MITSUBISHI ESTATE CO., LTD.

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

MIX
Paper from responsible sources
FSC™ C013238
www.fsc.org

VEGETABLE OIL INK

Printed in Japan

MITSUBISHI ESTATE CO., LTD. ANNUAL REPORT 2011

# MITSUBISHI ESTATE

# ANNUAL REPORT 2011

Year ended March 31, 2011

# A Love for People
# A Love for the City

—Forever Taking on New Challenges—The Mitsubishi Estate Group

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.

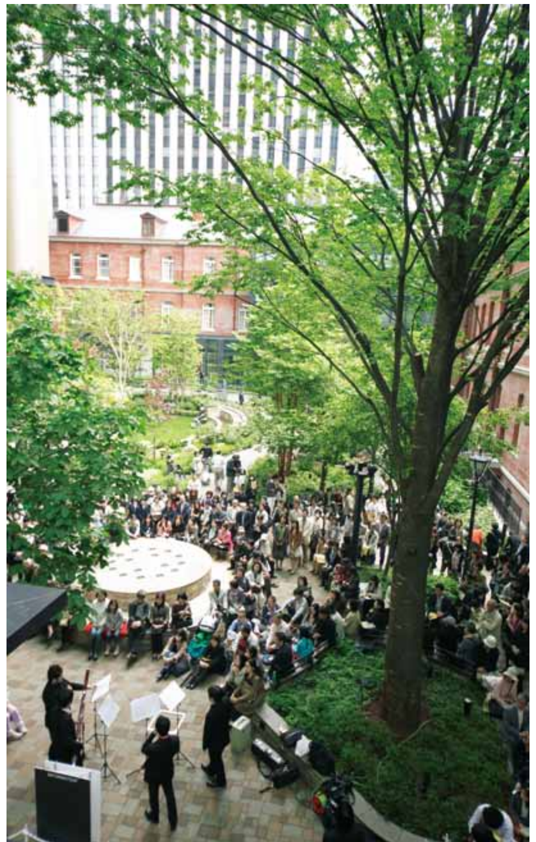
We wish to share with our customers
the inspiration and passion we derive from our work.
We will constantly take on new challenges to achieve this vision,
and through it, we will continuously evolve.

This aspiration will always drive our growth.

**Contents**






## Orchestrating Comfortable Cities for the Future —We Create Ideal Urban Environments Worldwide

The Mitsubishi Estate Group adheres to its mission of contributing to society through urban development. Since its involvement in the construction and 1894 completion of the Mitsubishi Ichigokan—the first office building in Marunouchi, Tokyo—Mitsubishi Estate has orchestrated numerous urban development projects in Marunouchi and many other locations in Japan and overseas. Now, as then, the sense of having a mission to fulfill remains; Mitsubishi Estate continues to work with due diligence to create ideal urban environments in which people can live, work and relax with contentment.

The Great East Japan Earthquake that occurred on March 11, 2011, has placed Japan in an extremely difficult situation economically. However, we strongly believe that Japan will recover and achieve renewed growth. As the entire nation makes all-out efforts toward this end, the Mitsubishi Estate Group will accelerate the development of safe and secure urban districts, thereby providing more people with the space and time that allow them to enjoy comfort to the full. Our responsibility is to promote and succeed in these activities to assist Japan's resurgence.

Located both within and outside of Japan, the settings for our urban development projects are currently extending far and wide. To enable us to share our passion for ideal urban development with all stakeholders and to facilitate our dialogue with them on upcoming issues, we have formulated and launched two initiatives in the fiscal year ending March 31, 2012: a new long-term vision, dubbed *Breakthrough 2020*, and a new medium-term management plan. Through these initiatives, we aim to ensure that the Mitsubishi Estate Group remains a corporate entity as ideal as the urban environments it creates. More specifically, backed by our powerful value chains, we have in our sights on becoming the leader in the investment and development business. To accomplish this goal over the next 10 years, we will strengthen our competitive superiority in four of our business sectors: "Marunouchi redevelopment," "urban development," "residential business" and "international business." At the same time, we will generate greater synergies by more closely dovetailing our operations in these sectors with those in the sophisticated management and services business, which encompasses property management (PM) and leasing as well as investment management. Through these activities, we will tackle the establishment of stronger value chains on a Groupwide scale.

To support the accurate implementation of these business strategies, we will focus on four Group themes, namely: (1) Groupwide promotion of globalization; (2) environmental initiatives; (3) management infrastructure enhancements; and (4) human resource (HR) development and workplace invigoration.

This raft of initiatives, strategies and themes is underpinned by the Mitsubishi Estate Group's commitment to value creation and unwavering determination to self-innovate; a commitment and determination encapsulated in our corporate slogan, "A Love for People, A Love for the City."

As we endeavor to remain true to our mission, I would like to take this opportunity, on behalf of the entire Mitsubishi Estate Group, to thank you, our stakeholders and seek your ongoing support and understanding.

July 2011

Keiji Kimura, Chairman

Hirotaka Sugiyama, President & CEO

## Operating Environment

During the fiscal year ended March 31, 2011, in the office building leasing market in Japan, the vacancy rate in central Tokyo persistently trended in a high range. Nevertheless, the vacancy rate showed signs of improvement for high-grade office buildings.

The condominium market continued to show a steady growth trend, including a healthy increase in the number of successful condominium sales contract signings, supported by low interest rates and related government policies. Conditions in the real estate investment market in Japan are gradually recovering. For example, from January 2011, the Japanese real estate investment trust (J-REIT) market has witnessed an acceleration of public offerings, which accompanied property acquisitions by J-REITs.

Still, uncertainties in the economic outlook continue to increase due to the aftermath of the Great East Japan Earthquake. Thus, the promotion of recovery and restoration efforts is expected to determine future market conditions. For instance, there exists the risk of economic stagnation attributable to constraints in manufacturers' supply chains caused by the physical damage of the disaster, possible rolling blackouts and other factors. Also, accidents at the Fukushima Daiichi Nuclear Power Station have not only threatened the safety of Japanese people, but have also impacted the trust of the global community vis-á-vis Japan as a whole. Therefore, the situation at nuclear facilities in Japan does not provide much room for optimism.

Under these circumstances, the Mitsubishi Estate Group will endeavor to respond appropriately to changes in its operating and market environments as it strives to enhance management efficiency, earnings power and corporate value.

## Financial Results

For the fiscal year ended March 31, 2011, revenue from operations decreased 2.5% year on year to ¥988,447 million, while operating income rose 6.2% to ¥158,258 million. Despite a significant decline in operating income in its Urban Development & Investment Management Business segment, Mitsubishi Estate achieved increased earnings, buoyed by a recovery in the performance of its Residential Business segment from an operating loss posted in the previous fiscal year and contributions from the full-year operation of the Marunouchi Park Building, which was completed in April 2009.

Ordinary income grew 11.5% year on year to ¥130,830 million. After accounting for such extraordinary loss items as loss related to retirement of fixed assets, loss on valuation of investment securities, impairment loss, loss on valuation of equity investments and loss on disaster, net income more than quadrupled. Specifically, it increased 439.6% year on year to ¥64,219 million. (For more details, please see the Financial Review section starting on page 36 of this report.)

## Dividend Policy

Mitsubishi Estate adheres to the basic policy of consistently returning profits to its shareholders through such means as cash dividends. In doing so, the Company gives due consideration to reserving the funds necessary for future business developments, including the Marunouchi Redevelopment Project. For the fiscal year under review, Mitsubishi Estate paid an interim dividend of ¥6 per share, and decided to pay a year-end dividend of ¥6 per share, for an annual per-share dividend of ¥12.

Mitsubishi Estate will determine future dividend levels by taking into account, on a comprehensive basis, performance levels for each period and will aim to keep its consolidated payout ratio at a 25% to 30% level. In line with such a stance, the Company plans to pay an annual per-share dividend of ¥12 for the fiscal year ending March 31, 2012, which comprises an interim and a year-end per-share dividend of ¥6, respectively.

## Financial Highlights Years ended March 31

| | | | | | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2011 |
| Revenue from operations | ¥ 844,217 | ¥ 947,641 | ¥ 787,652 | ¥ 942,626 | ¥ 1,013,415 | ¥ 988,447 | $ 11,887,516 |
| Net income | 55,825 | 97,662 | 86,963 | 45,423 | 11,900 | 64,219 | 772,327 |
| As a percentage of revenue from operations | 6.6% | 10.3% | 11.0% | 4.8% | 1.2% | 6.5% | — |
| As a percentage of total equity | 5.4% | 8.3% | 7.1% | 3.8% | 1.0% | 5.4% | — |
| Total assets | 3,280,209 | 3,447,272 | 4,327,137 | 4,429,070 | 4,355,065 | 4,245,209 | 51,054,828 |
| Total equity | 1,133,623 | 1,225,644 | 1,238,889 | 1,148,494 | 1,183,156 | 1,202,270 | 14,459,049 |
| Common stock | 129,736 | 136,534 | 136,534 | 136,534 | 141,373 | 141,373 | 1,700,216 |
| **Per share amounts:** | | | | | | Yen | U.S. dollars |
| Net income | ¥ 42.60 | ¥ 70.95 | ¥ 62.99 | ¥ 32.90 | ¥ 8.58 | ¥ 46.27 | $ 0.55 |
| Cash dividends applicable to the year | 10.00 | 14.00 | 16.00 | 16.00 | 12.00 | 12.00 | 0.14 |

Notes: 1. Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2011, of ¥83.15 to US$1.00.
2. Total equity is calculated by deducting minority interests and stock acquisition rights from total net assets.

**Caution regarding forward-looking statements**

Plans, estimates and strategies included in this annual report are forward-looking statements concerning the future performance of the Mitsubishi Estate Group. These statements are based on management's assumptions, which have been made in accordance with information available to the Company as of the date of this report's preparation. Accordingly, the content of this report should not be relied upon unduly. Mitsubishi Estate cautions that a number of factors could cause future results to differ from its forecasts.



# *The Mitsubishi Estate Group's New Long-Term Management Plan*

## (April 1, 2011 to March 31, 2021)

## *BREAKTHROUGH 2020*

Mitsubishi Estate has formulated its new long-term management plan that extends over the next 10 years with the aim of more strategically responding to changes in external environments from a long-term perspective. This new plan encompasses a ten-year vision with basic strategies and three-year medium-term management plans.

## I. Long-Term Vision of the Mitsubishi Estate Group

### *BREAKTHROUGH 2020*

### Orchestrating Comfortable Cities for the Future —We Create Ideal Urban Environments Worldwide

Mitsubishi Estate has defined the five "Values" that it must adhere to and five "Actions" that it must take toward the realization of its long-term vision.

| Five "Values" | Five "Actions" |
|---|---|
| "Innovation" | Continue to take on challenges as an innovative urban developer |
| "Eco-conscious" | Aim for sustainable growth through advanced environmental initiatives |
| "Customer-oriented" | Always think about customer value from a customer perspective |
| "Global" | Develop HR, structure and businesses suitable for global operations |
| "As One Team" | Unite as one team and strive to realize BREAKTHROUGH 2020 |

- The Mitsubishi Estate Group will continue to adhere to its mission, "Contribute to society through urban development," and its corporate slogan, "A Love for People, A Love for the City." Through such adherence, the Group aims to maximize its corporate value by skillfully balancing sustainable growth and coexistence with stakeholders.
- Mitsubishi Estate will further refine its role in creating and offering new lifestyle and work-style values centered on safety, security and comfort.
- Mitsubishi Estate will promote global operations and take on new challenges. The word "BREAKTHROUGH" is intended to convey the Company's determination to overcome difficulties and make rapid progress through innovative ideas and new ways of business.

## II. Basic Long-Term Strategies (April 1, 2011 to March 31, 2021)

The Mitsubishi Estate Group aims to achieve Groupwide growth by "reinforcing value chains" and "becoming the leader in the investment and development business."

Under its new long-term management plan, Mitsubishi Estate has categorized its ten business sectors into two larger business groups: "Investment & Development Business" and "Management & Services Business." The Investment & Development Business is underpinned by four business sectors—namely, Marunouchi Redevelopment, Commercial Property Development & Investment Business, Residential Business and International Business—and through this business group, Mitsubishi Estate will invest in development projects, manage its balance sheets strategically and establish its earnings base. Through the Management & Services Business, the Company will offer added value through professional services. By reinforcing value chains between the two business groups, the Group will work to become the leader in the investment and development business, where it traditionally boasts competitive advantages, and thereby achieve additional growth.

**Investment & Development Business**

- Marunouchi Redevelopment
- Commercial Property Development & Investment Business
- Residential Business
- International Business

Synergies

**Management & Services Business**

- PM & Leasing
- Shopping Centers
- Investment Management
- Architectural Design & Engineering
- Hotels
- Brokerage and Other Services

(1) Reinforce Value Chains

- Operations in the Investment & Development Business and the Management & Services Business will be closely linked.
- With "development" as its mainstay, Mitsubishi Estate will accelerate operations in "leasing and sales" and "property management," creating added value for customers through this tripolar structure.

(2) Become the Leader in the Investment & Development Business

- The Mitsubishi Estate Group has traditionally nurtured its development capabilities. The Group will further bolster these capabilities through the reinforcement of its value chains and the generation of synergies among business sectors.

### Sector-Specific Strategies to Become the Leader in the Investment & Development Business

| | |
|---|---|
| a. Marunouchi Redevelopment | Continue to promote Marunouchi Redevelopment and maximize the value of the Marunouchi area |
| b. Commercial Property Development & Investment Business | Lead market expansion through selective investments |
| c. Residential Business | Establish Japan's top condominium brand for quality and quantity and pursue lifelong customer value through management, renovation and brokerage operations |
| d. International Business | Leverage accomplishments, experience and network nurtured through U.K. and U.S. operations to expand business portfolio while aggressively penetrating growing markets in Asia and developing businesses |

(3) Vision for Growth toward March 31, 2021

The Mitsubishi Estate Group aims to double operating income by the end of the new long-term management plan.



## III. Medium-Term Management Plan (April 1, 2011 to March 31, 2014)

### III.-1 Quantitative Targets

Mitsubishi Estate has set management indicator targets for growth potential, efficiency and soundness.

| | Indicator | Target*3 |
|---|---|---|
| Growth Potential | EBITDA*1 | ¥265.0 billion |
| Efficiency | EBITDA/Total assets | 5.3% or more |
| Soundness | Net interest-bearing debt*2/EBITDA | 7.5 times max. |

*1 EBITDA = Operating income + Interest and dividend income + Equity in earnings (losses) of unconsolidated subsidiaries and affiliates + Depreciation and amortization
*2 Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents
*3 These targets are based on figures after the inclusion of special-purpose companies within the scope of consolidation.

### III.-2 Business Themes and Groupwide Themes

(1) Investment & Development Business

| | |
|---|---|
| a. Marunouchi Redevelopment | **Maximize the value of the Marunouchi area**<br>•Promote world-leading business concentration<br>•Boost area attraction by taking advantage of various city planning systems and policies, introducing a variety of urban functions and undertaking area management through public-private partnerships (PPP) aimed at developing disaster-resistant urban districts |
| b. Commercial Property Development & Investment Business | **Promote projects and lead the market**<br>•Reinforce the Company's asset portfolio management<br>•Continue to supply prime properties in the real estate investment market by actively participating in redevelopment and multipurpose complex development projects and promoting the development of various types of properties |
| c. Residential Business | **Strengthen operations centered on the condominium development and sales business**<br>•Leverage the synergy of consolidating Mitsubishi Jisho Residence Co., Ltd.<br>•Bolster servicing and other peripheral operations, including property management, renovation and brokerage |
| d. International Business | **Expand portfolios in Europe and the United States and reinforce Asian operations**<br>•Continue to promote development projects in Europe and the United States, where the Company has business accomplishments and a network<br>•Expand Asian operations through collaboration with local partners |

(2) Management & Services Business: Provision of solutions and services based on the Group's strengths

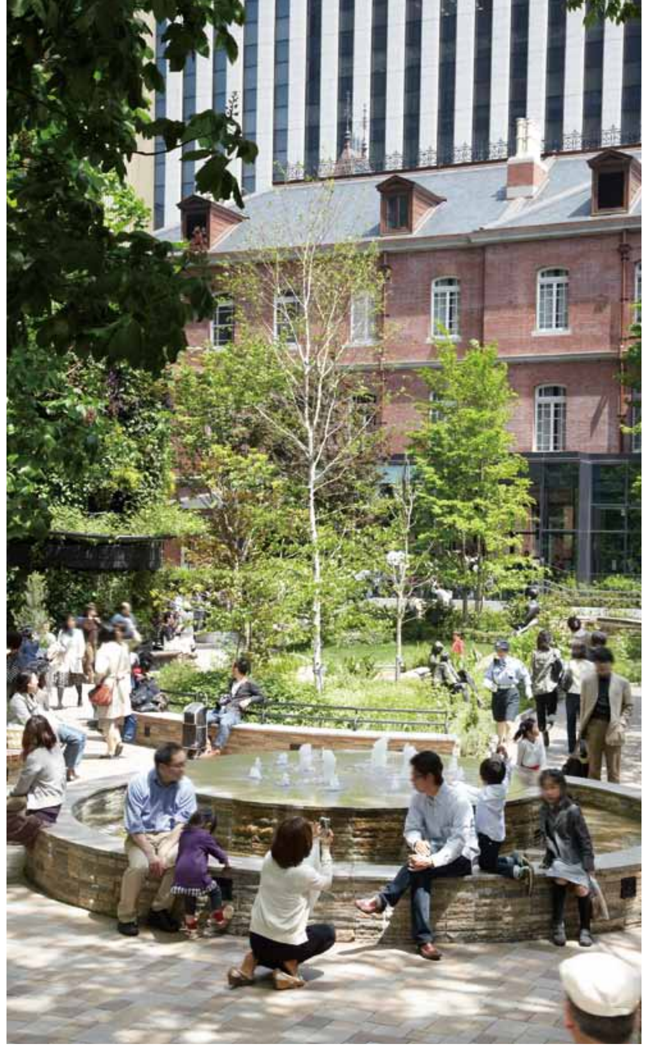
- Improve professional capabilities to offer added value to customers in PM & Leasing, Shopping Centers, Investment Management, Architectural Design & Engineering, Hotels, Brokerage and Other Services
- Leverage the collective strengths of the Mitsubishi Estate Group to strategically reinforce and coordinate value chains

(3) Groupwide Themes

In step with the initiatives to be implemented in individual business fields, Mitsubishi Estate will promote the following four Groupwide initiatives.

1. Groupwide promotion of globalization
   Promote globalization in each business field by enhancing global business capabilities of domestic operations ("out-in" approach) and accelerating overseas expansion ("in-out" approach)
2. Environmental initiatives
   Implement advanced initiatives in each business field under the Long-Term Environmental Vision, including the use of renewable energy and the promotion of R&D for eco-technologies, to help realize harmony between the global community and the environment and reduce the environmental impact of society
3. Management infrastructure enhancements
   Strengthen the Company's functions for Group management, risk management and asset management as well as for research and analysis
4. HR development and workplace invigoration
   Nurture employees with global business capabilities and create workplaces and a corporate culture characterized by diversity and vitality to underpin the Group's corporate value maximization

Special Feature



# The Mitsubishi Estate Group—Orchestrating Ideal Urban Environments Worldwide

The Mitsubishi Estate Group has undertaken a number of urban development projects in the Marunouchi area of Tokyo for over 120 years. Today, the Group owns and manages office buildings and other types of commercial properties in Marunouchi as well as in major cities throughout Japan. At the same time, we are working to create and produce comfortable living and working environments in the United States, the United Kingdom and Asian countries, leveraging the experience and expertise that we have nurtured over those 120 years.

1 Marunouchi Redevelopment

2 Commercial Property Development & Investment Business

3 Residential Business

4 International Business



## 1 Marunouchi Redevelopment

Marunouchi is an international business center that lies between Tokyo Station and the Tokyo Imperial Palace. The area's 120 hectares accommodate approximately 100 buildings, and Mitsubishi Estate owns and manages about 35 of these buildings. With approximately 4,000 companies located in an area employing some 230,000 office workers, Marunouchi is home to nearly 10% of the companies listed on the First Section of the Tokyo Stock Exchange.

Marunouchi

### Creation of New Value in Urban Districts over 120 Years

Mitsubishi Company—the predecessor of Mitsubishi Estate—purchased a stretch of moor in Marunouchi, Tokyo from the Japanese government in 1890. This is how it all began. In 1894, the Mitsubishi Ichigokan was completed as Marunouchi's first office building. Since then, Mitsubishi Estate has continued to develop the Marunouchi area into a world-leading business center in line with the growth of the Japanese economy.

Marunouchi site purchased in 1890

Mitsubishi Ichigokan, Marunouchi's first office building completed in 1894

Marunouchi Naka Dori Avenue in 1967

Marunouchi today, currently undergoing redevelopment

Marunouchi Redevelopment

## Steady Growth as an International Business Center

Mitsubishi Estate launched the Marunouchi Redevelopment Project in 1998. In the first stage of this project, which covered the period from 1998 to 2007, Mitsubishi Estate worked to transform Marunouchi from a mere business district into an open city center providing a diversity of urban functions. To achieve this goal, the Company focused on upgrading the functions in the area peripheral to Tokyo Station and reconstructing six office buildings in this area.

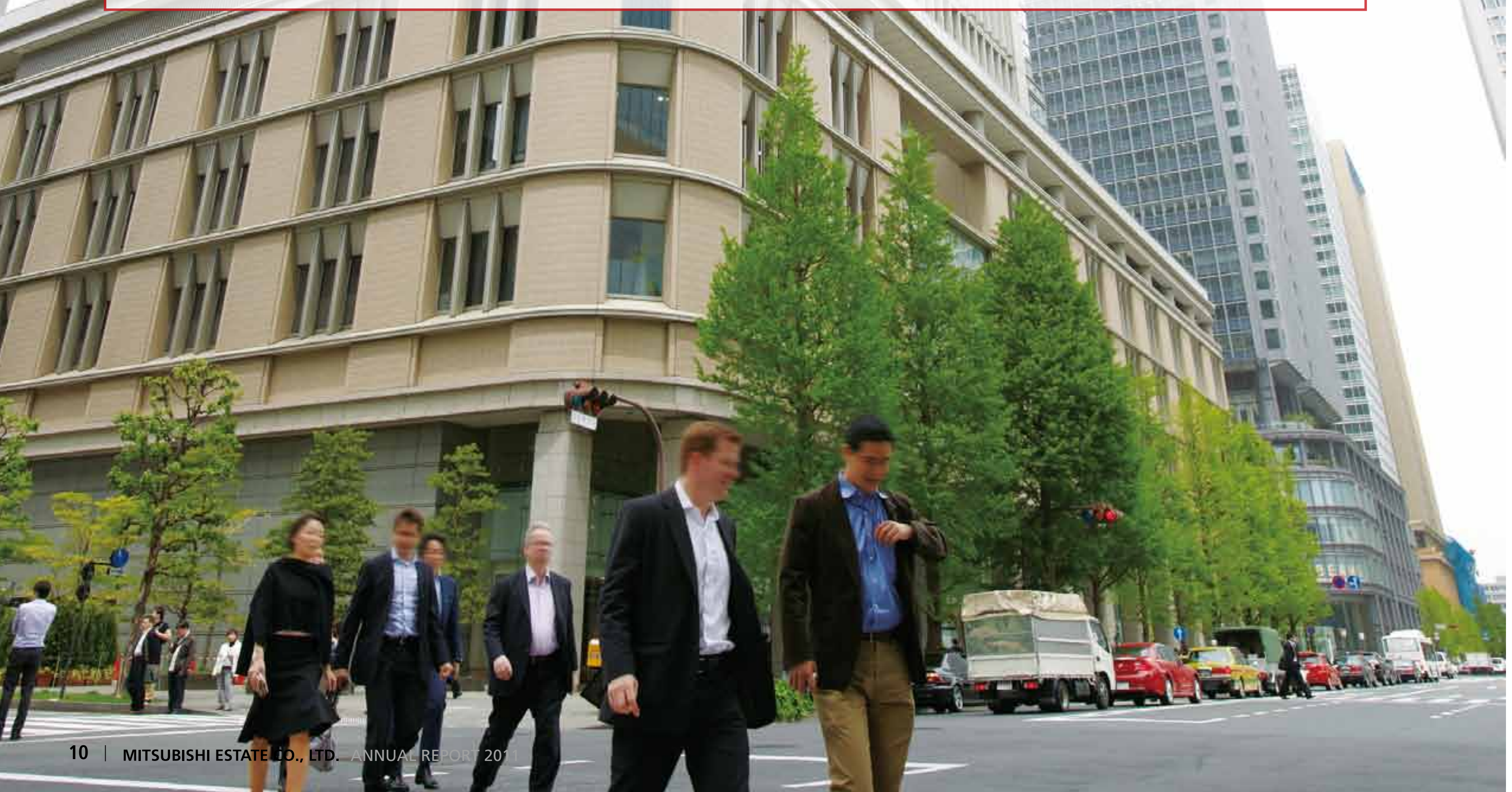
Mitsubishi Estate is currently promoting the second stage of the Marunouchi Redevelopment Project, which extends from 2008 to 2017. In the second stage, the Company aims to further expand and deepen the scope of the project based on the successful rejuvenation of Marunouchi through the first stage. In April 2009, the Company completed the Marunouchi Park Building & Mitsubishi Ichigokan and opened the Mitsubishi Ichigokan Museum in April 2010. More recently, the Company is undertaking the Marunouchi 1-4 Project (tentative name), which will create a large office space with each floor boasting approximately 3,306m². Simultaneously, we are advancing the Otemachi 1-chome Second Area 1st Class Urban Redevelopment Project aimed at rejuvenating the Otemachi district—an international financial center. This project is scheduled for completion in the fiscal year ending March 31, 2013. During the second stage, the Company plans to undertake the development of two or three more buildings, in addition to the projects mentioned above, to maximize the value of the Marunouchi area.

**First Stage**

| | Building Name | Number of Floors | Total Floor Area<br>Site Area |
|---|---|---|---|
| 1 | Marunouchi Building | 4 floors below ground, 37 floors above ground with 2-story-high roof structure | 159,907 m²<br>10,027 m² |
| 2 | The Industry Club of Japan and Mitsubishi UFJ Trust and Banking Building | 4 floors below ground, 30 floors above ground with 2-story-high roof structure | 109,808 m²<br>8,100 m² |
| 3 | Marunouchi Kitaguchi Building (Marunouchi OAZO) | 4 floors below ground, 29 floors above ground with 1-story-high roof structure | 83,291 m²<br>6,280 m² |
| 4 | Tokyo Building | 4 floors below ground, 33 floors above ground with 1-story-high roof structure | 149,339 m²<br>8,068 m² |
| 5 | Shin-Marunouchi Building | 4 floors below ground, 38 floors above ground with 1-story-high roof structure | 193,685 m²<br>9,983 m² |
| 6 | The Peninsula Tokyo | 4 floors below ground, 24 floors above ground | 58,571 m²<br>4,287 m² |

**Second Stage**

| | Building Name | Number of Floors | Total Floor Area<br>Site Area |
|---|---|---|---|
| 1 | Marunouchi Park Building & Mitsubishi Ichigokan | 4 floors below ground, 34 floors above ground with 3-story-high roof structure | 204,729 m²<br>11,662 m² |
| 2 | Marunouchi 1-4 Project (tentative name) | 4 floors below ground, 27 floors above ground with 2-story-high roof structure | Approx. 139,600 m²<br>Approx. 8,034 m² |
| 3 | Otemachi 1-chome Second Area 1st Class Urban Redevelopment Project | 4 floors below ground, 35 floors above ground with 2-story-high roof structure | 242,000 m²<br>14,100 m² (project area) |



Green Buildings

## Tokyo Metropolitan Government Certifies Mitsubishi Estate-Owned Eco-Friendly Buildings

In May 2011, the Tokyo Metropolitan Government certified seven of the buildings owned by Mitsubishi Estate as eco-friendly buildings, in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation. More specifically, three of these buildings received the AAA-ranking, and four received the AA-ranking.

This certification scheme is based on the "system regarding emissions trading and the obligation to reduce total emissions of greenhouse gases" defined under the ordinance. In this scheme, buildings promoting outstanding global warming countermeasures are classified into the two ranks of "AAA" and "AA" according to the degree of their environmental countermeasure promotion effectiveness. Buildings completed in or after 2007 were exempt from the scheme. Buildings certified are eligible for the easing of their obligation to reduce greenhouse gas emissions.

- AAA-Ranked Buildings (Outstanding Countermeasure Promotion): Eligible for the halving of reduction obligation
- AA-Ranked Buildings (Steady Countermeasure Promotion): Eligible for a 25% decrease of reduction obligation

### AAA-Ranked Buildings

Marunouchi Building

Shin-Otemachi Building

Hibiya Kokusai Building

### AA-Ranked Buildings

Tokyo Building

Sanno Park Tower

Shin-Aoyama Building

Akasaka Park Building

Marunouchi India Economic Zone, a forum for India-based companies operating in Japan and Japanese companies planning to penetrate markets in India

A branch hospital, which includes the Primary Care Clinic for International Patients of Saint Luke's International Hospital, scheduled for opening in autumn 2012 in Building B of the Otemachi 1-chome Second Area 1st Class Urban Redevelopment Project (sample photo)

General disaster drill, which the Company has organized every September since 1926 (three years after the Great Kanto Earthquake)

## Mitsubishi Ichigokan Museum
# Creation of a City Block Full of Cultural Activities and Arts

Since the 1894 completion of the Mitsubishi Ichigokan, Mitsubishi Estate has consistently pursued its passion of making Marunouchi a city center filled with cultural activities and arts. Adhering to this passion over the years, the Company realized its long-sought goal, opening the Mitsubishi Ichigokan Museum in April 2010. To celebrate its opening, the museum presented "Manet and Modern Paris" as its opening exhibition. Approximately 300,000 people visited the exhibition during the event period. Looking ahead, Mitsubishi Estate will take advantage of the prime location of Marunouchi to establish the museum as a cultural exchange hub and win greater support of office workers in the district and visitors.

## Marunouchi Naka Dori Avenue
# Avenue of Vitality and Excitement

Boasting a distance of 1.2 kilometers, a road width of 21 meters and a sidewalk width of 7 meters, the Marunouchi Naka Dori Avenue stretches from north to south, connecting the Otemachi, Marunouchi and Yurakucho (OMY) districts. The vitality and excitement, enhanced by the first stage of Marunouchi Redevelopment, has spread across the OMY districts through this avenue. Also, sculptures and hanging flowers on sidewalks add a cultural and artistic atmosphere to the avenue. Mitsubishi Estate plans to extend the avenue to the Nihonbashi River, aiming to further invigorate the OMY districts.



Green Cities

## Eco-Friendly Office Buildings of the Mitsubishi Estate Group

The Mitsubishi Estate Group positions refining eco-technology and tackling the creation of new value in all businesses as one of its growth strategies. This section introduces examples of the environmental initiatives that the Company has incorporated in the development of the Marunouchi Park Building.

### Environmental Initiatives for the Marunouchi Park Building

**Utilizing "Green" Solar Power**

Solar cell panels boasting a maximum output of approximately 60kW have been installed on the roof. These panels generate sufficient electricity for nighttime lighting in the entire city block where the Marunouchi Park Building is located.

**Solar-Tracker Window Shade System**

The solar-tracker system installed on the roof automatically controls window shades for office floors.

**Airflow Window System**

Room air circulates through space inside the window unit, enhancing the window's thermal insulation and reducing the thermal load of sunlight and external air.

**Ultrahigh-Efficiency Lighting System**

Improved reflector shape and coating reduce the power consumption of lighting systems. Compared with conventional systems, this new lighting system achieves a 36% energy savings.

**Use of Reusable Items**

Clocks previously used in the Marunouchi Yaesu Building, which has been demolished, are now reused in the Retail Zone.

**Ground, Rooftop and Exterior-Wall Greenery**

A variety of flowers as well as low-growing and tall trees have been planted in the Ichigokan Square. Together with rooftop and exterior-wall greenery, such greenery suppresses urban "heat island" effects.

**Dry Mist**

"Dry mist" generators spray mist, which extracts heat from its surroundings as vaporization heat, and reduce the ambient temperature.

**Water-Retention Pavement with Self-Water-Supply System**

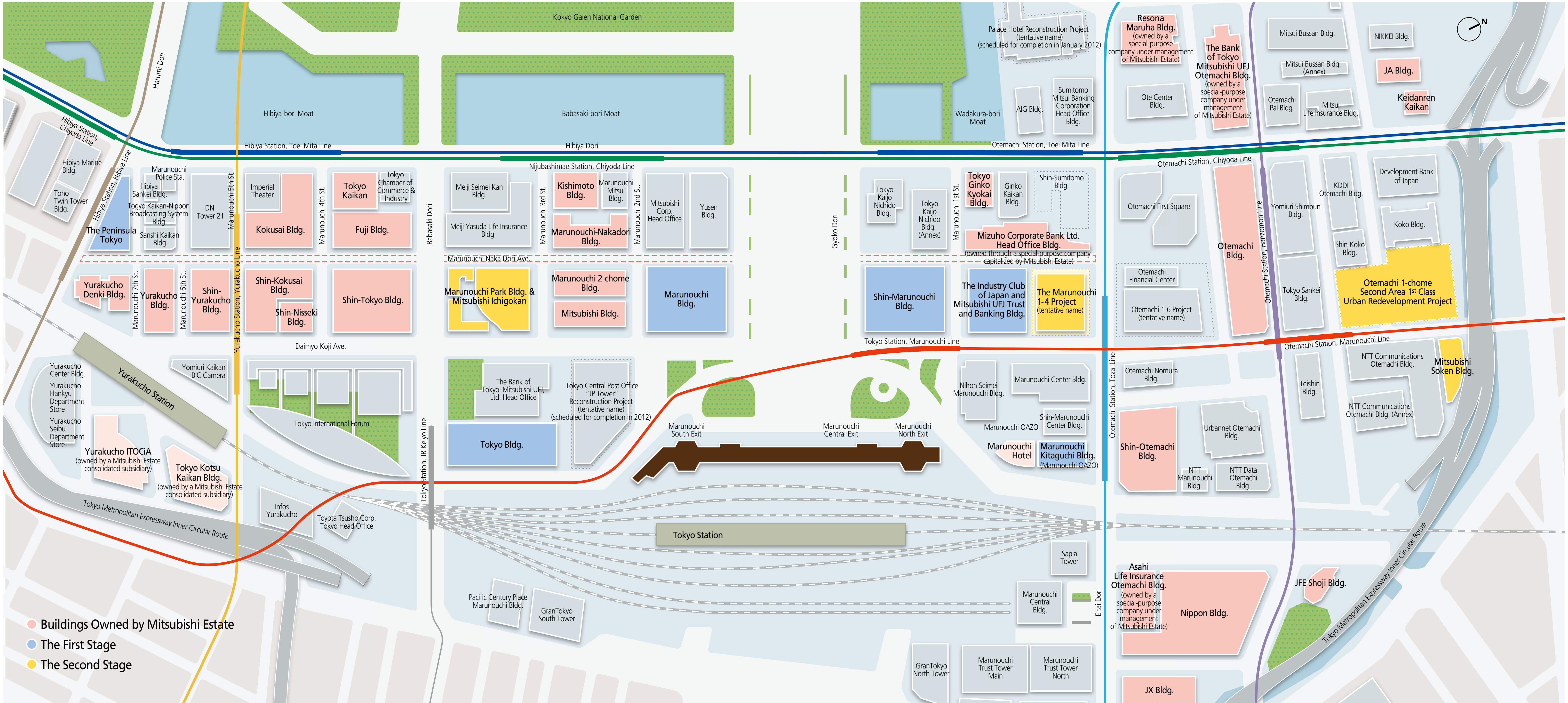
Reused rain water is fed to the pavement via a water pipe embedded in the lower layer of the pavement. The water evaporating from the water-retention pavement cools the pavement surface.


Simultaneous holding of "Genki! For Japan,"* an event aimed at supporting the victims of the Great East Japan Earthquake, and La Folle Journée au Japon "Days of Enthusiasm" Music Festival 2011
* Genki is a Japanese word for "energy" or "vitality."

At the "Chef's Lunch" event, chefs from restaurants all over Marunouchi provided their artistic menus on such themes as seasonal ingredients, local production and local consumption, and food self-sufficiency.

"Aozora-Ichiba & Marunouchi Marché," a forum for producers, consumers and restaurant chefs

# Marunouchi Map




## The First Stage


Marunouchi Building Completed in August 2002


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


Marunouchi Kitaguchi Building (Marunouchi OAZO) Completed in August 2004


Tokyo Building Completed in October 2005


Shin-Marunouchi Building Completed in April 2007


The Peninsula Tokyo Completed in May 2007 Opened in September 2007

## The Second Stage


Marunouchi Park Bldg. & Mitsubishi Ichigokan Completed in April 2009


The Marunouchi 1-4 Project (tentative name) (scheduled for completion in January 2012)


Otemachi 1-chome Second Area 1st Class Urban Redevelopment Project (scheduled for completion in 2012)

# 2 Commercial Property Development & Investment Business

Office buildings owned and managed by Mitsubishi Estate are located not only in Marunouchi, but also in central Tokyo in places such as Akasaka and Aoyama as well as in Yokohama, Osaka, Nagoya and other major cities in Japan. Meanwhile, Mitsubishi Estate operates various types of commercial properties in the Tokyo Metropolitan area, including Marunouchi, Odaiba and Yokohama. Designed to suit the characteristics of individual locations, these properties include CHELSEA PREMIUM OUTLETS shopping centers. Chelsea Japan Co., Ltd.—a consolidated subsidiary of Mitsubishi Estate—manages eight of these shopping centers throughout Japan.

Office Building Development

## Strengthening Our Asset Portfolio

In March 2011, Mitsubishi Estate acquired the Kokusai Shin-Akasaka Building East and West Towers through a special-purpose company, with the aim of bolstering its asset portfolio. Pursuing that same goal, current projects include the Shinjuku Eastside Square, which is a large-scale development project on an approximately 2.6-hectare site in Shinjuku Ward, Tokyo, and the Grand Front Osaka, which is a pilot development project on a 7-hectare site in the "Umekita" area, north of Osaka Station.


Kokusai Shin-Akasaka Building East and West Towers (Minato Ward, Tokyo)


Shinjuku Eastside Square (Shinjuku Ward, Tokyo)


Grand Front Osaka (Osaka City, Osaka)

Shopping Center Development

## Promoting Development Congruent to Locations

In shopping center (SC) development, Mitsubishi Estate launched in May 2011 the Minatomirai Block 34 Project (tentative name), which is now the largest project conducted within the Minato Mirai 21 district in Yokohama. When completed, the shopping center, dubbed "Life Entertainment Mall," will boast a total floor area of approximately 116,000$m^2$ and attract customers from a broad region encompassing Yokohama City and the Shonan area of Kanagawa Prefecture. Also, we plan to open the ninth CHELSEA PREMIUM OUTLETS shopping center in Japan near Narita International Airport in 2013.

Other

## Participating in Distribution Facility Development

To diversify its asset portfolio, in April 2011, Mitsubishi Estate launched the Tatsumi 3-chome Development Project (tentative name) involving the development of distribution facilities, for which many investors have shown great interest in recent years.


Minatomirai Block 34 Project (tentative name; Yokohama City, Kanagawa Prefecture)


Consolidated subsidiary Chelsea Japan Co., Ltd. operates eight shopping centers under the PREMIUM OUTLETS brand in Japan, including Gotemba Premium Outlets in Shizuoka Prefecture, Rinku Premium Outlets in Osaka Prefecture and Sano Premium Outlets in Tochigi Prefecture.


Tatsumi 3-Chome Development Project (tentative name)

## 3 Residential Business

In January 2011, Mitsubishi Jisho Residence Co., Ltd. was established through the integration of residential development and sales operations previously promoted separately by Mitsubishi Estate, Mitsubishi Real Estate Services Co., Ltd. and Towa Real Estate Development Co., Ltd. Mitsubishi Jisho Residence boasts the largest volume of condominium supply in Japan.* Due to this significant business scale, the company shoulders an important mission. It must continue to supply high-quality condominiums in a steady manner. Furthermore, it must continue to seek new ways of living, listen closely to customers and provide residences that offer new value, with an eye to the development of future society.

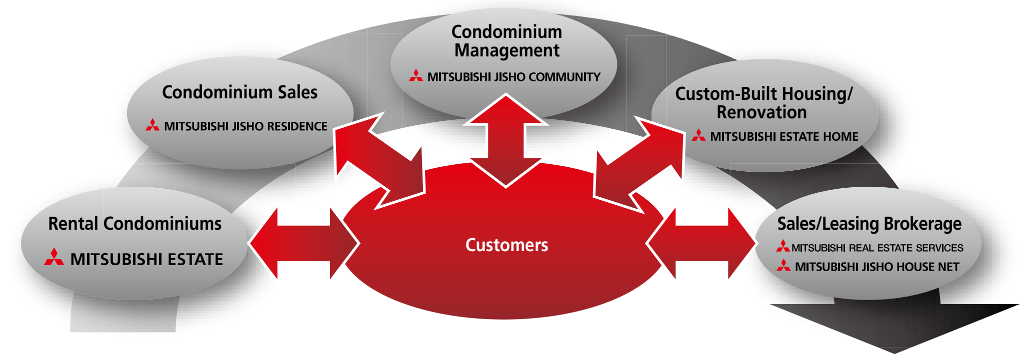
At the same time, Mitsubishi Estate will leverage the collective strengths of the entire Group to expand the horizons of its Residential Business. We will reinforce the structure required to offer our customers lifelong, high added value not only through residential development and sales, but also through such operations as residential resales, leasing, management and renovation.

*Mitsubishi Estate and Towa Real Estate Development together supplied the largest volume of condominium units in Japan in 2010. (Source: Real Estate Economic Institute Co., Ltd.)



## Pursuing Lifelong Customer Value

To provide lifelong, high added value to its customers, Mitsubishi Estate and Group companies within the Residential Business will continue to strengthen their business structure to offer meticulous support for various residential needs, including through purchase, leasing, management, brokerage and renovation.




## Toward Establishing Japan's Top Condominium Brand

Established in January 2011, Mitsubishi Jisho Residence has formulated its corporate vision, "Always, new joy in daily life." Adhering to this vision, Mitsubishi Jisho Residence will steadily supply high-quality condominiums and listen carefully to its customer's aspirations, thereby establishing the top condominium brand in Japan in terms of both quantity and quality.

MITSUBISHI JISHO RESIDENCE

"The Parkhouse" is the major condominium brand offered by Mitsubishi Jisho Residence. The five lines in the brand logo forma smooth and orderly curve, expressing our passion for bringing together the five elements of "people," "city," "future," "the environment" and "tradition" through our condominium development and sales business. Condominiums that strengthen ties among residents and neighbors, that blend in well with city streets, and that enable lifestyles filled with joy and comfort—this is the concept behind our new brand.

The Parkhouse

## Creating Residences That Provide New Lifestyle Value

**Parkhouse Kichijoji OIKOS**
Offering nine residential units, this is an eco-friendly condominium building that has been designated as a Model Project for Promoting $CO_2$ Reduction in Housing and Buildings, organized by the Ministry of Land, Infrastructure, Transport and Tourism. Incorporating various technologies to reduce $CO_2$ emissions, such as outside insulation and an underfloor chamber air-conditioning system, Parkhouse Kichijoji OIKOS realizes reductions in $CO_2$ emissions and energy consumption while achieving a new class of comfort.

**The Parkhouse Rokuban-cho**
Only a five-minute walk from JR Yotsuya Station, this 46-unit condominium building provides excellent transportation access to major train and subway stations in central Tokyo. In addition, the location, in the quiet residential area in Rokuban-cho, Bunkyo Ward, Tokyo, offers a comfortable living environment. The Parkhouse Rokuban-cho has been developed through the use of fixed-term leasehold interests.

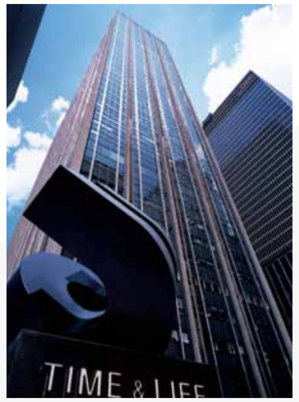
**PARK HABIO Shibuya Honmachi Residence**
This is a 261-unit luxury leased condominium building under the PARK HABIO brand. The first floor houses a supermarket, while a variety of common facilities are available to residents, including a guestroom, studio and fitness room. In addition, concierge services are provided in this building.

## 4 International Business

The Mitsubishi Estate Group has leveraged the accomplishments and network that it has nurtured since the establishment of Mitsubishi Estate New York Inc. in 1972 to build a portfolio of prime assets focusing on New York and London. Taking advantage of such experience, the Group will work to further expand its asset portfolio in the United States and Europe, while accelerating operations in booming Asia.

### The United States

## Promote Development and Investment Management Operations through Rockefeller Group, Inc.



Time-Life Building (New York)


1101 K STREET (Washington D.C.)

Distribution facilities (South Carolina)

### The United Kingdom

## Promote Development Projects Based on Accomplishments and Network Nurtured over More than 20 Years


Paternoster Square (London)

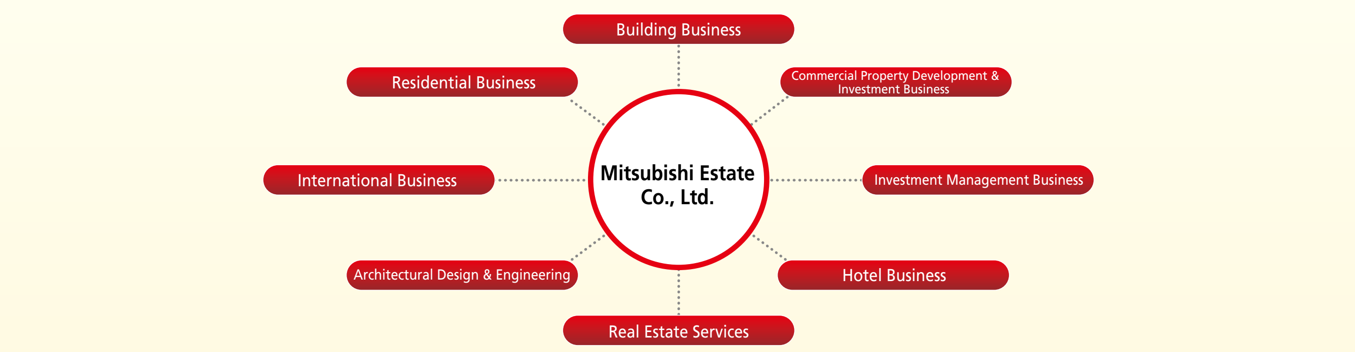

Central St. Giles (London)

### Asia

## Promote Development Projects Jointly with CapitaLand Residential Singapore Pte Ltd and Other Powerful Local Partners

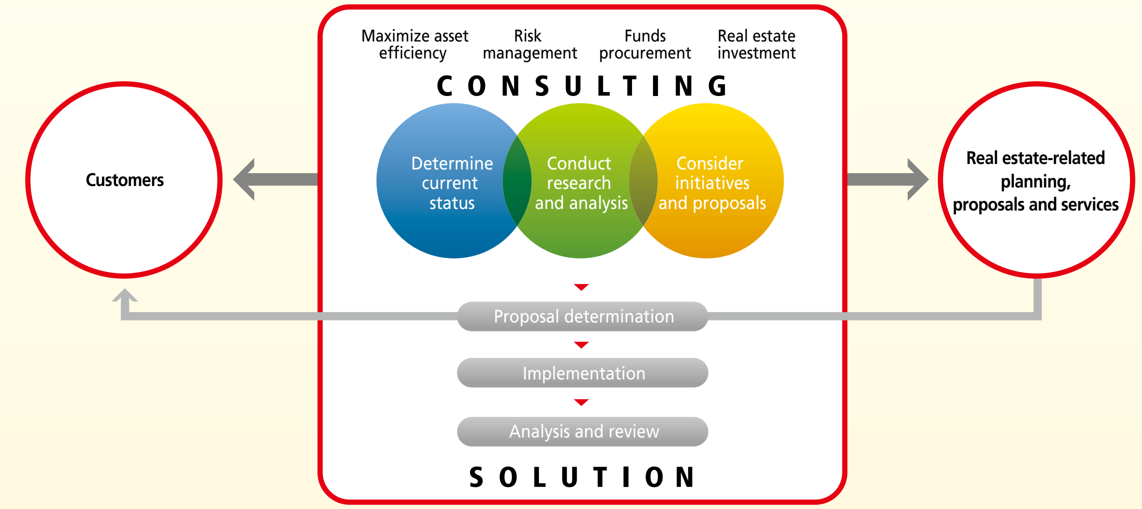

Hanoi Residential Development Project (Vietnam)

## Business Structure of the Mitsubishi Estate Group




**The Mitsubishi Estate Group**

| Business Segment | Group Framework | Business Activities | Consolidated Sales Breakdown | |
|---|---|---|---|---|
| Building Business | • Property Management and Office Leasing Group<br>• Commercial Asset Management and Development Group<br>• Retail Property Group | 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. | ¥463.9 Billion | 46.0% |
| Residential Business | • Residential Development Group | 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, along with leisure-related businesses. | ¥369.1 Billion | 36.6% |
| Commercial Property Development & Investment Business | • Commercial Property Development and Investment Group | Commercial Property Development & Investment Business segment revenues are derived from the development of real estate for investment purposes. | ¥47.9 Billion | 4.8% |
| International Business | • International Business Group | International Business segment revenues are derived from the development and leasing of buildings conducted through U.S.-based Rockefeller Group, Inc. | ¥45.0 Billion | 4.5% |
| Investment Management Business | • Investment Management Group | Investment Management Business segment revenues are derived from the management of real estate for investment purposes and other types of assets. | ¥5.2 Billion | 0.5% |
| Architectural Design & Engineering | • Architectural Design & Engineering Group | Architectural Design & Engineering segment revenues are derived from the design and supervision of construction and civil engineering projects and related activities, mainly through Mitsubishi Jisho Sekkei Inc. | ¥18.5 Billion | 1.8% |
| Hotel Business | • Hotel Business Group | Hotel Business segment revenues are derived from the operation of Royal Park Hotels. | ¥27.6 Billion | 2.7% |
| Real Estate Services | • Real Estate Services Group | Real Estate Services segment revenues are derived from real estate brokerage and related services through Mitsubishi Real Estate Services Co., Ltd. | ¥27.7 Billion | 2.8% |
| Other | | Other segment revenues are derived from related operations other than the aforementioned. | ¥3.4 Billion | 0.3% |




**Real estate development**
- Development method proposals
- Business plan support
- Project management
- Effective utilization/joint ventures (equivalent exchanges/term leasehold interest method)
- Provisional use
- Reconstruction

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

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

**Building operation and management**
- Operation and management plan analysis and proposals
- Long-term maintenance plan consulting
- Commissioned operation and management of buildings, retail facilities and hotels
- Subleasing
- Tenant marketing
- Operation and management of residential complex and corporate housing
- Property management

**Comprehensive building analysis**
- Earthquake resistance analysis
- Facility management
- Energy saving and IT utilization in buildings and facilities
- Interior and exterior renovation
- Barrier-free facility construction
- Anti-aging measures for buildings and facilities
- Conversion

**Construction**
- Single-unit homes and rental and corporate housing
- Residential and office renovation

**Design and supervision**
- Environmental assessment and research
- Consulting for urban development and private finance initiatives (PFIs)
- Consulting, design and supervision for environmental and civil-engineering solutions
- Construction management
- Design and supervision for buildings and structures
- Design and supervision for interior and exterior

**CRE strategy support**
- Organization of CRE information
- CRE valuation
- Support for strategy formulation and implementation

# Business Development, Consulting & Solutions Departments

## 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 Business Development, Consulting & Solutions Departments work to foster deeper ties with clients through proposal-based marketing, which is conducted across the Company as a whole. Making full use of the company's accumulated real estate development, planning and management expertise, the department is active in efforts to realize maximum value for its clients.

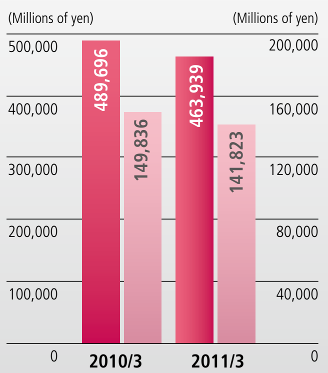
### A Wide Range of Solutions Covering Everything from Individual Real Estate Needs to Corporate Real Estate Strategic Support

These departments are independent from Mitsubishi Estate's eight principal business segments (comprising the Building Business, Residential Business, Commercial Property Development & Investment Business, International Business, Investment Management Business, Architectural Design & Engineering, Hotel Business and Real Estate Services).

In an effort to consistently provide optimal consultation and solutions services that address clients' real estate needs, such as effective methods for property utilization and acquisition, we create business proposals that draw on the resources of the entire Group.

The departments offer consultation for individual properties and multiple properties held and leased by corporate clients. We analyze the situation, taking into consideration the comprehensive features of the real estate under review, and provide solutions that match the financial and management strategies of individual client companies. In this manner, Mitsubishi Estate endeavors to realize the maximum value of corporate real estate (CRE).

# Building Business




Revenue from operations (left scale)

Operating income (right scale)

1

2

4



5

3

6

7

**1 Mitsubishi Ichigokan**

Mitsubishi Ichigokan has been completely restored to what it was in 1894—the first office building in Marunouchi. Today, this building is functioning as a key culture and arts complex for expanding the area's cultural horizons.

**2 Marunouchi 1-4 Plan (tentative name)**

Through this project, three existing office buildings are being reconstructed into one large-scale building to facilitate more effective land use. The new building will serve as an advanced business center that accommodates the wide-ranging needs encountered in today's business globalization and informatization. Leveraging the extensive portfolio of its business functions, Mitsubishi Estate will promote this project to create a high-quality urban environment and enhance urban infrastructure, while giving due consideration to the environment-friendliness of the project.

**3 Otemachi 1-chome Second Area 1st Class Urban Redevelopment Project**

Positioned as the second phase of a linked urban redevelopment project in Otemachi, this project aims to upgrade the urban functions of the district, establishing sophisticated, high-quality business functions and business support facilities appropriate to this international financial center. Mitsubishi Estate is participating in the project as the owner of the land on which the Mitsubishi Soken Building is sited while also executing an independent project relating to the portion designated as Building B jointly with the Urban Renaissance Agency.

## Enhancing Urban Functions from an Area Management Perspective

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

### Promoting the Second Stage of Marunouchi Redevelopment

Mitsubishi Estate is going beyond the role of developer to that of producer, as it maximizes the full potential of the Marunouchi area and delivers new functions that meet the business needs of today and tomorrow. In 1998, we commenced the first stage of Marunouchi Redevelopment, a 10-year program encompassing the upgrade, reconstruction and renovation of much of the Marunouchi district. Beginning with the Marunouchi Building in August 2002, six new buildings have been completed, highlighted by the grand opening of the Shin-Marunouchi Building in April 2007. With the opening of the Peninsula Tokyo in September 2007, the first stage of Marunouchi Redevelopment came to a close.

From 2008, we have been pushing ahead with the second stage. The first project of the second stage consisted of the Marunouchi Park Building & Mitsubishi Ichigokan. In September 2009, we launched the second project, the Marunouchi 1-4 Project (tentative name), encompassing the simultaneous reconstruction of the Togin Building, the Sumitomo Trust and Banking Co., Ltd. Tokyo Building and the Mitsubishi UFJ Trust and Banking Corporation Tokyo Building.

Going forward, Mitsubishi Estate has begun a third project—rebuilding the Mitsubishi Soken Building—through participation in the second phase of the Otemachi 1-chome Second Area 1st Class Urban Redevelopment Project using a linked urban redevelopment process.

Based on the achievements of Marunouchi Redevelopment to date, the second stage will encompass broader and more comprehensive plans to further rejuvenate the Otemachi, Marunouchi and Yurakucho districts, an area of approximately 120 hectares.

## Retail Property Group

### Active Expansion of the Retail Property Business throughout Japan

In its retail property business, Mitsubishi Estate is pushing ahead with the development of various types of retail properties that match the unique features of each location and area. The Mitsubishi Estate Group continuously engages in facility planning, development, tenant leasing and management operations through its comprehensive business structure.

### Offering New Value by Creating Ideal Urban Environments—for People and City

Creating new value through our retail property business, synchronizing people's lifestyles with "urban heartbeats," Mitsubishi Estate orchestrates ideal urban environments that maximize cities' value and the quality of living, for everybody who lives, works and visits there. Since the 1989 opening of the Tenjin MM Building (IMS) in Fukuoka Prefecture, retail property operations have become a full-blown business with numerous projects completed, including the Yokohama Landmark Tower and the Marunouchi Buildings.

In its efforts to create a more appealing city, Mitsubishi Estate has continued to raise the value of retail facilities in the Marunouchi area, including the Shin-Marunouchi Building, in 2007, followed by the Marunouchi Brick Square (commercial zone in the Marunouchi Park Building) in September 2009. Along with such infrastructure development, the Company is aggressively carrying out promotional activities. From an area management perspective, Mitsubishi Estate is focusing on operations that realize intangible benefits.

In a project outside the Marunouchi area, we opened the Higashikurume Shopping Center "Qurune" in Higashikurume City, Tokyo in November 2009. Also, the Company implemented the second stage of shop floor expansion at the Kobe-Sanda Premium Outlets in Kobe City, Hyogo Prefecture in December 2009 and the third stage of shop floor expansion at the Toki Premium Outlets in Toki City, Gifu Prefecture in July 2010.

Mitsubishi Estate will continue to focus on three types of retail properties: those in Marunouchi, centered on the Marunouchi Building; those situated in urban centers and suburban areas, such as Aqua City Odaiba in Minato Ward, Tokyo and the Minamisunamachi Shopping Center "SUNAMO" in Koto Ward, Tokyo; and outlet shopping centers operated by Chelsea Japan Co., Ltd., which became a Mitsubishi Estate consolidated subsidiary in March 2009. Maintaining this focus, the Company will promote retail property projects across Japan.

**4 Marunouchi Brick Square**

Opened in September 2009 as a commercial area in the Marunouchi Park Building, the Marunouchi Brick Square offers retail functions suitable for a hub that joins the Marunouchi and Yurakucho areas. The synergistic locations of the Mitsubishi Ichigokan and the Ichigokan Square significantly expanded people's "strolling options" in Marunouchi.

**5 Higashikurume Shopping Center "Qurune"**

This shopping center opened in November 2009 in Higashikurume City, Tokyo, as the fourth lifestyle-oriented retail facilities in the area. The center houses approximately 25 retail shops offering diverse merchandise that helps people realize a comfortable, enjoyable lifestyle.

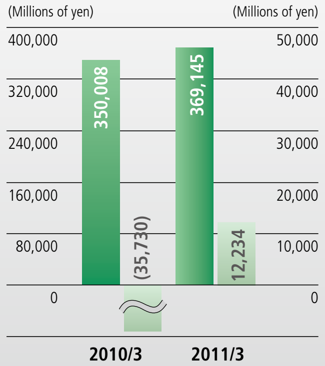
**6 Toki Premium Outlets**

Operated by Chelsea Japan Co., Ltd., this is the fifth CHELSEA PREMIUM OUTLETS shopping center in Japan. Located in Toki City, Gifu Prefecture, this shopping center opened in March 2005 and underwent a second and third shop floor expansion in October 2006 and July 2010, respectively. Total shop floor area increased from 17,521m² to 28,099m², and the number of retail shops increased from about 90 to 140.

**7 Kobe-Sanda Premium Outlets**

This is the sixth CHELSEA PREMIUM OUTLETS shopping center in Japan. Located in the Kita Ward of Kobe City, this outlet shopping center started operations in July 2007. In December 2009, the shopping center opened expanded shop floors. The total shop floor area almost doubled from 19,174m² to 35,041m², and the number of retail shops doubled from 90 to 180.

# Residential Business




Revenue from operations (left scale)

Operating income (loss) (right scale)

*In line with changes in segmentation, Custom-Build Housing operations were integrated into the Residential Business in April 2011.


1


2


3


4


5


6


7


8

**1 The Parkhouse Osaki**

This 84-unit condominium building is located in Osaki 2-chome, Shinagawa Ward, Tokyo, on a quiet hill connecting to a redevelopment area around the west gate of Osaki Station. The outer limits of the site are embellished with rich greenery, creating a restful atmosphere.

**2 The Parkhouse Minami-Senri**

Located in Satakedai 1-chome, Suita City, Osaka Prefecture, this 82-unit condominium building is one of the first groups of The Parkhouse properties in western Japan. With the building situated on a hill slanting to the southeast, all units face the same direction, providing a view of grandeur and openness.

**3 The Parkhouse Shinjuku Tower**

Located in Kita-Shinjuku 2-chome, Shinjuku Ward, Tokyo, this seismically isolated condominium building boasts 298 residential units. The Parkhouse Shinjuku Tower sits within the Shinjuku Front Square, a large-scale multipurpose complex development project. The building provides favorable conditions for the relaxation, living and working of its residents while providing easy access to the urban functions that Shinjuku offers.

**4 The Parkhouse Urbance Bunkyo-Koishikawa**

Situated in Koishikawa 4-chome, Bunkyo Ward, Tokyo, this condominium building offers 37 residential units. It is the first building under the "Urbance" compact condominium brand. Most residential units face southwest, and all condominiums are corner units. In addition, the building provides indoor hallways, enabling urban lifestyles emphasizing privacy.

## "Always, New Joy in Daily Life."—The Birth of Mitsubishi Jisho Residence

Through the Residential Business segment, we aim to provide ideal living environments in concert with healthy and fulfilling lifestyles by developing, marketing and leasing 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 operates and manages golf courses. More recently, in April 2011, the Company integrated custom-built housing operations outside of Mitsubishi Estate Home Co., Ltd. (MEH) into its Residential Business.

### Mitsubishi Jisho Residence Co., Ltd. Debuts

In January 2011, we established Mitsubishi Jisho Residence through the integration of residential development and sales operations previously promoted separately by Mitsubishi Estate, Mitsubishi Real Estate Services Co., Ltd. and Towa Real Estate Development Co., Ltd. This integration was aimed at strengthening the residential development and sales operations within the entire Mitsubishi Estate Group. Through business integration, the Group is now the industry leader in terms of the volume of residential unit supply. Furthermore, these new integrated operations have enabled the Company to build a more comprehensive development and sales structure. Through such a structure, we will continue to offer superior services to accommodate ever-diversifying customer needs by listening carefully to our customers and maintaining lifelong relationships with each of them. In this way, we aim to become the industry leader in the truest sense for product quality and service excellence.

### New Condominium Brand "The Parkhouse" Launched

In line with the launch of Mitsubishi Jisho Residence, we announced a new condominium brand, "The Parkhouse," which provides condominiums in a wide range prices. Also, condominium complexes under this brand are equipped with a special feature called "Five Eyes" to ensure the safety, security and quality of condominiums and living environments. The Five Eyes includes "Check Eye's"—the unique condominium quality control and performance indication system of Mitsubishi Jisho Residence—and eco-friendly and security systems, while also offering an extensive lineup of residential options. Through consistent quality control, we provide state-of-the-art condominiums.

### Environmental Initiatives

Mitsubishi Jisho Residence is working closely with MEC Eco LIFE Co., Ltd., which was established in 2008, in the development of eco-friendly condominium complexes. Among their joint efforts, particularly noteworthy is the development of the "soleco" system, which combines a solar power generation system and a central high-voltage power transmission system. The soleco system has been approved as a new environmental business model to reduce greenhouse gasses by the Ministry of Land, Infrastructure, Transport and Tourism and, accordingly, is contributing to the reduction of $CO_2$ emissions in the household sector.

### Residential Leasing under the PARK HABIO Brand

Mitsubishi Estate is accelerating its residential leasing business through the PARK HABIO brand, focusing on the Tokyo Metropolitan area. To date, the Company has completed 23 condominium complexes. We will continue to promote our residential leasing business by consistently providing high-quality condominiums.

## Custom-Built Housing Business

### Creating Home Lovers from Generation to Generation

In the custom-built housing business, MEH develops custom-built housing for individuals while undertaking the development of housing complexes through effective land use and the construction of houses for sale. In addition, MEH boasts an extensive record in the renovation of homes and condominium complexes.

### We Build Ideal Residences Together with Our Customers

In the custom-built housing business, MEH supplies "residences with true value" by offering flexible, custom-design services and developing technologies to realize long-life homes. In so doing, MEH has fostered its unique technological capabilities and established its own stringent quality standards. MEH builds homes that are comfortable to live in and are capable of flexibly satisfying customers' custom-design needs by combining its proprietary Super Two-by-Four construction method, which demonstrates maximum earthquake protection, fire resistance and durability, and the Aerotech central air-conditioning method. Also, MEH makes proposals regarding effective use of land and other assets when constructing housing complexes. Meanwhile, the company provides fully order-made buildings for use as medical clinics and other uses. In the renovation business, we conduct order-made renovations. We also listen closely to each customer's "life plans" and preferences to create their "dream home."

### Proposing Homes That Create Ties between People of Different Generations

In January 2011, MEH opened a model home in the Komazawa Park Housing Gallery in Tokyo. Through this model home, which provides excellent interior arrangement versatility, we are disseminating the concept of "a residence that creates ties between people of different generations" with particular focus on "family ties" and "community involvement." Also, rooms inside the model home can be freely arranged thanks to the use of the Aerotech method. This feature enables flexibility in accommodating the various needs of our customers.

Looking ahead, we will continue to build homes by taking a customer perspective, strive to understand each customer's ideas about their dream home and propose affluent lifestyles. To this end, we will further strengthen the development of advanced, unique technologies.

**5 PARK HABIO Shinjuku Eastside Tower**

Located in Shinjuku 6-chome, Shinjuku Ward, Tokyo, this 761-unit large-scale lease condominium building is scheduled for completion in December 2011. With a towering view of Shinjuku and the Tokyo skyline, the top floor offers residents a swimming pool, Jacuzzi, sports gym, hot bath and bar lounge. Providing such premium communal facilities and hospitality that go beyond those expected in ordinary leasing condominium buildings, this building realizes unparalleled tenant satisfaction.

**6 Studio-Type Housing Complex**

To help our customers utilize their land more effectively, we leverage the extensive experience and know-how that we have nurtured through our operations in providing consultation for optimal land use from various perspectives.

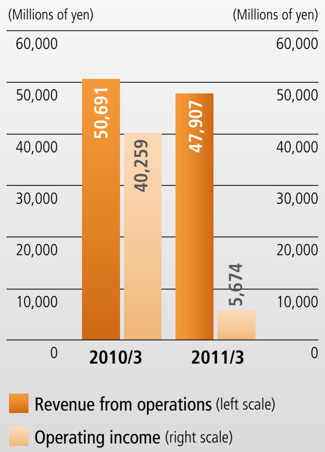
**7 Komazawa Stage 3 Home Gallery**

Its exterior facade fosters the owner's love for the home. Its simple gable roof never tires residents' eyes, and genuine stones and other natural materials gently welcome families and visitors.

**8 Komazawa Stage 3 Home Gallery (Hall)**

Creating openness on the second floor, the hall allows families to spend their free time in reading, exercising and various other activities. It offers movable partitions and ample storage space.

# Commercial Property Development & Investment Business




*In line with changes in segmentation, the former Urban Development & Investment Management Business was divided into the Commercial Property Development & Investment Business and the Investment Management Business in April 2011. The data for the fiscal year ended March 31, 2010 above is for the segment before the division.





**1 Toyosu Front**

Directly connected to Toyosu Station on the Tokyo Metro Yurakucho Line, Toyosu Front is a multipurpose complex housing offices and retail spaces. This eco-friendly property reduces $CO_2$ emissions by 26% compared with ordinary buildings thanks to greenery occupying 36% of the site and the effective utilization of natural air flow and sunlight. It was completed in August 2010.

**2 Shinjuku Eastside Square**

This project involves real estate development on a vast site, measuring approximately 26,000$m^2$, directly connected to Higashi-Shinjuku Station on the Tokyo Metro Fukutoshin Line and the Toei Oedo Line. The building will house offices and retail spaces, and the office floors will boast the largest-scale floor plate among buildings within central Tokyo. Also, a variety of eco-friendly features are incorporated into the building, such as the adoption of double-skin, low-emissive, double-glazed glass, which reduces $CO_2$ emissions associated with the building by approximately 25% compared with ordinary buildings. It is scheduled for completion in April 2012.

**3 Shinjuku Front Tower**

Completed in May 2011, this multipurpose complex provides several floor types, with each floor concentrating on either offices, retail spaces or clinics, or on serviced offices, which support new startups and young entrepreneurs. In addition to greenery on the rooftop and external walls, a number of tall trees are planted within the site, for a total greenery area of approximately 2,400$m^2$. Also, a water-retentive coating was applied to the building exterior, contributing to the suppression of urban "heat island" effects.

## Developing Market Needs-Oriented Real Estate for Investment Purposes

Through the Commercial Property Development & Investment Business, Mitsubishi Estate is promoting development operations. Our basic strategy in this segment entails the development of prime real estate for investment purposes that effectively accommodates the needs of both tenants in the leased real estate market and investors in the real estate investment market.

### Actively Promoting Development Operations by Strengthening Asset Solutions Capabilities

Mitsubishi Estate's Commercial Property Development & Investment Business employs a unique business model. Under this model, the business cycle starts with the development of office buildings and other types of real estate for investment. Then, the Mitsubishi Estate Group leverages its wide-ranging business functions to maximize the value of the properties developed. These properties are sold at the highest possible prices in the real estate investment market, and the proceeds collected through property sales are used for new development projects.

Recent examples of development projects regarding real estate for investment include Toyosu Front in Koto Ward, Tokyo, which was completed in August 2010. Then, in May 2011, the Shinjuku Front Tower was completed in Shinjuku Ward, Tokyo. Projects under development include the Harumi 2-chome 2-4 City Block Building Projects in Chuo Ward, Tokyo, and the Shinjuku Eastside Square, also in Shinjuku Ward, Tokyo.

Mitsubishi Estate does not limit its activities solely to office buildings: it also engages in the development of a broad range of real estate in an effort to address the diverse needs of the investment market.

For example, we are promoting the serviced apartment business jointly with The Ascott Group Limited, a Singapore-based global serviced apartment operator. Through this business, we have launched operations of the Citadines Shinjuku in Shinjuku Ward, Tokyo, and the Citadines Kyoto Karasuma-Gojo in Kyoto City, Kyoto Prefecture. Meanwhile, in April 2011, through the distribution center business, we began constructing distribution facilities in Tatsumi 3-chome, Koto Ward, Tokyo—our first development project involving such facilities—in cooperation with Mitsui & Co., Ltd. Looking ahead, Mitsubishi Estate will build a solid record in the tenant needs-oriented development of various types of real estate for investment, adhering to a "Build-to-Suit" business model.

### Maintaining Income Gains and Securing Capital Gains through Timely Sales of Assets

In general, real estate for investment generates stable income gains (rental revenues) after completion. For this reason, such real estate does not have to be sold immediately after completion. Instead, it can be sold when market conditions are favorable. In other words, the seller of a property can decide on the timing of securing capital gains (the difference between the selling price and all associated costs and expenses, including land acquisition costs and building construction costs). This is the true advantage of Mitsubishi Estate in this segment. The Company will continue to bolster the asset solutions capabilities required to maximize the value of real estate. In this way, we will strive to capture new business opportunities, thereby strategically meeting the socioeconomic needs for urban development.

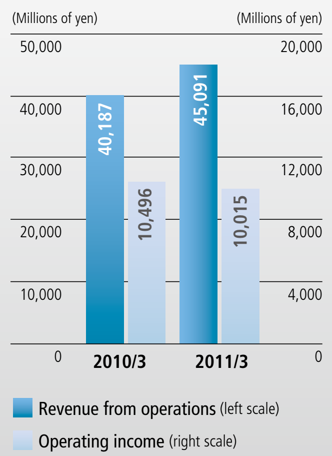

**4 Harumi 2-chome 2-4 City Block Building Project (tentative name)**

The Harumi area in Chuo Ward, Tokyo, is seeing the acceleration of development projects aimed at supporting lifestyles that balance work and private life. Through this project, Mitsubishi Estate is constructing a leased office building. This eco-friendly project will feature greenery occupying approximately 35% of the site, while using low-emission, double-glazed window glass and solar-tracker, electric-powered window shades to reduce $CO_2$ emissions associated with the building. It is scheduled for completion in March 2012.

**5 Tatsumi 3-Chome Development Project (tentative name)**

Through this project, scheduled for completion in February 2012, Mitsubishi Estate is developing distribution facilities boasting easy access to central Tokyo, harbor facilities and airports—it is only a four-minute walk from Tatsumi Station on the Tokyo Metro Yurakucho Line and approximately 2km away from the Shinkiba Interchange on the Bayshore Route of the Shuto Expressway. While providing general versatility in the creation of certain sections, the building is being constructed in a "Build-to-Suit" manner to meet tenants' exact needs, which are determined prior to the beginning of construction.

# International Business




1


2


3


4

**1 The McGraw-Hill Building in New York**

With 51 floors above ground and five floors below ground, the McGraw-Hill Building boasts total floor space of 237,126m². Located in Manhattan, New York, this office building was completed in March 1972. Mitsubishi Estate first acquired an interest in the building in April 1990.

**2 1101 K Street in Washington D.C.**

Mitsubishi Estate acquired this office building in March 2011. Situated in a prime location of Washington D.C.'s East End, the 10-story building was completed in 2006 and boasts leasable floor space of 27,078m².

## Expanding Real Estate Leasing and Development Business Globally

In its International Business, Mitsubishi Estate is promoting the real estate leasing and development business mainly across the United States and in London, while participating in condominium complex development projects in Vietnam and Singapore. Also, in April 2011, the Company opened the Shanghai Representative Office in China.

In October 2010, Mitsubishi Estate became a strategic investor in the Europa Capital Group LLC (Europa Capital), an independent real estate fund management group mainly operating in Europe. With this, Mitsubishi Estate has established a solid network for its real estate investment management business in Japan, the United States and Europe.

**Accelerating Leasing and Development Operations in the United States, the United Kingdom and Asia**

In the United States, Mitsubishi Estate owns large-scale office buildings—the McGraw-Hill Building and the Time-Life Building—in Manhattan, New York City, and the One North Central office building in central Phoenix, Arizona. In March 2011, the Company acquired the 1101 K Street office building in a prime location on K Street in Washington D.C.'s East End. In addition, the Company is currently undertaking approximately 30 development projects in 10 states, ranging from office condominiums and distribution facilities to homes and multipurpose complexes.

Mitsubishi Estate is also aggressively expanding its U.K. development business in London, England. Through the Paternoster Square Redevelopment Project completed in 2003, the Company has developed a multipurpose complex centered on an office building in the financial district of the City of London. Also, we completed the Bow Bells House Redevelopment Project—a joint venture with Mitsubishi Corporation—in 2007 in the City of London, and Bow Bells House was sold in 2010. In London's West End, the Company completed the Central St. Giles Redevelopment Project in April 2010, involving the construction of a multipurpose complex that houses offices, shops and residences. Furthermore, the Company owns River Plate House in the City of London and, in 2011 we acquired the 150 Leadenhall Street office building and the 6-8 Bishopsgate office building, both of which are located close to Lloyd's of London and the Governor and Company of the Bank of England.

Turning to Asia, Mitsubishi Estate has promoted the Hanoi Residential Development Project in Vietnam jointly with CapitaLand Residential Singapore Pte Ltd (CapitaLand)—a leading real estate company in Asia—and other entities since November 2010. Also, the Company has undertaken the development of two high-rise condominium buildings in central Singapore through cooperation with CapitaLand since March 2011.

In April 2011, Mitsubishi Estate established the Shanghai Representative Office in China, a country expected to sustain economic growth over the long term.

Meanwhile, the Company has built a global investment management business platform that enables concerted activities in investor marketing and research, decision making and fund establishment by becoming a strategic investor in Europa Capital in October 2010. Mitsubishi Estate will continue to develop its real estate business on a global scale, leveraging its extensive accomplishments in overseas operations.


5

**3 Paternoster Square in London**

Development of this multipurpose office complex located in the City of London was completed in May 2003. The Company owns two buildings: Warwick Court, with floor space of 29,480m²; and 10-Paternoster Square, with floor space of 34,866m².

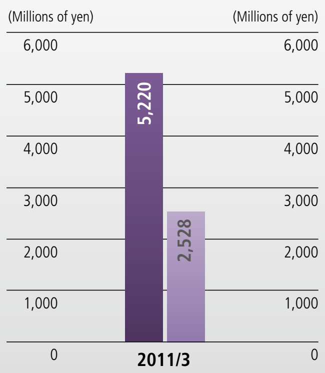
**4 Central St. Giles in London**

A joint redevelopment project with Legal & General, a major U.K. life insurance company, this complex comprises 66,000m² of offices, retail shops and residences. Construction was completed in April 2010.

**5 Hanoi Residential Development Project in Vietnam**

This is a project promoted jointly by Mitsubishi Estate, CapitaLand and other entities. When completed, the residential building will offer 960 residential units on a site measuring approximately 14,000m².

# Investment Management Business




Revenue from operations (left scale)

Operating income (right scale)

*In line with changes in segmentation, domestic investment management operations were spun off from the former Urban Development & Investment Management Business segment to form the Investment Management Business segment in April 2011.

**1 Osaki Front Tower**

The Osaki area has rapidly grown as a new prime office location adjoining the Shinagawa area, the land value of which has skyrocketed as an office location thanks to the acceleration of redevelopment in the area and the opening of the Tokaido Shinkansen (bullet train) platform at JR Shinagawa Station. Completed in June 2005, the relatively new, first-class Osaki Front Tower is located in the booming Osaki area. Mitsubishi Estate developed the building through its Commercial Property Development & Investment Business, and Japan Real Estate Investment Corporation acquired it in January 2011.

## Providing a Variety of Specialized Services for Real Estate Investment Management

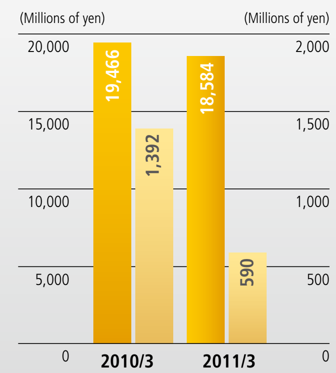
In its Investment Management Business, Mitsubishi Estate is offering wide-ranging services for both individual and institutional investors. Specifically, by managing real estate investment trusts (REITs), the Company accommodates the needs of investors who desire to manage their assets securely through real estate investment over the long term. Meanwhile, the Company manages investment funds that work to satisfy the specific needs of institutional investors.

### Offering Industry-Leading Investment Management Services to Meet Diversified Investor Needs

To meet the specific needs of institutional investors, Mitsubishi Jisho Investment Advisors, Inc. (MJIA) has formed fixed-term private funds that invest in shopping centers, office buildings and leased residential properties. Also, MJIA has launched various new investment products. For example, in 2011, Mitsubishi Jisho Investment Advisors formed an open-ended, non-listed private REIT to satisfy the needs of investors who prioritize stability and long-term investments.

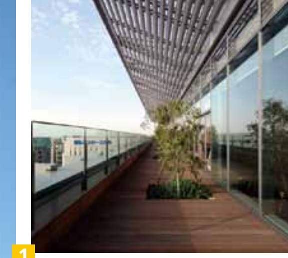
Meanwhile, Japan Real Estate Asset Management Co., Ltd. handles a listed REIT that accommodates individual investors. This investment management company manages the investments of Japan Real Estate Investment Corporation, a Japanese REIT (J-REIT) specializing in office buildings. Japan Real Estate Asset Management has the longest history among listed J-REITs, and it has maintained steady performance over the past 10 years. Thus, the Mitsubishi Estate Group is providing industry-leading investment management services. Looking to the future, we aim to contribute to the further development of the real estate investment market by consistently offering prime investment opportunities to investors in Japan and overseas.

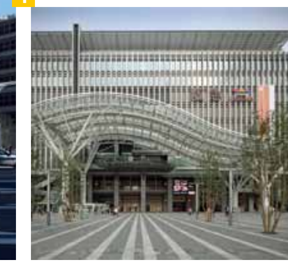
# Architectural Design & Engineering




Revenue from operations (left scale)

Operating income (right scale)





**1 JR Hakata City**

MJS undertook a project to reconstruct the JR Hakata Station building in line with the launch of the complete Kyushu Shinkansen line. Through this project aimed at enhancing the station building's functions as a transportation hub and a shopping center, a multipurpose station complex has been established, appropriate to its place as the "face" of the Kyushu region and the "gateway" to Japan from Asia.

**2 Gakushuin Girl's Junior & Senior High School Main Building**

This project involved the reconstruction of a classroom building for Gakushuin Girl's Junior & Senior High School, which has a 125-year history. The new classroom building has been rebuilt using a feminine, elegant design. Through this project, classroom functions, which had been previously divided into four different buildings, have been gathered into one building. Also, MJS has incorporated eco-friendly features into this highly functional school building to satisfy recent societal needs.

## Leveraging Superior Design and Engineering Capabilities in Urban Development

At the core of Mitsubishi Estate's Architectural Design and Engineering Business are Mitsubishi Jisho Sekkei Inc. (MJS) and MEC Design International Corporation. MJS engages in the design and administration of construction and civil engineering projects, building renovation work and projects related to urban and regional development, as well as comprehensive consulting. MEC Design International directs interior design and construction projects.

### Mitsubishi Jisho Sekkei, Marking the 10th Anniversary of Its Founding

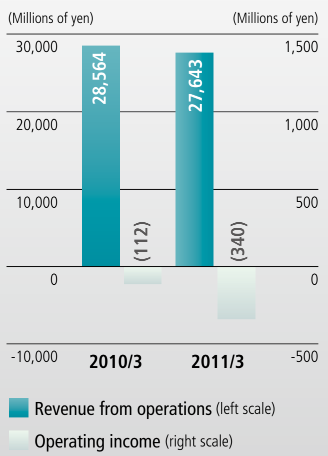
In June 2011, MJS marked the 10th anniversary of its inception. In fact, it has been more than one hundred years since Mitsubishi Estate established an architectural design and engineering division. Leveraging its long-nurtured knowledge and expertise and further refining its design and engineering capabilities, MJS will continue its involvement with the development of urban districts and buildings that achieve safety and security and remain attractive for generations to come.

### Expanding Steadily in Japan and Accelerating Overseas Operations

Major projects completed by MJS during the fiscal year ended March 31, 2011 included the JR Hakata City (Fukuoka City, Fukuoka Prefecture), new office buildings for Lower House Diet Members (Chiyoda Ward, Tokyo), the Azabudai Park House (Minato Ward, Tokyo), the Gakushuin Girl's Junior & Senior High School Main Building (Shinjuku Ward, Tokyo) and the Marui-Nakano Project (Nakano Ward, Tokyo). In the fiscal year ending March 31, 2012, MJS plans to complete such projects as the Tokyo Central Post Office "JP Tower" Reconstruction Project (tentative name; Chiyoda Ward, Tokyo), the Palace Hotel Reconstruction Project (Chiyoda Ward, Tokyo) and the Toyo Bunko Reconstruction Project (Bunkyo Ward, Tokyo). MJS will aggressively pursue increased architectural design and engineering orders for new construction and renovation projects. Simultaneously, it will work to realize truly effective eco-friendly buildings while further strengthening already established operations in such fields as construction management and district heating and cooling facilities.

Overseas, taking advantage of the business network that it has expanded through the Shanghai Representative Office, which opened in 2007, MJS aims to secure a greater number of orders in China by leveraging its track record in urban and architectural design. To this end, MJS plans to launch a local subsidiary in Shanghai in 2011. Also, with Mitsubishi Estate's Overseas Project Office—established in the previous fiscal year—as the core driver, MJS and MEC Design International will work together to expand their operations in East Asia by widely disseminating their capabilities in architectural and urban design as well as their eco-friendly, energy-saving technologies.

# Hotel Business





1


2


3

## Improving Our Brand Value and Expanding Our Hotel Chain

In the Hotel Business, Royal Park Hotels and Resorts Co., Ltd. coordinates the administration and management of each hotel to ensure consistency throughout the hotel chain. At the same time, Royal Park Hotels and Resorts is working to enhance management efficiency and improve the level of management, pursuing the benefits of operating the hotel chain. With hotels in Tokyo, Yokohama and other locations in Japan, the Royal Park Hotel chain comprises a network of five hotels.

### Increasing the Brand Value of Royal Park Hotels through a Management Focus on Customer Delight

Based on the "Best for the Guest" philosophy of Royal Park Hotels, we go one step beyond customer satisfaction by aiming to delight our guests. This approach has been well acknowledged, enabling us to win the leading rank in the 2010 Japan Hotel Guest Satisfaction Index Study SM conducted by J.D. Power Asia Pacific, Inc.,* an organization specializing in research and consulting relating to customer satisfaction. This marks the fourth consecutive year for Royal Park Hotels to win the top position in the ¥15,000 to ¥35,000 per night segment. We will further promote customer-delight-focused hotel management and operations.

### New Brand "Royal Park Hotel The [City Name]" Debuts and Expands

In the fiscal year ending March 31, 2012, the Royal Park Hotel The Fukuoka and the Royal Park Hotel The Kyoto will make their debut. Royal Park Hotels under this new brand will be of a relatively compact scale but will pursue the ultimate in comfort and reasonableness. They aim to grow into hotels that deliver features specific to their respective locations under the key phrase of "We and the city at your service." In addition to these two locations, we have decided to open a new Royal Park Hotel The Nagoya, in 2013. Looking ahead, we plan to open hotels under the new brand in Tokyo and other government-designated cities in Japan, thereby expanding our hotel chain and enhancing our brand power.

***Japan Hotel Guest Satisfaction Index StudySM conducted by J.D. Power Asia Pacific, Inc.**

Royal Park Hotels ranked in the segment of ¥15,000 to ¥35,000 per night hotels with the most common guestroom space of 20m² or larger. The study was based on 9,663 valid responses received from people who used applicable hotels within the previous year. For more details, please see the press release of the J.D. Power and Associates Web site at:
http://www.jdpower.co.jp/press/pdf2010/2010JapanHotelGSI.pdf (Japanese language only)

**1 Yokohama Royal Park Hotel**

Yokohama Royal Park Hotel was accorded "Four Red Pavilions"—the highest evaluation among hotels in the Yokohama area—in the Hotels category of *Michelin Guide 2011 Tokyo Yokohama Kamakura*.

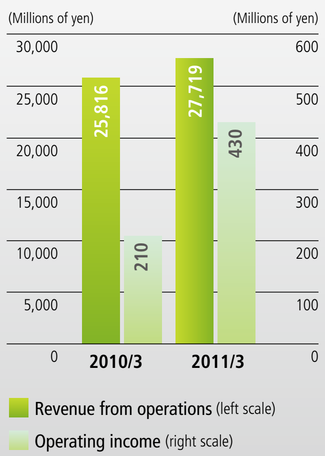
**2 Royal Park Hotel The Fukuoka (artist's rendition/guestroom)**

Royal Park Hotel The Fukuoka opened in Hakata Ekimae 2-chome, Hakata Ward, Fukuoka City, Fukuoka Prefecture on July 30, 2011 as the first hotel under the new brand. Only a five-minute walk from JR Hakata Station, this hotel provides a total of 174 guestrooms, centered on twin rooms. Royal Park Hotel The Fukuoka enables guests to enjoy architecture and services that are tailor-made for this location.

**3 Royal Park Hotel The Kyoto (artist's rendition)**

Scheduled for opening on October 8, 2011, this hotel is only a three-minute walk from Kyoto Shiyakusho-mae Station on the Tozai Line of the Kyoto Municipal Subway. It is located at Sanjo-dori Higashi-Iru, Kawaramachi, Nakagyo Ward, Kyoto City. Offering 172 guestrooms, this hotel has been designed using motifs appropriate to historic Kyoto.

# Real Estate Services





1

## Meticulously Responding to the Various Real Estate Needs of Customers

Mitsubishi Real Estate Services Co., Ltd. and Mitsubishi Jisho House Net Co., Ltd. closely collaborate with each other to promote Mitsubishi Estate's Real Estate Services Business and enable highly customized responses to customer needs relating to real estate. Leveraging its collective strengths and information capabilities, the Mitsubishi Estate Group provides a wide array of optimal solutions for individual and corporate real estate utilization, brokerage and leasing.

### Real Estate Brokerage Services

Mitsubishi Real Estate Services and Mitsubishi Jisho House Net engage in wide-ranging operations relating to real estate owned by individuals and corporations. These operations include purchasing, sales, brokerage for leasing services and consulting services for real estate utilization. Through brokerage services for individuals, the two companies provide comprehensive support in real estate purchasing and sales as well as in finding new housing. They meet the diversified requirements of customers through a nationwide network.

In addition to providing various need-oriented investment proposals to individual customers, they work to satisfy the wide-ranging needs of corporate customers in Japan and overseas through services ranging from real estate assessment, sales and purchase brokerage to consulting for effective utilization. Furthermore, they have established the CRE@M system to offer integrated assistance to corporations in promoting their corporate real estate (CRE) strategies.

### Accelerating Leased Condominium/Office Building Management Support Business and Coin-Operated Parking Lot Operations

Mitsubishi Real Estate Services and Mitsubishi Jisho House Net offer a variety of lease management support services relating to leased condominiums and office buildings, and their customer base ranges from individuals and corporate clients to asset managers of securitized real estate. We have a structure that enables comprehensive services covering everything from business plan formulation and product planning to lease management after construction completion. Moreover, we provide our customers with information on leased properties according to their preferences, including those owned by Mitsubishi Estate. In addition, we are promoting "PEN" automated, coin-operated parking services, applying our extensive expertise in lease management services.

**1 PARK HABIO Higashi-Nakano**

In December 2010, Mitsubishi Estate completed this leased condominium complex in Nakano Ward, Tokyo. Mitsubishi Real Estate Services conducts lease management operations on behalf of Mitsubishi Estate.

**2**

CRE戦略支援システム［クリーム］
CRE@M

**CRE Strategy Support System "CRE@M"**

CRE@M is an application service provider (ASP) service that provides various functions, including the centralized management of real estate information, the improvement of real estate management efficiency and the strategic management of CRE. Through the operation of the CRE@M system, we support our customers in strategic CRE management.

**3**

パーキング
エコロジー
ネットワーク
PEN

**Parking Ecology Network "PEN"**

To contribute to global environmental efforts through parking operations, Mitsubishi Real Estate Services donates a portion of the proceeds from parking charges to tree-planting programs.

# Financial Review

## Revenue from Operations/Operating Income

In the fiscal year ended March 31, 2011, consolidated revenue from operations decreased ¥24,967 million, or 2.5%, from the previous fiscal year to ¥988,477 million. Consolidated operating income increased ¥9,285 million, or 6.2%, year on year to ¥158,258 million. Results for each business segment are as follows.

In the Building Business segment, Mitsubishi Estate enjoyed a year-on-year increase in rental revenue due to factors that included full-year contributions from the Marunouchi Park Building, which was completed in April 2009. As of March 31, 2011, the vacancy rate stood at 3.58%, compared with 3.40% as of March 31, 2010. Reflecting these factors, revenue from operations dropped ¥25,756 million year on year to ¥463,939 million. Operating income fell ¥8,013 million to ¥141,823 million.

In the Residential Business segment, Mitsubishi Estate's revenue in the condominium business slipped year on year, due to a year-on-year decline in the number of condominiums sold. As a result, revenue from operations decreased ¥13,413 million to ¥336,595 million. However, the Company posted operating income in this segment totaling ¥11,783 million, a turnaround of ¥47,513 million from an operating loss in the previous fiscal year.

In the Urban Development & Investment Management Business segment, overall capital gains rose year on year, reflecting the sale of a portion of ownership interest that Mitsubishi Estate held in a property. As a result, revenue from operations grew ¥2,296 million to ¥52,987 million. However, during the previous fiscal year, the Company sold a portion of ownership interest in a property held by a special-purpose company in which it has invested. The absence of the prior-year capital gains from this transaction, among other factors, resulted in a ¥32,071 million decrease in segment operating income to ¥8,187 million.

In the International Business segment, properties located in major U.S. cities and the City of London in the United Kingdom showed stable performance. In addition, Mitsubishi Estate sold certain properties in the United States and the United Kingdom while achieving increased revenue in the investment management business. Reflecting these positive factors, revenue from operations expanded ¥4,904 million to ¥45,091 million. Operating income dipped ¥481 million to ¥10,015 million, owing to deterioration in the profitability of property sales.

In the Architectural Design & Engineering Business segment, Mitsubishi Estate recorded revenue in connection with such projects as the Azabudai Park House (Minato Ward, Tokyo) and the MID OASIS TOWERS (Sagamihara City, Kanagawa Prefecture). During the fiscal year under review, the number of projects in both the architectural design and engineering business and the interior design and construction business declined. Accordingly, revenues in these operations decreased year on year. As a result, revenue from operations edged down ¥882 million to ¥18,584 million. Operating income similarly edged down ¥802 million to ¥590 million.

Driven by Mitsubishi Estate Home Co., Ltd., the Custom-Built Housing Business segment continued to focus on increasing orders for "Mitsubishi Home" brand homes. Thanks to such efforts, both the number of orders received and actual sales increased year on year for these homes and contract work. As a result, revenue from operations expanded ¥6,863 million to ¥33,290 million. Operating income amounted to ¥478 million, a ¥848 million turnaround from an operating loss posted in the previous fiscal year.

Royal Park Hotels and Resorts Co., Ltd. serves as the core driver in strengthening Mitsubishi Estate's operations in the Hotel Business segment. This consolidated subsidiary operates Royal Park Hotels in Japan. For most of the period under review, Royal Park Hotels and Resorts achieved recovery in profitability through cost reduction efforts, despite a decline in revenues from restaurants, bars and banquet management attributable to stagnant economic conditions. With the occurrence of the Great East Japan Earthquake in March 2011, however, Mitsubishi Estate's performance in this segment worsened significantly. Also, the Company discontinued the operation of Royal Park Inn Nagoya in February 2011. As a result, revenue from operations slid ¥920 million year on year to ¥27,643 million. Operating loss worsened ¥227 million to ¥340 million.

In the Real Estate Services segment, home agency sales declined year on year, reflecting the Companywide integration of residential development and sales operations in January 2011, which included the spinoff of applicable operations from Mitsubishi Real Estate Services Co., Ltd. On the other hand, revenue from real estate brokerage services rose year on year due to an increase in the number of cases handled. As a result, revenue from operations climbed ¥1,903 million to ¥27,719 million. Operating income increased ¥220 million to ¥430 million.

Revenue from operations in the Other segment edged up ¥161 million to ¥3,443 million. Operating income increased ¥221 million to ¥411 million.

## Other Income (Expenses)

Other income declined ¥838 million year on year to ¥8,503 million, owing to decreases in amortization of negative goodwill and equity in earnings of unconsolidated subsidiaries and affiliates, despite an increase in interest and dividend income. Other expenses decreased ¥5,002 million to ¥35,930 million, due to a decrease in interest expenses, among other factors.

Turning to extraordinary items, Mitsubishi Estate posted an extraordinary loss totaling ¥14,874 million, which consisted of ¥3,052 million in loss related to retirement of fixed assets, ¥3,286 million in loss on valuation of investment securities, ¥2,788 million in impairment loss, ¥3,587 million in loss on valuation of equity investments, and ¥2,159 million in loss on disaster.

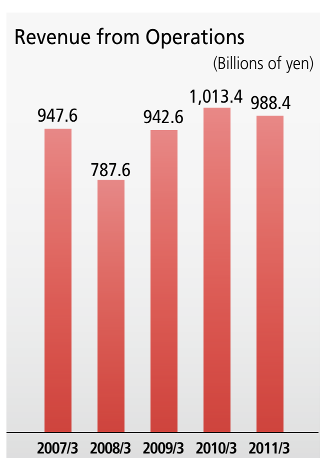
Millions of yen (rounded down)

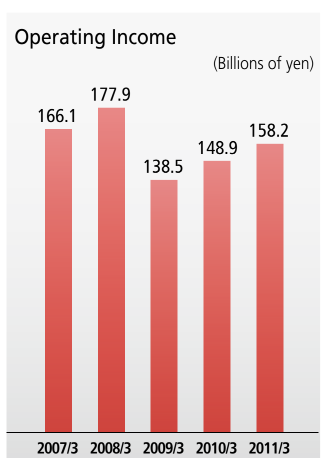
| | 2011/3 | 2010/3 | YoY Change |
|---|---|---|---|
| **Revenue from operations** | **988,447** | **1,013,415** | **(24,967)** |
| Building Business | 463,939 | 489,696 | (25,756) |
| Residential Business | 336,595 | 350,008 | (13,413) |
| Urban Development & Investment Management Business | 52,987 | 50,691 | 2,296 |
| International Business | 45,091 | 40,187 | 4,904 |
| Architectural Design & Engineering | 18,584 | 19,466 | (882) |
| Custom-Built Housing | 33,290 | 26,427 | 6,863 |
| Hotel Business | 27,643 | 28,564 | (920) |
| Real Estate Services | 27,719 | 25,816 | 1,903 |
| Other | 3,443 | 3,281 | 161 |
| Adjustments (see Note) | (20,849) | (20,724) | (124) |
| **Operating Income** | **158,258** | **148,972** | **9,285** |
| Building Business | 141,823 | 149,836 | (8,013) |
| Residential Business | 11,783 | (35,730) | 47,513 |
| Urban Development & Investment Management Business | 8,187 | 40,259 | (32,071) |
| International Business | 10,015 | 10,496 | (481) |
| Architectural Design & Engineering | 590 | 1,392 | (802) |
| Custom-Built Housing | 478 | (370) | 848 |
| Hotel Business | (340) | (112) | (227) |
| Real Estate Services | 430 | 210 | 220 |
| Other | 411 | 189 | 221 |
| Adjustments (see Note) | (15,121) | (17,198) | 2,076 |

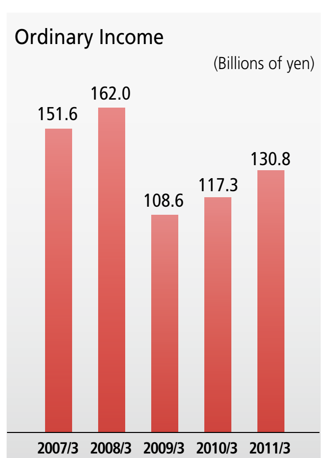
Note: From the fiscal year under review, the line item "Eliminations or Corporate" is presented as "Adjustments."

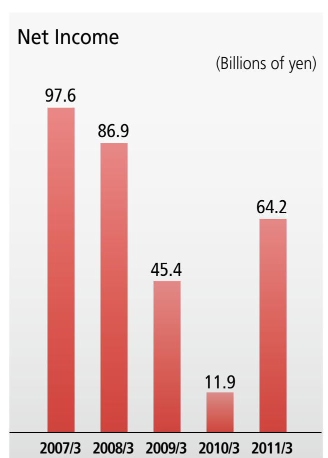
## Net Income

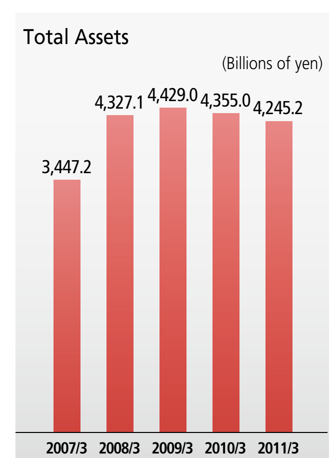
Income before income taxes and minority interests surged ¥85,083 million, or 275.6%, year on year to ¥115,955 million. Net income skyrocketed ¥52,318 million, or 439.6%, to ¥64,219 million. Net income per share stood at ¥46.27.

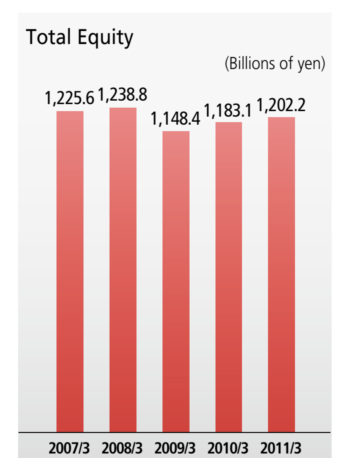


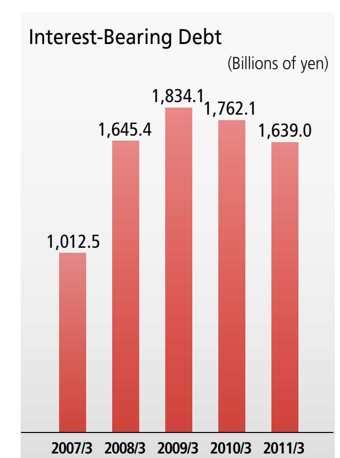



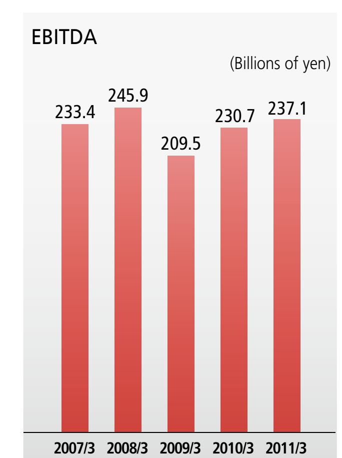



## Analysis of Financial Position

### (1) Consolidated Cash Flow

On a consolidated basis, cash and cash equivalents at the end of the fiscal year under review increased ¥51,237 million year on year to ¥229,062 million. Major cash inflows included income before income taxes and minority interests and an increase in long-term borrowings. Major cash outflows included the repayment of long-term borrowings and a decrease in lease and guarantee deposits received.

### Cash Flows from Operating Activities

Net cash provided by operating activities stood at ¥259,263 million, up ¥46,595 million from the previous fiscal year. For the fiscal year under review, income before income taxes and minority interests amounted to ¥115,955 million, and depreciation and amortization—a non-cash item—totaled ¥70,628 million. These and other cash inflows were adjusted to reflect movements in inventories and notes and accounts receivable as well as other items.

### Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥67,223 million, down ¥45,415 million year on year. This was largely due to purchases of property and equipment.

### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥140,269 million, up ¥33,416 million year on year. This increase reflected the repayment of long-term borrowings, the repayment of corporate bonds and other financing activities.

### (2) Consolidated Balance Sheets

Compared with March 31, 2010, total assets as of March 31, 2011 decreased ¥109,856 million to ¥4,245,209 million.

Total liabilities declined ¥118,681 million to ¥2,930,161 million. The balance of interest-bearing debt as of March 31, 2011 shrank ¥123,061 million from March 31, 2010 to ¥1,639,050 million. Deducting cash and cash equivalents, the net balance of interest-bearing debt as of March 31, 2011 fell ¥174,298 million year on year to ¥1,409,987 million.

Net assets increased ¥8,825 million year on year to ¥1,315,047 million. Decreases in unrealized holding gain on securities, foreign currency translation adjustments, minority interests and other items were more than offset by increases in retained earnings and other items.

### Disclosure of Fair Value of Investment and Rental Properties

Mitsubishi Estate and some of its consolidated subsidiaries own certain office buildings and retail facilities in Tokyo and other major cities in Japan as well as in the United States and the United Kingdom, with the aim of obtaining rental revenue from these buildings and facilities. Because certain leased office buildings among these are used by the Company or some of its consolidated subsidiaries, the Company has classified such buildings as real estate that includes portions used as investment and rental properties.

The following table shows the year-end amounts, changes in these amounts during the period under review and the fair values of investment and rental properties and other real estate that includes portions used as investment and rental properties.

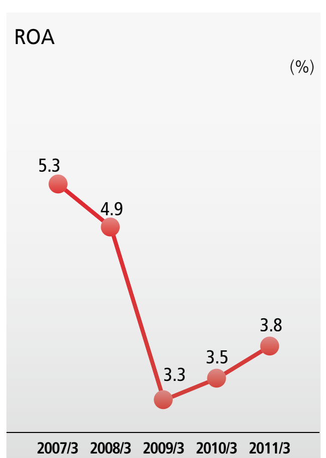
| | Amount Included in Consolidated Balance Sheets (Millions of Yen) | | | Fair Value as of March 31, 2011 (Millions of Yen) |
|---|---|---|---|---|
| | Balance as of March 31, 2010 | Change | Balance as of March 31, 2011 | |
| Investment and Rental Properties | 2,615,827 | (148,649) | 2,467,177 | 4,316,530 |
| Real Estate That Includes Portions Used as Investment and Rental Properties | 234,910 | (1,221) | 233,688 | 323,700 |

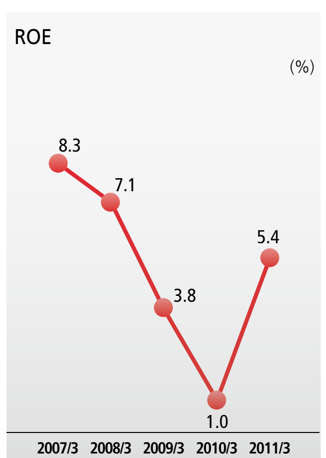
Notes:1. The amount included in the consolidated balance sheets presented in the table above is equal to the total acquisition price for applicable properties or real estate less the aggregate amounts of depreciation and impairment loss for these properties or real estate.
2. The fair values of domestic properties and real estate have been calculated by Mitsubishi Estate, based mainly on the Japanese Real Estate Appraisal Standards. The fair values of overseas properties and real estate have been calculated mostly by local appraisers.

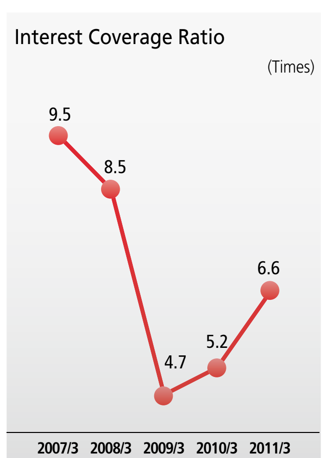
Also, the following table shows the performance of the investment and rental properties and other real estate that includes portions used as investment and rental properties for the fiscal year ended March 31, 2011.

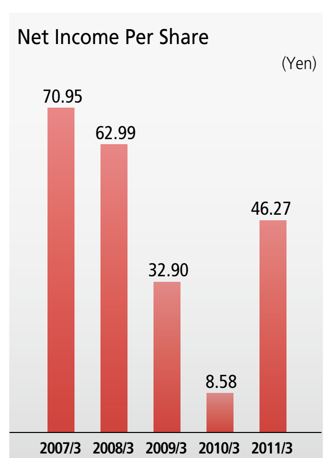
| | Rental Revenue (Millions of Yen) | Rental Costs (Millions of Yen) | Difference (Millions of Yen) | Other Income (Loss) (Millions of Yen) |
|---|---|---|---|---|
| Investment and Rental Properties | 341,761 | 217,064 | 124,697 | (10,486) |
| Real Estate That Includes Portions Used as Investment and Rental Properties | 20,268 | 15,476 | 4,792 | (373) |

Notes:1. Real estate that includes portions used as investment and rental properties has portions that are used by Mitsubishi Estate and some of its consolidated subsidiaries for the purpose of providing related services and conducting operation management. Accordingly, rental revenue associated with these portions has been excluded. Costs associated with applicable properties and real estate, such as depreciation costs, building management costs and taxes, have been included in rental costs.
2. Other income (loss) includes loss on disposal of fixed assets.






# Financial Statements

## Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Revenue from operations | **¥ 988,447** | ¥ 1,013,415 | **$ 11,887,520** |
| Cost of revenue from operations | **(751,953)** | (784,789) | **(9,043,334)** |
| Selling, general and administrative expenses | **(78,235)** | (79,653) | **(940,898)** |
| Operating income | **158,258** | 148,972 | **1,903,288** |
| Other income (expenses): | | | |
| Interest and dividend income | **3,700** | 3,172 | **44,509** |
| Interest expenses | **(24,777)** | (29,235) | **(297,988)** |
| Equity in earnings of unconsolidated subsidiaries and affiliates | **661** | 763 | **7,957** |
| Other, net (Note 13) | **(21,887)** | (92,800) | **(263,229)** |
| | **(42,302)** | (118,100) | **(508,750)** |
| Income before income taxes and minority interests | **115,955** | 30,872 | **1,394,538** |
| Income taxes (Note 8): | | | |
| Current | **(26,953)** | (16,319) | **(324,159)** |
| Deferred | **(21,687)** | 4,966 | **(260,823)** |
| | **(48,641)** | (11,353) | **(584,982)** |
| Minority interests | **(3,095)** | (7,618) | **(37,225)** |
| Net income | **¥ 64,219** | ¥ 11,900 | **$ 772,330** |

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Income before minority interests | **¥ 67,314** | ¥ 19,518 | **$ 809,555** |
| Other comprehensive income: | | | |
| Unrealized holding gain (loss) on securities | **(11,717)** | 28,988 | **(140,924)** |
| Unrealized gain (loss) from hedging instruments | **113** | 212 | **1,370** |
| Land revaluation reserve | **0** | (189) | **11** |
| Translation adjustments | **(16,613)** | 3,306 | **(199,804)** |
| Share of other comprehensive income of companies accounted for by the equity method | **18** | 2 | **217** |
| Total other comprehensive income | **(28,198)** | 32,319 | **(339,130)** |
| Comprehensive income | **¥ 39,115** | ¥ 51,838 | **$ 470,424** |
| Total comprehensive income attributable to: | | | |
| Shareholders of Mitsubishi Estate Co., Ltd. | **¥ 36,717** | ¥ 44,164 | **$ 441,584** |
| Minority interests | **¥ 2,398** | ¥ 7,673 | **$ 28,840** |

See accompanying notes to consolidated financial statements.

# Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **Assets** | | | |
| Current assets: | | | |
| Cash (Notes 6 and 16) | **¥ 224,688** | ¥ 175,159 | **$ 2,702,204** |
| Notes and accounts receivable – trade | **40,130** | 31,889 | **482,631** |
| Marketable securities (Note 15) | **5,094** | 3,567 | **61,263** |
| Allowance for doubtful receivables | **(502)** | (506) | **(6,048)** |
| Inventories (Notes 4 and 6) | **559,405** | 493,775 | **6,727,662** |
| Equity investments (Note 15) | **209,900** | 226,201 | **2,524,354** |
| Deferred income taxes (Note 8) | **18,849** | 41,850 | **226,687** |
| Other current assets | **42,361** | 57,146 | **509,459** |
| Total current assets | **1,099,926** | 1,029,082 | **13,228,214** |
| Investments: | | | |
| Investments in and advances to unconsolidated subsidiaries and affiliates | **14,433** | 16,579 | **173,579** |
| Investment securities (Notes 6 and 15) | **168,885** | 184,743 | **2,031,097** |
| Other investments (Note 5) | **143,430** | 149,287 | **1,724,958** |
| Total investments | **326,749** | 350,610 | **3,929,635** |
| Property and equipment (Note 6): | | | |
| Land | **1,613,702** | 1,652,937 | **19,407,130** |
| Land in trust | **245,091** | 277,425 | **2,947,578** |
| Buildings and structures | **1,882,691** | 1,972,256 | **22,642,115** |
| Machinery and equipment and other | **117,822** | 118,483 | **1,416,986** |
| Construction in progress | **35,516** | 26,723 | **427,133** |
| | **3,894,824** | 4,047,825 | **46,840,945** |
| Less accumulated depreciation | **(1,177,519)** | (1,175,804) | **(14,161,385)** |
| Property and equipment, net | **2,717,305** | 2,872,021 | **32,679,559** |
| Intangible and other assets (Note 6) | **101,228** | 103,350 | **1,217,422** |
| Total assets | **¥ 4,245,209** | ¥ 4,355,065 | **$ 51,054,832** |

See accompanying notes to consolidated financial statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **Liabilities and net assets** | | | |
| Current liabilities: | | | |
| Short-term borrowings and current portion of long-term debt (Note 6) | **¥ 313,723** | ¥ 431,672 | **$ 3,772,988** |
| Notes and accounts payable – trade | **76,113** | 78,800 | **915,372** |
| Accrued income taxes (Note 8) | **15,857** | 8,472 | **190,707** |
| Advances and deposits | **80,584** | 85,369 | **969,140** |
| Accrued expenses and other current liabilities | **46,628** | 46,708 | **560,769** |
| Total current liabilities | **532,906** | 651,023 | **6,408,978** |
| Long-term liabilities: | | | |
| Long-term debt (Note 6) | **1,318,097** | 1,322,149 | **15,852,049** |
| Lease deposits received | **374,719** | 382,413 | **4,506,544** |
| Accrued employees' retirement benefits (Note 7) | **15,322** | 15,570 | **184,273** |
| Deferred income taxes (Note 8) | **546,241** | 555,951 | **6,569,355** |
| Goodwill | **79,074** | 83,705 | **950,989** |
| Other non-current liabilities | **63,798** | 38,029 | **767,271** |
| Total long-term liabilities | **2,397,254** | 2,397,819 | **28,830,484** |
| Total liabilities | **2,930,161** | 3,048,842 | **35,239,463** |
| Net assets: | | | |
| Shareholders' equity (Note 9): | | | |
| Common stock, without par value: | | | |
| Authorized – 1,980,000,000 shares; | | | |
| Issued – 1,390,397,097 shares in 2011 and 2010 | **141,373** | 141,373 | **1,700,219** |
| Capital surplus | **170,485** | 170,485 | **2,050,338** |
| Retained earnings | **449,889** | 402,792 | **5,410,579** |
| Less treasury stock, at cost | **(4,390)** | (3,926) | **(52,800)** |
| Total shareholders' equity | **757,358** | 710,724 | **9,108,336** |
| Accumulated other comprehensive income: | | | |
| Unrealized holding gain on securities | **48,021** | 59,729 | **577,529** |
| Deferred gains or losses on hedging instruments | **(254)** | (376) | **(3,059)** |
| Land revaluation reserve | **458,297** | 458,303 | **5,511,689** |
| Foreign currency translation adjustments | **(61,151)** | (45,223) | **(735,435)** |
| Total accumulated other comprehensive income | **444,912** | 472,432 | **5,350,724** |
| Stock acquisition rights | **381** | 305 | **4,585** |
| Minority interests | **112,395** | 122,760 | **1,351,722** |
| Contingent liabilities (Note 12) | | | |
| Total net assets | **1,315,047** | 1,306,222 | **15,815,368** |
| Total liabilities and net assets | **¥ 4,245,209** | ¥ 4,355,065 | **$ 51,054,832** |

## Consolidated Statements of Changes in Net Assets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Shareholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at March 31, 2009 | ¥136,534 | ¥165,216 | ¥408,775 | ¥(3,715) | ¥706,810 |
| Changes in the year: | | | | | |
| New issue of stock | 4,839 | 5,269 | | | 10,108 |
| Cash dividends paid | | | (19,372) | | (19,372) |
| Net income | | | 11,900 | | 11,900 |
| Purchase of treasury stock | | | | (432) | (432) |
| Disposal of treasury stock | | | (27) | 221 | 194 |
| Land revaluation reserve (Note 1-h) | | | 1,516 | | 1,516 |
| Net change in items other than those in shareholders' equity | | | | | |
| Total of changes in the year | 4,839 | 5,269 | (5,983) | (210) | 3,914 |
| Balance at March 31, 2010 | 141,373 | 170,485 | 402,792 | (3,926) | 710,724 |
| Changes in the year: | | | | | |
| New issue of stock | | | | | |
| Cash dividends paid | | | (16,657) | | (16,657) |
| Net income | | | 64,219 | | 64,219 |
| Purchase of treasury stock | | | | (749) | (749) |
| Disposal of treasury stock | | | (71) | 285 | 214 |
| Land revaluation reserve (Note 1-h) | | | 18 | | 18 |
| Changes in the scope of consolidation | | | (411) | | (411) |
| Net change in items other than those in shareholders' equity | | | | | |
| Total of changes in the year | | | 47,097 | (463) | 46,633 |
| Balance at March 31, 2011 | ¥141,373 | ¥170,485 | ¥449,889 | ¥(4,390) | ¥757,358 |

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated other comprehensive income | | | | | | | |
| | Unrealized gain on securities | Deferred gains or losses on hedging instruments | Land revaluation reserve | Foreign currency translation adjustments | Total Accumulated other comprehensive income | Stock acquisition rights | Minority interests | Total net assets |
| Balance at March 31, 2009 | ¥ 30,730 | ¥(591) | ¥460,009 | ¥(48,462) | ¥441,684 | ¥218 | ¥125,999 | ¥1,274,713 |
| Changes in the year: | | | | | | | | |
| New issue of stock | | | | | | | | 10,108 |
| Cash dividends paid | | | | | | | | (19,372) |
| Net income | | | | | | | | 11,900 |
| Purchase of treasury stock | | | | | | | | (432) |
| Disposal of treasury stock | | | | | | | | 194 |
| Land revaluation reserve (Note 1-h) | | | | | | | | 1,516 |
| Net change in items other than those in shareholders' equity | 28,999 | 215 | (1,705) | 3,238 | 30,747 | 87 | (3,239) | 27,595 |
| Total of changes in the year | 28,999 | 215 | (1,705) | 3,238 | 30,747 | 87 | (3,239) | 31,509 |
| Balance at March 31, 2010 | 59,729 | (376) | 458,303 | (45,223) | 472,432 | 305 | 122,760 | 1,306,222 |
| Changes in the year: | | | | | | | | |
| New issue of stock | | | | | | | | |
| Cash dividends paid | | | | | | | | (16,657) |
| Net income | | | | | | | | 64,219 |
| Purchase of treasury stock | | | | | | | | (749) |
| Disposal of treasury stock | | | | | | | | 214 |
| Land revaluation reserve (Note 1-h) | | | | | | | | 18 |
| Changes in the scope of consolidation | | | | | | | | (411) |
| Net change in items other than those in shareholders' equity | (11,708) | 122 | (6) | (15,927) | (27,519) | 75 | (10,364) | (37,808) |
| Total of changes in the year | (11,708) | 122 | (6) | (15,927) | (27,519) | 75 | (10,364) | 8,825 |
| Balance at March 31, 2011 | ¥ 48,021 | ¥(254) | ¥458,297 | ¥(61,151) | ¥444,912 | ¥381 | ¥112,395 | ¥1,315,047 |

See accompanying notes to consolidated financial statements.



## Consolidated Statements of Changes in Net Assets (continued)

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

| | Thousands of U.S. dollars (Note 3) | | | | |
|---|---|---|---|---|---|
| | Shareholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at March 31, 2009 | $1,642,022 | $1,986,966 | $4,916,120 | $(44,688) | $8,500,421 |
| Changes in the year: | | | | | |
| New issue of stock | 58,196 | 63,372 | | | 121,568 |
| Cash dividends paid | | | (232,986) | | (232,986) |
| Net income | | | 143,121 | | 143,121 |
| Purchase of treasury stock | | | | (5,201) | (5,201) |
| Disposal of treasury stock | | | (327) | 2,666 | 2,339 |
| Land revaluation reserve (Note 1-h) | | | 18,232 | | 18,232 |
| Net change in items other than those in shareholders' equity | | | | | |
| Total of changes in the year | 58,196 | 63,372 | (71,959) | (2,535) | 47,074 |
| Balance at March 31, 2010 | 1,700,219 | 2,050,338 | 4,844,161 | (47,223) | 8,547,495 |
| Changes in the year: | | | | | |
| New issue of stock | | | | | |
| Cash dividends paid | | | (200,331) | | (200,331) |
| Net income | | | 772,330 | | 772,330 |
| Purchase of treasury stock | | | | (9,013) | (9,013) |
| Disposal of treasury stock | | | (859) | 3,436 | 2,577 |
| Land revaluation reserve (Note 1-h) | | | 221 | | 221 |
| Changes in the scope of consolidation | | | (4,943) | | (4,943) |
| Net change in items other than those in shareholders' equity | | | | | |
| Total of changes in the year | | | 566,418 | (5,577) | 560,841 |
| Balance at March 31, 2011 | $1,700,219 | $2,050,338 | $5,410,579 | $(52,800) | $9,108,336 |

| | Thousands of U.S. dollars (Note 3) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated other comprehensive income | | | | | | | |
| | Unrealized gain on securities | Deferred gains or losses on hedging instruments | Land revaluation reserve | Foreign currency translation adjustments | Total Accumulated other comprehensive income | Stock acquisition rights | Minority interests | Total net assets |
| Balance at March 31, 2009 | $ 369,576 | $(7,116) | $5,532,280 | $(582,834) | $5,311,905 | $2,623 | $1,515,333 | $15,330,284 |
| Changes in the year: | | | | | | | | |
| New issue of stock | | | | | | | | 121,568 |
| Cash dividends paid | | | | | | | | (232,986) |
| Net income | | | | | | | | 143,121 |
| Purchase of treasury stock | | | | | | | | (5,201) |
| Disposal of treasury stock | | | | | | | | 2,339 |
| Land revaluation reserve (Note 1-h) | | | | | | | | 18,232 |
| Net change in items other than those in shareholders' equity | 348,762 | 2,588 | (20,517) | 38,952 | 369,786 | 1,049 | (38,964) | 331,871 |
| Total of changes in the year | 348,762 | 2,588 | (20,517) | 38,952 | 369,786 | 1,049 | (38,964) | 378,945 |
| Balance at March 31, 2010 | 718,338 | (4,528) | 5,511,763 | (543,881) | 5,681,692 | 3,673 | 1,476,369 | 15,709,230 |
| Changes in the year: | | | | | | | | |
| New issue of stock | | | | | | | | |
| Cash dividends paid | | | | | | | | (200,331) |
| Net income | | | | | | | | 772,330 |
| Purchase of treasury stock | | | | | | | | (9,013) |
| Disposal of treasury stock | | | | | | | | 2,577 |
| Land revaluation reserve (Note 1-h) | | | | | | | | 221 |
| Changes in the scope of consolidation | | | | | | | | (4,943) |
| Net change in items other than those in shareholders' equity | (140,808) | 1,468 | (73) | (191,553) | (330,967) | 911 | (124,646) | (454,702) |
| Total of changes in the year | (140,808) | 1,468 | (73) | (191,553) | (330,967) | 911 | (124,646) | 106,138 |
| Balance at March 31, 2011 | $ 577,529 | $(3,059) | $5,511,689 | $(735,435) | $5,350,724 | $4,585 | $1,351,722 | $15,815,368 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **Cash flows from operating activities** | | | |
| Income before income taxes and minority interests | **¥ 115,955** | ¥ 30,872 | **$ 1,394,538** |
| Depreciation and amortization | **70,628** | 73,926 | **849,409** |
| Loss on sales or disposal of property and equipment | **4,388** | 4,442 | **52,781** |
| Gain on sales of securities | **(337)** | (1,058) | **(4,053)** |
| Valuation loss on securities | **3,286** | 976 | **39,527** |
| Valuation loss on equity investments | **3,587** | 54,523 | **43,146** |
| Impairment loss | **2,788** | 34,309 | **33,532** |
| Gain on grant of transferable development air rights | **–** | (1,263) | **–** |
| Equity in net income of affiliates | **(661)** | (763) | **(7,957)** |
| Increase (decrease) in allowances | **(12)** | 23 | **(146)** |
| Interest and dividend income | **(3,700)** | (3,172) | **(44,509)** |
| Interest expense | **24,777** | 29,235 | **297,988** |
| (Increase) decrease in notes and accounts receivable | **(13,640)** | (2,091) | **(164,044)** |
| (Increase) decrease in inventories | **71,676** | 106,227 | **862,009** |
| (Increase) decrease in equity investments | **9,183** | (20,284) | **110,449** |
| Increase (decrease) in notes and accounts payable | **(530)** | (24,352) | **(6,385)** |
| Increase (decrease) in lease deposits received | **(7,929)** | 11,272 | **(95,359)** |
| Other | **12,979** | (16,518) | **156,092** |
| Subtotal | **292,440** | 276,302 | **3,517,018** |
| Interest and dividends received | **3,943** | 3,422 | **47,431** |
| Interest paid | **(25,047)** | (29,219) | **(301,231)** |
| Income taxes paid | **(12,073)** | (37,837) | **(145,195)** |
| Net cash provided by operating activities | **259,263** | 212,668 | **3,118,022** |
| **Cash flows from investing activities** | | | |
| Proceeds from sales of marketable securities | **1,220** | 312 | **14,682** |
| Purchases of marketable securities | **(1,000)** | – | **(12,026)** |
| Proceeds from sales of property and equipment | **157** | 4,468 | **1,897** |
| Purchases of property and equipment | **(76,239)** | (112,214) | **(916,893)** |
| Proceeds from sales of investment securities | **3,683** | 1,911 | **44,301** |
| Purchases of investment securities | **(8,838)** | (4,112) | **(106,300)** |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | **(9,147)** | – | **(110,013)** |
| Other (Note 16) | **22,939** | (3,004) | **275,885** |
| Net cash used in investing activities | **(67,223)** | (112,639) | **(808,465)** |
| **Cash flows from financing activities** | | | |
| Net increase and decrease in short-term borrowings | **(22,786)** | (30,678) | **(274,039)** |
| Net increase and decrease in commercial paper | **–** | (10,000) | **–** |
| Increase in long-term borrowings | **260,170** | 236,677 | **3,128,929** |
| Repayment of long-term borrowings | **(323,857)** | (261,603) | **(3,894,857)** |
| Proceeds from issuance of corporate bonds | **17,074** | 45,784 | **205,351** |
| Repayment of corporate bonds | **(38,861)** | (61,190) | **(467,368)** |
| Cash dividends paid | **(16,657)** | (19,372) | **(200,330)** |
| Other | **(15,351)** | (6,467) | **(184,627)** |
| Net cash used in financing activities | **(140,269)** | (106,852) | **(1,686,941)** |
| Effect of exchange rate changes on cash and cash equivalents | **(2,096)** | 612 | **(25,212)** |
| Net increase and decrease in cash and cash equivalents | **49,674** | (6,210) | **597,402** |
| Cash and cash equivalents at beginning of year | **177,825** | 184,552 | **2,138,606** |
| Increase in cash and cash equivalents arising from mergers and acquisitions | **1,563** | – | **18,798** |
| Cash and cash equivalents of subsidiaries excluded from consideration | **–** | (516) | **–** |
| Cash and cash equivalents at end of year (Note 16) | **¥ 229,062** | ¥ 177,825 | **$ 2,754,807** |

See accompanying notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

## 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 as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

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 its consolidated 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 and its consolidated subsidiaries consider 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, 2011 and 2010 is presented in Note 16.

### 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 shareholders' equity. 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. Net book value of inventories in the consolidated balance sheet is written down when their net realizable values decline.

### 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 on which depreciation is calculated by the straight-line method at rates determined based on the estimated useful lives of the respective assets. The Company and its consolidated subsidiaries have 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 and its consolidated subsidiaries review their 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. They perform cash flow analyses to determine if impairment exits. If impairment is determined to exist, any related loss on impairment is calculated based on the cash flow analyses.

The useful lives of property and equipment are summarized as follows:

| | |
|---|---|
| Buildings and structures | 2 to 75 years |
| Machinery and equipment and other | 2 to 22 years |

### i. Intangible and other assets

Intangible and other assets primarily consist of goodwill and land use rights. Goodwill is stated on the basis of cost and is being amortized over a period of 5 years or an estimated economical period on a straight-line basis. A loss is recognized if the fair value falls below the carrying amount. Land use rights are stated on a cost basis.

### j. Retirement benefits

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

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

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the period of the range from 1 year to 15 years which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over the period of 1 years or 10 years which are shorter than the average remaining years of service of the employees.

### k. 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.

**l. 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 foreign exchange rates (currency swaps), 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.

**m. 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 of construction contracts, of which the percentage of completion can be reliably estimated, is recognized by the percentage-of-completion method. The percentage-of-completion method is calculated at the cost incurred by the end of the consolidated fiscal year as a percentage of estimated total cost. The completed-contract method continues to be applied for other contracts for which the percentage of completion cannot be reliably estimated.

(e) Other operating revenue is recognized on an accrual basis.

**n. Appropriation of retained earnings**

Under 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 9 for more information.

## 2 Changes in Accounting Policy

**("Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method")**

Effective April 1, 2010, the Company has adopted "Accounting Standard for Equity Method of Accounting for Investments" (Financial Accounting Standard No. 16 announced by the Accounting Standards Board of Japan on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issues Task Force No. 24 issued by the Accounting Standards Board of Japan on March 10, 2008).

This adoption had no impact on net income before income taxes and minority interests.

**("Accounting Standard for Asset Retirement Obligations")**

Effective April 1, 2010, the Company has adopted "Accounting Standard for Asset Retirement Obligations" (Financial Accounting Standard No. 18 issued by the Accounting Standards Board of Japan on March 31, 2008) and "Implementation Guidelines on Accounting Standard for Asset Retirement Obligations" (Financial Accounting Standard Implementation Guidelines No. 21 issued by the Accounting Standards Board of Japan on March 31, 2008).

The effect of this adoption on operating income and net income before income taxes and minority interests was immaterial.

**("Accounting Standard for Presentation of Comprehensive Income")**

Effective from the year ended March 31, 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income (Financial Accounting Standard No. 25 issued by the Accounting Standards Board of Japan on June 30, 2010). Accordingly, the Company presents "Valuation and Translation Adjustments" as of March 31, 2010 as "Accumulated Other Comprehensive Income" in the accompanying financial statements.

## 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 ¥83.15 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2011. 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 Inventories

Inventories at March 31, 2011 and 2010 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Real estate for sale | **¥217,420** | ¥150,245 | **$2,614,797** |
| Land and housing projects in progress | **324,713** | 323,943 | **3,905,158** |
| Land held for development | **8,801** | 8,844 | **105,846** |
| Other | **8,469** | 10,741 | **101,859** |
| Total | **¥559,405** | ¥493,775 | **$6,727,662** |

## 5 Other Investments

Other investments at March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Lease deposits | **¥ 97,238** | ¥ 96,017 | **$1,169,429** |
| Long-term prepaid expenses and other | **46,192** | 53,270 | **555,529** |
| Total | **¥143,430** | ¥149,287 | **$1,724,958** |

## 6 Short-Term Borrowings and Long-Term Debt

At March 31, 2011 and 2010, short-term borrowings and the current portion of long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Loans, principally from banks | **¥ 75,507** | ¥105,586 | **$ 908,084** |
| Current portion of long-term debt | **238,216** | 326,085 | **2,864,903** |
| Total | **¥313,723** | ¥431,672 | **$3,772,988** |

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2011 and 2010 were 0.60% and 0.72%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2011 and 2010, long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| 1.9% unsecured bonds due 2010 | **–** | ¥ 10,000 | **–** |
| 2.29% unsecured bonds due 2010 | **–** | 10,000 | **–** |
| 1.55% unsecured bonds due 2011 | **–** | 10,000 | **–** |
| 1.44% unsecured bonds due 2011 | **¥ 10,000** | 10,000 | **$ 120,264** |
| 1.16% unsecured bonds due 2011 | **10,000** | 10,000 | **120,264** |
| 1.47% unsecured bonds due 2012 | **10,000** | 10,000 | **120,264** |
| 1.58% unsecured bonds due 2012 | **20,000** | 20,000 | **240,529** |
| 3.275% unsecured bonds due 2012 | **10,000** | 10,000 | **120,264** |
| 2.77% unsecured bonds due 2012 | **10,000** | 10,000 | **120,264** |
| 1.395% unsecured bonds due 2012 | **10,000** | 10,000 | **120,264** |
| 1.2% unsecured bonds due 2012 | **10,000** | 10,000 | **120,264** |
| 1% unsecured bonds due 2013 | **10,000** | 10,000 | **120,264** |
| 0.785% unsecured bonds due 2013 | **10,000** | 10,000 | **120,264** |
| 1.675% unsecured bonds due 2014 | **10,000** | 10,000 | **120,264** |
| 1.349% unsecured bonds due 2014 | **10,000** | 10,000 | **120,264** |
| 1.65% unsecured bonds due 2014 | **10,000** | 10,000 | **120,264** |
| 1.75% unsecured bonds due 2014 | **10,000** | 10,000 | **120,264** |
| 1.655% unsecured bonds due 2014 | **10,000** | 10,000 | **120,264** |
| 1.409% unsecured bonds due 2015 | **10,000** | 10,000 | **120,264** |
| 1.295% unsecured bonds due 2015 | **10,000** | 10,000 | **120,264** |
| 1.572% unsecured bonds due 2015 | **10,000** | 10,000 | **120,264** |
| 1.443% unsecured bonds due 2016 | **15,000** | 15,000 | **180,396** |
| 1.985% unsecured bonds due 2016 | **10,000** | 10,000 | **120,264** |
| 1.88% unsecured bonds due 2016 | **10,000** | 10,000 | **120,264** |
| 1.79% unsecured bonds due 2017 | **10,000** | 10,000 | **120,264** |
| 2.045% unsecured bonds due 2017 | **10,000** | 10,000 | **120,264** |
| 1.825% unsecured bonds due 2017 | **10,000** | 10,000 | **120,264** |
| 3.125% unsecured bonds due 2017 | **10,000** | 10,000 | **120,264** |
| 1.77% unsecured bonds due 2017 | **20,000** | 20,000 | **240,529** |
| 1.65% unsecured bonds due 2018 | **10,000** | 10,000 | **120,264** |
| 2.005% unsecured bonds due 2018 | **10,000** | 10,000 | **120,264** |
| 3% unsecured bonds due 2018 | **10,000** | 10,000 | **120,264** |
| 1.84% unsecured bonds due 2018 | **15,000** | 15,000 | **180,396** |
| 1.72% unsecured bonds due 2018 | **10,000** | 10,000 | **120,264** |
| 1.87% unsecured bonds due 2019 | **15,000** | 15,000 | **180,396** |
| 1.62% unsecured bonds due 2019 | **10,000** | 10,000 | **120,264** |
| 1.53% unsecured bonds due 2019 | **10,000** | 10,000 | **120,264** |
| 1.975% unsecured bonds due 2019 | **10,000** | 10,000 | **120,264** |
| 1.805% unsecured bonds due 2019 | **10,000** | 10,000 | **120,264** |
| 2.5% unsecured bonds due 2020 | **10,000** | 10,000 | **120,264** |
| 1.165% unsecured bonds due 2020 | **10,000** | – | **120,264** |
| 2.42% unsecured bonds due 2022 | **10,000** | 10,000 | **120,264** |
| 1.50% unsecured bonds due 2022 | **10,000** | 10,000 | **120,264** |
| 2.075% unsecured bonds due 2023 | **10,000** | 10,000 | **120,264** |
| 2.28% unsecured bonds due 2024 | **10,000** | 10,000 | **120,264** |
| 2.305% unsecured bonds due 2027 | **10,000** | 10,000 | **120,264** |
| 2.385% unsecured bonds due 2027 | **10,000** | 10,000 | **120,264** |
| 2.52% unsecured bonds due 2027 | **15,000** | 15,000 | **180,396** |
| 2.425% unsecured bonds due 2027 | **10,000** | 10,000 | **120,264** |
| 2.555% unsecured bonds due 2028 | **10,000** | 10,000 | **120,264** |
| 2.9% unsecured bonds due 2032 | **10,000** | 10,000 | **120,264** |
| 2.615% unsecured bonds due 2032 | **10,000** | 10,000 | **120,264** |
| 2.04% unsecured bonds due 2032 | **20,000** | 20,000 | **240,529** |
| 1.72% unsecured bonds due 2033 | **10,000** | 10,000 | **120,264** |
| Floating rate bonds due 2010 (payable in U.S. dollars) | **–** | 9,916 | **–** |
| Floating rate bonds due 2011 (payable in U.S. dollars) | **6,330** | – | **76,139** |
| Loans from banks and insurance companies: | | | |
| Secured | **258,665** | 316,498 | **3,110,828** |
| Unsecured | **731,318** | 741,820 | **8,795,168** |
| | **1,556,314** | 1,648,235 | **18,716,952** |
| Less current portion | **(238,216)** | (326,085) | **(2,864,903)** |
| | **¥1,318,097** | ¥1,322,150 | **$15,852,049** |

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2012 | ¥ 238,185 | $ 2,864,531 |
| 2013 | 255,042 | 3,067,252 |
| 2014 | 189,356 | 2,277,289 |
| 2015 | 305,817 | 3,677,900 |
| 2016 | 65,539 | 788,210 |
| 2017 and thereafter | 502,342 | 6,041,395 |
| Total | ¥1,556,283 | $18,716,580 |

The assets pledged as collateral for short-term borrowings of ¥100 million ($1,202 thousand) and long-term debt of ¥258,665 million ($3,110,828 thousand) at March 31, 2011 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Cash | ¥ 4,803 | $ 57,765 |
| Real estate for sale | 45,862 | 551,563 |
| Buildings and structures | 155,117 | 1,865,509 |
| Machinery and equipment | 4,275 | 51,414 |
| Land | 196,978 | 2,368,954 |
| Land in trust | 243,942 | 2,933,764 |
| Other property and equipment | 0 | 5 |
| Investment securities | 68 | 827 |
| Total | ¥651,048 | $7,829,804 |

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

## 7 Pension and Severance Plans

The following table sets forth the funded status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2011 and 2010 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Retirement benefit obligation | **¥(97,352)** | ¥(97,035) | **$(1,170,810)** |
| Plan assets at fair value | **73,880** | 74,687 | **888,522** |
| Unfunded retirement benefit obligation | **(23,472)** | (22,348) | **(282,288)** |
| The net retirement benefit obligation at transition of the accounting standards | **17** | 30 | **206** |
| Unrecognized actuarial loss | **16,097** | 15,154 | **193,598** |
| Unrecognized prior service cost | **976** | 946 | **11,738** |
| Net amounts recognized in the consolidated balance sheet | **(6,381)** | (6,215) | **(76,744)** |
| Prepaid pension expenses | **9,229** | 9,691 | **110,998** |
| Accrued employees' retirement benefits | **¥(15,610)** | ¥(15,907) | **$ (187,742)** |

* The accrued employees' retirement benefits recognized by Rockefeller Group, Inc., a consolidated subsidiary, in the amount ¥288 million ($3,469 thousand) was presented in other current liabilities.

The components of expenses related to the pension and severance plans for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Service cost | **¥ 4,425** | ¥ 4,493 | **$ 53,217** |
| Interest cost | **2,231** | 2,267 | **26,841** |
| Expected return on plan assets | **(1,515)** | (1,342) | **(18,223)** |
| Amortization of net retirement benefit obligation at transition | **12** | 9 | **148** |
| Amortization of actuarial loss | **2,083** | 3,080 | **25,056** |
| Other | **388** | 518 | **4,676** |
| Total | **¥ 7,626** | ¥ 9,027 | **$ 91,717** |

The assumptions used in accounting for the pension and severance plans for the years ended March 31, 2011 and 2010 were as follows:

| | **2011** | 2010 |
|---|---|---|
| Discount rate | **1.5 ~ 5.9%** | 1.5 ~ 5.75% |
| Expected rate of return on plan assets | **0.5 ~ 7.5%** | 0.5 ~ 7.5% |

## 8 Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rates of 40.69% for the years ended March 31, 2011 and 2010. 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 two years ended March 31, 2011 differ from the statutory tax rate for the following reasons:

| | **2011** | 2010 |
|---|---|---|
| Statutory tax rate | **40.69%** | 40.69% |
| Increase (decrease) in income taxes resulting from: | | |
| Change in valuation allowance | **1.18** | 3.03 |
| Different tax rates applied | **(0.44)** | (0.19) |
| Revenues deductible for income tax purposes | **(0.26)** | (24.50) |
| Expenses not deductible for income tax purposes | **0.48** | 1.65 |
| Undistributed earnings of affiliates | **(0.15)** | 0.28 |
| Equity income | **(0.21)** | (0.88) |
| Expiration of net operating loss carry forwards | **–** | 9.37 |
| Other | **0.66** | 7.33 |
| Effective tax rates | **41.95%** | 36.78% |

The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Deferred tax assets: | | | |
| Net operating loss carry forwards | **¥ 14,612** | ¥ 24,669 | **$ 175,742** |
| Accrued retirement allowances and pension costs | **14,546** | 14,501 | **174,947** |
| Valuation loss on inventories | **18,549** | 17,163 | **223,086** |
| Unrealized loss on property and equipment | **67,617** | 63,759 | **813,196** |
| Unrealized loss on property and equipment by consolidation | **17,346** | 17,668 | **208,614** |
| Land revaluation reserve | **54,305** | 54,306 | **653,103** |
| Loss on valuation of equity investments | **2,175** | 21,642 | **26,159** |
| Other | **32,197** | 28,936 | **387,220** |
| Total gross deferred tax assets | **221,351** | 242,648 | **2,662,069** |
| Valuation allowance | **(69,747)** | (69,545) | **(838,819)** |
| Total deferred tax assets | **151,603** | 173,103 | **1,823,250** |
| Deferred tax liabilities: | | | |
| Reserves under Special Taxation Measures Law | **(64,748)** | (65,373) | **(778,695)** |
| Land revaluation reserve | **(375,791)** | (375,804) | **(4,519,437)** |
| Unrealized gain on property and equipment by consolidation | **(177,806)** | (178,755) | **(2,138,381)** |
| Unrealized gain on securities | **(34,564)** | (39,476) | **(415,684)** |
| Other | **(20,239)** | (20,035) | **(243,409)** |
| Total deferred tax liabilities | **(673,149)** | (679,446) | **(8,095,608)** |
| Net deferred tax liabilities | **¥(521,546)** | ¥(506,343) | **$(6,272,358)** |

## 9 Shareholders' Equity

The Corporation Law of Japan (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 capital reserve amounted to ¥170,485 million ($2,050,338 thousand), and the legal reserve amounted to ¥21,663 million ($260,538 thousand) at March 31, 2011. 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.

## 10 Amounts per Share

| | Yen | | U.S. dollars |
|---|---|---|---|
| **Year ended March 31,** | **2011** | 2010 | **2011** |
| Net income: | | | |
| Basic | **¥46.27** | ¥ 8.58 | **$0.55** |
| Diluted | **46.26** | 8.58 | **0.55** |
| Cash dividends applicable to the year | **12.00** | 12.00 | **0.14** |

| | Yen | | U.S. dollars |
|---|---|---|---|
| **March 31,** | **2011** | 2010 | **2011** |
| Net assets | **¥866.31** | ¥852.36 | **$10.41** |

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

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

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

## 11 Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased assets as of March 31, 2011 and 2010, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | | | | | | | |
| | Acquisition costs | Accumulated depreciation | Accumulated impairment loss | Net book value | Acquisition costs | Accumulated depreciation | Accumulated impairment loss | Net book value |
| Buildings and structures | **¥11,329** | **¥7,795** | **¥231** | **¥3,301** | **$136,255** | **$ 93,756** | **$2,788** | **$39,709** |
| Others | **2,226** | **1,676** | **0** | **549** | **26,782** | **20,159** | **8** | **6,614** |
| Total | **¥13,556** | **¥9,472** | **¥232** | **¥3,851** | **$163,037** | **$113,916** | **$2,797** | **$46,323** |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Acquisition costs | Accumulated depreciation | Accumulated impairment loss | Net book value |
| Buildings and structures | ¥16,546 | ¥ 9,870 | ¥278 | ¥6,397 |
| Others | 3,987 | 2,654 | 1 | 1,331 |
| Total | ¥20,533 | ¥12,524 | ¥280 | ¥7,729 |

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,838 million ($22,112 thousand) and ¥2,498 million for the years ended March 31, 2011 and 2010, respectively.

Future minimum lease payments subsequent to March 31, 2011 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| Year ending March 31, | Finance leases | Operating leases | Finance leases | Operating leases |
| 2012 | ¥2,723 | ¥ 3,320 | $32,752 | $ 39,936 |
| 2013 and thereafter | 1,361 | 56,320 | 16,368 | 677,341 |
| Total | ¥4,084 | ¥59,641 | $49,121 | $717,277 |

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, 2011 from noncancelable operating leases is summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2012 | ¥188,805 | $2,270,661 |
| 2013 and thereafter | 600,304 | 7,219,536 |
| Total | ¥789,109 | $9,490,198 |

## 12 Contingent Liabilities

At March 31, 2011, 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 | **¥ 1,720** | **$ 20,685** |
| Guarantees of house purchasers' loans from banks and others | **44,525** | **535,488** |
| Other | **185** | **2,233** |
| Total | **¥46,431** | **$558,407** |

## 13 Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for each of the years ended March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Amortization of negative goodwill | **¥ 943** | ¥ 1,060 | **$ 11,347** |
| Gain on grant of transferable development air rights | **–** | 1,263 | **–** |
| Gain on sales of investment securities | **337** | 1,059 | **4,053** |
| Loss on disposal of fixed assets | **(6,136)** | (6,676) | **(73,802)** |
| Loss related to retirement of fixed assets | **(3,052)** | – | **(36,714)** |
| Impairment loss (*1) | **(2,788)** | (34,309) | **(33,532)** |
| Loss on valuation of equity investments | **(3,587)** | (54,523) | **(43,146)** |
| Loss on valuation of investment securities | **(3,286)** | – | **(39,527)** |
| Loss on disaster | **(2,159)** | – | **(25,971)** |
| Other, net | **(2,156)** | (675) | **(25,935)** |
| | **¥(21,887)** | ¥(92,800) | **$(263,229)** |

(*1) Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2011:

| Major Application | Category | Location |
|---|---|---|
| Leased assets, etc. (total 10 groups) | Buildings, land, etc. | Chiyoda-ku, Tokyo, etc. |

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. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2011, the book values of 10 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective collectible amounts and such reduced amounts were recorded as an impairment loss in the amount of ¥2,788 million ($33,532 thousand).

The breakdown of such impairment loss was ¥2,165 million ($26,042 thousand) in land, ¥622 million ($7,489 thousand) in buildings and structures, respectively.

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

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2010:

| Major Application | Category | Location |
|---|---|---|
| Leased assets, etc. (total 9 groups) | Construction in progress, etc. | Shinjuku-ku, Tokyo, etc. |
| International businesses (total 6 group) | Construction in progress, etc. | California, USA, etc. |

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. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2010, the book values of 15 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective collectible amounts and such reduced amounts were recorded as an impairment loss in the amount of ¥34,309 million.

The breakdown of such impairment loss was ¥815 million in land, ¥427 million in buildings and structures and ¥33,066 million in construction in progress, respectively.

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

As for the impairment loss in the International Business, the impairment loss is calculated for consolidated foreign subsidiaries in accordance with the U.S accounting standards.

## 14 Financial Instruments

### Overview

**(1) Policy for financial instruments**

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") raise funds mainly through bank borrowings and bond issues. In terms of fund management, the Group makes every effort to avoid market risks by emphasizing liquidity and shortening the fund management period. The Group uses derivatives for the purpose of hedging exposures to interest rates and reducing interest expenses and do not enter into derivatives for speculative purpose.

(2) Types of financial instruments and related risk
Trade receivables – notes and accounts receivable- are exposed to credit risk in relation to customers. Trade receivables denominated in foreign currencies, which arise from overseas operation, are exposed to foreign currency exchange risk.

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly held-to-maturity debt securities and the shares of common stock of other companies with which the Group has business relationships.

Equity investments are composed of mainly preferred equity investments in special purpose companies under the Law concerning Liquidation of Assets, investments in investment unit of trust held in real estates and investments in silent partnership for special purpose companies. They are exposed to credit risks of issuers, risks of fluctuations in interest rates and market prices, respectively.

Lease and guarantee deposit for leased assets are exposed to credit risks of customers.

Substantially all trade payables - accounts and notes payable - have payment due dates within one year. Some of them denominated in foreign currencies are exposed to foreign currency exchange risk.

Borrowings and bonds are taken out principally for the purpose of making capital investments and the repayment dates of the long-term debt extend up to 23 years from the balance sheet date. Certain long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk for long-term debt bearing interest at variable rates, the Group utilizes derivative transactions (interest rate swap) as a hedging instrument.

Derivative transactions include interest rate swap and currency swap transactions. The Group also enters into interest rate swap transactions to fix interest expense for long-term debt bearing interest at variable rates and to reduce interest rate fluctuation risk. Some of the consolidated subsidiaries enter into interest swap and currency swap transactions in accordance with the same policies and purposes adopted by the Company.

(3) Risk management for financial instruments
(a) Monitoring of credit risk (the risk that customers or counterparties may default)
In accordance with the internal policies for managing credit risk of the Group arising from receivables and lease and guarantee deposits, each related division in each business segment monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)
In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Group may also enter into interest rate swap and currency swap transactions.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers (business partners). In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers (business partners).

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)
Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis and stabilizes liquidity to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments
The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

## Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2011 and unrealized gains (losses) are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Carrying Value | Estimated Fair Value | Difference | Carrying Value | Estimated Fair Value | Difference |
| 1) Cash and due from banks | ¥ 224,688 | ¥ 224,688 | – | $ 2,702,204 | $ 2,702,204 | – |
| 2) Notes and accounts receivable – trade | 40,130 | | | 482,631 | | |
| Allowance for doubtful receivables (*1) | (502) | | | (6,048) | | |
| | 39,627 | 39,627 | – | 476,583 | 476,583 | – |
| 3) Securities and Investment securities | | | | | | |
| (i) Held-to-maturity debt securities | 3,460 | 3,483 | ¥ 23 | 41,614 | 41,897 | $ 283 |
| (ii) Other securities | 159,500 | 159,610 | 109 | 1,918,230 | 1,919,545 | 1,315 |
| 4) Equity investments | 7,996 | 7,996 | – | 96,172 | 96,172 | – |
| Total assets | ¥ 435,273 | ¥ 435,406 | ¥ 132 | $ 5,234,804 | $ 5,236,403 | $ 1,598 |
| | | | | | | |
| 1) Notes and accounts payable – trade | ¥ 76,113 | ¥ 76,113 | – | $ 915,372 | $ 915,372 | – |
| 2) Short-term borrowings | 75,507 | 75,507 | – | 908,084 | 908,084 | – |
| 3) Current portion of long-term borrowings | 201,885 | 201,885 | – | 2,427,971 | 2,427,971 | – |
| 4) Current portion of long-term bonds | 36,330 | 36,330 | – | 436,932 | 436,932 | – |
| 5) Long-term bonds | 530,000 | 547,683 | ¥17,683 | 6,374,022 | 6,586,692 | $212,669 |
| 6) Long-term borrowings | 788,097 | 795,698 | 7,600 | 9,478,026 | 9,569,436 | 91,409 |
| Total liabilities | ¥1,707,935 | ¥1,733,219 | ¥25,284 | $20,540,410 | $20,844,489 | $304,079 |

| | Millions of yen | | |
|---|---|---|---|
| | 2010 | | |
| | Carrying Value | Estimated Fair Value | Difference |
| 1) Cash and due from banks | ¥ 175,159 | ¥ 175,159 | – |
| 2) Notes and accounts receivable – trade | 31,889 | | |
| Allowance for doubtful receivables (*1) | (506) | | |
| | 31,382 | 31,382 | – |
| 3) Securities and Investment securities | | | |
| (i) Held-to-maturity debt securities | 3,927 | 3,947 | ¥ 19 |
| (ii) Other securities | 174,523 | 174,523 | – |
| 4) Equity investments | 8,248 | 8,248 | – |
| Total assets | ¥ 393,241 | ¥ 393,261 | ¥ 19 |
| | | | |
| 1) Notes and accounts payable – trade | ¥ 78,800 | ¥ 78,800 | – |
| 2) Short-term borrowings | 105,586 | 105,586 | – |
| 3) Current portion of long-term borrowings | 286,169 | 286,169 | – |
| 4) Current portion of long-term bonds | 39,916 | 39,916 | – |
| 5) Long-term bonds | 550,000 | 560,818 | ¥10,818 |
| 6) Long-term borrowings | 772,149 | 776,558 | 4,408 |
| Total liabilities | ¥1,832,622 | ¥1,847,849 | ¥15,227 |

(*1) The value of notes and account receivable-trade is shown at net value, after deducting allowance for doubtful accounts.

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

**Assets**
Cash on hand and in banks
Since these items are settled in a short period of time, their carrying value approximates fair value.
Notes and accounts receivable – trade
Since these items are settled in a short period of time, their carrying value approximates fair value.
Marketable securities and investment securities
The fair value of stocks is based on quoted market prices. The fair value of debt securities is mainly based on prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 15. "Marketable Securities and Investment Securities."
Equity investments
The fair value of equity investments is based on quoted market prices.

**Liabilities**
Notes and accounts payable - trade
Since these items are settled in a short period of time, their carrying value approximates fair value.
Short-term borrowings
Since these items are settled in a short period of time, their carrying value approximates fair value.
Current portion of long-term borrowings
Since these items are settled in a short period of time, their carrying value approximates fair value.
Current portion of bonds
Since these items are settled in a short period of time, their carrying value approximates fair value.
Bonds
The fair value of bonds is based on the quoted market price.
Long-term borrowings
Since variable interest rates of certain long-term borrowings are determined based on current interest rate in a short period of time, their carrying value approximates fair value. The fair value of long-term borrowings with fixed interest rate is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.
Derivatives Transactions
Please refer to Note 17. "Derivatives and hedging activities".

Note 2: Financial instruments for which it is extremely difficult to determine the fair value

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| (i) Unlisted stocks *1 | ¥ 25,451 | ¥ 26,418 | $ 306,095 |
| (ii) Equity investments *2 | 201,903 | 217,952 | 2,428,182 |
| (iii) Lease and guarantee deposit receivables *3 | 97,238 | 96,017 | 1,169,429 |
| (iv) Lease and guarantee deposit payables *4 | 374,719 | 382,413 | 4,506,544 |

*1. Because no quoted market price is available and it is extremely difficult to determine the fair value, unlisted stocks are not included in the above table.
*2. Because it is extremely difficult to determine the fair value for equity investments which are not listed and have no quoted market price, they are not included in the above table.
*3. Because no quoted market price for lease and guarantee deposit receivables for rental properties is available and calculation of the actual period of duration from lease initiation to evacuation is difficult, it is extremely difficult to estimate a reasonable amount of cash flow and therefore they are not included in the above table.
*4. Because no quoted market price for lease and guarantee deposit payables for rental properties is available and calculation of the actual period of duration from lease initiation to evacuation is difficult, it is extremely difficult to estimate a reasonable amount of cash flow, and therefore they are not included in the above table

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2011

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| As of March 31, 2011 | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years through Ten Years | Due after Ten Years | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years through Ten Years | Due after Ten Years |
| Cash on hand and in banks | ¥224,546 | – | – | – | $2,700,493 | – | – | – |
| Notes and accounts receivable – trade | 40,130 | – | – | – | 482,631 | – | – | – |
| Marketable securities and investment securities: | | | | | | | | |
| Held-to-maturity debt securities | | | | | | | | |
| National and local government bonds | 15 | ¥ 145 | ¥ 210 | – | 180 | $ 1,743 | $2,525 | – |
| Corporate bonds | 162 | 383 | – | – | 1,960 | 4,606 | | – |
| Other | 1,450 | 2,582 | – | – | 17,438 | 31,063 | – | – |
| Other marketable securities with maturities: | | | | | | | | |
| Corporate bonds | – | – | – | – | – | – | – | – |
| Other | 2,443 | – | – | – | 29,386 | | | |
| Total | ¥268,748 | ¥3,110 | ¥ 210 | – | $3,232,090 | $37,413 | $2,525 | – |

| | Millions of yen | | | |
|---|---|---|---|---|
| As of March 31, 2010 | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years through Ten Years | Due after Ten Years |
| Cash on hand and in banks | ¥175,009 | – | – | – |
| Notes and accounts receivable – trade | 31,889 | – | – | – |
| Marketable securities and investment securities: | | | | |
| Held-to-maturity debt securities | | | | |
| National and local government bonds | 15 | ¥ 150 | ¥ 30 | – |
| Corporate bonds | 220 | 1,951 | 1,556 | – |
| Other | – | 25 | – | – |
| Other marketable securities with maturities: | | | | |
| Corporate bonds | – | – | – | – |
| Other | 2,279 | – | – | – |
| Total | ¥209,414 | ¥2,126 | ¥1,586 | – |

Note 4: The redemption schedule for bonds and long-term borrowings

| As of March 31, 2011 | Millions of yen: Due in One Year or Less | Due after One Year through Two Years | Due after Two Years through Three Years | Due after Three Years through Four Years | Due after Four Years through Five Years | Due after Five Years | Thousands of U.S. dollars: Due in One Year or Less | Due after One Year through Two Years | Due after Two Years through Three Years | Due after Three Years through Four Years | Due after Four Years through Five Years | Due after Five Years |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Corporate bonds | ¥ 36,300 | ¥ 70,000 | ¥ 30,000 | ¥ 40,000 | ¥20,000 | ¥370,000 | $ 436,560 | $ 841,852 | $ 360,793 | $ 481,058 | $240,529 | $4,449,789 |
| Long-term borrowings | 201,885 | 185,042 | 159,356 | 265,817 | 45,539 | 132,342 | 2,427,971 | 2,225,400 | 1,916,496 | 3,196,842 | 547,681 | 1,591,605 |
| Total | ¥238,185 | ¥255,042 | ¥189,356 | ¥305,817 | ¥65,539 | ¥502,342 | $2,864,531 | $3,067,252 | $2,277,289 | $3,677,900 | $788,210 | $6,041,395 |

| As of March 31, 2010 | Millions of yen: Due in One Year or Less | Due after One Year through Two Years | Due after Two Years through Three Years | Due after Three Years through Four Years | Due after Four Years through Five Years | Due after Five Years |
|---|---|---|---|---|---|---|
| Corporate bonds | ¥ 40,000 | ¥ 30,000 | ¥ 70,000 | ¥ 30,000 | ¥ 40,000 | ¥380,000 |
| Long-term borrowings | 286,169 | 204,099 | 201,957 | 84,262 | 137,656 | 144,173 |
| Total | ¥326,169 | ¥234,099 | ¥271,957 | ¥114,262 | ¥177,656 | ¥524,173 |

## 15 Marketable Securities and Investment Securities

Marketable and investment securities classified as other securities at March 31, 2011 and 2010 are summarized as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Cost | Fair value | Unrealized gain (loss) | Cost | Fair value | Unrealized gain (loss) |
| Securities whose fair value exceeds their cost: | | | | | | |
| Equity securities | ¥42,409 | ¥124,735 | ¥ 82,326 | $ 510,032 | $1,500,128 | $ 990,095 |
| Other | 5,331 | 7,997 | 2,666 | 64,116 | 96,182 | 32,066 |
| Subtotal | 47,740 | 132,733 | 84,992 | 574,148 | 1,596,310 | 1,022,161 |
| Securities whose cost exceeds their fair value: | | | | | | |
| Equity securities | 38,639 | 34,685 | (3,954) | 464,696 | 417,139 | (47,557) |
| Other | 142 | 18 | (124) | 1,717 | 219 | (1,498) |
| Subtotal | 38,782 | 34,703 | (4,078) | 466,414 | 417,359 | (49,055) |
| Total | ¥86,522 | ¥167,436 | ¥ 80,913 | $1,040,562 | $2,013,669 | $ 973,106 |

| | Millions of yen | | |
|---|---|---|---|
| | 2010 | | |
| | Cost | Fair value | Unrealized gain (loss) |
| Securities whose fair value exceeds their cost: | | | |
| Equity securities | ¥67,335 | ¥164,626 | ¥ 97,290 |
| Other | 5,481 | 8,249 | 2,767 |
| Subtotal | 72,817 | 172,875 | 100,058 |
| Securities whose cost exceeds their fair value: | | | |
| Equity securities | 11,204 | 9,896 | (1,308) |
| Subtotal | 11,204 | 9,896 | (1,308) |
| Total | ¥84,021 | ¥182,772 | ¥ 98,750 |

Proceeds from sales of securities classified as other securities totaled ¥549 million ($6,612 thousand) in 2011 and ¥1,472 million in 2010, respectively. Gross realized gain was ¥337 million ($4,053 thousand) in 2011 and ¥1,059 million in 2010, respectively. Gross realized loss was ¥13 million ($162 thousand) in 2011 and ¥0 million in 2010, respectively.

Marketable debt securities classified as held-to-maturity securities at March 31, 2011 and 2010 are summarized as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Amortized cost | Fair value | Unrealized gain (loss) | Amortized cost | Fair value | Unrealized gain (loss) |
| Debt securities whose fair value exceeds their cost: | | | | | | |
| Government bonds | ¥ 318 | ¥ 322 | ¥ 4 | $ 3,825 | $ 3,881 | $ 56 |
| Corporate bonds | 560 | 580 | 19 | 6,744 | 6,980 | 236 |
| Subtotal | 878 | 903 | 24 | 10,570 | 10,862 | 292 |
| Debt securities whose cost exceeds their fair value: | | | | | | |
| Government bonds | 50 | 49 | (0) | 607 | 599 | (8) |
| Corporate bonds | 2,530 | 2,530 | – | 30,435 | 30,435 | – |
| Subtotal | 2,581 | 2,580 | (0) | 31,043 | 31,035 | (8) |
| Total | ¥3,460 | ¥3,483 | ¥23 | $41,614 | $41,897 | $283 |

| | Millions of yen | | |
|---|---|---|---|
| | 2010 | | |
| | Amortized cost | Fair value | Unrealized gain (loss) |
| Debt securities whose fair value exceeds their cost: | | | |
| Government bonds | ¥ 162 | ¥ 164 | ¥ 2 |
| Corporate bonds | 863 | 880 | 17 |
| Subtotal | 1,025 | 1,045 | 20 |
| Debt securities whose cost exceeds their fair value: | | | |
| Government bonds | 29 | 28 | (0) |
| Corporate bonds | 2,872 | 2,872 | – |
| Subtotal | 2,902 | 2,901 | (0) |
| Total | ¥3,927 | ¥3,947 | ¥19 |

## 16 Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2011 and 2010:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Cash | ¥224,688 | ¥175,159 | $2,702,204 |
| Time deposits with maturities of more than three months | (705) | (665) | (8,480) |
| Marketable securities with maturities of three months or less | 5,079 | 3,331 | 61,083 |
| Cash and cash equivalents | ¥229,062 | ¥177,825 | $2,754,807 |

The following are major components of assets and liabilities of a consolidated subsidiary, which was acquired by the Company through additional purchase of its stocks, as well as a reconciliation of the difference between the acquisition price of these assets and liabilities and the payments from the acquisition.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Current assets | ¥ 87 | – | $ 1,049 |
| Fixed assets | 2,688 | – | 32,330 |
| Goodwill | 7,614 | – | 91,580 |
| Fixed liabilities | (989) | – | (11,897) |
| Minority interests | (672) | – | (8,082) |
| Foreign currency translation adjustments | 418 | – | 5,033 |
| Acquisition cost | 9,147 | – | 110,013 |
| Payments for acquisition | ¥(9,147) | – | $(110,013) |

## 17 Derivatives and Hedging Activities

### 1. Currency-related transactions

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|
| | | 2011 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair value | Notional Amount | Due after One Year | Fair value |
| Currency swap contracts | Corporate bonds | ¥6,300 | – | ¥569 | $75,766 | – | $6,852 |

| | | Millions of yen | | |
|---|---|---|---|---|
| | | 2010 | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair value |
| Currency swap contracts | Corporate bonds | ¥10,000 | – | ¥339 |

Calculation method of fair value is based on the data obtained from financial institutions

### 2. Interest-related transactions

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|
| | | 2011 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair value | Notional Amount | Due after One Year | Fair value |
| Interest swap contracts Pay/fix and Receive/floating | Short-term borrowings and Long-term borrowings | ¥ 94,132 | ¥ 87,287 | ¥(215) | $1,132,082 | $1,049,759 | $(2,592) |
| Interest swap contracts Receive/fix and Pay/floating | Corporate bonds | 6,300 | – | 569 | 75,766 | – | 6,852 |
| Interest swap contracts by short-cut Method Pay/fix and Receive/floating | Long-term borrowings and Corporate bonds | 138,776 | 113,498 | (*) | 1,668,983 | 1,364,978 | (*) |
| Total | | ¥239,208 | ¥200,785 | ¥ 354 | $2,876,833 | $2,414,738 | $ 4,260 |

| | | Millions of yen | | |
|---|---|---|---|---|
| | | 2010 | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair value |
| Interest swap contracts Pay/fix and Receive/floating | Short-term borrowings and Long-term borrowings | ¥ 20,630 | ¥ 7,736 | ¥634 |
| Interest swap contracts Receive/fix and Pay/floating | Corporate bonds | 10,000 | – | 339 |
| Interest swap contracts by short-cut Method Pay/fix and Receive/floating | Long-term borrowings and Corporate bonds | 282,810 | 150,364 | (*) |
| Total | | ¥313,441 | ¥158,101 | ¥973 |

Calculation method of fair value is based on the data obtained from financial institutions

(*) The estimated fair value of interest rate swap contracts is included in the estimated fair value of long-term borrowings and corporate bonds since amounts in such derivative contracts accounted for short-cut method are handled together with long-term borrowings and corporate bonds that are subject to hedged accounting.

## 18 Segment Information

Effective April 1, 2010, the Company has adopted "Accounting Standards for Disclosures about Segment of an Enterprise and Related Information" (Accounting Standards Board of Japan Statement No. 17, issued on March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Guidance No. 20, issued on March 21, 2008).

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors and other committees to make decisions about resource allocation and to assess performance. Business performances are aggregated according to business areas that consist of multiple business groups and defined as organizational units having common business objectives and management responsibilities within the Group, and such aggregated business areas are disclosed as reportable segments.

The Company and its consolidated subsidiaries are primarily engaged in the real estate business. Their business segments are classified in terms of the nature of each operation or service and consist of eight segments: (1) Building Business; (2) Residential Business; (3) Urban Development & Investment Management; (4) International Business; (5) Architectural Design and Engineering; (6) Custom-Built Housing; (7) Hotels Business; (8) Real Estate Services; and (9) Other businesses.

The reportable segments information of the Company and its consolidated subsidiaries for the years ended March 31, 2011 and 2010 are summarized as follows:

Millions of yen

| | 2011 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Urban Development and Investment Management | International Business | Architectural Design and Engineering | Custom-Built Housing | Hotel Business | Real Estate Services | Subotal | Other | Total | Eliminations or corporate | Consolidated |
| **Revenue, operating income and assets by reportable segments** | | | | | | | | | | | | | |
| Revenue from: | | | | | | | | | | | | | |
| External customers | ¥ 457,784 | ¥334,948 | ¥ 52,840 | ¥ 45,091 | ¥12,904 | ¥32,560 | ¥27,017 | ¥24,174 | ¥ 987,320 | ¥ 1,126 | ¥ 988,447 | – | ¥ 988,447 |
| Intersegment or transfers | 6,155 | 1,647 | 147 | – | 5,680 | 730 | 626 | 3,545 | 18,532 | 2,316 | 20,849 | ¥(20,849) | – |
| Total revenue | 463,939 | 336,595 | 52,987 | 45,091 | 18,584 | 33,290 | 27,643 | 27,719 | 1,005,853 | 3,443 | 1,009,296 | (20,849) | 988,447 |
| Segment income (loss) | ¥ 141,823 | ¥ 11,783 | ¥ 8,187 | ¥ 10,015 | ¥ 590 | ¥ 478 | ¥ (340) | ¥ 430 | ¥ 172,968 | ¥ 411 | ¥ 173,379 | ¥(15,121) | ¥ 158,258 |
| Segment assets | ¥2,886,101 | ¥671,769 | ¥192,667 | ¥292,808 | ¥24,333 | ¥14,845 | ¥23,151 | ¥25,265 | ¥4,130,943 | ¥27,609 | ¥4,158,553 | ¥ 86,655 | ¥4,245,209 |
| **Other items** | | | | | | | | | | | | | |
| Depreciation and amortization | ¥ 59,501 | ¥ 1,850 | ¥ 1,434 | ¥ 5,689 | ¥ 79 | ¥ 200 | ¥ 1,153 | ¥ 537 | ¥ 70,446 | ¥ 72 | ¥ 70,519 | ¥ 109 | ¥ 70,628 |
| Capital expenditures | ¥ 55,853 | ¥ 8,375 | ¥ 6,658 | ¥ 7,594 | ¥ 60 | ¥ 308 | ¥ 530 | ¥ 461 | ¥ 79,843 | ¥ 28 | ¥ 79,871 | ¥ (520) | ¥ 79,350 |

Thousands of U.S. dollars

| | 2011 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Urban Development and Investment Management | International Business | Architectural Design and Engineering | Custom-Built Housing | Hotel Business | Real Estate Services | Subotal | Other | Total | Eliminations or corporate | Consolidated |
| **Revenue, operating income and assets by reportable segments** | | | | | | | | | | | | | |
| Revenue from: | | | | | | | | | | | | | |
| External customers | $ 5,505,523 | $4,028,243 | $ 635,484 | $ 542,296 | $155,189 | $391,581 | $324,921 | $290,727 | $11,873,969 | $ 13,551 | $11,887,520 | – | $11,887,520 |
| Intersegment or transfers | 74,029 | 19,808 | 1,772 | – | 68,313 | 8,782 | 7,531 | 42,642 | 222,880 | 27,860 | 250,741 | $ (250,741) | – |
| Total revenue | 5,579,552 | 4,048,052 | 637,257 | 542,296 | 223,502 | 400,364 | 332,453 | 333,370 | 12,096,850 | 41,412 | 12,138,262 | (250,741) | 11,887,520 |
| Segment income (loss) | $ 1,705,629 | $ 141,713 | $ 98,469 | $ 120,447 | $ 7,099 | $ 5,752 | $ (4,092) | $ 5,182 | $ 2,080,201 | $ 4,944 | $ 2,085,145 | $ (181,857) | $ 1,903,288 |
| Segment assets | $34,709,582 | $8,079,006 | $2,317,107 | $3,521,453 | $292,646 | $178,537 | $278,432 | $303,858 | $49,680,624 | $332,043 | $50,012,668 | $1,042,163 | $51,054,832 |
| **Other items** | | | | | | | | | | | | | |
| Depreciation and amortization | $ 715,595 | $ 22,250 | $ 17,254 | $ 68,424 | $ 959 | $ 2,406 | $ 13,877 | $ 6,459 | $ 847,227 | $ 869 | $ 848,096 | $ 1,312 | $ 849,409 |
| Capital expenditures | $ 671,713 | $ 100,730 | $ 80,084 | $ 91,336 | $ 728 | $ 3,704 | $ 6,385 | $ 5,547 | $ 960,231 | $ 341 | $ 960,572 | $ (6,264) | $ 954,308 |

Millions of yen

| | 2010 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Building Business | Residential Business | Urban Development and Investment Management | International Business | Architectural Design and Engineering | Custom-Built Housing | Hotel Business | Real Estate Services | Other | Total | Eliminations or corporate | Consolidated |
| **Revenue and operating income** | | | | | | | | | | | | |
| Revenue from: | | | | | | | | | | | | |
| External customers | ¥ 483,821 | ¥348,720 | ¥ 50,551 | ¥ 40,187 | ¥12,636 | ¥26,374 | ¥28,017 | ¥22,122 | ¥ 983 | ¥1,013,415 | – | ¥1,013,415 |
| Intersegment or transfers | 5,875 | 1,288 | 139 | – | 6,829 | 52 | 546 | 3,694 | 2,298 | 20,724 | ¥ (20,724) | – |
| Total revenue | 489,696 | 350,008 | 50,691 | 40,187 | 19,466 | 26,427 | 28,564 | 25,816 | 3,281 | 1,034,140 | (20,724) | 1,013,415 |
| Operating expense | 339,859 | 385,739 | 10,432 | 29,690 | 18,073 | 26,797 | 28,676 | 25,606 | 3,092 | 867,968 | (3,526) | 864,442 |
| Operating income (loss) | ¥ 149,836 | ¥ (35,730) | ¥ 40,259 | ¥ 10,496 | ¥ 1,392 | ¥ (370) | ¥ (112) | ¥ 210 | ¥ 189 | ¥ 166,171 | ¥ (17,198) | ¥ 148,972 |
| **Assets, depreciation, impairment loss and capital expenditures** | | | | | | | | | | | | |
| Assets | ¥2,846,909 | ¥688,298 | ¥250,005 | ¥318,075 | ¥25,016 | ¥14,250 | ¥25,416 | ¥55,691 | ¥27,188 | ¥4,250,851 | ¥104,213 | ¥4,355,065 |
| Depreciation | 61,743 | 1,962 | 1,780 | 6,302 | 69 | 144 | 1,275 | 537 | 79 | 73,895 | 31 | 73,926 |
| Impairment loss | 39 | 43 | 31,501 | 2,630 | – | – | 3 | – | 90 | 34,309 | – | 34,309 |
| Capital expenditures | ¥ 79,748 | ¥ 6,502 | ¥ 21,964 | ¥ 8,222 | ¥ 151 | ¥ 321 | ¥ 330 | ¥ 301 | ¥ 34 | ¥ 117,578 | ¥ 4,197 | ¥ 121,775 |

Segment information on revenue, operating income, assets and other items by reporting segments is omitted for the year ended March 31, 2010 since relevant segment information is disclosed based on the previous segment information disclosure rules and such information is equivalent to information to be disclosed in accordance with "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Financial Accounting Standard No. 17 issued by the Accounting Standards Board of Japan on March 27, 2009).

Impairment loss of the Company and its consolidated subsidiaries on fixed assets by reportable segments for the years ended March 31, 2011 is summarized as follows:

Millions of yen

| | 2011 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Urban Development and Investment Management | International Business | Architectural Design and Engineering | Custom-Built Housing | Hotel Business | Real Estate Services | Subotal | Other | Total | Eliminations or corporate | Consolidated |
| Impairment loss | ¥35 | ¥130 | ¥2,207 | – | – | – | ¥414 | – | ¥2,788 | – | ¥2,788 | – | ¥2,788 |
| | Thousands of U.S. dollars | | | | | | | | | | | | |
| Impairment loss | $427 | $1,573 | $26,549 | – | – | – | $4,981 | – | $33,532 | – | $33,532 | – | $33,532 |

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2011 by reportable segment:

Millions of yen

| | 2011 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Urban Development and Investment Management | International Business | Architectural Design and Engineering | Custom-Built Housing | Hotel Business | Real Estate Services | Subotal | Other | Total | Eliminations or corporate | Consolidated |
| Amortization of goodwill | ¥ 498 | ¥ 3,124 | ¥ 70 | ¥ 164 | – | – | – | – | ¥ 3,857 | – | ¥ 3,857 | – | ¥ 3,857 |
| Balance of goodwill | ¥ 283 | ¥20,849 | ¥211 | ¥7,381 | – | – | – | – | ¥ 28,726 | ¥ 0 | ¥ 28,726 | – | ¥ 28,726 |
| Amortization of negative goodwill | ¥ 909 | – | – | – | – | – | – | – | ¥ 909 | ¥33 | ¥ 943 | – | ¥ 943 |
| Balance of negative goodwill | ¥107,801 | – | – | – | – | – | – | – | ¥107,801 | – | ¥107,801 | – | ¥107,801 |

Thousands of U.S. dollars

| | 2011 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Urban Development and Investment Management | International Business | Architectural Design and Engineering | Custom-Built Housing | Hotel Business | Real Estate Services | Subotal | Other | Total | Eliminations or corporate | Consolidated |
| Amortization of goodwill | $ 5,991 | $ 37,580 | $ 846 | $ 1,974 | – | – | – | – | $ 46,392 | – | $ 46,392 | – | $ 46,392 |
| Balance of goodwill | $ 3,409 | $250,749 | $2,538 | $88,776 | – | – | – | – | $ 345,474 | $ 0 | $ 345,474 | – | $ 345,474 |
| Amortization of negative goodwill | $ 10,941 | – | – | – | – | – | – | – | $ 10,941 | $406 | $ 11,347 | – | $ 11,347 |
| Balance of negative goodwill | $1,296,464 | – | – | – | – | – | – | – | $1,296,464 | – | $1,296,464 | – | $1,296,464 |

### Geographical segments

The Company and its consolidated subsidiaries operate primarily in Japan, the United States and certain other areas. In the fiscal year ended March 31, 2010, Japan area accounted for more than 90% of the consolidated revenue of all segments and the total amount of segment assets. Consequently, disclosure of segment information by geographic area has been omitted.

### Overseas revenue

For the fiscal year ended March 31, 2010, overseas sales accounted for less than 10% of the consolidated revenue. Consequently, disclosure of overseas sales information has been omitted.

## 19 Business Combination

**(Integration of Residential Development and Sales Business)**

At meetings of their respective boards of directors on October 29, 2010, the Company, Mitsubishi Real Estate Services Co., Ltd. ("MRES") and Towa have resolved to conclude an absorption-type company split agreement pertaining to integration of the residential development and sales business, and have concluded the agreement on the same day. In this agreement, the Company's residential development and sales business and MERS's consignment residential sales business are split (simple split from the Company) and succeeded to Towa, a wholly-owned subsidiary of the Company. In accordance with the agreement, the absorption-type company split was executed on January 2, 2011, the effective date of the agreement.

**(1) Outline of the company split**

1) Name and business description of the transferred business
   - The Company: Residential development and sales business
   - MRES: Consignment residential sales business
   - Towa: Real Sales and intermediate service of real estate and other businesses

2) Date of the company split
   January 2, 2011

3) Legal form of the company split
   Absorption-type company split (*kyuushu bunkatsu*), with the Company and MRES as the splitting companies (*bunkatsu kaisya*) and Towa as the successor company (*shoukei kaisya*).

4) Name of the company subsequent to the company split
   Mitsubishi Jisho Residence Co., Ltd.

5) Additional information relating to the company split
   Subsequent to a capital alliance agreement with Towa in December 2004, the Company subscribed the new shares through a third-party allocation issued by Towa to make it a consolidated subsidiary in January 2008. Furthermore, to reconstruct their business organization by improving their strategic integration and agility, the Company and Towa implemented exchange of their shares to make Towa become a wholly-owned subsidiary by the Company in April 2009.

   The market of residential development and sales in Japan has shown signs of improvement since the credit crunch triggered by the so-called Lehman Shock in 2008 and the balance of supply and demand in the market has recovered since then. However, the market environment has changed as a decreasing population in Japan and population's concentration to the Tokyo Metropolitan area as well as changing lifestyle and family composition and diversification of consumer demand. It is therefore anticipated that a higher quality business offering and service will be required to meet a demand of a limited volume of the market in the future.

   In order to survive the more competitive market with this business environment projection, the Company has recognized that it is necessary to bolster its competitiveness and maximize its earnings power in the residential development and sales business by operating the business more strategically and seeking efficiency through economies of scale. Therefore, the Company executed this split agreement to generate a comprehensive structure capable of performing both residential development and sales operations by integrating the residential development and sales functions of these three companies in the Group.

**(2) Outline of Accounting Treatment**

The company split was treated as transactions under common control in accordance with "Accounting Standard for Business Combinations" (Financial Accounting Standard No. 21 issued by the Accounting Standards Board of Japan on December 26, 2008) and "Implementation Guidelines on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Financial Accounting Standard Implementation Guidelines No. 10 issued by the Accounting Standards Board of Japan on December 26, 2008).

1) Assets and liabilities transferred from the Company to Towa

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Assets: | | |
| Current assets | ¥277,848 | $3,341,535 |
| Non-current assets | 13,304 | 160,001 |
| Total | ¥291,152 | $3,501,536 |
| Liabilities: | | |
| Current liabilities | ¥ 31,369 | $ 377,264 |
| Non-current liabilities | 1,460 | 17,558 |
| Total | ¥ 32,829 | $ 394,822 |

2) Assets and liabilities transferred from MRES to Towa

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Assets: | | |
| Current assets | ¥9,219 | $110,882 |
| Non-current assets | 72 | 871 |
| Total | ¥9,292 | $111,754 |
| Liabilities: | | |
| Current liabilities | ¥9,219 | $110,882 |
| Non-current liabilities | – | – |
| Total | ¥9,219 | $110,882 |

## 20 Transactions with Special Purpose Companies

As part of its real estate business, the Company makes preferred investments in 14 special purpose companies that are established under the Asset Liquidation Law of Japan. The Company intends to recover such preferred investments through rental revenue and subsequent sale of real estate that has been obtained by the special purpose companies from their customers or sale of such real estate after construction of buildings on it. The following tables represent the Company's transactions with major special purpose companies for the fiscal year ended March 31, 2011.

### Amounts of preferred investment as of March 31, 2011

| | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|
| | | **2011** | |
| Preferred investment securities | (*1) | **¥105,532** | **$1,269,177** |

**Major revenue (cost) from transactions with special purpose companies**

| | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|
| | | **2011** | |
| Preferred investment securities: revenue | (*2) | **¥8,707** | **$104,717** |
| Other income | (*3) | **46** | **561** |
| Management business: revenue | (*4) | **3,584** | **43,111** |
| Intermediate business: revenue | (*5) | **180** | **2,166** |
| Real estate rent: cost | (*6) | **5,096** | **61,293** |
| Design management business: revenue | (*7) | **687** | **8,265** |

(*1) Preferred investment securities are indicated as amount of investment and specific bonds as at March 31, 2011. The Company considers that its exposure to loss that may arise in the future is limited to the amount of its preferred investments.
(*2) The Company records dividends from such investments as revenue from operations and related expense as cost of revenue from operations.
(*3) The Company records interest incomes from such specific bonds as other income.
(*4) The Company, Mitsubishi Estate Building Management Co., Ltd. and Mitsubishi Jisho Property Management Co., Ltd. provide asset management business to special purpose companies and record such service income as revenue from operations.
(*5) The Company and Mitsubishi Real Estate Services Co., Ltd. provide real estate intermediate business to special purpose companies and record such service income as revenue from operations.
(*6) The Company enters into real estate rental agreements with special purpose companies and records such rent expenses as cost of revenue from operations.
(*7) Mitsubishi Jisho Sekkei Inc. and MEC Design International Corporation provide design management services and remodeling services to special purpose companies and record such service incomes as revenue from operations.

The Company does not own investments with voting rights for any special purpose companies and does not send directors and employees to any special purpose companies. The following table sets forth major assets and liabilities of the special purpose companies as of their recent financial closing dates. Excluded are special purpose companies whose financial closing dates are yet to come because their initial fiscal years have just started.

**Major assets**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | **2011** | |
| Real estate | **¥544,191** | **$6,544,691** |
| Other | **47,092** | **566,354** |
| Total | **¥591,283** | **$7,111,046** |

**Major liabilities and net assets**

| | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|
| | | **2011** | |
| Debt and other | (*8) | **¥371,575** | **$4,468,737** |
| Preferred investments | (*9) | **219,708** | **2,642,309** |
| Total | | **¥591,283** | **$7,111,046** |

(*8) Debt and other include specific bonds.
(*9) Preferred investments include contributions made by the Company.

### Amounts of preferred investment as of March 31, 2010

| | | Millions of yen |
|---|---|---|
| | | 2010 |
| Preferred investment securities | (*1) | ¥108,829 |

**Major revenue (cost) from transactions with special purpose companies**

| | | Millions of yen |
|---|---|---|
| | | 2010 |
| Preferred investment securities: revenue | (*2) | ¥ 908 |
| Other income | (*3) | 48 |
| Management business: revenue | (*4) | 1,658 |
| Intermediate business: revenue | (*5) | 202 |
| Real estate rent: cost | (*6) | 8,198 |
| Design management business: revenue | (*7) | 854 |

(*1) Preferred investment securities are indicated as amount of investment and specific bonds as at March 31, 2010. The Company considers that its exposure to loss that may arise in the future is limited to the amount of its preferred investments.
(*2) The Company records dividends from such investments as revenue from operations and related expense as cost of revenue from operations.
(*3) The Company records interest incomes from such specific bonds as other income.
(*4) The Company, Mitsubishi Estate Building Management Co., Ltd. and Mitsubishi Jisho Property Management Co., Ltd. provide asset management business to special purpose companies and record such service income as revenue from operations.
(*5) The Company and Mitsubishi Real Estate Services Co., Ltd. provide real estate intermediate business to special purpose companies and record such service income as revenue from operations.
(*6) The Company enters into real estate rental agreements with special purpose companies and records such rent expenses as cost of revenue from operations.
(*7) Mitsubishi Jisho Sekkei Inc. and MEC Design International Corporation provide design management services and remodeling services to special purpose companies and record such service incomes as revenue from operations.

The Company does not own investments with voting rights for any special purpose companies and does not send directors and employees to any special purpose companies. The following table sets forth major assets and liabilities of the special purpose companies as of their recent financial closing dates. Excluded are special purpose companies whose financial closing dates are yet to come because their initial fiscal years have just started

**Major assets**

| | Millions of yen |
|---|---|
| | 2010 |
| Real estate | ¥515,818 |
| Other | 78,466 |
| Total | ¥594,284 |

**Major liabilities and net assets**

| | | Millions of yen |
|---|---|---|
| | | 2010 |
| Debt and other | (*8) | ¥385,966 |
| Preferred investments | (*9) | 208,318 |
| Total | | ¥594,284 |

(*8) Debt and other include specific bonds.
(*9) Preferred investments include contributions made by the Company.

## 21 Rental Properties

The Company and some of its consolidated subsidiaries own office buildings for lease, commercial facilities for lease and others in Tokyo and other areas including overseas countries (the United States and the United Kingdom) for the purpose of obtaining revenue from leases.

Some office buildings for lease in Japan are regarded as real estate including space used as rental properties since they are used by the Company and some of its consolidated subsidiaries.

The followings are the carrying value on the consolidated balance sheet as of March 31, 2011 and the fair values of these rental properties and real estate including space used as rental properties as of March 31, 2011;

| | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2011 | | 2010 | | 2011 | |
| | Carrying value (*1) | Fair value (*2) | Carrying value (*1) | Fair value (*2) | Carrying value (*1) | Fair value (*2) |
| Rental properties | **¥2,467,177** | **¥4,316,530** | ¥2,615,827 | ¥4,549,292 | **$29,671,412** | **$51,912,571** |
| Real estate including spaces used as rental properties | **233,688** | **323,700** | 234,910 | 357,303 | **2,810,450** | **3,892,964** |

(*1) The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
(*2) The fair value is based on the following:
(1) The fair value of real estate in Japan is calculated by the Company based mainly on the Real Estate Appraisal Standards.
(2) The fair value of real estate in overseas countries is appraised principally by local real estate appraisers.

The income or loss from rental properties and real estate including space used as rental properties for the year ended March 31, 2011 and 2010 were as follows:

| | Millions of yen | | | | | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2010 | | | | 2011 | | | |
| | Lease income (*1) | Lease cost | Lease income, net | Other, net (*2) | Lease income (*1) | Lease cost | Lease income, net | Other, net (*2) | Lease income (*1) | Lease cost | Lease income, net | Other, net (*2) |
| Rental properties | **¥341,761** | **¥217,064** | **¥124,697** | **¥(10,486)** | ¥339,750 | ¥215,040 | ¥124,709 | ¥(38,328) | **$4,110,182** | **$2,610,511** | **$1,499,671** | **$(126,109)** |
| Real estate including space used as rental properties | **20,268** | **15,476** | **4,792** | **(373)** | 21,474 | 17,352 | 4,121 | (632) | **243,760** | **186,125** | **57,635** | **(4,490)** |

(*1) Lease income excludes the one from real estate including space used as rental properties that was used by the Company and some of its consolidated subsidiaries for leasing service and operating management.
(*2) Other, net includes loss on disposal of fixed assets and impairment loss ¥34,243 million for the year ended March 31, 2011 and 2010, respectively.

## 22 Asset Retirement Obligations

(1) Asset retirement obligations presented in the consolidated balance sheet

1. Outline of asset retirement obligations
   Asset retirement obligations include obligations of restoration related to leasehold and rental contracts.
2. Calculation method for asset retirement obligations
   Asset retirement obligations are calculated based on the remaining contract years as an expected use period with a discount rate between 0.4% and 2.4%.
3. Change in asset retirement obligations for the fiscal year is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | Asset Retirement Obligations | |
| **Balance at April 1, 2010** (*) | ¥405 | $4,878 |
| Increase due to the acquisition of property and equipment | **2** | **32** |
| Adjustments due to the elapse of time | **5** | **66** |
| Decrease due to the fulfillment of asset retirement obligations | **(40)** | **(482)** |
| **Balance at March 31, 2011** | **¥373** | **$4,495** |

(*1) The beginning balance is presented in accordance with "Accounting Standard for Asset Retirement Obligations" (Financial Accounting Standard No. 18 issued by the Accounting Standards Board of Japan on March 31, 2008) and "Implementation Guidelines on Accounting Standard for Asset Retirement Obligations" (Financial Accounting Standard Implementation Guidelines No. 21 issued by the Accounting Standards Board of Japan on March 31, 2008).

(2) Asset retirement obligations not recognized in the consolidated balance sheet

As below stated, certain obligations are excluded from recognition of asset retirement obligations.

1) Obligation to remove asbestos that is used for some properties and equipments in a particular way required by the Ordinance on Preventing Asbestos Hazards
For such properties, the Company has an obligation to remove asbestos at demolition of buildings. However, no demolition has taken place in the past other than those related to redevelopment or other projects involving many other business associates. It is therefore difficult to reasonably estimate the timing to fulfill such obligation based on the physical useful life of the assets caused by aging and it is impossible to estimate the timing without specific business plans. Although the Company has been voluntarily conducting asbestos removal work when that is feasible due to such as termination of tenancy, it is impractical to make a reasonable estimation of progress of such voluntary removal work based on the actual record of the tenancy termination and of the remaining amount of asbestos at demolition. Moreover, it is difficult to distinguish costs of asbestos removal from total costs of demolition. Although the Company made the best estimation taking into account all the evidence available as of March 31, 2011, these obligations are excluded from recognition of asset retirement obligations since the probability of obligations in terms of scope and amount was not reasonably estimated.

2) Obligation of restoration based on some real estate rental agreements
For some commercial facilities, the Company has an obligation of restoration at the termination of leasehold rental agreements. However, the timing to fulfill the obligation is uncertain since it is practically possible to continue to use those facilities by re-signing contracts and some contracts set forth a special provision to reduce the possibility to fulfill the obligation. Furthermore, given its business strategies and the current business environment, the Company intends to continue its operation and not to fulfill the obligation. Although the Company made the best estimation taking into account all the evidence available as of March 31, 2011, these obligations are excluded from recognition of asset retirement obligations since the probability of obligations in terms of scope and amount was not reasonably estimated.



# Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1191
Fax: +81 3 3503 1277

## 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, 2011 and 2010, and the related consolidated statements of income, comprehensive 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 audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2011 and 2010, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 LLC

Tokyo, Japan
June 29, 2011

# Mitsubishi Estate Corporate Data

## Corporate Information
(as of March 31, 2011, except where indicated)

### Head Office
Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda Ward
Tokyo 100-8133, Japan
Web site: http://www.mec.co.jp/index_e.html
Phone: +81-3-3287-5100

### Date of Establishment
May 7, 1937

### Paid-in Capital
¥141,373 million

### Number of Shares of Common Stock Issued
1,390,397,097 shares

### Number of Shareholders
72,061 (excluding shareholders with less than 7,472 shares)

### Major Shareholders

| Major Shareholders | % of total |
|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 7.03 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 3.95 |
| Meiji Yasuda Life Insurance Company | 3.60 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 2.67 |
| State Street Bank and Trust Company | 2.32 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1.86 |
| SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS | 1.71 |
| Asahi Glass Co., Ltd. | 1.63 |
| Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension | 1.56 |
| CBLDN STICHTING PGGM DEPOSITORY | 1.41 |

### 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 Ward, Tokyo 100-8212, Japan

### Transfer Account Management Institution for Special Account
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda Ward, Tokyo 100-8212, Japan

### Transfer Account Management Institution for Special Account established for shareholders of the former Towa Real Estate Development Co., Ltd.
The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome, Minato Ward, Tokyo 105-0014, Japan

### Auditor
Ernst & Young ShinNihon LLC

# Mitsubishi Estate Group

## Building Business

**Building Leasing Business**
- ● Sunshine City Corporation
- ● Yokohama Sky Building Co., Ltd.
- ● Tokyo Kotsu Kaikan Co., Ltd.
- ● Chelsea Japan Co., Ltd.

**Building Management Business**
- ● Mitsubishi Estate Building Management Co., Ltd.
- ● Mitsubishi Jisho Retail Property Management Co., Ltd.
- ● Mitsubishi Jisho Property Management Co., Ltd.
- ● Hokuryo City Service Co., Ltd.
- ● IMS Co., Ltd.
- ● Yuden Building Kanri Co., Ltd.
- ● Sunshine BS Corporation
- ● Sunshine Enterprise Corporation

**Parking Business**
- ● Grand Parking Center Co., Ltd.
- ● Tokyo Garage Co., Ltd.

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

**Others**
- ● Marunouchi Direct Access Limited
- ○ Marunouchi Hotel Co., Ltd.

## Residential Business

**Real Estate Sales**
- ● Mitsubishi Jisho Residence Co., Ltd.

**Custom-Built Housing**
- ● Mitsubishi Estate Home Co., Ltd.

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

**Recreational Facilities**
- ● Higashinihon Kaihatsu Co., Ltd.
- ● MEC Urban Resort Tohoku Co., Ltd.
- ● Towa Nasu Resort Co.
- ○ Sakura Golf Development Co., Ltd.

**Others**
- ● MEC Eco LIFE Co., Ltd.
- ● Ryoei Life Service Co., Ltd.
- ● Mitsubishi Estate Housing Components Co., Ltd.
- ○ Tsunagu Network Communications, Inc.
- ○ Prime Truss Co., Ltd.

## Commercial Property Development & Investment
- ○ Ascott International Management Japan Co., Ltd.

## International Business
- ● Rockefeller Group, Inc. (RGI)
- ● Mitsubishi Estate New York Inc.
- ● MEC UK Limited
- ● Mitsubishi Estate Asia Pte. Ltd.

## Investment Management Business
- ● Mitsubishi Jisho Investment Advisors, Inc.
- ● 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.
- ● Tohoku Royal Park Hotel Co., Ltd.
- ● Royal Park Shiodome Tower Co., Ltd.
- ● Yokohama Royal Park Hotel Co., Ltd.
- ● Royal Park Hotel Co., Ltd.
- ● Royal Park Hotel Management Co., Ltd.

## Real Estate Services
- ● Mitsubishi Real Estate Services Co., Ltd.
- ● Mitsubishi Jisho House Net Co., Ltd.

## Others
- ● MEC Information Development Co., Ltd.
- ● MEC Human Resources, Inc.
- ● Keiyo Tochi Kaihatsu Co., Ltd.

● Consolidated subsidiary
○ Equity-method affiliate

# Directors, Statutory Auditors and Executive Officers (As of June 29, 2011)

| Directors and Statutory Auditors | |
|---|---|
| Chairman & Representative Director | Keiji Kimura |
| President & Representative Director | Hirotaka Sugiyama |
| Representative Director | Nobuyuki Iizuka |
| Representative Director | Hiroshi Danno |
| Representative Director | Masaaki Kono |
| Representative Director | Hiroyoshi Ito |
| Representative Director | Yutaka Yanagisawa |
| Director | Takao Yagihashi |
| Director | Jo Kato |
| Director | Shiro Fujisawa |
| Director (see Note 1) | Isao Matsuhashi |
| Director (see Note 1) | Fumikatsu Tokiwa |
| Director (see Note 1) | Yasumasa Gomi |
| Director (see Note 1) | Shu Tomioka |
| Standing Statutory Auditor | Eiji Tan |
| Standing Statutory Auditor (see Note 2) | Kazuhiko Hasegawa |
| Statutory Auditor (see Note 2) | Kenjiro Hata |
| Statutory Auditor (see Note 2) | Akio Utsumi |

Notes: 1. Among directors, Isao Matsuhashi, Fumikatsu Tokiwa, Yasumasa Gomi and Shu Tomioka are outside directors who fulfill the qualifications set forth under Article 2-15 of the Corporation Law of Japan.
2. Among statutory auditors, Kazuhiko Hasegawa, Kenjiro Hata and Akio Utsumi are outside auditors who fulfill the qualifications set forth under Article 2-16 of the Corporation Law of Japan.

| Executive Officers | |
|---|---|
| Chief Executive Officer | Hirotaka Sugiyama |
| Deputy President | Nobuyuki Iizuka |
| Executive Vice President | Hiroshi Danno |
| Executive Vice President | Masaaki Kono |
| Executive Vice President | Takao Yagihashi |
| Executive Vice President | Hiroyoshi Ito |
| Executive Vice President | Yutaka Yanagisawa |
| Executive Vice President | Masao Ouchi |
| Senior Executive Officer | Toshihiko Kazama |
| Senior Executive Officer | Masamichi Ono |
| Senior Executive Officer | Jo Kato |
| Senior Executive Officer | Naoto Aiba |
| Senior Executive Officer | Soichiro Hayashi |
| Senior Executive Officer | Shiro Fujisawa |
| Executive Officer | Ichiro Watarai |
| Executive Officer | Takao Tojo |
| Executive Officer | Koji Kiyosawa |
| Executive Officer | Masao Toyoizumi |
| Executive Officer | Kazuyuki Yabu |
| Executive Officer | Kenichi Iwata |
| Executive Officer | Atsuo Kyono |
| Executive Officer | Hirokazu Kano |
| Executive Officer | Kazuhiko Arahata |
| Executive Officer | Toru Okusa |
| Executive Officer | Yutaka Tajima |
| Executive Officer | Tetsuji Arimori |
| Executive Officer | Masami Amano |
| Executive Officer | Hidemi Waki |
| Executive Officer | Junichi Tanizawa |

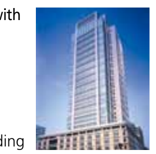
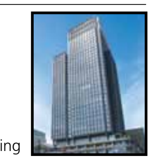
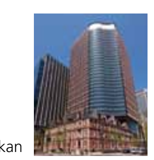
## Organization (As of April 1, 2011)

- Meeting of Shareholders
- Board of Directors
- Chairman of the Board
- Strategic Planning Committee
- CSR Committee
  - Compliance Subcommittee
  - Environmental Subcommittee
  - Risk Management Subcommittee
- President & Chief Executive Officer
- Internal Audit Office
- Executive Committee
  - Strategic Investment Committee
- Board of Statutory Auditors
- Statutory Auditor
- Office of Statutory Auditors

- ● Business Development, Consulting & Solutions Group
  - Business Development, Consulting & Solutions Dept. 1
  - Business Development, Consulting & Solutions Dept. 2
- ● Property Management and Office Leasing Group
  - Property Management Dept.
    - Building Safety Management Office
    - Yokohama Renewal Office
  - Commercial Property Advisory Dept.
  - Office Leasing and Tenant Relations Dept.
    - Relocation Management Office
    - Master Lease Planning and Management Office
    - Tenant Improvements Management Office
- ● Commercial Asset Management and Development Group
  - Commercial Asset Management Dept.
    - Group Companies Management Office
  - Area Brand Management Dept.
  - Museum Management Office
  - Commercial Asset Development Dept.
  - Area Planning Office
- ● Retail Property Group
  - Retail Property Planning Dept.
  - Retail Property Development Dept.
  - Retail Property Leasing Dept.
    - Retail Property Tenant Improvements Management Office
- ● Commercial Property Development and Investment Group
  - Commercial Property Development and Investment Planning Dept.
  - Commercial Property Development and Investment Dept.
  - Development Planning Dept.
  - Toyosu Development Project Office
- ● Residential Development Group
  - Residential Business Dept.
    - Recreational Facilities Office
  - Apartment Development Dept.
    - Development Solutions Office
- ● International Business Group
  - International Business Dept.
    - Shanghai Representative Office
- ● Investment Management Group
  - Investment Management Office
- ● Corporate Group
  - Corporate Planning Dept.
    - Affiliated Group Dept.
  - Human Resources Dept.
    - Human Resources Compliance Office
  - Finance & Accounting Dept.
  - Corporate Communications Dept.
    - Investor Relations Office
  - General Affairs Dept.
    - Secretary Office
    - Legal Office
  - CSR Dept.
    - Environmental Sustainability Office

- Sapporo Branch
- Tohoku Branch
- Yokohama Branch
- Nagoya Branch
- Osaka Branch
- Chugoku Branch
- Kyushu Branch

## Corporate History

| | | |
|---|---|---|
| 1890 | March | The Marunouchi site (over 353,000m²)—a former military training ground known as Kanda Misaki-cho—purchased by Mitsubishi Company from the Japanese government |
| | September | Marunouchi Architectural Office established |
| 1893 | December | Mitsubishi Goshi Kaisha (limited partnership) established |
| 1894 | June | Mitsubishi Ichigokan, the first office building in Marunouchi, completed  Mitsubishi Ichigokan |
| 1906 | July | Real Estate Division established within Mitsubishi Goshi Kaisha |
| 1923 | February | Marunouchi Building completed  Marunouchi Building |
| 1937 | May | Mitsubishi Estate Company, Limited established with paid-in capital totaling ¥15 million, with the ownership of the Marunouchi Building and its site, as well as business rights for buildings and land within the Marunouchi area, transferred from Mitsubishi Goshi Kaisha |
| | November | Construction-related businesses of Mitsubishi Goshi Kaisha transferred to Mitsubishi Estate |
| 1945 | April | Ownership of Yaesu Building (completed in March 1928 and renamed Marunouchi Yaesu Building in 1962) and its site transferred from Mitsubishisha Co., Ltd. to Mitsubishi Estate |
| 1950 | January | Business rights for the Marunouchi site and other land and buildings, excluding those for Marunouchi Building and Yaesu Building, were returned to Mitsubishihonsha Co., Ltd. , Mitsubishihonsha was dissolved and its operations transferred to two newly established secondary corporations, Yowa Fudosan Ltd. and Kaito Fudosan Ltd. |
| 1952 | May | Mr. Takejiro Watanabe appointed president |
| | November | Shin-Marunouchi Building completed |
| 1953 | April | Yowa Fudosan and Kaito Fudosan merged with Mitsubishi Estate |
| | May | Mitsubishi Estate's shares listed on the Tokyo Stock Exchange and the Osaka Securities Exchange |
| 1959 | July | Marunouchi Remodeling Plan formulated |
| 1960 | February | Marunouchi Parking Area completed |
| 1962 | December | Hokkaido Building completed |
| 1969 | May | Mr. Otokazu Nakata and Mr. Takejiro Watanabe appointed president and chairman, respectively |
| | | Akasaka Park House offered for sale in lots, marking the launch of the Condominium Business |
| 1972 | April | Mitsubishi Estate New York Inc. established |
| | June | The first phase of the Izumi Park Town Project launched  Izumi Park Town |
| | December | Mitsubishi Real Estate Services Co., Ltd. established |
| 1973 | November | Branches established in Sapporo, Sendai, Nagoya and Osaka |
| 1975 | May | Semiannual settlement of accounts changed to annual |
| 1978 | October | Shin Aoyama Building completed |
| 1980 | June | Mr. Tatsuji Ito and Mr. Otokazu Nakata appointed president and chairman, respectively |
| 1981 | October | Hibiya Kokusai Building completed |
| 1983 | April | Nagoya Dai-Ichi Hotel opened (Hotel Business launched) |
| | November | MEC USA, Inc. established |
| 1984 | July | Mitsubishi Estate Home Co., Ltd. established |
| 1986 | March | MEC UK Limited established |
| | July | The first consolidated financial statements announced |
| | October | Yokohama Office established (reorganized as Yokohama Branch in April 2000) |
| 1987 | June | Mr. Jotaro Takagi appointed president |
| 1988 | January | Yokohama Minato Mirai 21 Block-25 Development Plan announced |
| 1989 | April | Tenjin MM Building (IMS) opened in Fukuoka City |
| | June | Royal Park Hotel in Hakozaki, Tokyo opened |
| | July | Hiroshima Park Building completed |
| | July | Hiroshima Branch (renamed Chugoku Branch in April 2000) and Kyushu Branch established |
| 1990 | February | Participation in the City of London's Paternoster Square Project announced |
| | April | Capital investment in the Rockefeller Group, Inc. initiated |
| | September | Construction of Ryokuendai New Town commenced |
| 1993 | July | Akasaka Park Building completed |
| | | Yokohama Landmark Tower completed |
| | September | Yokohama Royal Park Hotel opened  Yokohama Landmark Tower |
| 1994 | June | Mr. Takeshi Fukuzawa and Mr. Jotaro Takagi appointed as president and chairman, respectively |
| 1995 | April | Sendai Royal Park Hotel opened |
| | November | Reconstruction of Marunouchi Building announced |
| 1996 | January | Osaka Amenity Park (OAP) completed |
| | November | Head Office relocated to Tokyo Building |
| 1999 | April | Reconstruction of Marunouchi Building commenced |
| 2000 | April | Aqua City Odaiba commercial complex opened under the management of Mitsubishi Estate subsidiary Aqua City Co., Ltd. (renamed Mitsubishi Jisho Retail Property Management Co., Ltd. in July 2007) |
| | November | Royal Park Hotels and Resorts Co., Ltd. established |
| 2001 | April | Mr. Shigeru Takagi and Mr. Takeshi Fukuzawa appointed president and chairman, respectively |
| | June | Mitsubishi Jisho Sekkei Inc. established through a spin-off of the architectural design and engineering business |
| | September | Mitsubishi Jisho Investment Advisors, Inc. established |
| 2002 | March | Properties and equipment revaluated in accordance with the Law Concerning Revaluation of Land and other relevant laws and regulations |
| | September | Marunouchi Building opened (completed in August)  Marunouchi Building |
| 2003 | February | Mitsubishi Trust and Banking Building completed (renamed Mitsubishi UFJ Trust and Banking Building in October 2005) |
| | March | Head Office relocated to Otemachi Building |
| | April | Introduction of an executive officer system |
| | May | Paternoster Square completed in the City of London |
| | July | Royal Park Shiodome Tower opened |
| 2004 | September | Marunouchi OAZO opened (completed in August) |
| | December | Capital investment in Towa Real Estate Development Co., Ltd. initiated |
| 2005 | March | Construction of Shin-Marunouchi Building commenced |
| | June | Mr. Keiji Kimura appointed president |
| | November | Tokyo Building opened (completed in October) |
| 2007 | April | Shin-Marunouchi Building opened |
| | September | The Peninsula Tokyo opened (completed in May)  Shin-Marunouchi Building |
| 2008 | January | Towa Real Estate Development turned into a Mitsubishi Estate consolidated subsidiary |
| | March | Sunshine City Corporation turned into a Mitsubishi Estate consolidated subsidiary |
| | October | Mitsubishi Estate Asia Pte. Ltd. commenced operations |
| 2009 | March | Chelsea Japan Co., Ltd. turned into a Mitsubishi Estate consolidated subsidiary |
| | April | Towa Real Estate Development turned into a Mitsubishi Estate wholly owned subsidiary |
| | April | Marunouchi Park Building & Mitsubishi Ichigokan completed |
| | September | Marunouchi Brick Square opened  Marunouchi Park Building & Mitsubishi Ichigokan |
| 2010 | March | Construction under the Osaka Station North District Phase 1 Development Project commenced |
| | April | Mitsubishi Ichigokan Museum opened |
| 2011 | January | Mitsubishi Jisho Residence Co., Ltd. established through company spin-offs and the subsequent integration of residential development and sales businesses of Mitsubishi Estate, Mitsubishi Real Estate Services Co., Ltd. and Towa Real Estate Development Co., Ltd. |
| | April | Messrs. Keiji Kimura and Hirotaka Sugiyama appointed chairman and president, respectively |
| | April | Shanghai Representative Office established |

The Mitsubishi Estate Group has adopted as its fundamental mission the goal of creating a truly meaningful society by building attractive, environmentally sound communities where people can live, work and relax with contentment. Putting this mission into practice itself underpins Mitsubishi Estate's CSR activities, all of which are aimed at helping realize the sustainable growth of the Company and society as a whole. At the same time, Mitsubishi Estate believes that the promotion of CSR activities will directly lead to the improvement of its corporate brand. All Group employees share the Mitsubishi Estate Group Code of Corporate Conduct as ethical guidelines to achieve the mission. Meanwhile, with the aim of promoting Groupwide CSR activities, the Company has established a CSR Committee, chaired by the president. With the CSR Committee serving as the central driver, we are proactively implementing a wide variety of CSR activities that draw on the Group's distinctive features.

## The Mission of the Mitsubishi Estate Group

### We contribute to society through urban development

By building attractive, environmentally sound communities where people can live, work and relax with contentment, we contribute to the creation of a truly meaningful society.

## The Mitsubishi Estate Group Code of Corporate Conduct

### In order to carry out the Group Mission, we pledge to observe the following Code of Conduct:

1. **We will act with integrity**

   We will base our conduct on laws and ethics and always reflect with humility upon our behavior, valuing our communication with society and placing priority in our corporate activities on earning trust through fairness and transparency.

2. **We will strive to earn the trust of our clients**

   We will approach all objectives from our clients' point of view, providing safe and reliable products and services, and make information available as appropriate.

3. **We will strive to create a vibrant workplace**

   While aiming at personal growth, we will respect the human rights and diversity of opinions of others and increase our creativity and professionalism, while displaying our collective strengths as a team.

For details of the Mitsubishi Estate Group Guidelines for Conduct, please visit our Web site at:
http://www.mec.co.jp/e/company/charter/index.html

(Formulated December 1, 1997)
(Revised August 1, 2002)
(Revised January 1, 2006)

## CSR Case Studies

### Compliance

Mitsubishi Estate considers compliance as not simply the adherence to legal standards, but as meeting the expectations of people in society at large, not to mention the 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 maintenance of a compliance system as a priority task of management. Moreover, all Group employees are deepening their awareness of compliance issues while proactively promoting compliance-focused activities.

### Environmental Management

The Mitsubishi Estate Group has clarified its commitment to proactively contribute to societal efforts aiming to reduce its environmental impact. Under its Environmental Slogan, "For Sustainable Cities, For the Sustainable Earth," Mitsubishi Estate is leading sustainable urban development that gives due consideration to such environmental aspects as biodiversity by aggressively implementing initiatives toward realizing a low-carbon, recycling-oriented society in partnership with its customers. Specifically, we are implementing various initiatives to reduce the environmental impact in general in the Otemachi, Marunouchi and Yurakucho areas through public-private collaboration. Actual initiatives are categorized into those with direct or indirect results. Initiatives with direct results include the introduction of high-efficiency air-conditioning systems and "dry mist" generators as well as the arrangement of roof-top and external-wall greenery on our properties. In fact, the Shin-Marunouchi Building has started the use of 100% renewable, "fresh green electricity." Also, in the Residential Business, we are actively promoting the development of the eco-friendly "soleco" system, which combines a solar power generation system and a central high-voltage power transmission system. On the other hand, initiatives with indirect results involve the staging of environment-related events and seminars, which are aimed at promoting environmental awareness and the dissemination of environmental information.

Mitsubishi Ichigokan Museum and Ichigokan Square

### Social Contribution

As a good corporate citizen, the Mitsubishi Estate Group engages in a wide range of social contribution activities centered on promoting its harmonious coexistence with communities, its environmental preservation and social welfare activities, and its support for culture and the arts. For example, during the fiscal year under review, Mitsubishi Estate participated as a supporter in the La Folle Journée au Japon "Days of Enthusiasm" Music Festival 2011, held small concert events in the Marunouchi and other areas, implemented "Experience Nature" projects nationwide to promote communication between urban and rural people, and hosted the annual Dazzling Art Competition—a drawing contest for disabled children throughout Japan.

Small concert event held as part of the La Folle Journée au Japon "Days of Enthusiasm" Music Festival 2011 (a number of concerts were held at the MARUCUBE atrium on the first floor of the Marunouchi Building as well as at many other places in the Marunouchi and other areas between April 28, 2011 and May 5, 2011).

"Experience Nature" project to revitalize abandoned farmland in Yamanashi Prefecture (May 2010)