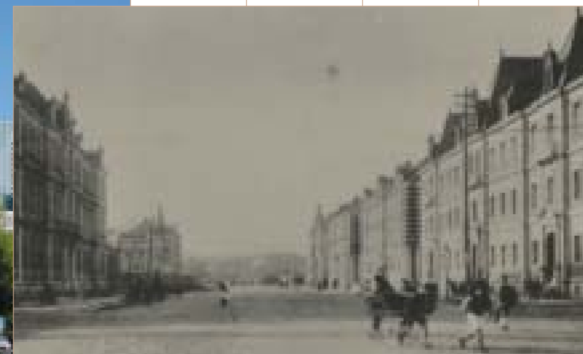
The Company's association with Marunouchi goes back more than a century, beginning in 1890. At the behest of the Meiji Government, Mitsubishi Company acquired the Marunouchi site, which had comprised the residences of feudal lords during the Edo Period. At the time of the purchase, the site was actually a barren field called *Mitsubishi-ga-hara*, literally meaning "the Mitsubishi flatland." The Mitsubishi Ichigokan was completed in 1894 as Japan's first modern office building. Starting from the strong conviction that Japan's future prosperity required a modern office district, building such a business center became a primary objective.

From that point forward, Mitsubishi Estate has continued to engage in leading-edge urban development as a trail-blazing pioneer. The transformation of the Marunouchi district into one of the world's leading business centers coincided with the period of Japan's economic growth and development into the economic powerhouse that it is today. The Marunouchi district has a history of constant redevelopment, from projects implemented to cope with high economic growth during the Showa Period to the current Marunouchi Redevelopment.

The Marunouchi Redevelopment embraces the theme of "Our Goal—An Attractive and Vibrant City Center Recognized Worldwide as the Leading Hub of Dynamic Interaction." It is also creating communities that continue to develop while maintaining a rich history and environment. After 100 years as the nerve center of the Japanese economy, Marunouchi is transforming itself from a dedicated business center into a lively and attractive area with diversified interests and potential.

Marunouchi—Dynamic and always in step with the times

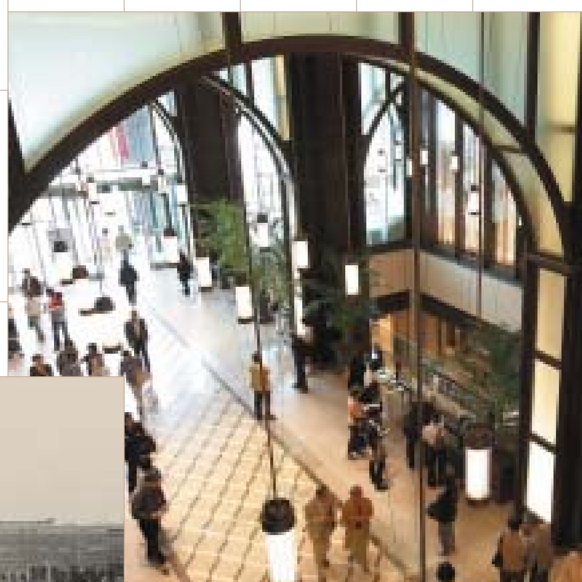
Built on opposite sides of the street, the Shin-Marunouchi Building and the Marunouchi Building form the gateway to the city in front of Tokyo Station.



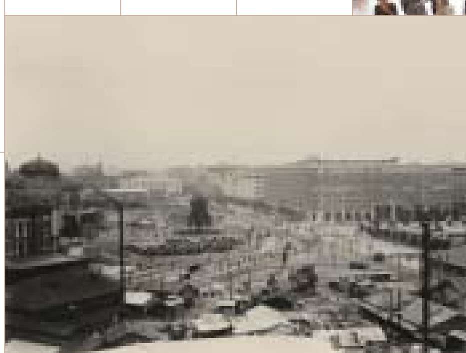
Babasaki Dori in the “London Block,” circa 1907

Gyoko Dori ▸▸▸

The London Block ▸▸▸



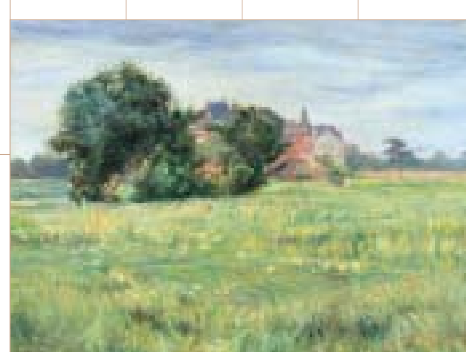
Shin-Marunouchi Building entrance



Area surrounding Tokyo Station, circa 1927

Mitsubishi Flatland ▸▸▸

The Shin-Marunouchi Building opened in April 2007.



Mitsubishi-ga-hara, circa 1889 (painting by Fukuhide Gunji)

LINKING THE PAST, PRESENT, AND TOMORROW

Grand Design ▸▸▸

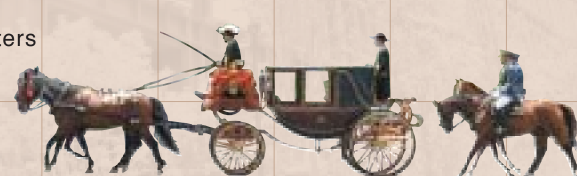
COHERENT GRAND DESIGN AND CONTINUOUS DEVELOPMENT

The development of Marunouchi began in 1894 with the construction of Mitsubishi Ichigokan. The rapid succession of red brick buildings constructed thereafter gave rise to the nickname the “London Block.” When Tokyo Station opened in 1914, development expanded towards the station area. This was accompanied by a shift to large modern American style buildings, which reached its highpoint in 1923 with the construction of the Marunouchi Building. As an office building with a shopping arcade on the first floor, it became a long-time favorite spot in the city. Standing 31 meters tall, the maximum height for buildings according to regulations at the time, the Marunuouchi Building set the standard for the Marunouchi skyline to follow. In addition, because of its functional street layout, the area became informally known as the “New York Block.”

Faced with rapidly increasing demand for office space in Marunouchi during the period of rapid economic growth during the Showa era, the construction of large buildings began. Under a second development stage, the small city blocks were consolidated into larger blocks and roads were widened. This general improvement plan gave Marunouchi the form that we recognize today. Buildings eventually exceeded heights of 100 meters, yet with the abundant greenery and wide moats of the neighboring Imperial Palace, the business area has preserved its orderly and aesthetic appearance.

The current and third Marunouchi Redevelopment started in 1998. In the first ten years (the first stage), six projects centered primarily in the area in front of Tokyo Station were completed.

- The Marunouchi Building is a crossroads of communications that symbolizes the new Marunouchi era.
- The restored Industry Club of Japan also serves as the headquarters for Mitsubishi UFJ Trust and Banking Corporation
- The multi-site development Marunouchi OAZO stands on the former headquarters of Japan National Railways
- The Tokyo Building was the first in Japan to take advantage of regulations allowing the transfer of unused air rights
- The multifunctional Shin-Marunouchi Building and the Marunouchi Building form a gateway to the area
- Hong Kong’s renowned Peninsula Hotel opens in Tokyo



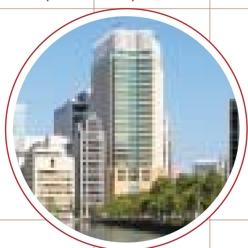
These projects are transforming Marunouchi into a lively, bustling area.

Marunouchi Redevelopment Project ▸▸▸

Innovative & Attractive Urban Development ▸▸▸

A Rising New City ▸▸▸

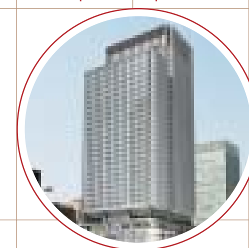
❻ he Peninsula Tokyo Completed in May 2007
Opened in September 2007



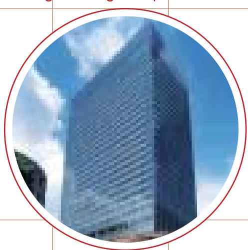
❹ Tokyo Building
Completed in October 2005

❶ Marunouchi Building
Completed in August 2002

❺ Shin-Marunouchi Building
Completed in April 2007



❷ The Industry Club of Japan and Mitsubishi UFJ Trust and Banking Building Completed in March 2003



❸ Marunouchi OAZO Completed in August 2004

Marunouchi

Japan's leading business district also has the nations best transportation access. With 20 railway lines and 13 stations in the area, a station in Marunouchi can be reached within a three to five minute's walk from any building in the area. There are more than 4,000 offices in Marunouchi, employing approximately 240,000 people, and over 900,000 people are said to visit the area every day.

Buildings Owned by Mitsubishi Estate

Existing 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. Marunouchi Naka Dori Building
12. Ministry of Education, Culture, Sports, Science and Technology Building
13. Mitsubishi Building
14. Tokyo Ginko Kyokai Building
15. Otemachi Building
16. Shin-Otemachi Building
17. Nippon Building
18. Nippon Steel Building
19. JFE Shoji Building
20. Mitsubishi Soken Building
21. Mizuho Corporate Bank Ltd. Head Office Building
22. The Bank of Tokyo-Mitsubishi UFJ Otemachi Building

First Stage (1998-2007)

1. Marunouchi Building
2. The Industry Club of Japan and Mitsubishi UFJ Trust and Banking Building
3. Marunouchi OAZO
4. Tokyo Building
5. Shin-Marunouchi Building
6. The Peninsula Tokyo

Second Stage (2008-2017)

1. Marunouchi Park Building
   Planned Completion Spring 2009
2. Togin Building
   Planned Completion 2012

*Years indicate fiscal years ending March 31.




MARUNOUCHI








LINKING THE PAST, PRESENT, AND TOMORROW

The Second Stage (Toward 2017) ▸▸▸

"Broader and Deeper"—Progress Towards Stage II

The first stage of the Marunouchi Redevelopment Project, encompassing the redevelopment of the area in front of Tokyo Station and the upgrading of Naka Dori, has created a lively and bustling area. A wide range of shops, restaurants and open-air events provide a rich lifestyle—only available in Marunouchi.

Mitsubishi Estate is engaging in novel activities at the Shin-Marunouchi Building, including the "Japan Incubation Village," a center of business creation, and *Ecozzeria*, a place for the pursuit of environmental harmony. Progress continues on building a community for the next generation in keeping with the area's role as a portal into Japan.

The second stage of the Marunouchi Redevelopment Project will begin in 2008, with seven or eight buildings to be rebuilt during the ten-year period. This will enliven the whole district from the area in front of Tokyo Station extending to Otemachi, Marunouchi and Yurakucho, further developing the district's business functions while broadening its diversity.

The first project of the second stage is the Marunouchi Park Building, planned for completion in the spring of 2009. The project includes Mitsubishi Estate's point of departure in its long journey of creating communities—the restoration of Mitsubishi Ichigokan as a museum. The second project is

Marunouchi Naka Dori ▸▸▸

Marunouchi Park Building ▸▸▸

the joint renovation and development of the block containing the Togin Building, the Sumitomo Trust and Banking Co., Ltd. Tokyo Building and the Mitsubishi UFJ Trust and Banking Corporation Tokyo Building. Completion is scheduled for the fiscal year ending March 31, 2012.

Since the street corner where Mitsubishi Ichigokan was originally built ushered in Japan's first modern office district, Marunouchi's development is focused on creating a bustling center of business that satisfies the people it attracts while offering first-class cultural activities. Now, in a new era, the Mitsubishi Estate Group is not only developing Marunouchi's urban functions in response to the needs of global business, it is also promoting harmony between the city and the environment while enhancing the district's welcoming atmosphere. These efforts will lead to the creation of new attractions based on the area's history, arts and other cultural assets. Leveraging each one of these attractions, the Group's goal is to create a richer and more fulfilling city life by establishing a total area management system and integrating public and private services, thereby creating value that only Marunouchi can provide.

Ichigokan Square ▸▸▸

The Most Exciting and Interactive City ▸▸▸

Corporate Governance

Basic Philosophy of Corporate Governance

The Mitsubishi Estate Group seeks to raise true corporate value and achieve its basic mission of contributing to the creation of a meaningful society through urban development. To that end, we recognize the importance of achieving a harmonious balance between corporate growth and the interests of our various stakeholders.

Based on this mission, the Mitsubishi Estate Group has set its sights on perpetuating a management that is focused on the common interests of shareholders and works to ensure transparency and objectivity as it takes steps to further improve its management system to attain efficient and sound Group management. Above all, we view corporate governance as one of the most important challenges that we face and, therefore, we are constantly working toward the creation of an optimal Group governance structure.

Corporate Governance System

Mitsubishi Estate is a company with internal statutory auditors. In addition to the General Meeting of Shareholders, the highest decision-making body, it has established a Board of Directors composed of the 13 directors (including four outside directors) and the Company's four statutory auditors (including three outside statutory auditors), and a Board of Statutory Auditors composed of all statutory auditors. Moreover, the Company has introduced an executive officer system and is taking steps to strengthen and more clearly define oversight and business execution functions.

Directors and the Board of Directors

The Board of Directors at Mitsubishi Estate holds regularly scheduled monthly meetings as well as extraordinary meetings when necessary to settle important business matters and oversee the business and affairs of the Company. In June 2007, to ensure greater management transparency and further fortify management and oversight of the Board of Directors, the number of outside directors was increased by one and the term that a board member may serve was reduced from two years to one.

To facilitate our response to new business opportunities, while keeping a close eye on governance, we are taking steps to speed up the decision-making process on urgent issues such as the acquisition of real estate assets through bids by introducing a special director system prescribed in the Japan Company Law.

Executive Officers and the Establishment of Consultative Bodies

At Mitsubishi Estate, 30 executive officers are in charge of business execution in each of their respective areas of responsibility. Moreover, important decisions are deliberated upon by the Executive Committee. The Executive Committee meets, as a general rule, once each week with the president, the executives of each business division and standing statutory auditors in attendance.

In addition, a number of consultative bodies have been established, including the Strategic Investment Committee and the CSR Committee. The Strategic Investment Committee assesses and considers investment proposals, acting as a subordinate body to the Executive Committee, and the Strategic Planning Committee is responsible for deliberating overall Group management strategy. The CSR Committee consults on Group CSR issues and shares relevant information on this subject with others. Through these bodies, we are creating a structure to facilitate and ensure that appropriate decisions are made in the area of management strategy and in the execution of business affairs.

Auditors and the Board of Auditors

Statutory auditors at Mitsubishi Estate attend meetings of the Board of Directors. In line with the annual audit plan, they audit the business execution status of the Board of Directors and of staff in each division.

Standing statutory auditors attend important meetings including the Executive Committee and collaborate with the Internal Audit Office and the CSR Department through regularly scheduled meetings. Furthermore, the Office of Statutory Auditors was established to assist the work of auditors.

Internal Controls

With respect to compliance, Mitsubishi Estate has formulated the Group's basic mission, code of conduct and action guidelines, which define standards of conduct for officers and employees to follow. The Company is working to thoroughly instill these standards throughout the Group and to achieve rigorous compliance through programs carried out by the CSR Department. Mitsubishi Estate has established its Group Management Rules for the management of business and other types of risk. Based on these rules, we have positioned the CSR Committee as a body responsible for promoting Group risk management, and the Risk Management Subcommittee as a working-level body that compiles information related to risk management. The executive in charge of the CSR Department has been given overall responsibility for risk management, and the general staff department managers of each division and corporate staff department managers have been given the title of "Risk Management Officers" and overall control and responsibility for the management of risk within their departments.

The Internal Audit Office was established and implements internal controls in line with annual and medium-term auditing plans, and verifies whether internal controls are being appropriately maintained and managed.

Countermeasures to Acquisitions and Other Matters

At the Board of Directors Meeting held on May 10, 2007, Mitsubishi Estate resolved to introduce a basic policy regarding those who would assume control of the Company's financial matters and management policy, and, as a concrete measure in line with the basic policy, a plan for dealing with major acquisitions of the Company's shares (hereinafter the "Plan") was discussed and approved at the General Meeting of Shareholders on June 28, 2007.

The purpose of the Plan is that, in the event of a major acquisition of Mitsubishi Estate shares, shareholders will be able to decide whether said major acquisition contributes to Mitsubishi Estate's corporate value and their interests. The Plan further ensures that the Board of Directors of the Company has sufficient time and information to submit an alternative proposal to the shareholders. It also helps prevent acquisitions that do not contribute to corporate value or shareholder interests by allowing the Company time to discuss and negotiate with the acquirer for the benefit of the shareholders. Moreover, the Plan establishes an independent committee composed of independent outside directors. In the event of an allotment of equity warrants without contribution, a type of acquisition countermeasure, the independent directors will, after having considered specific concrete exigencies, make a point of advising Mitsubishi Estate's Board of Directors, who will decide on a course of action only after having given full and serious consideration to said advice.

Directors, Statutory Auditors, and Executive Officers

Directors and Statutory Auditors	President & Representative Director	Keiji Kimura
	Representative Director	Nobuyuki Iizuka
	Representative Director	Toshio Nagashima
	Representative Director	Hiroshi Danno
	Representative Director	Takaya Endo
	Representative Director	Seiichiro Suzuki
	Director & Executive Counsel	Shigeru Takagi
	Director	Hiroyoshi Ito
	Director	Hirotaka Sugiyama
	Director	Isao Matsuhashi
	Director	Fumikatsu Tokiwa
	Director	Kazuya Okamoto
	Director	Shu Tomioka
	Standing Statutory Auditor	Eiji Tan
	Standing Statutory Auditor	Kunihiro Inoue
	Statutory Auditor	Kenjiro Hata
	Statutory Auditor	Akio Utsumi

Notes:
1. Among directors, only Isao Matsuhashi, Fumikatsu Tokiwa, Kazuya Okamoto, and Shu Tomioka fulfill the qualifications necessary for outside director as stipulated in Article 2-15 of the Company Law.
2. Among statutory auditors, only Kunihiro Inoue, Kenjiro Hata, and Akio Utsumi fulfill the qualifications necessary for outside statutory auditor as stipulated in Article 2-16 of the Company Law.

Executive Officers	Chief Executive Officer	Keiji Kimura
	Deputy President	Nobuyuki Iizuka
	Executive Vice President	Kazuo Odagawa
	Executive Vice President	Hiroharu Koinuma
	Executive Vice President	Toshio Nagashima
	Executive Vice President	Hiroshi Danno
	Executive Vice President	Takaya Endo
	Executive Vice President	Seiichiro Suzuki
	Executive Vice President	Toyohisa Miyauchi
	Senior Executive Officer	Mitsuo Iwai
	Senior Executive Officer	Masaaki Kono
	Senior Executive Officer	Takao Yagihashi
	Senior Executive Officer	Hiroyoshi Ito
	Senior Executive Officer	Yutaka Yanagisawa
	Senior Executive Officer	Yuzuru Shibagaki
	Senior Executive Officer	Hiroshi Nakajima
	Senior Executive Officer	Masao Ouchi
	Senior Executive Officer	Hirotaka Sugiyama
	Executive Officer	Toshihide Yoshimura
	Executive Officer	Kazuo Takahashi
	Executive Officer	Yasuo Fujiwara
	Executive Officer	Ichiro Watarai
	Executive Officer	Megumu Ono
	Executive Officer	Toshihiko Kazama
	Executive Officer	Yoshikazu Fukasawa
	Executive Officer	Shiro Fujiwara
	Executive Officer	Masamichi Ono
	Executive Officer	Soichiro Hayashi
	Executive Officer	Jo Kato
	Executive Officer	Naoto Aiba

(As June 28, 2007)

Corporate Social Responsibility

Mitsubishi Estate believes that the fundamental mission of corporate social responsibility (CSR) is the achievement of a truly meaningful society through the development of an environmentally friendly and appealing urban environment that fully satisfies the people who live, work and seek leisure there. Under this concept, Mitsubishi Estate has established a CSR Committee with the president as committee chairperson and is conducting a variety of CSR activities that leverage the special traits of the Mitsubishi Estate Group.

Compliance

Mitsubishi Estate considers compliance as not simply the adherence to legal standards, but as meeting the expectations of people in society at large, and also extending to adherence to internal company rules and ethical corporate standards. Furthermore, because we recognize how essential compliance is to the profit base of the Company, we view the creation of a compliance system as our most important management challenge. Moreover, each and every employee is deepening his and her awareness of compliance issues and putting them into practice.

Risk Management

To maintain proper risk assessment and management of a wide range of internal and external business risks, Mitsubishi Estate established its CSR Committee to take the lead position in maintaining proper risk assessment and management of a wide range of internal and external business risks. We have further established the Risk Management Council as a working-level body tasked with gathering risk management-related information, and we are implementing risk management cross-sectionally throughout the Company.

Environmental Efforts

As part of our environmental preservation activities, we have instituted an environmental management system, established environmental goals and are working for continuous improvement. With the prevention of global warming becoming an ever-more urgent issue, we have implemented energy conservation programs in cooperation with building tenants and, as a means of further promoting energy conservation in custom-built housing, we have promoted widespread use of Aerotech, a central heating, cooling and ventilation system. Having been proven to dramatically reduce CO_2 emissions and heating and cooling costs, the further spread of Aerotech is one of our environmental goals.

Social Contributions

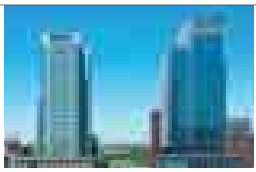
As a good corporate citizen, the Mitsubishi Estate Group engages in a wide range of social contributions primarily centered on communities, environmental preservation, social welfare and culture and the arts. Specific programs include Marunouchi Street Galleries conducted in cooperation with the HAKONE OPEN-AIR MUSEUM and the Dazzling Art Competition, a picture contest held annually for and in support of the future potential of disabled children.

Ecozzeria is a place for enjoying harmonious environmental interaction in the Marunouchi area (opened in May 2007 on the 10th floor of the Shin-Marunouchi Building)

The 5th annual Dazzling Art Competition exhibits 50 outstanding pictures (in a temporary enclosure during the construction of the Marunouchi Park Building)

BUSINESS INFORMATION

(Millions of yen)
Revenue from operations
Operating income



Building Business Segment

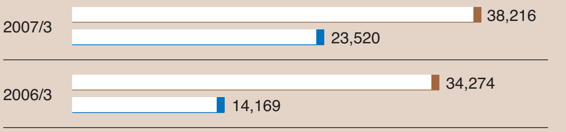
Building Business segment revenues are derived mainly from building development and leasing in Japan. This segment is also engaged in building management, parking facilities, district heating and cooling, and other operations.

Residential Business Segment

Residential Business segment revenues are derived from the construction and sale of condominiums, single-unit homes, and residential and commercial lots. This segment is also engaged in the management of condominiums and homes, and leisure-related businesses.

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.

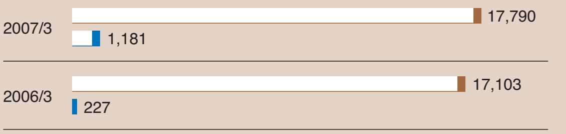


International Business Segment

International Business segment revenues are derived from the development and leasing of buildings conducted through U.S.-based Rockefeller Group, Inc.

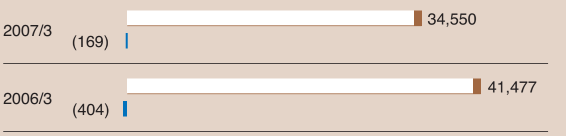
Architectural Design & Engineering Segment

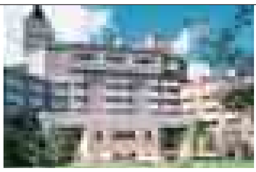
Architectural Design & Engineering segment revenues are derived from the design and project supervision of construction and civil engineering projects and related activities mainly through Mitsubishi Jisho Sekkei Inc.



Custom-Built Housing Segment

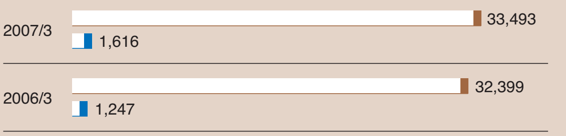
Custom-Built Housing segment revenues are derived from contract construction of custom-built housing and related activities through Mitsubishi Estate Home Co., Ltd.





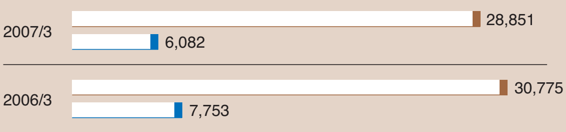
Hotel Business Segment

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



Real Estate Services Segment

Real Estate Services segment revenues are derived from real estate brokerage and related services through Mitsubishi Real Estate Services Co., Ltd.



Other Segment

Other segment revenues are derived from related operations other than the aforementioned.

REAL ESTATE CONSULTING & SOLUTION DEPARTMENT

Leveraging the Resources of the Entire Group to Expand Business Opportunities in Proposal-Based Marketing

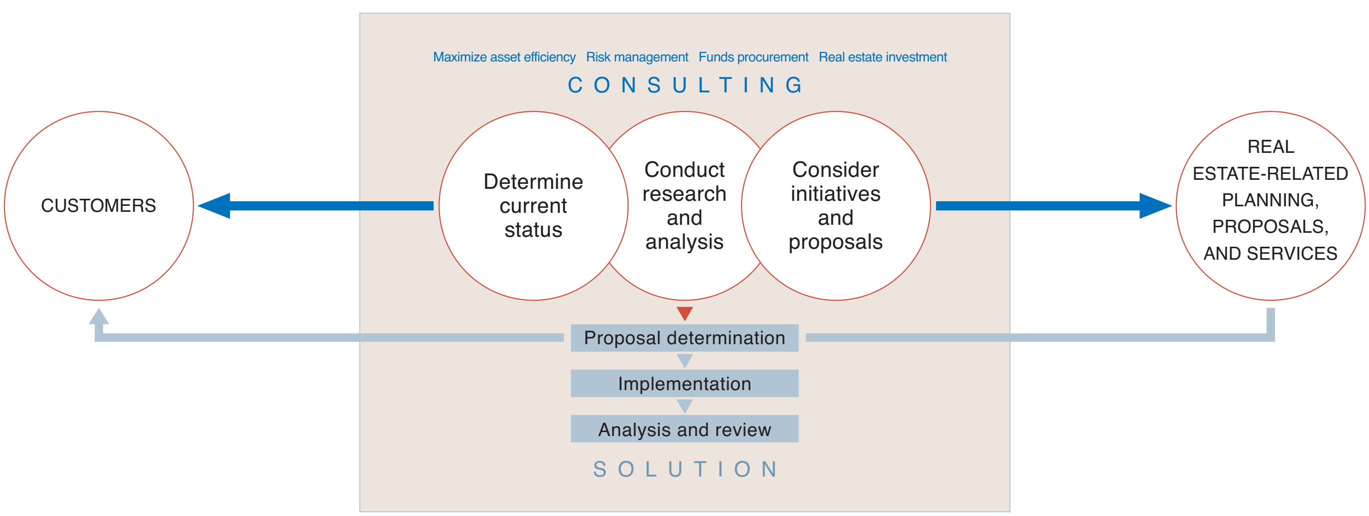
Standing at the heart of Mitsubishi Estate's strategic marketing structure, the Real Estate Consulting & Solution Department works to foster deeper ties with corporate clients through proposal-based marketing, which is conducted across the Group as a whole. Making full use of its accumulated real estate development, planning and management know-how, the Real Estate Consulting & Solution Department is active in efforts to realize maximum value for its corporate clients.

The Mitsubishi Estate Group Total Sales Structure

The structure of the Real Estate Consulting & Solution Department is independent from Mitsubishi Estate's eight business divisions. To provide the best consultation and solutions service to our clients, we leverage the resources of the entire Group and create proposals through collaboration that transcends these divisions. In addition to its full commitment to existing clients, the Department is also vigorously prospecting for new business.

Pursuing Business Opportunities in the Public Sector and Large-Scale Joint Developments

In its quest to generate new business opportunities, the Mitsubishi Estate Group as a whole is engaged in gathering information on the real estate needs of the public sector and in considering the commercial feasibility of large-scale building complex development projects. The Real Estate Consulting & Solution Department's Development Planning Office serves as an information center and liaises with all of the Group's business divisions regarding these projects, which maximizes the Group's collective strengths, and takes steps to win new business opportunities.



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

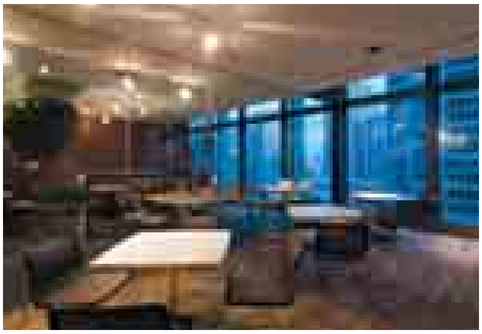
Construction
- Office building and retail facility construction
- Detached-housing, leased residence, company dormitory and housing construction
- Temple, hospital, and other specialized building construction
- Residence and office building renovation

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

Enhancing Urban Functions from the Perspective of Area Management

The Building Business primarily undertakes the development, leasing and property management of office buildings in Japan's major cities while also handling management of large-scale shopping centers, operation of parking lots and district operation of heating and cooling services throughout Japan, enhancing urban functions from the perspective of area management.



The Shin-Marunouchi Building
The grand opening was held in April 2007. From the first floor below ground to the seventh floor above ground is a commercial zone of 153 shops (113 retail shops and 40 restaurants and bars), and on the 10th floor we have created *Ecozzeria,* an ecology zone to promote harmonious environmental coexistence in the Marunouchi area.

The Marunouchi Park Building
As the first project of the second stage of the Marunouchi Redevelopment, it is currently under construction with completion targeted by spring 2009.

Mitsubishi Ichigokan
Mitsubishi Ichigokan, a red brick building that is slated for complete restoration, is to be used as a museum, which, as a key cultural and arts complex, will help expand the cultural horizons of the area.

Kobe-Sanda Premium Outlets
Opened in July 2007, and modeled after the upscale residential area of Pasadena in the suburbs of Los Angeles, U.S.A., under the concept of an open-spaced premium adult shopping center, customers can enjoy shopping for products from approximately 90 different brands.

Promoting Increased Interaction in the Marunouchi District

With its overwhelming infrastructure and corporate scale, the district offers a variety of business opportunities. Aiming to transform Marunouchi into a world-class center of dynamic interaction, Mitsubishi Estate promotes the upspring of various exchanges through supporting venture businesses and concentrating academic centers in the district, thereby expanding the circles of diverse exchanges that extend beyond the business world.

The Second Stage of the Marunouchi Redevelopment

In an effort to raise awareness of Tokyo as an international center 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 a portion of the Marunouchi district. A series of new buildings have been completed, beginning with the Marunouchi Building in August 2002, followed by the the Industry Club of Japan and Mitsubishi UFJ Trust and Banking Building in March 2003, the Marunouchi OAZO in August 2004 and the Tokyo Building in October 2005. The Shin-Marunouchi Building, which opened in April 2007, together with the Marunouchi Building form a symbolic and stately urban landscape that serves as a main point of entry point befitting Tokyo. Completion of the Peninsula Tokyo, scheduled for September 2007, will conclude the first stage of the Marunouchi Redevelopment.

From 2008, and over the next 10 years, we will push ahead with the second stage of the Redevelopment. For the Marunouchi Park Building and Mitsubishi Ichigokan, which comprise the first project of the second stage, we will simultaneously redevelop the Mitsubishi Shoji Building, the Furukawa Building and the Marunouchi Yaesu Building in order to reorganize the area as one comprehensive city block. The area will function as the hub adjoining the Marunouchi and Yurakucho districts. Mitsubishi Ichigokan, which was completed in 1894 as Marunouchi's first office building, will be restored as far as possible to its original state using the original blueprints, survey maps, and preserved elements, and then used as a museum, positioned as a main attraction for cultural exchange and interaction in the district. Adding to the aforementioned initiatives, Mitsubishi Estate announced that it has started a second project to rebuild the Togin Building in conjunction with adjoining sites.

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 120 hectares.

Expanding the Shopping Center Business Throughout Japan

The Building Business includes shopping centers in Tokyo (in Odaiba), Yokohama, Hakata and other locations, and work is also proceeding to ensure a greater retail presence on Marunouchi Naka Dori as part of its redevelopment. In addition, Mitsubishi Estate is expanding outlet mall operations nationwide through Chelsea Japan Co., Ltd., a partnership vehicle capitalized by Mitsubishi Estate, U.S.-based Chelsea Property Group, Inc. and Sojitz Corporation. Chelsea Japan operates outlet malls in Gotemba (Shizuoka Prefecture), Izumisano (Osaka Prefecture), Sano (Tochigi Prefecture), Tosu (Saga Prefecture) and Toki (Gifu Prefecture). Chelsea Japan also opened Kobe-Sanda Premium Outlets in Kobe (Hyogo Prefecture) in July 2007, its sixth facility in Japan, and plans to open Sendai-Izumi Premium Outlets (tentative name) in the autumn of 2008.

RESIDENTIAL BUSINESS

Providing High-Quality Homes that Unerringly Fulfill Market Needs

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

Hongo Park House The Premier Fort
Located in Hongo, Bunkyo Ward, this large 207-unit condominium is now under construction in partnership with TOWA REAL ESTATE DEVELOPMENT CO., LTD. With the goal of creating durable and permanent residences, Mitsubishi Estate is constructing safe, earthquake-proof condominiums with open pillar- and beam-free spaces that employ Thick Wall and Floor Structure (TWFS) construction methods, and providing advanced security systems.

Arisugawa Park House
Arisugawa Park House is a 23-unit condominium located at Azabu Juban in Minato Ward, situated on the north side of Arisugawa Memorial Park with its abundant greenery. The 23 units have an average floor space of $120m^2$ and 30 parking spaces are available, providing a comfortable lifestyle.

Growth in the Condominium Business Spurred by Prime Locations and Market-Oriented Product Planning

Sales of condominiums particularly in the Tokyo Metropolitan area continued to increase. This growth is attributable to Mitsubishi Estate's ability to supply properties that unerringly fulfill market needs. Boasting excellent product planning capabilities based on the skillful exploitation of a site's potential, Mitsubishi Estate strives for competitive advantages 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.

Mitsubishi Estate developed and is marketing its STYLE HOUSE series of full order-made condominiums, in which the layouts of each unit are freely designed by the owners and built to match their lifestyles. Fulfilling the diversifying needs of the market, four such condominiums have already been built and growth is proceeding steadily. In addition, Mitsubishi Estate is reinforcing its focus on quality assurance. Utilizing its proprietary disclosure system, it provides an easy-to-understand written record of property features, facilities and quality evaluation at each stage of design, construction and completion. This information is supplemented by a maintenance report after individual property owners take occupation.

In the single-unit home business, Mitsubishi Estate has created a new brand called “dreams design,” with an underlying theme of “living spaces that reflect individuality and offer daily comfort.” Through the provision of detached houses under this brand, Mitsubishi Estate is promoting residential developments based on a more distinctive customer-oriented concept.

Style House Minami-Ogikubo
Located in a quiet residential neighborhood in Suginami Ward, Tokyo, Style House Minami-Ogikubo is a 15-unit full order-made-type condominium. Its trademark louver-fitted outside northern wall adds a quality and elegance that is reflected in the common interior hallways.

Park House Akasaka-Hikawa
This is the first property of Mitsubishi Estate's condominium reconstruction business that makes use of the condominium reconstruction law. Located in a quiet location on a hill at Akasaka in Minato Ward, Tokyo, the condominium's original 63 units were transformed into 97 units. Mitsubishi Estate participates as an associate partner in the property with 48 units.

Condominium Reconstruction

The need to reconstruct condominiums, which are now considered social capital, is expected to increase as buildings age. To promote more effective use of real estate, Mitsubishi Estate established the Condominium Reconstruction Office in April 2007 to actively support such reconstruction needs and to initiate a framework for business cooperation with landowners. At present, we are cooperatively involved in five reconstruction projects, mainly in the Tokyo Metropolitan area, while working to steadily increase the number of these projects.

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, sporting facilities and businesses associated with increased leisure time and the promotion of good health. Against the backdrop of a rapidly aging society, Liv Sports Co., Ltd. in particular is actively expanding activities in the fitness business. With the opening of Fitness & Onsen Liv Yamato, a new type of fitness center that combines fitness facilities with a hot spring bath, in July 2007, Liv Sports has expanded its network to include 10 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. Looking toward the future, Liv Sports will actively pursue expansion with family-oriented branches in suburban areas around Tokyo.

Prioritizing Development and Management in Business Opportunity Expansion

In the real estate investment market, demand is increasing for income-generating real estate. Taking this into consideration, the Urban Development & Investment Management business has positioned the development and management of quality real estate at the heart of business activities. Going forward, we are pursuing a two-tiered business model, promoting development functions in concert with management functions.

Harumi Center Building
This project utilizes development-based securitization methods, with development financing from non-recourse loans and equity financing from the joint-development partners. A multi-purpose building containing offices and retail shops, this redevelopment and land demarcation project in the Harumi district is moving forward, and as a new business zone, it is attracting a great deal of interest. Construction of the building was completed in November 2006.

Minamimachi Dori Center Building
This building is in a prime location only six-minutes walking distance from JR Sendai Station. Designed with tradition in mind, the project consists of a building complex housing offices and retail shops that resemble older, more traditional buildings with pillars and posts, but are furnished with the latest equipment. Construction was completed in March 2007.

Actively Promoting the Development Business by Strengthening Asset Solutions Capabilities

In the context of the development function, we are fostering the development business of income-generating real estate by optimizing the timing of sales of prime investment products after construction completion and the commencement of operations.

In March 2007, construction of the Minamimachi Dori Center Building in Aoba Ward, Sendai City, was completed, followed in April by the Akihabara Center Place Building in Kanda Aioicho in Chiyoda Ward, Tokyo. Mitsubishi Estate is also active in a number of development projects including the Shiodome Stage I-2 Area Project (tentative name), which forms part of the large-scale Shiodome Shiosite redevelopment project.

Mitsubishi Estate does not limit its activities solely to office buildings; it also engages 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. Mitsubishi Estate is involved in the Edogawa Ward Shinsuna 3-chome Shopping Center Project (tentative name), and other retail facility projects. In residential property development (tentative name), Mitsubishi Estate is pushing forward with the development of the PARK HABIO brand of condominium complexes for leasing purposes by leveraging its performance and know-how accumulated in the development of the Park House brand condominiums. After construction completion of PARK HABIO KYOBASHI in September 2004, the first building of the series, Mitsubishi Estate supplied a further seven buildings including PARK HABIO KOISHIKAWA TOMISAKA, completed in February 2007. Beyond that, Mitsubishi Estate has a number of developments underway, especially in central Tokyo, and plans to continue supplying high-quality condominiums in central city locations that meet a variety of needs.

Shiodome Stage I-2 Area Project (tentative name)
This is a large-scale project that uses development-based securitization methods. This development will be the last large-scale project within the 31-hectare mixed commercial zone of the Shiodome Shiosite redevelopment project.

PARK HABIO KOISHIKAWA TOMISAKA
Located in Koishikawa, Bunkyo Ward, one of Tokyo's leading educational areas, these condominiums for lease are situated in a residential area of abundant greenery with convenient access to the city center. Construction was completed in February 2007.

In its development projects, Mitsubishi Estate is utilizing special-purpose companies and other vehicles to limit business investment risk, although direct investment may be utilized depending on the scale of development. Through a thorough decision-making process, Mitsubishi Estate endeavors to choose an optimal investment method for each development project.

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, a J-REIT.

Business is steadily growing at Mitsubishi Jisho Investment Advisors, which is building a private equity fund that invests in real estate including commercial facilities, residential homes and offices. Continuing to secure management opportunities, Mitsubishi Jisho Investment Advisors aims to acquire new projects, increase the number of funds it manages and expand the balance of assets under management.

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

A Globally Growing Real Estate Leasing and Development Business

In the International Business, Mitsubishi Estate operates mainly through Rockefeller Group, Inc. (RGI), which owns, leases and manages office buildings in such locations as New York and London, and is expanding its real estate development business across the United States and in London and Shanghai. In March 2007, Mitsubishi Estate sold RGI subsidiary Cushman & Wakefield as part of a restructuring of its International Business portfolio. In addition to the real estate development business, our core international business, we are taking steps to expand our real estate investment advisory business.

Central St Giles Redevelopment Project in London
A joint redevelopment project with Legal & General, this complex comprises 66,000m^2 of offices, retail shops and residences. Construction is scheduled to start in autumn 2007 and finish at the end of 2009.

Bow Bells House Redevelopment Project in London
Located in the heart of London's financial district, the Bow Bells House Redevelopment Project calls for the construction of an office building with a total 20,000m^2 in office space. The project is scheduled for completion in November 2007.

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

Shanghai Bund de Rockefeller Project
This large-scale development located in the Waitanyuan area of Shanghai, China, encompasses the mixed-use development of 93,000m^2 comprising residential housing, retail shops, a boutique hotel and other facilities.

Advancing the Real Estate Development Business across the United States, the United Kingdom and China

In the United States, Mitsubishi Estate owns interests in the McGraw-Hill Building and the Time-Life Building in New York City's Manhattan. In addition, we are aggressively expanding our real estate development business across the United States with projects that include suburban office buildings, distribution facilities and homes.

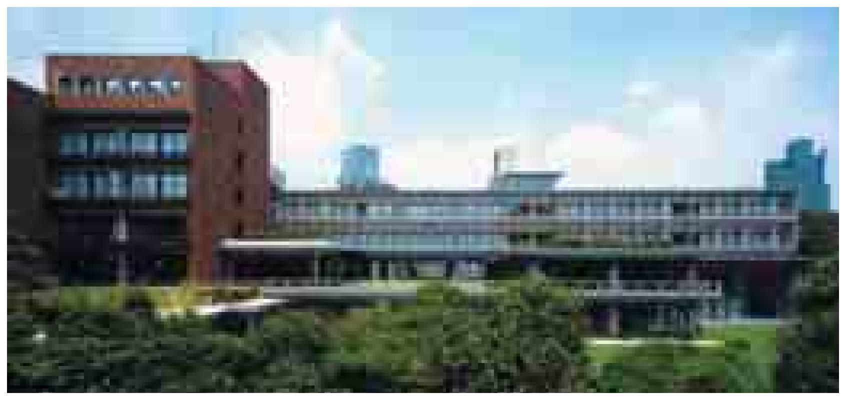
Mitsubishi Estate participated in the joint Central St Giles Redevelopment Project in London with Legal & General, a major life insurance company in the United Kingdom. Following in the footsteps of the Paternoster Square Redevelopment Project and the Bow Bells House Redevelopment Project, we are scheduled to begin construction in autumn 2007 on our third redevelopment project in London. The project comprises a building with offices and retail shops and another building with residences (total floor area: 66,000m^2), and is scheduled for completion by the end of 2009. In addition, Mitsubishi Estate recently acquired the River Plate House, an office building, which is situated in an unusually excellent location within the City of London, as it aggressively seeks out real estate development opportunities.

In China, RGI has undertaken a development project in the Waitanyuan area of Shanghai in cooperation with the Shanghai New Huangpu Group and Sinolink International Trading Co., Ltd. The project involves the development of a complex composed primarily of residences, retail shops and hotels with a site area of approximately 17,000m^2 and a total floor area of roughly 93,000m^2.

ARCHITECTURAL DESIGN & ENGINEERING

Offering Reliability and Advanced Technological Know-How Based Upon an Extensive Record of Performance

At the core of Mitsubishi Estate's Architectural Design & Engineering business are Mitsubishi Jisho Sekkei Inc. (MJS), 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, and MEC Design International Corporation, which directs interior design and construction projects.



International House of Japan Project
The project is a preservation and refurbishment of a building that represents Japan's modernism. A comprehensive overhaul of the building's ageing facilities bring it into the modern era, making it more earthquake-resistant, economical, and functional. MJS won an award from the Architectural Institute of Japan for its work on the project.

Otemon Gakuin University Central and No. 6 Building
On the University's 120th anniversary, MJS was awarded the bid from six contenders and completed the building in December 2006. The new building has become a symbol of the University while maintaining the continuity of the overall view of the campus, its flow lines and the facades of the buildings.

Robust Architectural Design & Engineering Coupled with Expansion into Peripheral Business Operations

Major projects completed during the fiscal year ended March 31, 2007 included the Central and No. 6 Building at Otemon Gakuin University, the Yomiuri Hokkaido Building, Minami-Aoyama Terrace Tokiwamatsu Forest, and the preservation and revitalization of the International House of Japan. In the fiscal year ending March 31, 2008, the Shin-Marunouchi Building, the Peninsula Tokyo and the Yurakucho Station Area Development Project are targeted for completion. Looking toward the future, MJS will continue efforts to secure orders in new and refurbished architectural design and engineering projects while actively sharpening its competitive edge in the business domains of construction management, private financing initiative (PFI) projects and district heating and cooling services, all of which are primed for market expansion.

Further to winning the bid for the master plan concerning the development of the new Pudong district in Shanghai in the fiscal year ended March 31, 2006, MJS won two later bids for the design of an underground station area, and for establishing the criteria for landscaping and environment, signs and lighting. In January 2007, MJS also won the international bid to develop the Crowne Plaza Shanghai. Since 2003 MJS has exchanged personnel and information with its partners among leading architects and developers in Shanghai, and conducted reciprocal visits by top-level executives. This cooperation will be maintained and strengthened as MJS expands its activities and China's high pace of economic growth continues.

Business Collaboration with Kisaburo Ito Strengthens our Involvement in the Provision of Healthcare Facilities

MJS and Kisaburo Ito Architects & Engineers, a highly accomplished firm in consulting and design of healthcare facilities, formed a business partnership in March 2007. The partners enhance their technical prowess through personnel transfers and leverage their particular expertise to respond jointly to design competitions, PFI and other opportunities to obtain new business in facilities for the provision of healthcare.

CUSTOM-BUILT HOUSING

Offering Homes for Premium Lifestyles

The Custom-Built Housing business seeks 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, Mitsubishi Estate undertakes construction contracts for custom-built housing for individuals as well as housing development companies.

PURE — the healthy design house
The housing theme suggests a lifestyle healthy in mind and body

Flexibly Designed Housing for Individual Lifestyles

Mitsubishi Estate Home mainly adopts the two-by-four construction method to provide its customers with safe and comfortable living environments. 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's "Aerotech" brand is a mainstay of the Custom-Built Housing business. Moreover, the company's advanced proprietary technology Super Two-by-Four Aerotech* construction method achieves greater flexibility and convenience for building construction. Respecting each customer's lifestyle, desires and preferences for their daily lives, and taking advantage of its technological prowess and added value, Mitsubishi Estate Home closely collaborates with customers to contribute to realizing their dreams.

In April 2007, Mitsubishi Estate Home announced its new lifestyle housing product, the healthy design "PURE" house, which incorporates the theme of health in mind and body. Also based on Super Two-by-Four Aerotech, "PURE" house offers superior air quality and living space versatility, creating an abundant family lifestyle, healthy in body and mind.

Mitsubishi Estate Home is also active in fostering business opportunities with companies engaged in custom-built homes. 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 neighborhood-wide basis.

* Super Two-by-Four Aerotech is a two-by-four construction method that was developed through the combination of Aerotech with Mitsubishi Estate Home Co., Ltd.'s unique new technology system. Super Two-by-Four Aerotech conserves more energy and offers greater durability than conventional construction methods, and also enables a higher proportion of interior space.

Enhancing Brand Power and Management

In the Hotel Business, 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 hotel chain comprises a network of six hotels offering 2,056 guestrooms.

Royal Park Shiodome Tower
The Royal Park Shiodome Tower restaurant *Harmony*, located in Shiodome Media City, offers a stylish setting and flexible service.

Sendai Royal Park Hotel
Located in the suburbs of Sendai City, the Sendai Royal Park Hotel is distinguished by its elegant external facade. The hotel boasts an expansive traditional Japanese garden that accentuates the beauty of each season and houses wedding facilities. Another of its extensive services is an esthetic salon operated by the hotel.

Yokohama Royal Park Hotel
The hotel underwent a total renovation in fiscal 2006. The *Urban Spa Floor*, a highly specialized mini-resort, was installed on the 67th floor.

A New Style of Hotel that Supports Business

Opened in July 2003 in Shiodome, Tokyo, the Royal Park Shiodome Tower has set out to achieve a new paradigm in hotel services, including Japan's first Mandara Spa for relaxation, and the use of a timesharing 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 a Management Focus on Customer Delight

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 around the world.

Furthermore, in April 2006, Royal Park Hotels and Resorts commenced business collaboration with THE OKAMI, an organization of 19 Japanese-style *ryokan* hotels that are members of various hotel associations covering the Izu area. Through this collaboration, Royal Park Hotels and Resorts provides reservation correspondence services via the Internet.

REAL ESTATE SERVICES

Meticulously Responding to the Varied Real Estate Needs of Customers

The Real Estate Services business has instituted a system that enables highly customized responses to individual customer needs. Handled primarily through Mitsubishi Real Estate Services Co., Ltd., the goal is to provide one-stop-shopping of high-quality real estate services covering all areas including real estate brokerage, condominium sales agency and office and residential property leasing services. Armed with an ample portfolio of real estate services, the company established the Marunouchi Salon at the Marunouchi Building in September 2007, from where it responds to a wide range of real estate needs.

Hiroo Garden Forest
Mitsubishi Estate and Mitsui Fudosan Residential Co., Ltd. are jointly constructing Hiroo Garden Forest, a large-scale, 474-unit condominium complex located in Tokyo's Shibuya Ward. Mitsubishi Real Estate Services Co., Ltd. has been appointed as the agent for condominium sales.

Park House Gallery Akasaka Club
This location serves as a sales base for high-grade condominiums in central Tokyo. A luxurious model room is available for private viewing only by advance reservation.

Real Estate Brokerage Services

Mitsubishi Real Estate Services engages in a wide variety of real estate brokerage businesses, ranging from the purchase, sale and leasing of commercial properties such as buildings and factory sites, and individual properties such as condominiums, single-unit homes and residential land, to consulting services that facilitate the optimal application of customers' real estate. In addition, we provide support to company management through Consulting M, a consulting service that leads in the field of enhancing corporate value through corporate real estate (CRE) strategies. Mitsubishi Real Estate Services also boasts a nationwide network of branches and sales offices that are connected online. Through these means, Mitsubishi Real Estate Services is consistently able to provide the most up-to-date real estate information.

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 the sale of properties such as condominiums. Mitsubishi Real Estate Services also offers specialist staff to assist customers in peripheral procedures such as property registration and other administrative matters, as well as condominium buyers in application procedures for mortgage loans. Through a comprehensive range of services, Mitsubishi Real Estate Services provides reliable support to customers in their selling activities. In the area of residential development and sales, the company is on hand to provide total support to developers. We offer a full range of services including site information for potential condominium development, inspections and appraisal, market research, product planning, and advertising and promotions planning.

Office and Residential Leasing Services

Mitsubishi Real Estate Services is engaged in a full range of office and residential property leasing services. The company offers a sublease system, under which it leases an entire property from the owner and sublets to tenants under a master-lease agreement. It also provides a property management system that includes a comprehensive range of leasing services. Rounding out its total support system, the company also serves investors and asset managers by satisfying wide-ranging needs in leasing management through its lease-management support system.

Financial Section

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Financial Review

SUMMARY

In the fiscal year ended March 31, 2007, Mitsubishi Estate reported historic highs in each of its major revenue and earnings categories. Revenue from operations increased 12.3% compared with the previous fiscal year. On the earnings front, operating income climbed 20.7%, while net income surged 74.9% year on year.

In the Buildings segment, strong results were fueled by contributions for the full fiscal year mainly from new buildings in connection with the Marunouchi Redevelopment Project and the sale of assets. Conditions were also positive in the Residential Development segment, which benefited from an improvement in condominium gross profit margins and an increase in the of condominiums sold, and in the Urban Development & Investment Management segment, which benefited from gains on sales of development properties. Buoyed by positive results, revenue from operations increased for the third year in succession. Operating income climbed for the fifth consecutive year, while net income rose for the third year in a row.

REVENUE FROM OPERATIONS

Revenue from operations for the fiscal year ended March 31, 2007 was ¥947,641 million, an increase of ¥103,424 million, or 12.3%, compared with the previous fiscal year. Details of results and operating conditions for each business segment are provided as follows.

In the Building Business segment, despite the impact of a decline in revenue from the closure of existing buildings for reconstruction as part of the Marunouchi Redevelopment Project, results benefited from an increase in occupancy rates and contributions for the full fiscal year from the Tokyo Building, which was completed in October 2005, as well as contributions from the disposition of a portion of equity held in the Sanno Grand Building, the Harumi Park Building, the new wing of the Harumi Park Building, and the Nishiki Park Building, the latter of which was acquired in March 2005. As a result of the above factors, revenue from segment operations increased ¥41,857 million, or 13.4%, to ¥353,956 million.

On a year-on-year basis, revenue in the Residential Business segment climbed ¥27,301 million, or 13.4%, to ¥231,514 million, thanks an increase in the number of condominiums sold by 575 to 3,445.

In the Urban Development & Investment Management segment, revenue advanced due to the sale of Kitanomaru Square, a building completed in January 2006, and the inclusion of a part of an anonymous partnership. As a result, revenue from operations increased ¥3,942 million, or 11.5%, to ¥38,216 million.

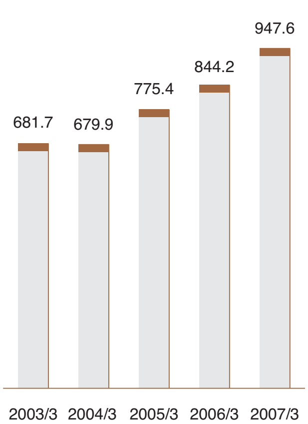
Focusing mainly on the robust real estate markets in Europe and the United States, revenue from Mitsubishi Estate's International Business segment rose ¥33,221 million, or 17.2%, to ¥226,444 million. This was primarily attributed to increased revenue from the real estate brokerage business of Cushman & Wakefield, Inc., and to stable operations in real estate development and leasing businesses.

In the Architectural Design & Engineering segment, an increase in the number of completed projects, a decline in the sales cost ratio and other factors contributed to an increase in revenue of ¥687 million, or 4.0%, to ¥17,790 million.

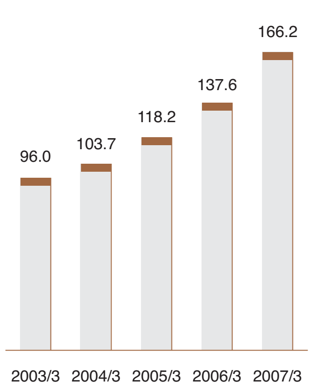
In the Custom-Built Housing segment, revenue decreased ¥6,927 million, down 16.7% year on year, to ¥34,550 million, due to greater consolidation of sales bases in the Tokyo and Osaka metropolitan areas compared to the previous fiscal year.

In the Hotel Business segment, despite the sale of the Atsugi Royal Park Hotel, brisk business in the banquet-related business at the Yokohama Royal Park and other hotels contributed to an increase in revenue from operations of ¥1,094 million, or 3.4%, to ¥33,493 million.

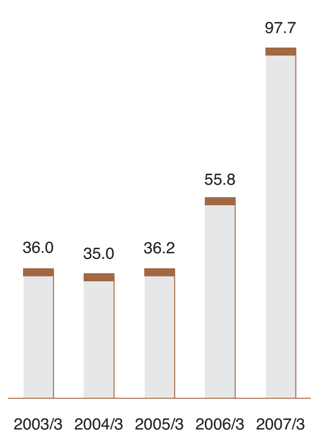
Revenue from Operations (Billions of yen)



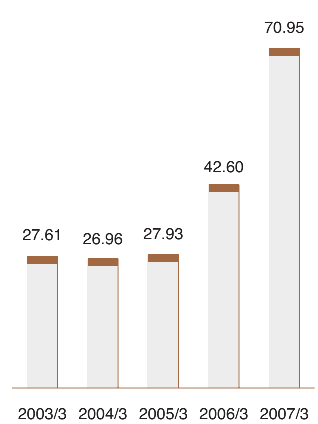
Operating Income (Billions of yen)



Net Income (Billions of yen)



Net Income Per Share (Basic) (Yen)



In the Real Estate Services segment, higher revenue from real estate brokerage was more than offset by a decline in home sales agency revenue caused by a change in accounting standards for recording real estate brokerage fees from the previous fiscal year, resulting in a decrease in revenue from operations of ¥1,924 million, or 6.3%, to ¥28,851 million.

Revenue from the Other segment declined ¥457 million, down 9.7%, to ¥4,260 million.

ANALYSIS OF INCOME

Compared with the previous fiscal year, operating income increased ¥28,551 million, or 20.7%, to ¥166,165 million.

Operating income in the Building Business segment climbed 12.0% due to the full fiscal year contributions from buildings completed during the fiscal year ended March 31, 2006. In addition, operating income in the Residential Business segment rose 35.2%, resulting from the improvement in gross profit margins, and surged 66.0% in the Urban Development & Investment Management segment, owing to the distribution of profits from investments in an anonymous partnership in association with the sale of properties. On a year-on-year basis, operating income in the International Business segment fell 5.1%, reflecting a decline in fee income from a Group investment advisory company. In the Real Estate Services segment, operating income dropped 21.6% on the back of lower sales brokerage revenue resulting from changes in accounting standards related to the recording of sales. Operating income in the Architectural Design & Engineering and Hotel Business segments improved while the operating loss in the Custom-Built Housing segment narrowed.

OTHER INCOME (EXPENSES)

In the fiscal year under review, other income (expenses) amounted to net other income of ¥11,804 million, an improvement of ¥41,505 million compared to the previous fiscal year. This was mainly due to increases in interest and dividend income as well as to gain on sales of shares of affiliated companies in "other, net." Interest and dividend income increased ¥1,324 million to ¥4,112 million. Equity in earnings of unconsolidated subsidiaries and affiliates climbed ¥1,538 million to ¥8,094 million. Interest expenses totaled ¥18,873 million, a year-on-year improvement of ¥1,003 million. Other, net income jumped by ¥37,639 million to ¥18,470 million.

NET INCOME

Compared with the previous fiscal term, income before income taxes and minority interests increased ¥70,056 million, or 64.9%, to ¥177,969 million. Net income in the fiscal year under review rose ¥41,837 million, or 74.9%, to ¥97,662 million, and net income per share was ¥70.95.

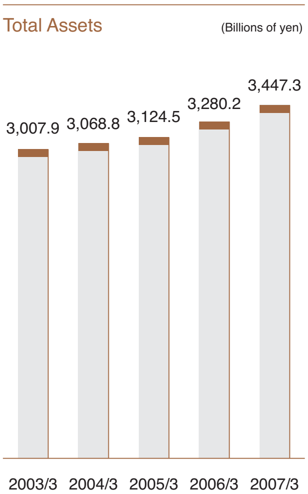
ANALYSIS OF FINANCIAL POSITION

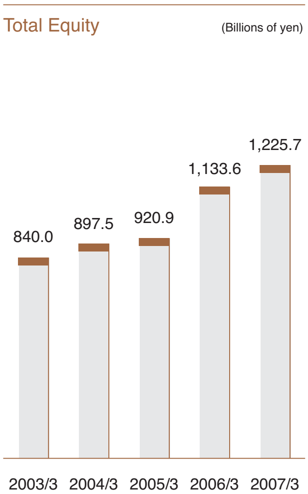
(1) Consolidated Cash Flow

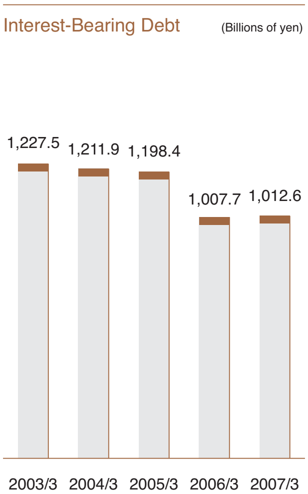
On a consolidated basis, cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review rose ¥38,999 million to ¥206,089 million. The main sources of cash were income before income taxes and minority interests, depreciation and amortization, proceeds from sales of property and equipment, proceeds from issuance of corporate bonds and increase in long-term borrowings. The main uses of cash were purchases of property and equipment, repayment of corporate bonds and repayment of long-term borrowings.

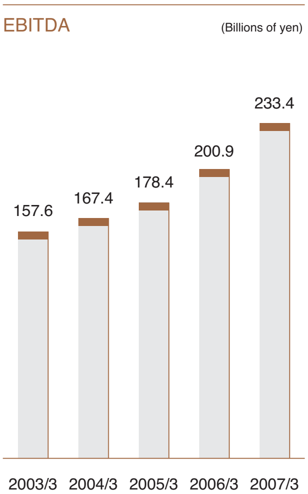
Cash Flows from Operating Activities

Net cash provided by operating activities was ¥150,710 million, down ¥19,034 million compared with the previous fiscal year. For the period under review, income before income taxes and minority interests amounted to ¥177,969 million and non-cash items such as









depreciation and amortization totaled ¥54,257 million. In addition, Mitsubishi Estate recorded decreases in notes and accounts receivable as well as equity investments, and an increase in notes and accounts payable.

Cash Flows from Investing Activities

In the fiscal year under review, net cash used in investing activities was ¥85,389 million, a turnaround of ¥115,272 million. This was mainly attributed to the acquisition of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥34,093 million, down ¥98,370 million compared with the previous fiscal year. While Mitsubishi Estate received cash from the increase in long-term borrowings and the issuance of corporate bonds, this was more than offset by outflows attributed to the repayment of both long-term borrowings and corporate bonds.

(2) Consolidated Balance Sheets

Compared with the previous fiscal year-end, total assets increased ¥167,063 million to ¥3,447,272 million as a result of the operating, investing and financing activities previously mentioned.

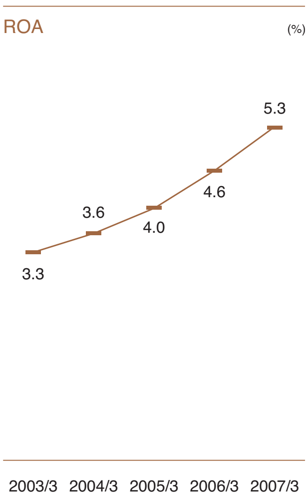
Total liabilities, when compared to the previous fiscal year-end, increased ¥72,496 million to ¥2,186,364 million. Net assets increased ¥94,568 million to ¥1,260,908 million due primarily to an increase in retained earnings.

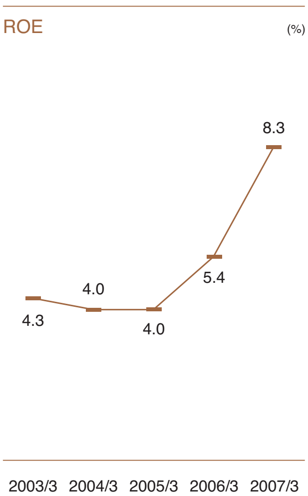
Note: In line with changes to accounting standards adopted in fiscal 2006, figures for “shareholders’ equity” for the fiscal year ended March 31, 2006 have been restated as “net assets.”

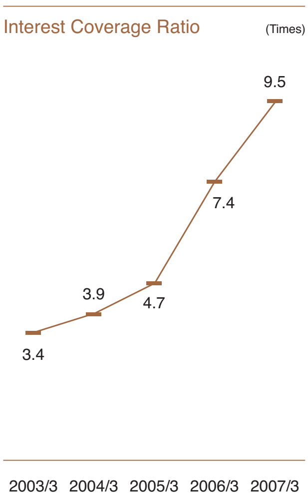
MANAGEMENT INITIATIVES AND FINANCIAL STRATEGIES

In its new three-year Medium-Term Management Plan (April 1, 2005 through March 31, 2008), the Company set a goal for earnings before interest, taxes, depreciation and amortization (EBITDA) of ¥200 billion, to be achieved by the final fiscal year of the Plan, ending March 31, 2008. Against this target, EBITDA for the fiscal year ended March 31, 2006 was ¥200.9 billion. Accordingly, Mitsubishi Estate achieved its goal two years in advance. EBITDA for the fiscal year under review increased year on year to ¥233.4 billion. Looking to the future, Mitsubishi Estate will continue to position EBITDA as a core component of its management policies. 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 the procurement of long-term funds at stable interest rates. 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. Under its Medium-Term Management Plan, Mitsubishi Estate has identified the goal to maintain the net balance of interest-bearing debt as of March 31, 2008 to within five times of EBITDA, and it promotes management awareness of the level of interest-bearing debt based on earning capacity. As a result of the repayment of liabilities and the conversion of convertible bonds to common stock, the balance of interest-bearing debt as of March 31, 2007 stood at ¥1,012.6 billion. Deducting cash and cash equivalents, the net balance of interest-bearing debt as of the fiscal year-end was ¥806.5 billion, clearing the aforementioned target ratio of EBITDA.







Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Revenue from operations	¥ 947,641	¥ 844,217	$ 7,956,016
Cost of revenue from operations	(719,337)	(650,389)	(6,039,274)
Selling, general and administrative expenses	(62,137)	(56,213)	(521,684)
Operating income	166,165	137,614	1,395,057
Other income (expenses):			
Interest and dividend income	4,112	2,788	34,531
Interest expenses	(18,873)	(19,876)	(158,451)
Equity in earnings of unconsolidated subsidiaries and affiliates	8,094	6,556	67,958
Other, net (Note 14)	18,470	(19,169)	155,067
	11,804	(29,701)	99,105
Income before income taxes and minority interests	177,969	107,913	1,494,162
Income taxes (Notes 1 and 9):			
Current	(54,069)	(28,509)	(453,942)
Deferred	(20,100)	(17,217)	(168,759)
	(74,169)	(45,726)	(622,701)
Minority interests	(6,137)	(6,360)	(51,523)
Net income	¥ 97,662	¥ 55,825	$ 819,937

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Assets			
Current assets:			
Cash (Notes 7 and 15)	¥ 201,107	¥ 139,605	$ 1,688,417
Notes and accounts receivable – trade (Note 7)	33,912	63,763	284,718
Marketable securities (Note 4)	6,160	27,289	51,718
Allowance for doubtful receivables	(421)	(3,303)	(3,542)
Inventories (Note 5)	300,180	305,800	2,520,198
Equity investments (Note 4)	127,099	108,978	1,067,073
Deferred income taxes (Note 9)	36,827	38,786	309,185
Other current assets	33,702	47,758	282,953
Total current assets	738,568	728,679	6,200,723
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	57,571	51,558	483,346
Investment securities (Note 4)	300,470	311,519	2,522,628
Other investments (Notes 6 and 7)	132,075	132,584	1,108,849
Total investments	490,116	495,662	4,114,824
Property and equipment (Note 7):			
Land	1,414,754	1,293,186	11,877,712
Buildings and structures	1,515,603	1,503,768	12,724,400
Machinery and equipment and other	82,207	102,634	690,181
Construction in progress	88,170	28,353	740,246
	3,100,735	2,927,942	26,032,540
Less accumulated depreciation	(916,496)	(931,570)	(7,694,539)
Property and equipment, net	2,184,239	1,996,372	18,338,001
Intangible and other assets	34,348	59,495	288,372
Total assets	¥3,447,272	¥3,280,209	$28,941,922

See accompanying notes to consolidated financial statements.

	2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 7)	¥ 140,969	¥ 166,746	$ 1,183,519
Notes and accounts payable – trade	72,301	85,502	607,015
Accrued income taxes (Note 9)	38,078	20,889	319,693
Advances and deposits	104,577	95,823	877,992
Accrued expenses and other current liabilities (Note 9)	118,029	76,706	990,931
Total current liabilities	473,956	445,668	3,979,151
Long-term debt (Note 7)	871,619	841,015	7,317,770
Lease deposits received	306,546	304,189	2,573,640
Accrued employees' retirement benefits (Note 8)	13,433	11,787	112,779
Deferred income taxes (Note 9)	481,667	459,752	4,043,888
Other non-current liabilities	39,140	51,456	328,609
Total liabilities	2,186,364	2,113,868	18,355,839
Net assets:			
Shareholders' equity (Note 10):			
Common stock, without par value:			
Authorized — 1,980,000,000 shares;			
Issued — 1,382,518,351 shares in 2007 and			
1,371,189,197 shares in 2006	136,534	129,736	1,146,286
Capital surplus	165,216	158,421	1,387,089
Retained earnings	324,611	246,246	2,725,307
Less treasury stock, at cost	(2,965)	(2,024)	(24,896)
Total shareholders' equity	623,396	532,381	5,233,786
Valuation, translation adjustments and others:			
Unrealized holding gain on securities	133,843	142,040	1,123,698
Deferred gains or losses on hedging instruments	161	–	1,353
Land revaluation reserve	470,397	466,259	3,949,270
Foreign currency translation adjustments	(2,154)	(7,057)	(18,090)
Total valuation, translation adjustments and others	602,247	601,242	5,056,231
Stock acquisition rights	79	–	664
Minority interests	35,185	32,717	295,399
Contingent liabilities (Note 13)			
Total net assets	1,260,908	1,166,340	10,586,082
Total liabilities and net assets	¥3,447,272	¥3,280,209	$28,941,922

Consolidated Statements of Changes in Net Assets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2005	¥ 86,534	¥115,236	¥243,577	¥(1,800)	¥443,547
Increase arising from conversion of convertible bonds	43,202	43,202			86,404
Cash dividends paid			(11,676)		(11,676)
Net income			55,825		55,825
Treasury stock		(17)		(223)	(240)
Directors' and statutory auditors' bonuses			(5)		(5)
Land revaluation reserve (Note 1)			(41,474)		(41,474)
Net change in items other than those in shareholders' equity					
Balance at March 31, 2006	129,736	158,421	246,246	(2,024)	532,381
Changes in the year:					
Increase arising from conversion of convertible bonds	6,797	6,797			13,594
Cash dividends paid			(15,132)		(15,132)
Net income			97,662		97,662
Purchase of treasury stock				(1,145)	(1,145)
Disposal of treasury stock		(2)	(13)	204	187
Directors' and statutory auditors' bonuses			(5)		(5)
Land revaluation reserve (Note 1)			(4,138)		(4,138)
Changes in consolidated subsidiaries and companies accounted for by the equity method			(8)		(8)
Net change in items other than those in shareholders' equity					
Total of changes in the year	6,797	6,794	78,364	(941)	91,015
Balance at March 31, 2007	¥136,534	¥165,216	¥324,611	¥(2,965)	¥623,396

Millions of yen

	Valuation, translation adjustments and others							
	Unrealized gain on securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2005	¥ 68,865	¥ –	¥424,785	¥(16,268)	¥477,382	¥ –	¥35,303	¥ 956,233
Increase arising from conversion of convertible bonds								86,404
Cash dividends paid								(11,676)
Net income								55,825
Treasury stock								(240)
Directors' and statutory auditors' bonuses								(5)
Land revaluation reserve (Note 1)								(41,474)
Net change in items other than those in shareholders' equity	73,175		41,474	9,210	123,860		(2,585)	121,274
Balance at March 31, 2006	142,040	–	466,259	(7,057)	601,242	–	32,717	1,166,340
Changes in the year:								
Increase arising from conversion of convertible bonds								13,594
Cash dividends paid								(15,132)
Net income								97,662
Purchase of treasury stock								(1,145)
Disposal of treasury stock								187
Directors' and statutory auditors' bonuses								(5)
Land revaluation reserve (Note 1)								(4,138)
Changes in consolidated subsidiaries and companies accounted for by the equity method								(8)
Net change in items other than those in shareholders' equity	(8,197)	161	4,138	4,902	1,005	79	2,467	3,552
Total of changes in the year	(8,197)	161	4,138	4,902	1,005	79	2,467	94,567
Balance at March 31, 2007	¥133,843	¥161	¥470,397	¥ (2,154)	¥602,247	¥79	¥35,185	¥1,260,908

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (continued)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
Balance at March 31, 2006	$1,089,217	$1,330,044	$2,067,389	$(16,993)	$4,469,658
Changes in the year:					
Increase arising from conversion of convertible bonds	57,069	57,069			114,138
Cash dividends paid			(127,042)		(127,042)
Net income			819,937		819,937
Purchase of treasury stock				(9,616)	(9,616)
Disposal of treasury stock		(24)	(114)	1,712	1,573
Directors' and statutory auditors' bonuses			(45)		(45)
Land revaluation reserve (Note 1)			(34,742)		(34,742)
Changes in consolidated subsidiaries and companies accounted for by the equity method			(74)		(74)
Net change in items other than those in shareholders' equity					
Total of changes in the year	57,069	57,044	657,917	(7,903)	764,127
Balance at March 31, 2007	$1,146,286	$1,387,089	$2,725,307	$(24,896)	$5,233,786

	Unrealized gain on securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Stock acquisition rights	Minority interests	Total net assets
	Thousands of U.S. dollars (Note 3)							
	Valuation, translation adjustments and others							
Balance at March 31, 2006	$1,192,518	$ –	$3,914,527	$(59,253)	$5,047,792	$ –	$274,681	$9,792,132
Changes in the year:								
Increase arising from conversion of convertible bonds								114,138
Cash dividends paid								(127,042)
Net income								819,937
Purchase of treasury stock								(9,616)
Disposal of treasury stock								1,573
Directors' and statutory auditors' bonuses								(45)
Land revaluation reserve (Note 1)								(34,742)
Changes in consolidated subsidiaries and companies accounted for by the equity method								(74)
Net change in items other than those in shareholders' equity	(68,819)	1,353	34,742	41,163	8,439	664	20,718	29,822
Total of changes in the year	(68,819)	1,353	34,742	41,163	8,439	664	20,718	793,949
Balance at March 31, 2007	$1,123,698	$1,353	$3,949,270	$(18,090)	$5,056,231	$664	$295,399	$10,586,082

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 177,969	¥ 107,913	$ 1,494,162
Depreciation and amortization	54,257	53,655	455,522
Loss (gain) on sales or disposal of property and equipment	9,789	(55,530)	82,184
(Gain) loss on sales of beneficial interests in trust of property and equipment	(1,895)	3,327	(15,909)
Gains on sales of securities	(40,945)	(1,031)	(343,760)
Valuation loss on securities	119	336	1,005
Gains on sale of investment	(2,150)	–	(18,057)
Valuation loss on inventories	–	27,639	0
Impairment loss	5,503	35,321	46,206
Equity in net income of affiliates	(8,094)	(6,556)	(67,958)
(Decrease) increase in allowances	(1,501)	624	(12,609)
Interest and dividend income	(4,112)	(2,788)	(34,531)
Interest expense	18,873	19,876	158,451
(Decrease) increase in notes and accounts receivable	(18,132)	16,147	(152,236)
Decrease (increase) in inventories	8,394	(18,425)	70,475
Increase in equity investments	(20,388)	(514)	(171,176)
Increase in notes and accounts payable	16,225	1,104	136,222
(Decrease) increase in lease deposits received	(35)	5,800	(298)
Other	5,793	11,860	48,640
Subtotal	199,668	198,763	1,676,334
Interest and dividends received	4,818	5,936	40,451
Interest paid	(18,637)	(19,293)	(156,472)
Income taxes paid	(35,138)	(15,121)	(295,009)
Net cash provided by operating activities	150,710	169,744	1,265,304
Cash flows from investing activities			
Proceeds from sales of marketable securities	3,928	2,029	32,984
Purchases of marketable securities	(109)	(3,898)	(920)
Proceeds from sales of property and equipment	7,771	113,006	65,243
Purchases of property and equipment	(138,169)	(60,491)	(1,160,018)
Proceeds from sales of investment securities	56,388	1,812	473,414
Purchases of investment securities	(22,640)	(26,792)	(190,083)
Proceeds from sales of beneficial interests in trust of property and equipment	2,858	9,277	24,002
Other	4,583	(5,059)	38,480
Net cash (used in) provided by investing activities	(85,389)	29,883	(716,897)
Cash flows from financing activities			
Net (decrease) increase in short-term borrowings	(2,835)	1,544	(23,807)
Net decrease in commercial paper	–	(58,000)	–
Increase in long-term borrowings	119,922	52,347	1,006,817
Repayment of long-term borrowings	(123,524)	(68,305)	(1,037,062)
Proceeds from issuance of corporate bonds	21,974	40,196	184,486
Repayment of corporate bonds	(33,077)	(77,361)	(277,701)
Payments of capital reduction to minority shareholders	–	(4,939)	–
Cash dividends paid	(15,132)	(11,676)	(127,042)
Other	(1,420)	(6,269)	(11,928)
Net cash used in financing activities	(34,093)	(132,463)	(286,238)
Effect of exchange rate changes on cash and cash equivalents	3,344	2,602	28,076
Net increase in cash and cash equivalents	34,571	69,766	290,244
Cash and cash equivalents at beginning of year	167,090	97,324	1,402,828
Increase in cash and cash equivalents arising from mergers and acquisitions	4,427	–	37,172
Cash and cash equivalents at end of year (Note 15)	¥ 206,089	¥ 167,090	$ 1,730,245

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

1. Significant Accounting Policies

a. 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 from 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.

The financial statements of the Company's overseas consolidated subsidiaries are prepared on the basis of the accounting and relevant legal requirements of their countries of domicile.

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 of Japan, 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.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

b. 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.

c. 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.

d. 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.

e. 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, 2007 and 2006 is presented in Note 15.

f. 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 net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

g. 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.

h. 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, for 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 related unrealized gain, net of applicable income taxes, has been recorded as "land revaluation reserve" in net assets.

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.

i. Leases

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

j. 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 amortized over a period of five 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 through 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.

k. 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, adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is calculated for each period by the straight-line method over the estimated years of service of the employees.

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 a period ranging from five to 15 years, which are shorter than the average remaining years of service of the employees.

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

Until the fiscal year ended March 31, 2007, the Company and certain of its consolidated subsidiaries had retirement benefit plans for directors and statutory auditors who were customarily entitled to lump-sum payments under the Company's and its consolidated subsidiaries' respective internal regulations. Accrued severance benefits for these officers were provided at estimated amounts and were included in "other non-current liabilities."

The Annual General Shareholders' Meeting held on June 29, 2006 approved a resolution for the termination of the Company's retirement benefit plans for directors and statutory auditors and for the payment of the related benefits to them based on their respective service periods commencing from the date of appointment to June 29, 2006. The Company has reversed all accumulated reserved benefits for them, with the balance of unpaid retirement benefits as of March 31, 2007 included in "other non-current liabilities." Certain consolidated subsidiaries still have retirement benefit plans for directors and statutory auditors and provide an accrual for such retirement benefits at estimated amounts.

l. 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.

m. 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.

n. 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. Revenue from consignment commissions for residential sales earned by the Real Estate Service business segment is recognized at the time of contract conclusion for services provided up to the conclusion and at the time of ownership transfer for services provided up to the transfer.

(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 the Architectural Design & Engineering business segment is recognized at the date of completion of each relevant project, except that certain long-term (over one year) 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 (over one year) 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.

o. Appropriation of retained earnings

Under the Corporation Law 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. See Note 10 for more information.

2. Accounting Changes

a) Accounting standards for presentation of net assets in the balance sheet
Effective the year ended March 31, 2007, the "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5 issued by the ASBJ on December 9, 2005) and the "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Implementation Guidance No. 8 issued by the ASBJ on December 9, 2005) have been applied.

Had this change not been implemented, the previous category of "shareholders' equity" would have been ¥1,225,482 million ($10,288,657 thousand).

b) Accounting standards for share-based payment including stock options
Effective the year ended March 31, 2007, the "Accounting Standards for Share-Based Payment" (ASBJ Statement No. 8 issued by the ASBJ on December 27, 2005) and the "Implementation Guidance on Accounting Standards for Share-Based Payment" (ASBJ Implementation Guidance No. 11 issued by the ASBJ on May 31, 2006) have been applied.

As a result of this change, income before income taxes and minority interests decreased by ¥79 million ($663 thousand) compared with the previous accounting method.

c) Accounting standards regarding accounting for business combinations
Effective the year ended March 31, 2007, the "Accounting Standards for Business Combinations" (issued by the Business Accounting Deliberation Council on October 31, 2003), the "Accounting Standards for Business Divestitures" (ASBJ Statement No. 7 issued by the ASBJ on December 27, 2005) and the "Implementation Guidance on Accounting Standards for Business Combinations and Business Divestitures" (ASBJ Implementation Guidance No. 10 issued by the ASBJ on December 27, 2005) have been applied.

d) Practical solutions for application of control criteria and influence criteria for investment associations
Effective the year ended March 31, 2007, the "Practical Solutions for Application of Control Criteria and Influence Criteria for Investment Associations" (Practical solutions report No. 20 issued by ASBJ on September 8, 2006) have been applied.

As a result of this change, consolidated total assets increased ¥129,838 million ($1,090,068 thousand) compared with the previous accounting method. This change had no significant impact on consolidated income.

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 ¥119.11 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2007. 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, 2007 and 2006 are summarized as follows:

2007						
	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	¥72,698	¥287,717	¥215,019	$610,343	$2,415,557	$1,805,213
Other	5,330	15,851	10,520	44,748	133,078	88,321
Subtotal	78,029	303,569	225,540	655,100	2,548,644	1,893,543
Securities whose cost exceeds their fair value:						
Equity securities	566	509	(57)	4,751	4,273	(478)
Total	¥78,596	¥304,078	¥225,482	$659,860	$2,552,917	$1,893,056

2006			
	Millions of yen		
	Cost	Fair value	Unrealized gain
Securities whose fair value exceeds their cost:			
Equity securities	¥68,320	¥302,986	¥234,665
Other	5,330	10,364	5,033
Total	¥73,651	¥313,350	¥239,699

Proceeds from sales of securities classified as other securities totaled ¥999 million ($8,387 thousand) in 2007 and ¥166 million in 2006. Gross realized gain was ¥911 million ($7,648 thousand) in 2007 and ¥160 million in 2006.

Marketable debt securities classified as held-to-maturity securities at March 31, 2007 and 2006 are summarized as follows:

2007						
	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	¥ 35	¥ 35	¥ 0	$ 293	$ 296	$ 2
Corporate bonds	116	116	0	974	978	3
Other	3,633	3,633	–	30,503	30,503	0
Subtotal	3,784	3,785	0	31,772	31,778	5
Debt securities whose cost exceeds their fair value:						
Government bonds	183	182	(1)	1,540	1,529	(10)
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	183	182	(1)	1,540	1,529	(10)
Total	¥3,967	¥3,967	¥(0)	$33,313	$33,308	$ (4)

			2006
			Millions of yen
	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 94	¥ 95	¥ 0
Subtotal	94	95	0
Debt securities whose cost exceeds their fair value:			
Government bonds	143	140	(2)
Corporate bonds	1,999	1,999	(0)
Other	1,899	1,896	(3)
Subtotal	4,041	4,036	(5)
Total	¥4,136	¥4,131	¥(5)

Marketable and investment securities recorded at cost at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Other securities:			
Nonmarketable equity securities			
(other than equity securities listed on the over-the-counter market)	¥ 7,908	¥ 18,727	$ 66,384
Mutual funds	291	351	2,450
Commercial papers	4,992	21,671	41,910
MMF	876	1,337	7,356
Investments in silent partnerships	36,208	78,849	303,991
Other	267	468	2,249
Total	¥50,543	¥121,403	$424,343

The redemption schedule for securities classified as other securities at March 31, 2007 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	¥10	¥ 180	¥30	$83	$ 1,511	$251
Corporate bonds	–	116	–	–	–	–
Other bonds	–	3,633	–	–	–	–
Total	¥10	¥3,929	¥30	$83	$32,987	$251

The Company recognized losses on other securities considered other-than-temporary amounting to ¥106 million ($889 thousand) and ¥336 million for the years ended March 31, 2007 and 2006, respectively.

5. Inventories

Inventories at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Real estate for sale	¥ 89,960	¥136,926	$ 755,274
Land and housing projects in progress	192,305	147,709	1,614,521
Land held for development	8,965	8,886	75,271
Other	8,948	12,277	75,131
Total	¥300,180	¥305,800	$2,520,198

6. Other Investments

Other investments at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease deposits	¥ 77,571	¥ 71,949	$ 651,258
Long-term prepaid expenses and other	54,503	60,634	457,590
Total	¥132,075	¥132,584	$1,108,849

7. Short-Term Borrowings and Long-Term Debt

At March 31, 2007 and 2006, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans, principally from banks	¥ 47,043	¥ 49,118	$ 394,960
Current portion of long-term debt	93,925	117,627	788,558
Total	¥140,969	¥166,746	$1,183,519

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2007 and 2006 were 1.14% and 0.72%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2007 and 2006, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Zero coupon convertible bonds due 2006	¥ –	¥ 13,595	$ –
1.325% unsecured bonds due 2006	–	10,000	–
3.4% unsecured bonds due 2006	–	10,000	–
3% unsecured bonds due 2006	–	10,000	–
2.975% unsecured bonds due 2007	30,000	30,000	251,868
2.575% unsecured bonds due 2008	10,000	10,000	83,956
0.37% unsecured bonds due 2008	10,000	10,000	83,956
2.525% unsecured bonds due 2008	10,000	10,000	83,956
3.1% unsecured bonds due 2008	10,000	10,000	83,956
1.82% unsecured bonds due 2009	10,000	10,000	83,956
3.075% unsecured bonds due 2009	10,000	10,000	83,956
2% unsecured bonds due 2009	10,000	10,000	83,956
1.985% unsecured bonds due 2009	10,000	10,000	83,956
0.72% unsecured bonds due 2009	10,000	10,000	83,956
1.9% unsecured bonds due 2010	10,000	10,000	83,956
1.55% unsecured bonds due 2011	10,000	10,000	83,956
1.44% unsecured bonds due 2011	10,000	10,000	83,956
1.16% unsecured bonds due 2011	10,000	10,000	83,956
3.275% unsecured bonds due 2012	10,000	10,000	83,956
1.47% unsecured bonds due 2012	10,000	10,000	83,956
1.58% unsecured bonds due 2012	20,000	20,000	167,912
1.395% unsecured bonds due 2012	10,000	10,000	83,956
1.2% unsecured bonds due 2012	10,000	10,000	83,956
1% unsecured bonds due 2013	10,000	10,000	83,956
0.785% unsecured bonds due 2013	10,000	10,000	83,956
1.675% unsecured bonds due 2014	10,000	10,000	83,956
1.349% unsecured bonds due 2014	10,000	10,000	83,956
1.65% unsecured bonds due 2014	10,000	10,000	83,956
1.75% unsecured bonds due 2014	10,000	10,000	83,956
1.655% unsecured bonds due 2014	10,000	10,000	83,956
1.409% unsecured bonds due 2015	10,000	10,000	83,956
1.295% unsecured bounds due 2015	10,000	10,000	83,956
1.572% unsecured bounds due 2015	10,000	10,000	83,956
1.443% unsecured bounds due 2016	15,000	15,000	125,934
1.985% unsecured bounds due 2016	10,000	10,000	83,956
1.88% unsecured bounds due 2016	10,000	10,000	83,956
3.125% unsecured bonds due 2017	10,000	10,000	83,956
3% unsecured bonds due 2018	10,000	10,000	83,956
2.5% unsecured bonds due 2020	10,000	10,000	83,956
2.42% unsecured bonds due 2022	10,000	10,000	83,956
1.50% unsecured bonds due 2022	10,000	10,000	83,956
2.28% unsecured bonds due 2024	10,000	10,000	83,956
2.9% unsecured bonds due 2032	10,000	10,000	83,956
2.615% unsecured bonds due 2032	10,000	10,000	83,956
2.04% unsecured bonds due 2032	20,000	20,000	167,912
1.72% unsecured bonds due 2033	10,000	10,000	83,956
7.37% unsecured bonds due 2008 (payable in U.S. dollars)	–	2,530	–
Floating rate bonds due 2006 (payable in U.S. dollars)	–	1,207	–
Floating rate bonds due 2007 (payable in U.S. dollars)	980	–	8,223
Loans from banks and insurance companies:			
Secured	111,008	75,314	931,978
Unsecured	388,556	390,995	3,262,161
	965,544	958,642	8,106,329
Less current portion	(93,925)	(117,627)	(788,556)
	¥871,619	¥ 841,015	$7,317,770

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, such as the Company issuing stock at a price lower than market value.

Aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2008	¥ 93,925	$ 788,559
2009	118,005	990,725
2010	175,695	1,475,066
2011	59,353	498,305
2012	112,391	943,590
2013 and thereafter	406,175	3,410,083
Total	¥965,544	$8,106,329

Assets pledged as collateral for short-term borrowings of ¥1,000 million ($8,395 thousand) and long-term debt of ¥111,008 million ($931,980 thousand) at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash	¥ 2,926	$ 24,567
Notes and accounts receivable – trade	43	361
Buildings and structures	115,683	971,230
Machinery and equipment	3,796	31,872
Land	45,576	382,639
Construction in progress	2,031	17,056
Other property and equipment	22	187
Other intangible assets	3	32
Investment securities	0	4
Total	¥170,083	$1,427,952

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 other banks which become due in cases of default or certain other specified events. The Company has never received any such request nor does it expect that any such request will be made.

8. Pension and Severance Plans

The following table sets forth the funded status of pension and severance plans, and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retirement benefit obligation	¥(85,510)	¥(84,455)	$(717,914)
Plan assets at fair value	91,733	89,914	770,157
Unfunded retirement benefit obligation	6,222	5,458	52,243
Unrecognized net benefit obligation at transition	–	388	–
Unrecognized actuarial loss	(13,776)	(13,242)	(115,659)
Unrecognized prior service cost	648	494	5,447
Net amounts recognized in the consolidated balance sheet	(6,904)	(6,900)	(57,968)
Prepaid pension expenses	6,911	4,886	58,030
Accrued employees' retirement benefits	¥(13,816)*	¥(11,787)	$(115,999)*

* Accrued employees' retirement benefits recognized by Rockefeller Group, Inc., a consolidated subsidiary, in the amount ¥383 million ($3,216 thousand) were presented in accrued expenses and other current liabilities.

Components of expenses related to the pension and severance plans for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥ 3,806	¥ 3,660	$ 31,955
Interest cost	2,113	2,043	17,746
Expected return on plan assets	(1,573)	(1,267)	(13,209)
Amortization of net retirement benefit obligation at transition	77	51	652
Other	(216)	2,669	(1,817)
Total	¥ 4,207	¥ 7,158	$ 35,327

The assumptions used in accounting for the pension and severance plans for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Discount rate	2.0 – 5.7%	2.0 – 5.7%
Expected rate of return on plan assets	0.5 – 7.5%	1.0 – 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 a statutory tax rate of 40.69% in each of the years ended March 31, 2007 and 2006. 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 years ended March 31, 2007 and 2006 differ from the statutory tax rate for the following reasons:

	2007	2006
Statutory tax rate	40.69%	40.69%
Increase (decrease) in income taxes resulting from:		
Change in valuation allowance	(3.48)	(0.19)
Different tax rates applied	0.99	1.22
Revenues deductible for income tax purposes	(0.51)	(0.32)
Expenses not deductible for income tax purposes	0.23	0.34
Undistributed earnings of affiliates	7.44	5.15
Equity income	(1.77)	(2.22)
Other	(1.91)	(2.30)
Effective tax rates	41.68%	42.37%

The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Net operating loss carry forwards	¥ 14,653	¥ 14,719	$ 123,022
Accrued retirement allowances and pension costs	11,828	17,029	99,308
Valuation loss on inventories	32,021	32,615	268,837
Unrealized loss on property and equipment	45,669	57,761	383,421
Land revaluation reserve	56,586	63,727	475,081
Other	20,604	20,606	172,984
	181,363	206,460	1,522,656
Valuation allowance	(16,556)	(16,212)	(139,001)
Total deferred tax assets	164,807	190,248	1,383,655
Deferred tax liabilities:			
Reserves under the Special Taxation Measures Law	(57,262)	(58,197)	(480,751)
Land revaluation reserve	(379,044)	(383,346)	(3,182,303)
Unrealized gain on property and equipment	(35,717)	(31,966)	(299,865)
Unrealized gain on securities	(91,609)	(97,533)	(769,114)
Other	(40,897)	(35,646)	(343,362)
Total deferred tax liabilities	(604,530)	(606,689)	(5,075,398)
Net deferred tax liabilities	¥(439,723)	¥(416,441)	$(3,691,743)

10. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. The Company's capital reserve amounted to ¥165,216 million ($1,387,089 thousand), and the legal reserve amounted to ¥21,663 million ($181,880 thousand) at March 31, 2007. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

11. Amounts per Share

		Yen	U.S. dollars
Year ended March 31,	2007	2006	2007
Net income:			
Basic	¥70.95	¥42.60	$0.59
Diluted	70.71	40.42	0.59
Cash dividends applicable to the year	14.00	10.00	0.11

		Yen	U.S. Dollars
March 31,	2007	2006	2007
Net assets	¥887.79	¥827.79	$7.45

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. 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, accumulated impairment loss and net book value of leased assets as of March 31, 2007 and 2006, 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:

								2007
				Millions of yen				Thousands of U.S. dollars
	Acquisition Costs	Accumulated depreciation	Accumulated impairment loss	Net book value	Acquisition Costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	¥12,381	¥3,892	¥256	¥ 8,233	$103,954	$32,677	$2,153	$ 69,122
Others	8,783	4,868	66	3,848	73,741	40,872	560	32,308
Total	¥21,165	¥8,760	¥323	¥12,081	$177,695	$73,550	$2,714	$101,431

				2006
				Millions of yen
	Acquisition Costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	¥12,102	¥2,811	¥422	¥ 8,868
Others	8,580	4,661	165	3,754
Total	¥20,683	¥7,472	¥587	¥12,623

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥3,046 million ($25,572 thousand) and ¥2,959 million for the years ended March 31, 2007 and 2006, respectively.

Future minimum lease payments subsequent to March 31, 2007 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
Years ending March 31,				
2008	¥ 3,743	¥ 2,328	$ 31,430	$ 19,545
2009 and thereafter	8,661	24,741	72,715	207,721
	¥12,404	¥27,069	$104,145	$227,266

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, 2007 from noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2008	¥239,879	$2,013,929
2009 and thereafter	430,382	3,613,315
Total	¥670,261	$5,627,244

13. Contingent Liabilities

At March 31, 2007, 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	¥1,798	$15,095
Guarantees of order-made house purchasers' loans from banks and others	74	621
Other	249	2,090
Total	¥2,122	$17,815

14. Other Income (Expenses)

The components of "other, net" in "other income (expenses)" for each of the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Gain on sales of fixed assets	¥ 1,115	¥ 57,823	$ 9,366
Gain on sales of shares of affiliated companies	40,060	–	336,333
Gain on sales of investments	2,150	–	18,057
Gain on transfer of business	1,895	–	15,912
Loss on disposal of fixed assets	(6,843)	(5,054)	(57,458)
Loss related to retirement of fixed assets	(13,423)	–	(112,695)
Loss on valuation of inventories	(736)	(27,639)	(6,184)
Impairment loss (*1)	(5,503)	(35,321)	(46,206)
Loss on sales of beneficial interest in trust of fixed assets	–	(3,327)	–
Loss on soil solution related countermeasures (*2)	–	(4,859)	–
Other, net	(244)	(790)	(2,056)
	¥ 18,470	¥(19,169)	$ 155,067

(*1) Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the year ended March 31, 2007.

Major application	Category	Location
Tennis club (total 1 group)	Buildings, land, etc.	Sendai, Miyagi Prefecture
Leased assets, etc. (total 8 groups)	Buildings, land, etc.	Shinagawa-ku, Tokyo, others
Overseas businesses (total 1 group)	Goodwill	California, USA

Asset grouping for the Group was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. As a result, for the year ended March 31, 2007, the total book value of the 10 asset groups listed above was reduced to the respective collectible amounts, with the reductions recorded as an impairment loss of ¥5,503 million ($46,201 thousand), attributed to either market prices falling considerably below the book values due to a decline in land prices, or to significantly lower profitability due to falling rent levels or deteriorated market conditions.

The breakdown of such impairment loss was ¥4,153 million ($34,867 thousand) in goodwill, ¥1,329 million ($11,158 thousand) in land and ¥20 million ($168 thousand) in buildings and structures.

The Company recorded consolidated impairment losses for the following asset groups for the year ended March 31, 2006.

Major application	Category	Location
Golf courses (total 3 groups)	Buildings, land, leasehold, etc.	Sendai, Miyagi Prefecture, others
Hotels (total 2 groups)	Buildings, land, structures, etc.	Sendai, Miyagi Prefecture, others
Leased assets, etc. (total 41 groups)	Buildings, land, leasehold, etc.	Hiroshima, Hiroshima Prefecture, others
Overseas businesses (total 2 groups)	Intangible assets	The State of California, USA, others

The breakdown of such impairment loss was ¥24,618 million in land and leasehold, ¥5,374 million in buildings and structures and ¥5,329 million in other losses.

The collectible amounts of asset groups are measured according to net sale value or use value, with the net sale value principally expressed as an appraised value by a real estate appraiser. Future cash flows discounted at a rate of 5% are used to compute the use value.

As for the impairment loss on fixed assets in the overseas businesses, the impairment loss is calculated for consolidated foreign subsidiaries in accordance with accounting principles generally accepted in the United States.

(*2) Loss on contaminated soil countermeasures

This loss represented the loss related to the contaminated soil and groundwater of the OAP Residence Tower in Osaka.

15. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash	¥201,107	¥139,605	$1,688,417
Time deposits with maturities of more than three months	(1,178)	(815)	(9,891)
Marketable securities with maturities of three months or less	6,160	23,300	51,718
Resell agreements with maturities of three months or less	–	5,000	–
Cash and cash equivalents	¥206,089	¥167,090	$1,730,245

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.

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, 2006, the Company reorganized its corporate structure and changed its business segmentation from eight segments to nine segments in order to present and disclose Group businesses more appropriately. Business segments are newly reclassified in terms of the respective operations or services, and consist of nine segments: (1) building business; (2) residential business; (3) urban development & investment management; (4) international business; (5) architectural design & engineering; (6) custom-built housing; (7) hotel business; (8) real estate services; and (9) other businesses.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

Millions of yen

2007

	Building business	Residential business	Urban development & investment management	International business	Architectural design & engineering	Custom-built housing	Hotel business	Real estate services	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income												
Revenue from:												
External customers	¥ 347,540	¥230,631	¥ 38,181	¥226,444	¥11,802	¥33,718	¥33,100	¥ 23,896	¥ 2,324	¥ 947,641	¥ –	¥ 947,641
Intersegment or transfers	6,416	882	35	–	5,988	831	393	4,954	1,935	21,437	(21,437)	–
Total revenue	353,956	231,514	38,216	226,444	17,790	34,550	33,493	28,851	4,260	969,078	(21,437)	947,641
Operating expense	253,742	207,535	14,695	204,438	16,609	34,719	31,877	22,769	3,461	789,849	(8,373)	781,475
Operating income (loss)	¥ 100,214	¥ 23,979	¥ 23,520	¥ 22,005	¥ 1,181	¥ (169)	¥ 1,616	¥ 6,082	¥ 798	¥ 179,229	¥ (13,064)	¥ 166,165
Total assets, depreciation, and capital expenditures												
Assets	¥2,017,633	¥397,118	¥250,542	¥332,225	¥19,664	¥14,225	¥30,127	¥104,559	¥37,977	¥3,204,074	¥243,198	¥3,447,272
Depreciation	38,531	780	2,931	9,774	51	119	1,444	279	114	54,029	227	54,257
Impairment loss	–	776	486	4,153	–	–	–	–	87	5,503	–	5,503
Capital expenditures	93,906	816	23,846	26,816	17	254	1,353	665	172	147,849	(890)	146,958

Thousands of U.S. dollars

2007

	Building business	Residential business	Urban development & investment management	International business	Architectural design & engineering	Custom-built housing	Hotel business	Real estate services	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income												
Revenue from:												
External customers	$ 2,917,811	$1,936,293	$ 320,557	$1,901,135	$ 99,088	$283,090	$277,895	$200,629	$ 19,516	$ 7,956,016	$ –	$ 7,956,016
Intersegment or transfers	53,869	7,407	294	–	50,275	6,978	3,307	41,597	16,250	179,980	(179,980)	–
Total revenue	2,971,681	1,943,701	320,851	1,901,135	149,363	290,068	281,202	242,227	35,766	8,135,997	(179,980)	7,956,016
Operating expense	2,130,320	1,742,381	123,379	1,716,382	139,446	291,490	267,630	191,162	29,062	6,631,257	(70,298)	6,560,958
Operating income (loss)	$ 841,360	$ 201,319	$ 197,471	$ 184,752	$ 9,916	$ (1,421)	$ 13,571	$ 51,064	$ 6,704	$ 1,504,739	$ (109,681)	$ 1,395,057
Total assets, depreciation, and capital expenditures												
Assets	$16,939,243	$3,334,051	$2,103,457	$2,789,231	$165,096	$119,431	$252,936	$877,838	$318,839	$26,900,126	$2,041,795	$28,941,922
Depreciation	323,493	6,556	24,614	82,066	435	1,005	12,130	2,346	961	453,611	1,911	455,522
Impairment loss	–	6,518	4,082	34,875	–	–	–	–	730	46,206	–	46,206
Capital expenditures	788,398	6,853	200,202	225,143	150	2,136	11,363	5,588	1,444	1,241,281	(7,478)	1,233,803

	Millions of yen											
	2006											
	Building business	Residential business	Urban development & investment management	International business	Architectural design & engineering	Custom-built housing	Hotel business	Real estate services	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income												
Revenue from:												
External customers	¥ 306,290	¥203,286	¥ 34,252	¥193,223	¥10,488	¥37,534	¥32,143	¥24,210	¥ 2,787	¥ 844,217	¥ –	¥ 844,217
Intersegment or transfers	5,808	927	21	–	6,614	3,942	256	6,564	1,930	26,065	(26,065)	–
Total revenue	312,099	204,213	34,274	193,223	17,103	41,477	32,399	30,775	4,717	870,283	(26,065)	844,217
Operating expense	222,606	186,476	20,105	170,024	16,875	41,881	31,151	23,022	3,969	716,114	(9,511)	706,603
Operating income (loss)	¥ 89,492	¥ 17,736	¥ 14,169	¥ 23,199	¥ 227	¥ (404)	¥ 1,247	¥ 7,753	¥ 747	¥ 154,169	¥ (16,554)	¥ 137,614
Total assets, depreciation, and capital expenditures												
Assets	¥1,987,595	¥338,026	¥103,796	¥345,483	¥18,732	¥16,531	¥30,986	¥70,845	¥37,555	¥2,949,553	¥330,656	¥3,280,209
Depreciation	41,766	833	249	8,578	103	157	1,366	217	167	53,440	214	53,655
Impairment loss	4,048	24,606	–	2,064	–	1,162	2,337	–	1,100	35,321	–	35,321
Capital expenditures	43,432	977	12,924	7,345	12	243	1,358	320	168	66,783	(2,030)	64,753

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, 2007 and 2006 is summarized as follows:

	Millions of yen					
	2007					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	¥ 721,883	¥154,139	¥71,618	¥ 947,641	¥ –	¥ 947,641
Intersegment or transfers	805	–	–	805	(805)	–
Total revenue	722,689	154,139	71,618	948,447	(805)	947,641
Operating expense	566,125	142,641	61,357	770,124	11,351	781,475
Operating income	¥ 156,563	¥ 11,498	¥10,260	¥ 178,322	¥ (12,156)	¥ 166,165
Total assets	¥2,822,916	¥254,884	¥77,803	¥3,155,604	¥291,667	¥3,447,272

	Thousands of U.S. dollars					
	2007					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	$ 6,060,642	$1,294,097	$601,277	$ 7,956,016	$ –	$ 7,956,016
Intersegment or transfers	6,766	–	–	6,766	(6,766)	–
Total revenue	6,067,408	1,294,097	601,277	7,962,782	(6,766)	7,956,016
Operating expense	4,752,963	1,197,560	515,135	6,465,659	95,299	6,560,958
Operating income	$ 1,314,445	$ 96,536	$ 86,141	$ 1,497,123	$ (102,065)	$ 1,395,057
Total assets	$23,700,079	$2,139,906	$653,208	$26,493,194	$2,448,727	$28,941,922

						Millions of yen
						2006
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	¥ 651,716	¥144,434	¥ 48,066	¥ 844,217	¥ –	¥ 844,217
Intersegment or transfers	668	–	–	668	(668)	–
Total revenue	652,385	144,434	48,066	844,886	(668)	844,217
Operating expense	524,314	129,330	40,141	693,786	12,816	706,603
Operating income	¥ 128,071	¥ 15,103	¥ 7,925	¥ 151,100	¥ (13,485)	¥ 137,614
Total assets	¥2,561,007	¥231,963	¥113,291	¥2,906,261	¥373,947	¥3,280,209

Unallocatable operating expenses

Unallocatable operating expenses included under "eliminations or corporate" for the years ended March 31, 2007 and 2006 amounted to ¥12,543 million ($105,312 thousand) and ¥13,673 million, respectively, and consisted of operating expenses incurred in the Administration Department of the Company. Corporate assets included under "eliminations or corporate" as of March 31, 2007 and 2006 amounted to ¥454,614 million ($3,816,758 thousand) and ¥496,471 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, 2007 and 2006:

			Millions of yen
			2007
	United States	Other areas	Consolidated
Overseas revenue			
Overseas revenue	¥148,783	¥71,739	¥220,523
Consolidated revenue			947,641
% of overseas revenue to consolidated revenue	15.7%	7.6%	23.3%

			Thousands of U.S. dollars
			2007
	United States	Other areas	Consolidated
Overseas revenue			
Overseas revenue	$1,249,126	$602,299	$1,851,426
Consolidated revenue			$7,956,016

			Millions of yen
			2006
	United States	Other areas	Consolidated
Overseas revenue			
Overseas revenue	¥144,441	¥48,109	¥192,550
Consolidated revenue			844,217
% of overseas revenue to consolidated revenue	17.1%	5.7%	22.8%

ERNST & YOUNG SHINNIHON

Report of Independent Auditors

The Board of Directors
Mitsubishi Estate Co., Ltd.

We have audited the accompanying consolidated balance sheets of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 28, 2007

Mitsubishi Estate Corporate Data

(As of March 31, 2007)

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:
¥136,534 million

Number of Shares of Common Stock Issued:
1,382,518,351 shares

Number of Shareholders:
69,499 (excluding shareholders with less than 1,000 shares)

Major Shareholders:

	% of total
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.09
Meiji Yasuda Life Insurance Company	4.15
State Street Bank and Trust Company	4.11
Japan Trustee Services Bank, Ltd. (Trust Account)	3.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.13
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.94
State Street Bank and Trust Company 505103	2.41
Taisei Corporation	2.11
Takenaka Corporation	2.04
Asahi Glass Co., Ltd.	1.64

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.
Mitsubishi Jisho Towa Community Co., Ltd.
Marunouchi Heat Supply Co., Ltd.
Yokohama Sky Building Co., Ltd.
Royal Park Hotel Co., Ltd.
Rockefeller Group, Inc.

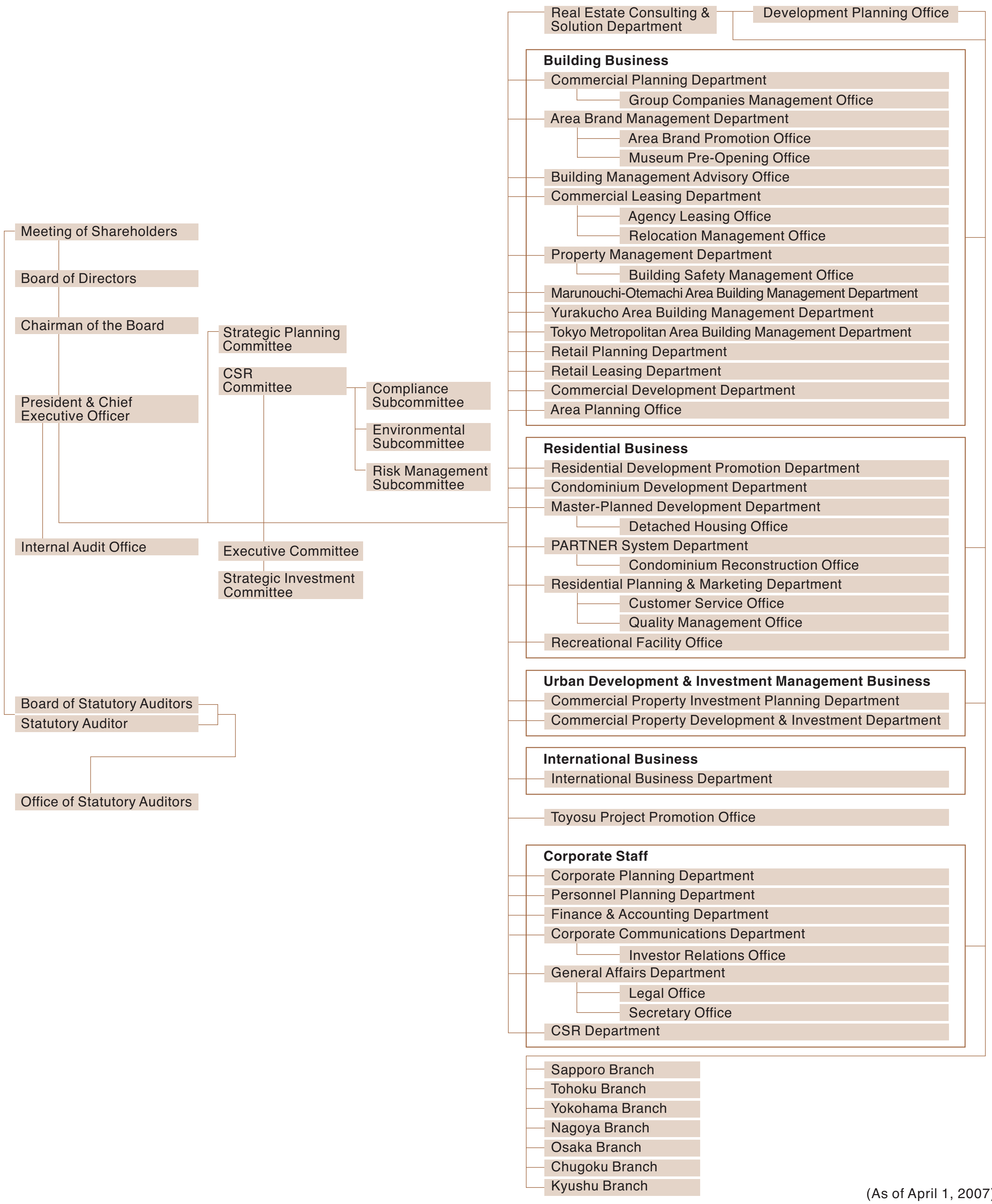
Stock Exchange Listings:
Tokyo Stock Exchange and other major Japanese stock exchanges

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

Auditor:
Ernst & Young ShinNihon

(As of March 31, 2007)

Organization



(As of April 1, 2007)

Mitsubishi Estate Co., Ltd.

Building Business

Building Leasing Business
- ● AQUACITY PROPERTIES, LTD.
- ● IMS Co., Ltd.
- ● Yokohama Sky Building Co., Ltd.
- ■ Tokyo Kotsu Kaikan Co., Ltd.
- ■ Chelsea Japan Co., Ltd.

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

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

Parking Business
- ● 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.

Urban Development & Investment Management
- ● Mitsubishi Jisho Investment Advisors, Inc.
- ● Tokumei Kumiai Machidukuri Investment
- ■ 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.
- ● 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)
- (● 118 other companies
- ■ 19 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
- ● Shiki Resorts Co., Ltd.
- ● Shiki Club Links Co., Ltd.
- ● MEC Information Development Co., Ltd.
- ● MEC Human Resources, Inc.
- ● Keiyo Tochi Kaihatsu Co., Ltd.
- ■ (3 other companies)

Residential Business

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

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

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

- ● Ryoei Life Service Co., Ltd.
- ■ Tsunagu Network Communications, Inc.
- ● (1 other company)

● Consolidated Subsidiaries
■ Equity-Method Affiliates

(As of April 1, 2007)

Mitsubishi Estate Company, Limited
Otemachi Building, 6-1, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8133, Japan
http://www.mec.co.jp

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