

Inspiring Interaction

ANNUAL REPORT 2014

Fiscal Year Ended March 31, 2014

Can a building alone create new value?
Can people alone bring about change?
Even without places to meet and socialize?
Nowhere to have lunch,
or even do some shopping on the way home.

Marunouchi—Japan's representative international business center stretching out in front of Tokyo Station.

Having functioned as Japan's economic center for more than a century, the Marunouchi district has always changed with the times, with the addition of high-performance, high-functionality buildings. Even today, the district continues to evolve as a business center in which crowds of people go back and forth on their business.





Marunouchi Naka Dori Avenue, the lively main street of the Marunouchi district, has something for everyone. Besides those in business suits, people from all walks of life can enjoy the trees and greenery lining the street, the wide walkways for pedestrians, and the shops, museums, and other facilities. Unconfined to being a business district, Marunouchi is transforming into a bustling and colorful town.

So we add parks and benches where people can rest and relax.
Restaurants and cafés for dining and entertaining.
And great stores that offer unique shopping experiences.



And we don't stop there.

We create spaces that encourage people to network and interact.

To turn ideas into businesses.

To create new value.



In our development of the Marunouchi district, we are aiming to create the world's most "interaction-inspiring" neighborhood. Besides building the core infrastructure, such as buildings and sidewalks, we have added environmental and organizational infrastructure to help generate innovation by people and businesses in the district. And our efforts to support the business development of foreign companies not yet in the Japanese market as well as Japanese small and mid-sized venture enterprises aiming to expand internationally and promote the district to them go far beyond the definition of a traditional developer.

Marunouchi has undergone dramatic changes over the past 10 years. The transformation of this district reflects our commitment to endless urban development in the pursuit of a vision of the future.

Our focus on long-term development continues—in Marunouchi and around the world.



Marunouchi has changed a great deal in just the past 10 years.

And it will continue to evolve in the years ahead, as we continue to focus on long-term development.

In Marunouchi. And around the world.

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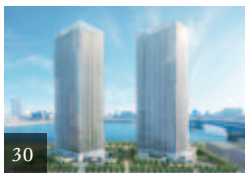
To Our Stakeholders

Achieving Sustainable Growth and Increasing
Corporate Value from a Long-Term Perspective
through Urban Development That Creates New Value

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Asset Book
<http://www.mec.co.jp/e/investor/irlibrary/annual/index.html>



CSR Report
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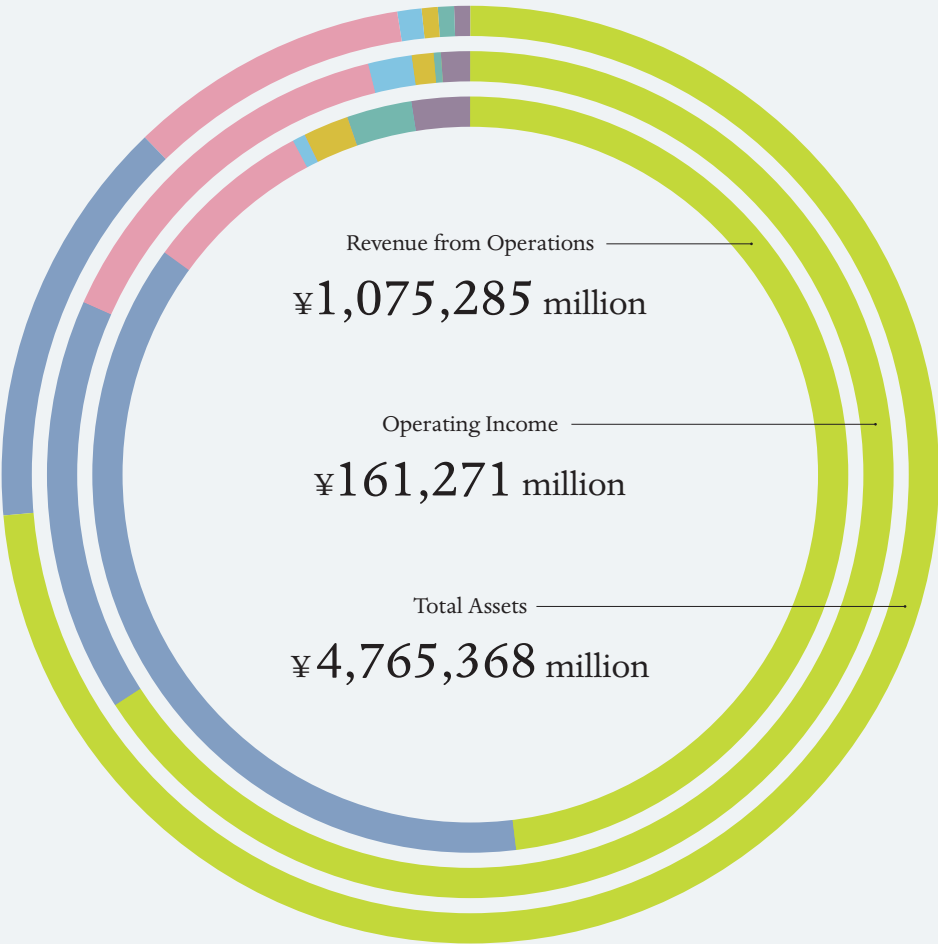
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Caution Concerning Forward-Looking Statements
This annual report contains forward-looking statements
concerning Mitsubishi Estate Co., Ltd., and its future
strategies and earnings outlook, including forecasts,
planning, and decisions based on information available
as of this writing. As with any forecast, plan, or decision,
forward-looking statements are inherently susceptible
to potential risks, uncertainties, and assumptions. The
Company's actual results may vary materially from those
expressed or implied in its forward-looking statements.

ABOUT THE MITSUBISHI ESTATE GROUP

Mitsubishi Estate Co., Ltd., is a leading creator of urban change through the development of real estate including office buildings, residential properties, and commercial properties. As part of our ongoing commitment to achieve sustainable growth, we strive to create new value in Japan and overseas under the brand slogan “A Love for People, a Love for the City.”



| Fiscal year ended March 31, 2014 (consolidated) | Revenue from Operations | Operating Income | Total Assets |
|---|-------------------------|------------------|--------------|
| Building Business* | 525,829 | 116,277 | 3,433,585 |
| Residential Business | 403,259 | 27,778 | 662,350 |
| International Business | 80,366 | 25,579 | 455,358 |
| Investment Management Business | 6,288 | 3,046 | 30,035 |
| Architectural Design & Engineering Business | 19,946 | 1,252 | 24,246 |
| Hotel Business | 29,219 | 737 | 24,636 |
| Real Estate Services Business | 27,097 | 1,544 | 24,781 |
| Other | 3,674 | (246) | 28,075 |
| Adjustments | (20,396) | (14,698) | 82,347 |

* As of April 2014, the Commercial Property Development & Investment Business has been integrated into the Building Business.

Building Business

Office Building Group



This is Mitsubishi Estate’s core business, which engages in the development, leasing, and property management of office buildings, mainly in Tokyo and other major Japanese cities. We promote urban development that contributes to increased appeal of cities while maintaining a balance between management property and turnover property in our asset portfolio.

Retail & Logistics Property Group



The Retail Properties Field develops a variety of commercial properties across Japan and is continually engaged in property planning, development, tenant leasing, and management operations through its comprehensive business structure. The Logistics Properties Field, along with office buildings as well as residential and retail properties, is another promising pillar of our business actively engaged in the development of projects throughout Japan.

Residential Business



This business focuses on the development, sales, leasing, and management of condominiums, single-unit homes, and residential land. As the circulation of existing homes expands and people’s lifestyles grow increasingly diverse, we are strengthening our renovation business to seize upon such changes.

International Business



Mitsubishi Estate has pursued business overseas since the 1970s by establishing real estate leasing and development businesses in the United States and the United Kingdom. In recent years, we have also been proactively developing our real estate business in rapidly expanding Asian markets.

Investment Management Business



For investors seeking real estate asset management, we provide a wide range of services based on our specialized expertise. These services include real estate investment trusts (REITs) to meet management needs for long-term stability as well as private placement funds to meet the specific management needs of institutional investors.

Architectural Design & Engineering Business



Making use of the knowledge, design sense, and cutting-edge technologies accumulated over the 120-year period since our founding in the Meiji period, this comprehensive urban and architectural planning business meets societal needs through construction, civil engineering, and urban and regional development planning and consulting.

Hotel Business



This business maintains a network of seven hotels under the Royal Park Hotels brand in Sendai, Tokyo (Nihonbashi and Shiodome), Yokohama, Nagoya, Kyoto, and Fukuoka. We are promoting the expansion of Group hotels and improved brand value with a management foundation focused on customer satisfaction.

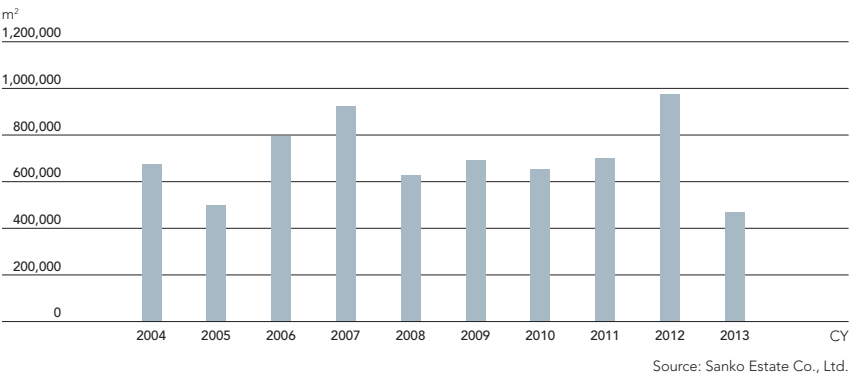
Real Estate Services Business



This business provides a wide range of services for individuals and corporations, from real estate agency and consulting to the management of condominium and office building leasing and coin-operated parking lots.

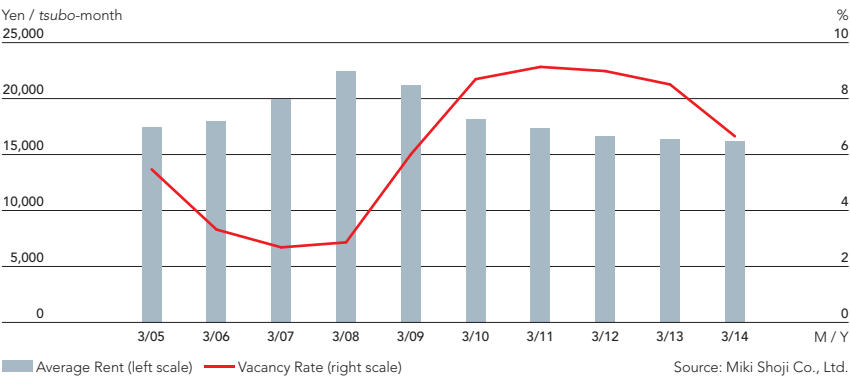
REAL ESTATE MARKET IN JAPAN

Supply of New Office Buildings in the 23 Wards of Tokyo



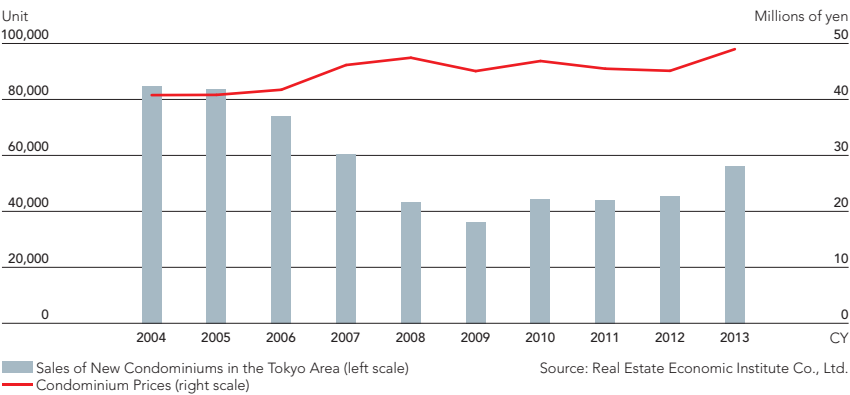
Office building development in Tokyo is ongoing, with 95% of new supply concentrated in the Chuo-ku, Chiyoda-ku, and Minato-ku located in the city center. The completed construction of large-scale office buildings in 2012 resulted in the largest new supply in the past 10 years. As a result, in 2013 the supply amount declined in comparison with the annual average.

Office Building Market (Vacancy Rates in Five Central Tokyo Metropolitan Wards)



Amid improving corporate earnings, vacancy rates in the five central Tokyo metropolitan wards are clearly on the decline. Accordingly, since the beginning of 2014, average rents have been slowly rising.

Sales of New Condominiums in the Tokyo Area / Condominium Prices



In 2013, the supply and prices of condominiums in Tokyo's 23 wards increased compared with the previous fiscal year due to expectations of economic recovery, higher stock prices, and anticipated interest rate hikes.

Tokyo Stock Exchange REIT Index

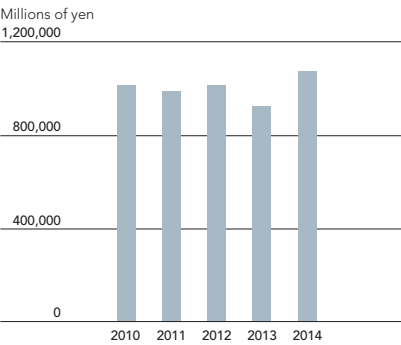


The Tokyo Stock Exchange REIT Index is trending higher due to the success of government policies aimed at invigorating REIT activities, the expansion of REIT purchases by the Bank of Japan, and expectations that real estate prices will increase.

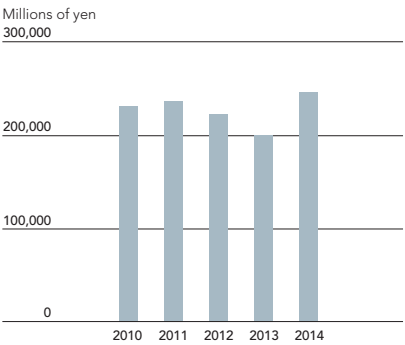
FINANCIAL HIGHLIGHTS

Years ended March 31

Revenue from Operations

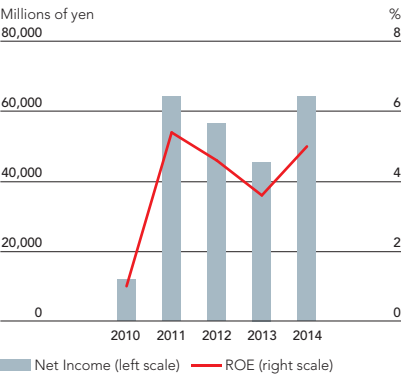


EBITDA

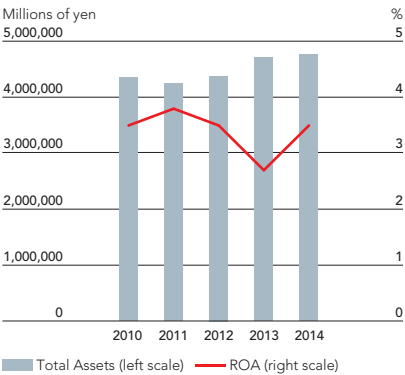


Sales of properties by the Building and International businesses and an increase in the number of condominium units sold in the Residential Business contributed to substantial growth in consolidated revenue from operations in fiscal 2014, the fiscal year ended March 31, 2014. EBITDA came in below its targeted medium-term management performance of ¥265.0 billion because of a decline in business sentiment driven by the prolonged sovereign debt crisis in Europe and the slowdown in China's economy. Nevertheless, EBITDA did advance ¥45.7 billion compared with fiscal 2013.

Net Income / ROE

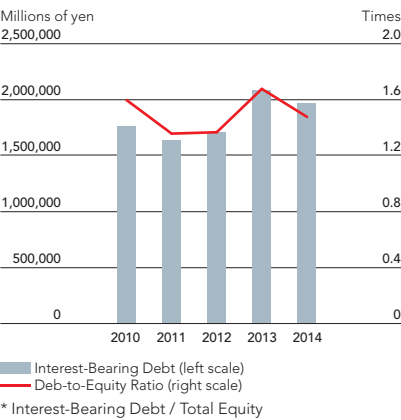


Total Assets / ROA

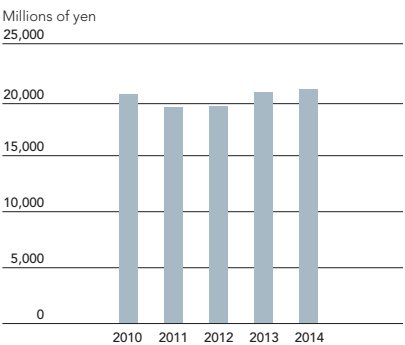


ROE and ROA improved in fiscal 2014 because of the increase in consolidated net income. The development of office buildings in particular led to growth in portfolio assets or, in other words, growth in the balance sheet. A policy of Mitsubishi Estate is to maintain or improve the efficiency of its portfolio assets through appropriate asset turnover.

Interest-Bearing Debt / Debt-to-Equity Ratio*

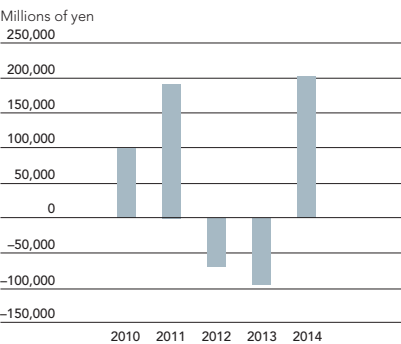


Unrealized Gain on Rental Properties

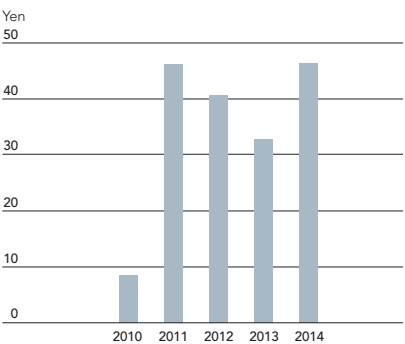


As of March 31, 2014, interest-bearing debt decreased ¥112.3 billion year on year. Mitsubishi Estate plans to control its debt ratio while continuing to invest to enhance its corporate value by maintaining a balance between its management property and turnover property development projects.

Free Cash Flow



Earnings per Share



In fiscal 2014, growth in revenue from property sales, including inventory assets and fixed assets, resulted in free cash flow of ¥202.9 billion, compared with negative free cash flow recorded a year earlier of ¥95.7 billion. Earnings per share rose ¥13.55, to ¥46.34.



Hirotaka Sugiyama
President & Chief Executive Officer
Mitsubishi Estate Co., Ltd.

Achieving Sustainable Growth and Increasing Corporate Value from a Long-Term Perspective through Urban Development That Creates New Value

Mitsubishi Estate's Management Vision and Urban Development

The large-scale real estate development that Mitsubishi Estate specializes in takes at least several years from planning to completion, and at times it can require more than 10 years. With that in mind, more than anything else our business requires the ability to anticipate the future. Over the course of 120 years, from when we first began planning to build the ideal business district that would become a leading business center of Japan in the expansive fields of Marunouchi to our operations today,

our ability to envision the future and our approach of creating value from a long-term perspective remain the unchanging cornerstones of our business model. Without these cornerstones, even with the necessary land and funds, it would be impossible to achieve our style of real estate development.

The urban development Mitsubishi Estate has achieved in its core business of the Marunouchi district represents the embodiment of those abilities—correctly envisioning and shaping the future and creating value from a long-term perspective. We have been developing this district in the center of Tokyo for more than a century, using a business model that continually emphasizes redevelopment of the district in line with the needs of the times. Extending over approximately 1.2 million square meters, the district is unparalleled in size as a development project. And it is this scale that has enabled the unique evolution of the Marunouchi district.

Recently, real estate developers from various cities in Asia have visited us to see the Marunouchi development for themselves. When we show them around the district, many express a desire to partner with us in projects to achieve the same type

of development in their own cities. Clearly, even for professional developers, Marunouchi has a strong appeal that instills a desire to develop other areas in a similar manner. That appeal includes a development style that creates a sense of unity among skyscrapers packed with the latest innovations and the retail shops and restaurants, museums, and plazas sprinkled throughout the district as well as the appeal of the high levels of energy generated by the businesspeople working in the district—the drivers of Japan's economy.

To begin with, during the initial period in the development of the Marunouchi district, our development concept was not to build office buildings but to produce and manage a major business center—an idea that is symbolic of Mitsubishi Estate's approach. We believe that by anticipating the changing times and continuing to develop an area in response to the needs of an as-yet-unrealized society of the future, we amplify the area's added value, which in turn enhances our corporate value.

Changes in the Business Environment

I have started with an introduction of our management vision to enable readers to gain an understanding of the special features of our business. Before reporting on our business performance and our medium-term management strategies, I would like to explain our view of the medium- to long-term business environment on which our performance and strategies are premised.

We are cautious about the medium-to-long-term business environment. On a macroeconomic level, we see the changes in demographics, specifically the decline in the working population, as having negative impacts on the real estate market. These impacts are both direct and indirect. Directly, the changing demographics, such as the declining population and smaller families, will result in a contraction of the housing market. Indirectly, a smaller working population leads to a decrease in economic activity, which could put downward pressure on office lease demand.

Furthermore, given the rapid economic development of Asian countries, competition for the role of Asia's regional economic hub has intensified between Tokyo and various Asian cities, such as Singapore, Hong Kong, and Shanghai. Already, we have seen some global corporations move their Asian headquarters to Singapore because of its geographic proximity to other Asian countries, low corporate income tax rates, and facility with English as its language of business. Therefore, Tokyo urgently needs to establish its predominance as a global city. This is not a status issue—over the long term, with Japan's population expected to decrease, we believe that it is essential for the country's continued economic development to attract overseas corporations and skilled human resources. For that reason, reinforcing Tokyo's global competitiveness is an extremely critical strategy.

Long-Term Management Vision
BREAKTHROUGH 2020
and Medium-Term Management Strategies

Based on the background I have just described, in 2011, we formulated our long-term management vision, BREAKTHROUGH 2020, establishing long-term management strategies to take Mitsubishi Estate up to 2020. While reflecting on the details of the plan, let me report on the results of the first medium-term management strategies of our management vision that ended in fiscal 2014.

Under BREAKTHROUGH 2020, we have set a series of goals for the Mitsubishi Estate Group. Among them are reinforcing our value chains and achieving Group growth by cementing our No. 1 position in the investment and development business fields in Japan. Other goals include proceeding with the redevelopment of the Daimaruyu area, consisting of the Otemachi, Marunouchi, and Yurakucho districts, building the REIT investment market, firmly establishing our new condominium brand, and expanding the International Business.

The details of the medium-term management strategies covering the period from fiscal 2012 to fiscal 2014—positioned as the preparation stage for the future growth of the Group—are shown on the page on the right. As shown at the top, we roughly attained our targets for performance and stability—EBITDA over total assets and net interest-bearing debt over EBITDA. Unfortunately, we were unable to achieve our growth potential target, EBITDA, primarily because of unexpected turns in several assumptions: the impact of the Great East Japan Earthquake lasted longer than expected; and, similarly, the recovery of the office building market was overly delayed against the backdrop of such abnormal conditions in the global economy as the stagnation in the

markets of emerging countries and the prolonged sovereign debt crisis in Europe.

Although the Mitsubishi Estate Group did not reach its targets numerically, on a qualitative basis, I think the results were satisfactory in terms of what we expected to achieve during the preparation stage under our long-term management strategies. For example, the Marunouchi Eiraku Building completed in January 2012 is situated at the intersection of the Marunouchi and Otemachi districts, effectively expanding our redevelopment area. Moreover, opened in October 2012, Otemachi Financial City, which is intended to strengthen the district’s function as a financial center, is also contributing to the enhancement of Tokyo’s functionality.

In the Residential Business, established in fiscal 2011, we have taken steps to reinforce our value chains and upgrade business efficiency, principally through Mitsubishi Jisho Residence Co., Ltd. In addition, we have strengthened our condominium management business and progressed with the development of new business fields, such as the renovation business.

We have also been active overseas, expanding our property portfolios in the United States and Europe as planned. Especially in London, I think we have put in place ideal business operations demonstrating balanced capital flows—the business is steadily recovering previous investments while continuing to invest in new properties. Moreover, we are building our property portfolios in Asia. In Singapore, Mitsubishi Estate is proceeding with its first office development project in Asia and making progress with housing developments in China.



Otemachi Financial City



Marunouchi Eiraku Building



Top: 1 Victoria Street
Bottom: MARK IS minatomirai

Medium-Term Management Strategies (FY 2012–FY 2014) Targets and Initiatives

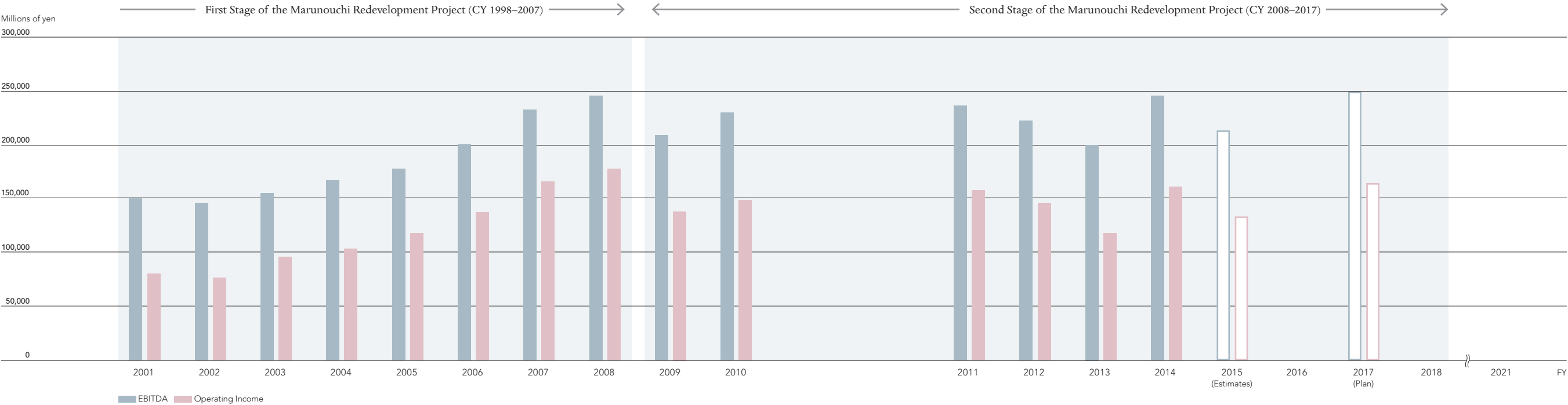
| Quantitative Targets | | Targets | Actual results |
|----------------------|------------------------------------|----------------|----------------|
| Growth potential | EBITDA | ¥265.0 billion | ¥246.3 billion |
| Performance | EBITDA / Total assets | 5.3% or above | 5.2% |
| Stability | Net interest-bearing debt / EBITDA | 7.5 times max. | 7.1 times |

Business Domain Themes

| Business Domains | Related Major News Releases | |
|---|--|---|
| Investment & Development Business Group | Maximize the value of the Marunouchi district | <ul style="list-style-type: none">■ May 2013 Mitsubishi Estate Launches Strategic Growth Center Project on Full Scale Four Overseas Companies Move into EGG JAPAN■ Mar. 2013 Third Phase of the Otemachi Chain Redevelopment Project Under Way■ Nov. 2012 Decision Made to Rebuild the Fuji Building, Tokyo Kaikan Building, and Tokyo Chamber of Commerce and Industry Building■ Oct. 2012 FINE TOKYO Opens on the Fifth Floor of Otemachi Financial City South Tower■ Jun. 2012 Otemachi 1-1 Project (Tentative Name) Announced to Rebuild the Resona Maruha Building and the Bank of Tokyo-Mitsubishi UFJ Otemachi Building■ Feb. 2012 Marunouchi Eiraku Building Completed |
| | Promote projects and lead the market | <ul style="list-style-type: none">■ Dec. 2013 Construction Starts on First Independent Logistics Center Development, Logicross Fukuoka Hisayama■ May 2013 Construction Begins on Dai Nagoya Building■ Mar. 2013 Grand Opening of MARK IS minatomirai Set for June<ul style="list-style-type: none">• Article on opening of MARK IS shizuoka included in same news release■ Feb. 2013 April Grand Opening Announced for SHISUI PREMIUM OUTLETS■ Jan. 2013 Grand Front Osaka to Open to the Public in April■ May 2012 Shinjuku Eastside Square Construction Completed■ May 2011 Shinjuku Front Tower Completed |
| | Strengthen operations centered on the condominium sales business | <ul style="list-style-type: none">■ Mar. 2014 All 883 Units of The Parkhouse Harumi Towers’ Krono Residence Sold■ Oct. 2013 Mitsubishi Jisho Residence Enters the Renovated Condominium Market■ Sep. 2013 All Units of The Parkhouse Gran Chidorigafuchi Sell Out on Application Day |
| | Expand portfolios in Europe and the United States and reinforce Asian operations | <ul style="list-style-type: none">■ Apr. 2014 Investment in U.S. Office Building Fund Managed by the Rockefeller Group Closed<ul style="list-style-type: none">• Investment subscriptions ended in July 2013■ Dec. 2013 Mitsubishi Estate Acquires Clive House Office Building in London■ Apr. 2013 Local Subsidiary Established in Shanghai■ Jan. 2013 Mitsubishi Estate Acquires 1 Victoria Street Office Building in London■ Jul. 2011 Mitsubishi Estate to Participate in Office Development in Singapore—Decision Made to Participate in First Office Development Project in Asia |
| Management & Services Business Group | Provide solutions and services based on Groupwide advantages | <ul style="list-style-type: none">■ Mar. 2014 Mitsubishi Estate and Marubeni Corporation Merge Condominium Management Businesses■ Mar. 2014 General Outline Decided for Royal Park Hotel THE Haneda■ Apr. 2013 Mitsubishi Jisho Investment Advisors’ Private-Placement REITs’ Assets under Management Exceed ¥100 Billion■ Apr. 2012 Construction Starts on Royal Park Hotel THE Nagoya |

Note: Some of the above news releases are available only in Japanese.

EBITDA / Operating Income



Aim and Outline of New Medium-Term Management Plan (FY 2015–FY 2017)

Business conditions in Japan have been favorable since the second half of the fiscal year ended March 31, 2014. Against a backdrop of improved corporate performances, office leasing fees and occupancy rates are on the rebound. In the condominium market, the reaction to the demand rush ahead of the hike in the consumption tax was limited, and sales have trended upward because of expectations that real estate values and interest rates will rise. The J-REIT market is also recording growth because of the continued influx of investment funds. Furthermore, positive signs have emerged in the external environment, such as the awarding of the 2020 Summer Olympic and Paralympic Games to Tokyo.

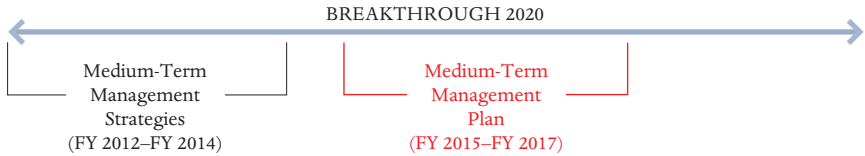
Taking into consideration the business environment and the steady progress with the redevelopment of the Daimaruyu area, Mitsubishi Estate has formulated new medium-term management plan covering the three-year period starting in April 2014. The underlying theme of the plan is achieving an increase in corporate value over the term.

Under the current medium-term management plan, we will not achieve significant increases in growth potential or profitability. We are expecting this result because of the higher initial costs related to the completion of several large-scale buildings, such as amortization expenses, and due to lower leasing income related to the closing of buildings prior to the start of new redevelopment projects. Therefore, the impact of the current medium-term management plan will not begin to emerge until fiscal 2018. Up until that point, we will aim to steadily build up the fundamental strengths that will be the

source of future growth and profitability. To do so, our course of action will be to continue with our current strategies, such as the redevelopment of the Daimaruyu area and the expansion of our overseas property portfolios. In overseas operations, in particular, we will take steps to achieve our goal of increasing the contribution to total operating income by the International Business to 20% by fiscal 2021. To that end, we will be accelerating business development and seeking out joint investment partners based on our collaborations with Group companies, such as Rockefeller Group, Inc., of the United States.

Under the medium-term management strategies, we will be proceeding with large-scale investments, primarily in the redevelopment of the Daimaruyu area and the International Business. Consequently, achieving a sound balance between investments and our financial position will be a key point in our operations. I believe it will be a period where our accumulated know-how, including portfolio management, will be strongly tested.

To prepare for the implementation of the medium-term management strategies, we revised our organizational structure as of April 1, 2014, merging the previous Commercial Property Development and Investment Group into the Office Building Group. This reorganization unifies the know-how and information accumulated by our management property development and turnover property development businesses related to asset management, development, leasing, and property management (PM). In addition, we set up departments to manage individual areas of the International Business.



Business Objectives of Medium-Term Management Plan (FY 2015–FY 2017)

| Business Domains | | Business Objectives |
|---|-----------------------------|--|
| Investment & Development Business Group | Office Building | <ul style="list-style-type: none">Promote world-class urban development to secure Marunouchi as Asia's top cityStrengthen efforts aimed at increasing the value of the existing portfolio in MarunouchiActively pursue urban development outside of Marunouchi in line with the market |
| | Retail & Logistics Property | <ul style="list-style-type: none">Further promote the development of retail properties and increase revenues through superior property managementDevelop the business against a backdrop of firm leasing demand for logistics |
| | Residential Business | <ul style="list-style-type: none">Boost efforts aimed at securing the profit rate in the condominium businessStrengthen the stock businessStrengthen the rental housing business |
| | International Business | <ul style="list-style-type: none">With Europe / U.S. businesses as the core areas, further develop business in Asia, such as condominiums and shopping centersPromote the business model based on the value chain |
| Management & Services Business Group | | <ul style="list-style-type: none">Take advantage of the strength of the Group to provide solutions and services and to reinforce values chains |

| Companywide Quantitative Targets for FY 2015–FY 2017 | | | |
|--|------------------------------------|---------------------|-------------------------|
| Indicator | | Fiscal 2014 Results | Fiscal 2017 Targets |
| Growth potential | EBITDA | ¥246.3 billion | ¥250.0 billion or above |
| | Operating income | ¥161.3 billion | ¥165.0 billion or above |
| Performance | EBITDA / Total assets | 5.2% | 5.0% or above |
| Stability | Net interest-bearing debt / EBITDA | 7.1 times | Approx. 8.0-8.9 times |

| Operating Income Targets by Business Segment | | |
|--|---------------------|---------------------|
| | Fiscal 2014 Results | Fiscal 2017 Targets |
| Building Business | ¥116.3 billion | ¥120.0 billion |
| Residential Business | ¥27.8 billion | ¥28.0 billion |
| International Business | ¥25.6 billion | ¥25.5 billion |
| Management Services Business | ¥6.6 billion | ¥7.0 billion |
| Eliminations or Corporate | ¥(15.0) billion | ¥(15.5) billion |

Building an Organization Capable of New Concepts in Urban Development

From the vantage point of creating value from a long-term perspective through urban development, the key management resource is not capital or land, but people. For example, when we were redeveloping the Tokyo, Shin-Marunouchi, and Marunouchi Park buildings into high-rise buildings during the first stage of the Marunouchi Redevelopment Project, we presented the idea of transferring the unused portion of the allowable floor area ratio* for JR Tokyo Station to the high-rise buildings. In the end, what enabled us to achieve the transfer after persistent negotiations with authorities and other related parties was people power. Based on such an example, to continue our style of urban development that generates completely new value based on new concepts, I believe it will be necessary for the overall Group to strengthen its human resources.

Urban redevelopment must continually change in response to the requirements of the times. During the 1960s, an era of high economic growth in Japan, the first priority was to create an environment in which numerous people could work efficiently. Therefore, we pursued functionality in our development of the Marunouchi district. In today’s economically prosperous Japan, however, people’s sense of values, working habits, and other factors have changed—greater weight is placed on the importance of leisure time. In response to the needs of the times, we have continued to transform the Marunouchi district into a town where people not only work but interact and exchange information under the concept of the world’s most interaction-inspiring neighborhood.

* Ratio of total floor space of a building to land area under Japanese building laws



As mentioned previously, we expect competition to further intensify between Tokyo and other global cities with high business concentrations in Asia, such as Singapore, Hong Kong, and Shanghai. Moreover, as office building development progresses in downtown Tokyo, competition will arise among business areas within Tokyo. Facing stronger competition at home and abroad, Mitsubishi Estate must build an organization capable of generating new concepts to address the issues surrounding enhanced competitiveness. We have to creatively consider what will be necessary to make Marunouchi the world’s most interaction-inspiring neighborhood, the type of development that will enrich the lives of the people of the future, and the measures that will be necessary for Tokyo and Japan to flourish.

Tokyo’s Reputation Linked to Increase in Mitsubishi Estate’s Corporate Value

A variety of preparations are in motion in Tokyo in the lead-up to the 2020 Summer Olympic and Paralympic Games. Considering the type of urban development that we undertake usually requires a time frame of 10 or 20 years, there is a limit to what can be achieved in the six years left until the opening ceremony. However, the Olympics will draw a multitude of people to Tokyo from within Japan and around the globe—and for us, this represents a tremendous opportunity to fully demonstrate to the world the appeal of Tokyo and Marunouchi.

In 2012, we set up a business development support center in our Shin-Marunouchi Building under the name “EGG JAPAN.” Through the center, we are providing a variety of business support services to not only Japanese small and medium-sized venture enterprises but also foreign venture enterprises planning to enter the Japanese market. Already, as of July 2014, 15 foreign companies, including U.S. IT companies with bases in Silicon Valley, have set up operations in our facilities. When asked what the appeal of Tokyo is to these companies, the answer is the city’s location in the center of Japan’s most sophisticated consumer market that is unparalleled in other cities of Asia. With that assessment in mind, Mitsubishi Estate will continue to practice urban development that generates new value. We will undertake development with a view to further enhancing Tokyo’s reputation in a way that will result in growth in our corporate value over the long term.

August 2014

Hiroataka Sugiyama

President & Chief Executive Officer
Mitsubishi Estate Co., Ltd.

THE MITSUBISHI ESTATE GROUP'S BUSINESS MODEL

“Demonstrating the Mitsubishi Estate Group’s strength—integration capabilities—I try to tap the various potential inherent in the city, the mix of people in the city, and our business partners. The next step is building on the collective value generated by the area to achieve long-term growth.”

Bunroku Naganuma
General Manager
Corporate Planning Department

Urban
Development



Value-Creation Initiatives

- Integration Capabilities to Tap Stakeholder Potential
- Advanced Expertise
- Understanding the Customer Base and Customer Perspective
- Ability to Envision Changes in Business and Living Needs

Management
(Asset Management /
Property Management) /
Development /
Leasing and Sales

Creating
Cash Flow

Reinvestment

Sustainable
Growth

Integration Capabilities Fostered by Urban Development as a Source of Growth

Through the redevelopment of the Marunouchi district, we have enhanced our integration capabilities and expertise as a comprehensive real estate developer. Our know-how and performance record accumulated through the process of collaboration with various stakeholders, such as landowners, tenants, and local authorities, and unifying their aspirations for the development of an area have become a source of value creation for the future. Our integration capabilities also demonstrate their true value in the development of REITs, which require the ability to bring together and organize specialists with advanced skills, and in overseas real estate development.

Enhancing Value as an Expert

The ability to envision changes in the needs of people working and living in an area and an understanding of the perspective of customers has arisen from our interactions with 4,000 business tenants in the Marunouchi district alone. When it comes to planning urban development with a view to the future, envisioning change and understanding customers are decisive assets. By refining these assets, along with our competitive management services, we contribute to the advanced functionality of Tokyo as a city—and achieve sustainable growth for cities around the world and for Mitsubishi Estate.



Daimaruyu
Area
Redevelopment
Project



Concentration
Interaction
Collaboration
Frontier

Mariko Shigematsu

Manager, Urban Planning Office,
Urban Development Promotion Department

As an intersection between Japan and the world, I think we need to proactively promote the appeal of this area at home and abroad for its globally recognized drawing power and safety, facilities that offer a hands-on experience of Japan's rich culture, and other attributes.

CASE 1 Marunouchi Redevelopment Project

DAIMARUYU* AREA

—Where the future offers excitement and inspiration



TOKYO, JAPAN

VALUE DRIVERS

- 1 Utilize the concentration and accumulated resources of a business center with more than 120 years of history.
- 2 Promote interaction between the businesses and people assembled in the area to create new value.
- 3 Pursue urban development in partnership with stakeholders and authorities.
- 4 Continuously implement transformations ahead of time with a view to the requirements of the future.

* Consisting of the Otemachi, Marunouchi, and Yurakucho districts

Concentration of Resources in the Daimaruyu Area Rises Even Higher through Redevelopment

As a major transportation hub for Tokyo as well as a gateway to Japan, the Daimaruyu area is an expanse of approximately 1.2 million square meters that lays on the west side of Tokyo Station. One of Japan's leading business centers, the area is dotted with the offices of about 4,000 enterprises, including the head offices of 75 companies listed on the First Section of the Tokyo Stock Exchange. Approximately 230,000 people work in the Daimaruyu area.

Beginning with the completion of the Marunouchi Building in 2002, through the Marunouchi Redevelopment Project that was extended to include the wider Daimaruyu area we have achieved another leap in the concentration of resources in the area. Specifically, from the start of the second stage of the project until today, we have rebuilt nine buildings. In comparison with floor space before the redevelopment, total floor space¹ has expanded about 1.7 times. In tandem with the redevelopment, by promoting the use of lower floors of the office buildings by commercial businesses, we have increased the number of stores

in the area by about three times and their total revenues have risen to approximately ¥70.0 billion. As a result, on the weekend, in contrast with its previous reputation as an inactive area, the business center has transformed into a lively commercial center bustling with people.

1 Total commercially leased floor space of Mitsubishi Estate (non-consolidated)

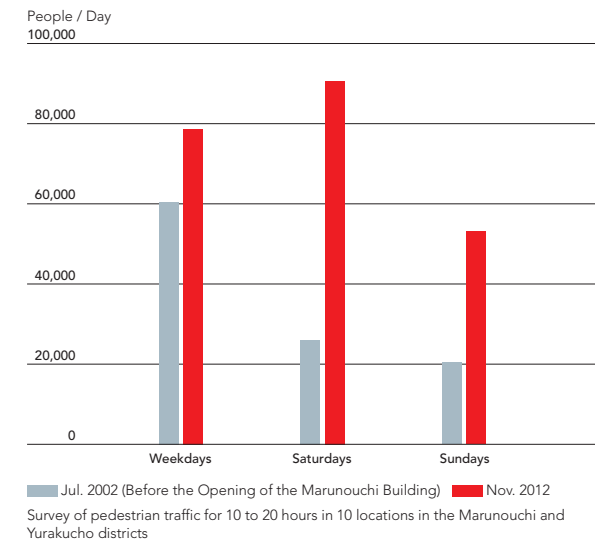
Urban Redevelopment from the Aspects of Both Core and Support Infrastructure

One of our business themes is how we can leverage the high concentration of resources of the Daimaruyu area. While Mitsubishi Estate is a real estate developer, our job does not end with completing office buildings and finding tenants. Beyond that, we believe a vibrant area only comes into existence after we have created a community or the activities that bring the businesses and people assembled in the area together to interact and trade ideas. We work to create value from the aspects of both core infrastructure, such as the office buildings, and support infrastructure, such as implementing schemes to promote interaction.

Recently, in terms of core infrastructure, Mitsubishi Estate is emphasizing achieving an overall improvement in the building performance through the addition of such functions as advanced disaster management functions and heightened energy conservation efficiency that reduces carbon dioxide emissions per unit of floor space. At the same time, we are enhancing aspects of support infrastructure, such as business and employee support systems. Our business-matching service for venture enterprises that are starting up in the area or overseas companies planning to enter the Japanese market and day-care centers in our buildings for office employees are just a few of the systems we have implemented as support infrastructure.



Pedestrian Traffic in the Marunouchi District



Improving the Appeal of Tokyo as a Global City

We believe that Mitsubishi Estate's development efforts, including those in the Daimaruyu area, improve the appeal of Tokyo as a city overall and increase its international competitiveness. We see our rivals in Asia as Singapore, Hong Kong, and Shanghai.

Completed in October 2012, Otemachi Financial City is not only filled with financial institutions but is also the address of the FINE TOKYO center. Established by Mitsubishi Estate, the center provides services aimed at fostering financial professionals with advanced skills suitable to the district's position as a global financial base.

The reasoning behind the center's establishment was that providing a space where experts from the information-intensive financial industry could gather would contribute to the strengthening of Tokyo's international competitiveness. In addition, assuming further progress in the globalization of the workforce in the Daimaruyu area, we took steps in our development plans to include more diverse response capabilities, such as encouraging a hospital providing services in both English and Japanese to establish a medical center in the area.



Top: FINE TOKYO
Bottom: St. Luke's MediLocus

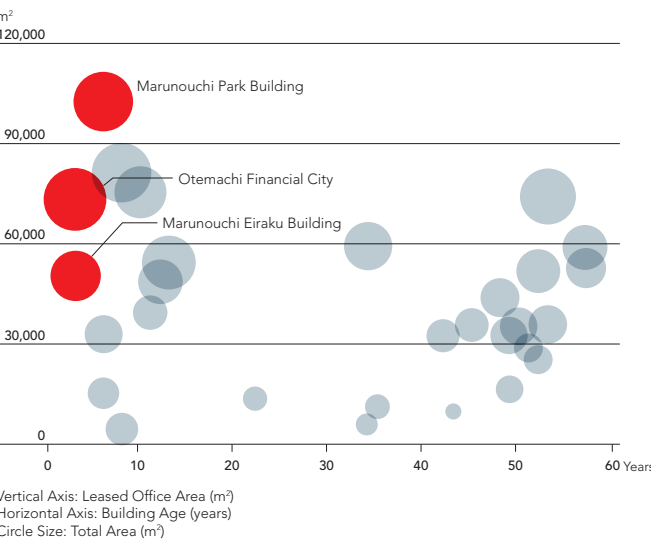
Co-Creation of Area's Future Urban Planning through Collaboration with the Public and Private Sector

In urban development, partnerships from a variety of perspectives and of diverse combinations play an extremely important role.

A major goal such as strengthening the international competitiveness of Tokyo cannot be achieved by the Mitsubishi Estate Group on its own. In developing the Daimaruyu area, we formed an urban development organization to enable collaboration among the area's landowners, authorities, and other stakeholders in forming a shared vision of the development goals. Through network-building and collaboration with stakeholders, we elicited the co-creation of an urban development plan.

A solid example of this co-creation process is currently under way as the third phase of the Otemachi Chain Redevelopment Project. This project utilizes the idle land in the Daimaruyu area previously occupied by a national government ministry as seed land for a chain development process. We established a system that would enable the stakeholders of urban development in the area to accelerate the upgrading of company offices in the area—including those in the Otemachi district, where many companies operate around the clock—without forcing them to move to temporary office space. At first, some owners of buildings in the area and others built new buildings on the idle former government ministry site and moved their tenants. Subsequently, using the vacated sites in the area, we carried out a continuous process of rebuilding in multiple stages. While Mitsubishi Estate participated in both the second phase—Otemachi Financial City—and the third phase of the project, the groundwork for the project was laid by the mutual trust and performance record built over many years of working with various stakeholders on a shared vision of the area's future.

Mitsubishi Estate-Owned Buildings in the Daimaruyu Area



Constantly Pursuing Progress as a Pioneer
Creating Mainstream Trends in Urban Development

Urban development is a constant, ongoing process. Even the Daimaruyu area has undergone major transformations from the 1960s, when it underpinned the Japanese economy as the headquarters of corporate Japan, through its 1980s era as a dense conglomeration of high-rise office buildings, to today's multi-functional area, with amenities ranging from museums, commercial facilities, and medical facilities to business support, such as venture enterprise fostering and financial education services. Inheriting our business spirit of constantly pursuing the next frontier in our actions, we continue to meet the challenge of achieving new value creation through urban development.



Developing Future Markets through Business Support

Aiming to maintain the Marunouchi district's position as an attractive business center of choice for global companies, Mitsubishi Estate set up the Tokyo Client Business Development Office in-house in 2012. While providing business development support for foreign companies planning to enter the Japanese market and Japanese small and medium-sized venture enterprises aspiring to expand internationally, the Tokyo Client Business Development Office promotes the establishment of business bases by such companies in the Marunouchi district. Promoting the business expansion of our tenant firms and creating new jobs in the district through our business support services stimulate new office space demand and lead to an increase in business opportunities for the Group in the medium-to-long term.

While the taxation systems, regulations, and other aspects of business in Japan may be complex, its mature markets have an appeal not found in any other market in Asia. Particularly for information and communication technology companies that have their headquarters on the U.S. West Coast and offer cloud services and other "big data"-related services, the various accumulated data on the Japanese market holds great significance for their businesses. As of July 2014, EGG JAPAN,* the innovation platform office operated by the Tokyo Client Business Development Office, has a total of 41 foreign and Japanese companies located in its office space, achieving full occupation well ahead of its original schedule. Going forward, the Tokyo Client Business Development Office plans to act as a pacesetter in creating an environment that facilitates its tenant firms' business. The office will do so through such proactive measures as providing tenant companies with business partner matching services and support in expanding their personal contact networks through the operation of its business club.

I think the job of business support requires serious consideration of the customer's market environment, competitive advantages, and other factors as well as the use of comprehensive business capabilities. Believing the vitalization of the Marunouchi district leads inevitably to the vitalization of Japan, I intend to develop our organization into a highly attractive business support center for foreign and Japanese companies.



Masato Aikawa
General Manager
Tokyo Client Business Development Office

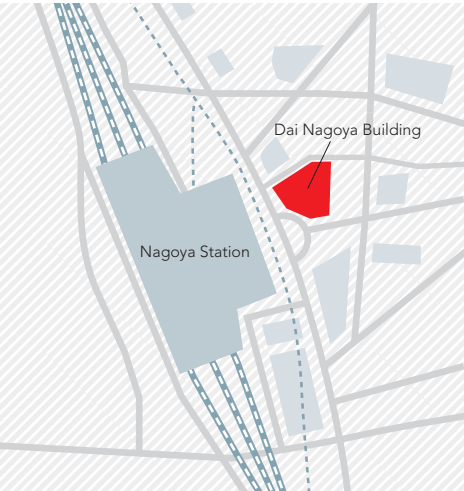


* EGG JAPAN: The Entrepreneur Group for Growing JAPAN is an innovation platform office for creating new businesses and supporting business growth. EGG JAPAN provides business support services based on the needs of the tenant firms located in its office space and utilizing the membership base of its business club.

CASE 2 Building Business

DAI NAGOYA BUILDING

—Where 50 years of local color and traditions are passed on to the next generation



The former Dai Nagoya Building, which was beloved by local residents for more than 50 years

Total office floor space:
Approximately 65,000m²

Total retail space:
Approximately 8,500m²

Large-scale underground automated bicycle parking rack system capacity:
Approximately 960 bicycles

VALUE DRIVERS

- 1 Meet the expectations of local residents by bringing out the distinctive character of the building that is representative of the local area.
- 2 Create a bustling environment that acts as an intersection between the terminal train station and the surrounding area.
- 3 Meet the challenge of the Company's Nagoya-based new development initiative.
- 4 Protect the safety of tenants by installing advanced disaster management functions.

Rebuilding a Landmark Beloved by Local Residents

The city of Nagoya forms the center of one of the three major metropolitan areas of Japan. The Dai Nagoya Building, situated in front of Nagoya Station, was constructed in 1962. For 50 years, the landmark building—with its name boldly displayed on the roof—has become a familiar part of the lives of local residents. Amid a sense of expectations for its replacement, we are progressing with the construction of a new building scheduled for completion in fiscal 2016.

Mitsubishi Estate is attempting to fuse the operational management know-how and latest engineering and design technologies developed in managing the Otemachi, Marunouchi, and Yurakucho districts in Tokyo to create a dazzling new face of Nagoya. In addition to using highly distinct curtain walls, we will have open garden spaces fronting the mid-level of the building to evoke a special impression that will attract people's attention as soon as they exit the station. We have

planned such amenities as sidewalks and underground corridors to increase the ease of getting around Nagoya Station, the surrounding area, and the underground shopping malls. Moreover, we have kept in mind the preservation of the building's previous popularity and its significance as a local landmark by retaining the name of the building.

Addressing the Area's Issues and Disaster Management with State-of-the-Art Technology

To assist with planning, Mitsubishi Estate participates in an area development committee consisting of representatives of the Nagoya City government and landowners of the surrounding area. We are currently working toward solving one of the issues raised by that committee—the illegal parking of bicycles in the area around the station. Our solution of building an underground automated bicycle parking rack system capable of

accommodating approximately 960 bicycles in an office building is a first-time experience for us.

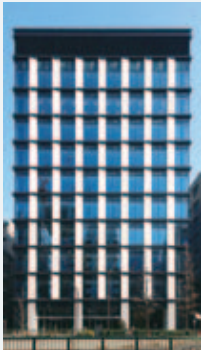
Moreover, we have taken steps to meet the business continuity plan (BCP)* needs of tenants. In addition to using the most advanced earthquake-resistant engineering and structures, we are installing disaster management functions, such as flooding prevention barriers and an aboveground emergency electric power generation system, in consideration that the area is only two meters above sea level.

Bridging the expectations for change and the desire to keep the familiar surroundings of the local residents and the many other people involved in the project, we are pushing forward with area development that will contribute value to the area for another 50 to 100 years.

* BCP: A business continuity plan establishes facilities and measures to prevent the disruption of essential businesses and services in the event of a major incident or disaster.

Other Activities in the Building Business

In addition to developing buildings premised on long-term ownership, the Building Business pursues the strategic development of quality income-generating properties in response to the needs of investors in the real estate development market. In this category in fiscal 2014, the Building Business completed the construction of Front Place Nihonbashi in Chuo-ku, Tokyo.



Front Place Nihonbashi



MARK IS minatomirai and Landmark Tower



Cumulative sales of
MARK IS minatomirai
since opening:
¥25,640 million



CASE 3 Retail & Logistics Property Group

MINATO MIRAI DISTRICT

—Where people living, working, and visiting interact

YOKOHAMA, JAPAN

VALUE DRIVERS

- 1 Provide spaces that make people's daily lives enjoyable and relaxing.
- 2 Meet not only material needs but also those for space and time.
- 3 Develop an area in which commercial properties can target different consumer groups.
- 4 Chart a course to a future where people live and work in the same area.



Creating Spaces That Bring Enjoyment into People's Lives

The Yokohama Minato Mirai district lies southeast of Tokyo. A conglomeration of buildings, including office buildings, a convention center, commercial properties, art galleries and museums, and residences, approximately 93,000* people work in this district, which attracts a total of about 72 million* tourists, shoppers, and other visitors annually. Mitsubishi Estate chose this district as the location for its commercial property MARK IS minatomirai, which opened in June 2013.

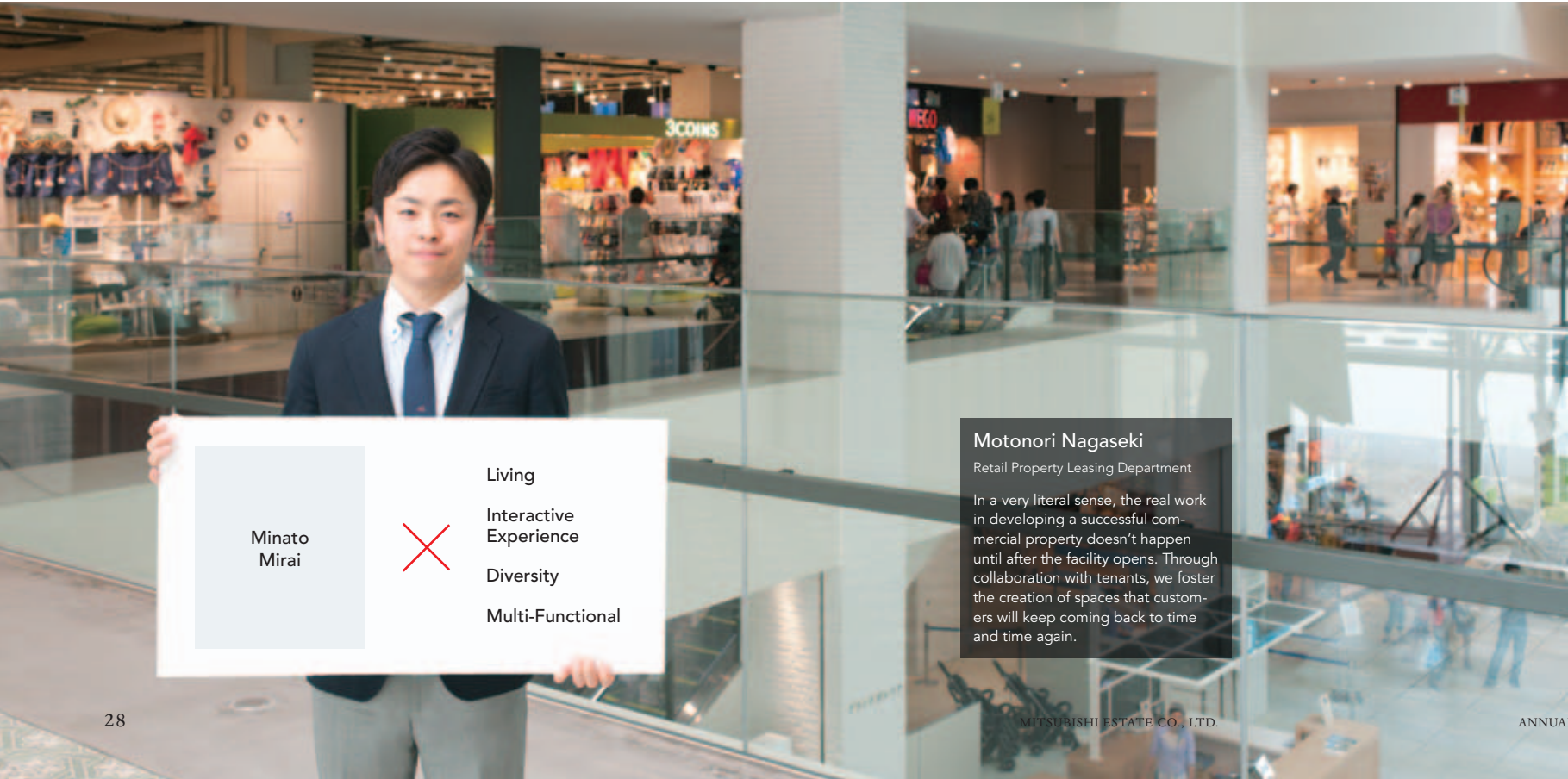
The development concept for MARK IS minatomirai is a "life entertainment mall," while the merchandising concept is "Enjoy a comfortable, relaxed, and beautiful life—Enjoy living in Yokohama." We searched out tenant stores for the commercial property that would offer a full range of items necessary to the enjoyment of people living, working, or visiting the Minato Mirai district. Moreover, Mitsubishi Estate has used the know-how accumulated from its experience in planning, developing, and managing shopping and entertainment centers to full advantage in designing such spaces within the commercial property as spacious seating areas and the rooftop garden, which features a fruit orchard and a vegetable garden, where people can pass the time.

Charting the Future of Urban Development

In contrast with MARK IS minatomirai, which targets daily use by families, the Landmark Plaza, another Mitsubishi Estate commercial property in the Minato Mirai district, features many stores selling high-end accessories for men and women and luxury brands that attract customers from a large surrounding area. Developing the area in an integrated manner as a single complex with people flowing between the properties because of their very different offerings represents an urban development style unique to Mitsubishi Estate.

In the sense that the Minato Mirai district has been developed as a place where people live and work in the same area, we believe it offers a different vision of future urban development than the Marunouchi district. Through the development and management of properties that meet the lifestyle needs of the residents of the district, we intend to continue to refine the appeal of this town.

* Announced by Yokohama City on March 12, 2014



Minato
Mirai



Living
Interactive
Experience
Diversity
Multi-Functional

Motonori Nagaseki

Retail Property Leasing Department

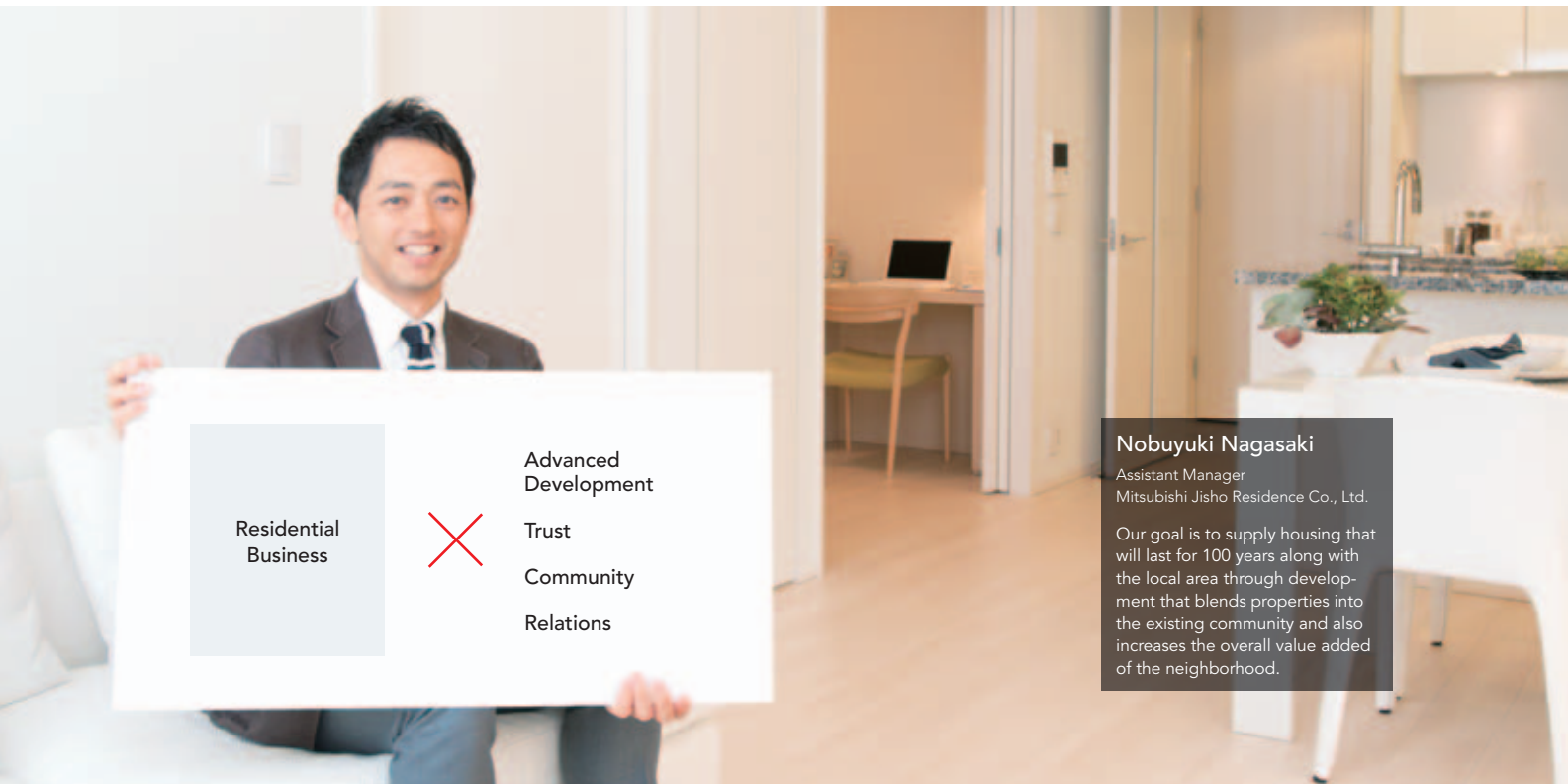
In a very literal sense, the real work in developing a successful commercial property doesn't happen until after the facility opens. Through collaboration with tenants, we foster the creation of spaces that customers will keep coming back to time and time again.



CASE 4 Residential Business

CONDOMINIUM DEVELOPMENT

—Where value springs from community harmony



Nobuyuki Nagasaki
Assistant Manager
Mitsubishi Jisho Residence Co., Ltd.
Our goal is to supply housing that will last for 100 years along with the local area through development that blends properties into the existing community and also increases the overall value added of the neighborhood.

VALUE DRIVERS

- 1 Pursue the highest quality possible based on our own standards.
- 2 Nurture trust that forms the base for residents' sense of safety and security.
- 3 Create an environment where residents will become members of the community.
- 4 Provide homes that attract long-term dwellers, thereby leading to an expansion in the business domain.

Pursuing Definitive Quality for Irreplaceable Homes

The source of the value provided by the Residential Business of the Mitsubishi Estate Group is its pursuit of advanced development and quality. To that end, Mitsubishi Jisho Residence has established a proprietary condominium quality management and performance indication system known as "Check Eyes." Utilizing this system, we carry out quality control management that visualizes all the processes in condominium development, from the design stage to construction and after-sales services for residents following their move into the building. The Mitsubishi Estate Group's insistence on safety and security as a key aspect



The Parkhouse Harumi Towers

New "The Parkhouse" Project Proceeding Favorably

The Parkhouse Harumi Towers is situated along the banks of the canals in the area of Tokyo that has been in the spotlight recently as one of the sites for the 2020 Summer Olympic and Paralympic Games. The large-scale residential housing project rises 49 stories aboveground and contains 1,744 units. Of the two towers in the complex, the Krono Residence was completed in October 2013. The other tower, the Tiaro Residence, is scheduled for completion in 2016.

The Company is developing various types of the Parkhouse projects, such as The Parkhouse Kamisaginomiya, which is a large-scale low-rise condominium building in a quiet residential district.



of the services of the Group has been cultivated over the years through its development of the Marunouchi district. This insistence has resulted in buildings designed to provide a base for safe and secure living for customers.

In general, newly constructed housing that features the latest equipment is highly appealing to customers. However, we believe that behind the various reasons that customers choose our residences lies a trust in the quality we provide and a need for the greater safety we offer. Especially after the Great East Japan Earthquake, interest in safety and security has heightened among our customers. And the measures the Mitsubishi Estate Group has taken for that purpose in the past are now being recognized and highly evaluated.

Utilizing the Special Characteristics of the Community to Offer Homes Suited to Long-Term Dwelling

The basis of feeling safe and secure in a home is not just in the quality of the building. The Group aim to provide residences that will blend in with the different characteristics of each community and be an asset for both the people living there and the neighborhood itself.

A condominium building that becomes a familiar and appreciated part of the local community—and loved, of course, by its residents—will be inhabited for a long time. We aim as a unified Group to support that process even after construction is completed. We form ongoing business relations with customers, providing for their needs in all scenarios involving their home, including moving to bigger or smaller homes and renovation. We want to carry out residential development that will contribute to the overall goals of the Residential Business: "Pursue the creation of lifelong value for customers" and "Expand stock business by strengthening the residential value chain."

Residential Leasing Field

PARK HABIO, a leasing condominium brand that Mitsubishi Estate has been developing since 2004, offers comfortable, safe and secure, and high-quality properties in highly convenient locations in downtown Tokyo. By the end of fiscal 2015, we expect to have 51 buildings with 4,300 units on the market under this brand name.



PARK HABIO Ebisu

Custom-Built Housing Field

Mitsubishi Estate Home Co., Ltd., provides custom-built housing featuring superior construction methods for thermal insulation, seismic resistance, durability, and other specifications. Custom-built housing offered by the company boasts high energy efficiency and comfort levels due to its proprietary Aerotech barrier-free air-conditioning system. Moreover, the company can handle full custom-order services for particular needs in such areas as subcontracting for rental and sales housing and hospitals and stores as well as renovations.



Makuhari Home Gallery
(newly opened in April 2014)



Nishinomiya Kitaguchi Home Gallery
(newly opened in April 2014)

Shinichi Kagitomi

Director & General Manager
Mitsubishi Estate London Limited

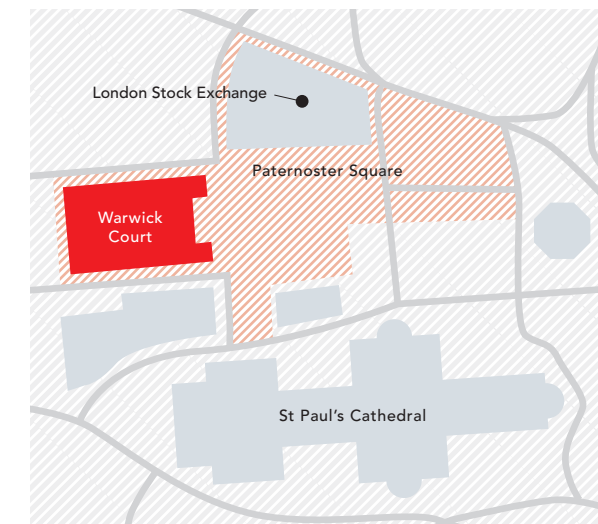
For the past few years, we have been purchasing properties with future development potential, laying the strategic groundwork for further expansion of our business.

VALUE DRIVERS

- 1 Pursue localized business utilizing accumulated experience.
- 2 Earn the trust of professionals in the business.
- 3 Build personal relationships with highly skilled professionals in specialty fields.
- 4 Capitalize on business opportunities offering future development potential.



Paternoster Square



CASE 5 International Business

LONDON

—Where Mitsubishi Estate has established a strong presence thanks to its performance



LONDON, U.K.



United
Kingdom
Business

Experience and
Performance

Integrity and Trust

Partnerships

Information
Gathering

Raising Our Market Presence through Large-Scale Projects

Against the backdrop of the high degree of transparency and liquidity of real estate transactions in the United Kingdom, London has a robust market that attracts investment funds from around the world. Since the laws and regulations, business practices, and business schemes of the local market are completely different than those of Japan, the know-how and other business assets we have accumulated in Japan cannot be applied as they are. Facing this challenging environment, Mitsubishi Estate established a local subsidiary in 1986. Since then, we have put down roots in London's real estate market and established ourselves as an active player.

Mitsubishi Estate significantly raised its presence in the market with the Paternoster Square Redevelopment Project, which was completed in 2003. Over 13 years starting in 1990, we worked with many different business partners as the project owner. By successfully executing this large-scale project, our reputation in the local real estate market rose substantially.

Reputation Creates Valuable Personal Networks

It is not excessive to say that the reputation Mitsubishi Estate has earned in the market is the most influential factor on our business development in London. This is because the driving forces in the market are the networks of professionals active in various specialty fields. If a company have a good reputation, skilled business partners from different specialty fields naturally gravitate to its projects, and business opportunities expand as the networks bring information about quality properties coming on the market.

At March 31, 2014, Mitsubishi Estate owned seven properties in London. These properties generate a stable income, allowing us to plan our vision for future redevelopment projects. In keeping with our goal of strengthening the International Business under our medium-term management strategies, we intend to continue to expand the portfolio.

Major International Business Projects from 2013 Onward

- | | |
|------|--|
| 2013 | |
| Jan. | Purchase of 1 Victoria Street, an office building in London, U.K. |
| Apr. | Establishment of a local subsidiary in Shanghai, China |
| Dec. | Purchase of Clive House, an office building in London, U.K. |
| Dec. | Announcement of the Company's first participation in a complex development in Taiwan |
| 2014 | |
| Mar. | Purchase of 28 State Street, an office building in Boston, U.S.A. |
| Dec. | Scheduled completion of CapitaGreen, an office building in Singapore |



Clive House

SUMMARY OF MANAGEMENT & SERVICES BUSINESS GROUP

Investment Management Business



VALUE DRIVERS

- 1 Wide selection of services capable of handling diverse investment needs (Total assets under management: In excess of ¥2 trillion at March 31, 2014).
- 2 Global platform that spans Japan, the United States, and Europe.
- 3 Know-how developed through real estate management in Japan and overseas.

FISCAL 2014 TOPICS

In Japan, the total assets under management of Mitsubishi Jisho Investment Advisors, Inc. (MJIA), continued their steady upward path. Just three years since its launch, the assets under management of MJIA's open-ended, unlisted private-placement real estate investment trust (REIT) rose to around ¥200 billion. A Japanese REIT (J-REIT) managed by Japan Real Estate Asset Management Co., Ltd., and specializing in office buildings, Japan Real Estate Investment Corporation recorded stable performance for the thirteenth year as the longest existing J-REIT on the market.

Overseas,* the Mitsubishi Estate Group continued to expand its investments. In fiscal 2014, Mitsubishi Real Estate's U.S. subsidiary Rockefeller Group, Inc. (RGI), through its U.S. REIT, jointly purchased 28 State Street, an office building in Boston, with Mitsubishi Estate New York Inc. RGI's U.S. REIT already owns premium office buildings in San Francisco and Washington, D.C.

Whether at home or overseas, the Group is endeavoring to further expand its operations in real estate markets in response to the diverse asset management needs of investors.

* For accounting purposes, overseas fund-related business is included in the International Business segment.

Architectural Design & Engineering Business



VALUE DRIVERS

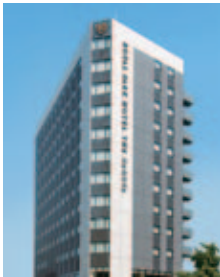
- 1 Building and urban development design, technology, and proposal capabilities attained through the Marunouchi district development.
- 2 Project management know-how accumulated from working in partnership with clients.
- 3 China and Southeast Asia business operations based in Shanghai and Singapore.

FISCAL 2014 TOPICS

During the fiscal year under review, Mitsubishi Jisho Sekkei Inc. completed projects in a variety of fields, including Grand Front Osaka, Meiji University's Nakano Campus, and Tsukishima-Sou, a company dormitory facility based on a system of shared living space for multiple companies. Overseas, the company opened a representative office in Singapore in May 2013 as a base for expanding operations in the Southeast Asia region, which has shown marked economic growth in the past few years. Mitsubishi Jisho Sekkei is also expanding operations in China and Taiwan through its local subsidiary in Shanghai. Construction began on Mitsubishi Jisho Sekkei's first overseas high-rise building, the Taipei Nanshan Plaza Project, in November 2013.

Going forward, the company plans to aggressively acquire orders for new and renovation projects in the architectural design and engineering business. By accurately responding to the diverse needs of clients, such as quality, design, and environment, the company is aiming to expand business in all fields, including urban development, construction management, and urban energy-use planning.

Hotel Business



VALUE DRIVERS

- 1 "Best for the Guest" customer satisfaction policy.
- 2 Brand power of Royal Park Hotels.
- 3 Ardent development of innovative hotel brand "THE SERIES."

FISCAL 2014 TOPICS

During the fiscal year, the Hotel Business focused on, among other areas, building a foundation for the evolution of the Group through the opening of new hotels, the rebranding of existing hotels, and the establishment of a membership sharing system.

Opened in November 2013, Royal Park Hotel THE Nagoya is in a premier location about a five-minute walk from JR Nagoya Station. With facilities and services refined to specifically target businesspeople, the hotel has enjoyed a greater-than-90% occupancy rate every month since its opening. In other projects, the 10-year-old Royal Park Shiodome Tower underwent a rebranding process, with a renovation of its facilities and revisions to its services. The hotel reopened in October 2013 under the name Royal Park Hotel THE Shiodome, becoming the flagship hotel of the business' new "THE SERIES" brand. At the same time, its operating company merged with Royal Park Hotel Management Co., Ltd., which operates "THE SERIES" hotel chain.

In addition, launched in October 2013, the business' hotel loyalty program—The Club Royal Park Hotels—has steadily been expanding its membership. The Hotel Business will strive to develop further applications of this system in increasing customer satisfaction.

Real Estate Services Business



VALUE DRIVERS

- 1 One-stop services utilizing the comprehensive capabilities of the Mitsubishi Estate Group.
- 2 Precise information collected through a nationwide network.
- 3 High degree of expertise and know-how as a corporate real estate (CRE) strategy specialist.
- 4 Broad customer base extending from companies with large property holdings and real estate companies to education and public corporations and to individuals.

FISCAL 2014 TOPICS

Mitsubishi Real Estate Services Co., Ltd., concentrates on providing a full range of corporate real estate services, covering corporate brokerage, office leasing brokerage and management, real estate appraisal, and parking business. In February 2014, the company began offering a "¥300,000 Cap Business Succession Plan" based on its new business alliance with Landmark Licensed Tax Accountant's Co. The new service provides a custom-made business succession plan with a ¥300,000 cap on consulting services that targets business enterprise owners primarily in the Tokyo metropolitan area.

Mitsubishi Jisho House Net Co., Ltd., handles real estate services for individuals, encompassing purchase, sales, and leasing brokerage of homes and leasing management. In May 2014, as part of the company's efforts to strengthen purchase and sales brokerage and leasing sales, the company opened the Bancho Sales Office in the Nibancho district, where many of the existing condominiums and rental apartments of the Mitsubishi Estate Group are concentrated. The new office is offering one-stop services that accurately target the real estate needs in the area, including purchase, sales, and leasing brokerage of homes and leasing management.

BUSINESS DEVELOPMENT, CONSULTING & SOLUTIONS GROUP

VALUE DRIVERS

- 1
Strategic sales organization comprising of horizontally integrated segments.

2
Ability to recognize problems through consulting.

3
Robust solutions using Companywide resources.

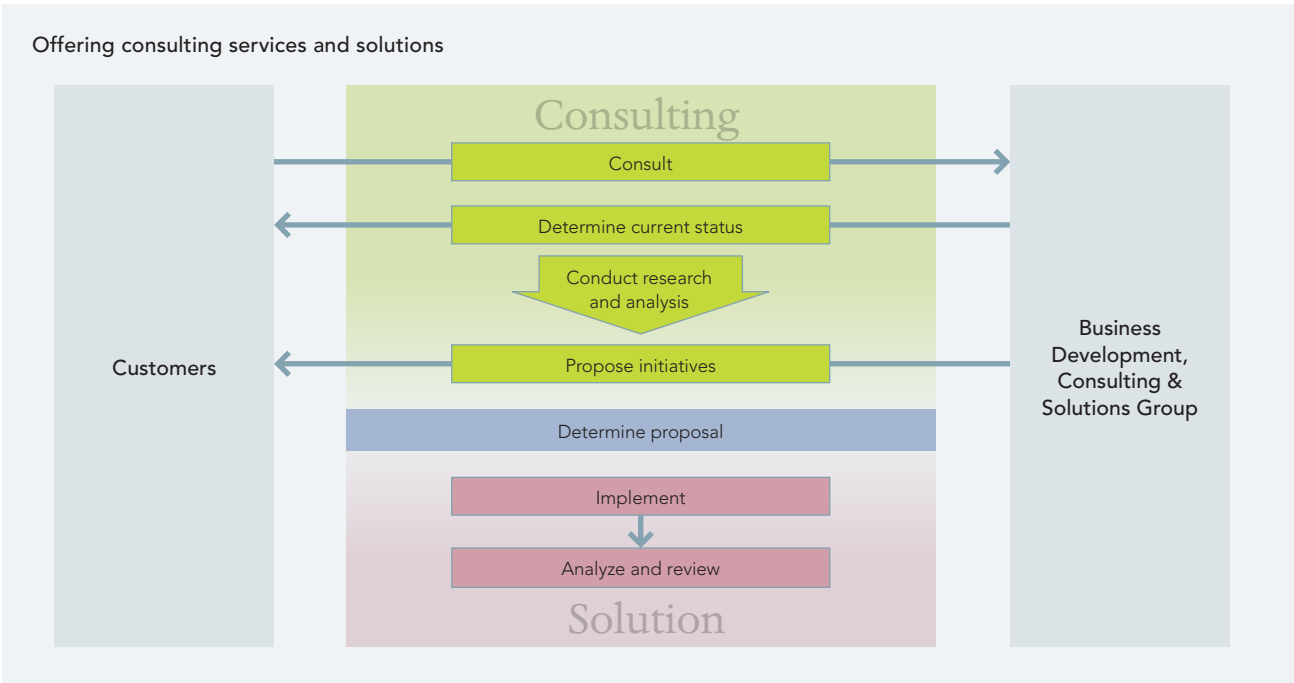
SCOPE OF ACTIVITIES

The Business Development, Consulting & Solutions Group provides services, leveraging such Mitsubishi Estate Group strengths as vast experience and comprehensive capabilities. The Group provides services through two collaborating departments: the Corporate Solutions Sales Department, which develops proposal-based sales from the perspective of the customer's corporate real estate (CRE)* strategy, and the Real Estate Solutions Department, which provides overall management of project-based development and a variety of consulting services.

Specifically, we consult with customers to ascertain their current situation as well as their unique issues, concerns, and

needs to propose ideal solutions utilizing a wide variety of business services and resources developed by the Mitsubishi Estate Group. In addition to offering consultation on individual real estate projects, we provide comprehensive real estate diagnostics for all related real estate properties to customers who hold or lease multiple real estate properties, focusing on CRE strategy support services to enhance corporate value.

* CRE: Real property held or used by a business enterprise or organization for its own operational purposes. In recent years, there has been growing interest in using CRE strategically to contribute to increased corporate value.



Real estate development

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

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

Real estate investment

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

Construction

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

Real estate liquidity

- Real estate-backed financial support
- Securitization
- Specified real estate joint ventures
- Sales and leaseback
- Real estate brokerage

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

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

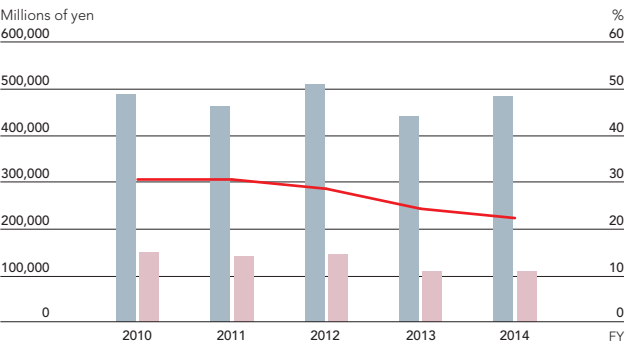
CRE strategy support

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

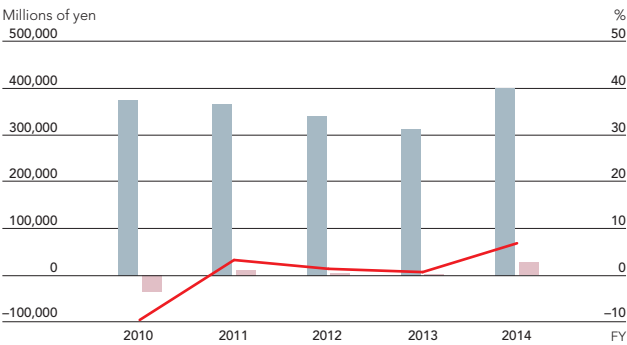
FINANCIAL HIGHLIGHTS BY SEGMENT

Revenue from Operations (left scale) Operating Income (left scale) Operating Income Ratio (right scale)

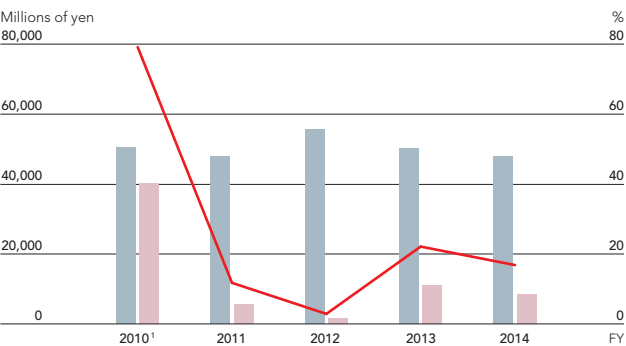
Building Business



Residential Business

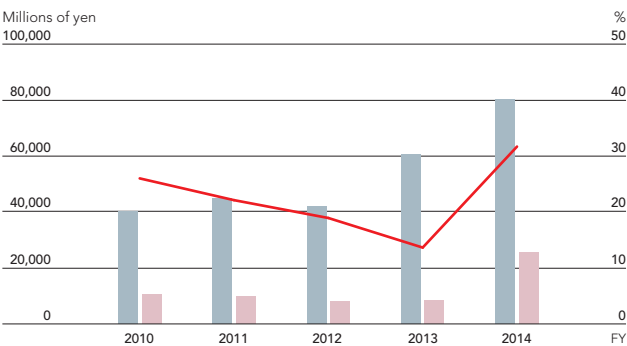


Commercial Property Development & Investment Business

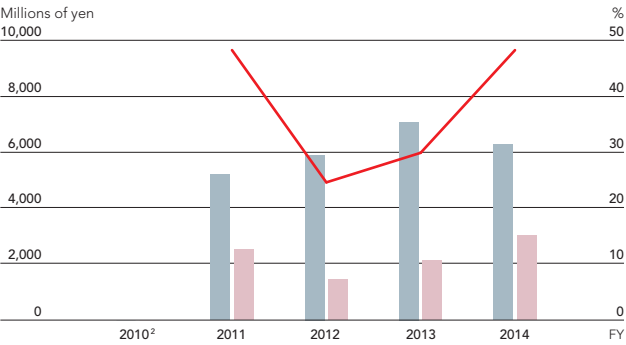


1. Including the Investment Management Business

International Business

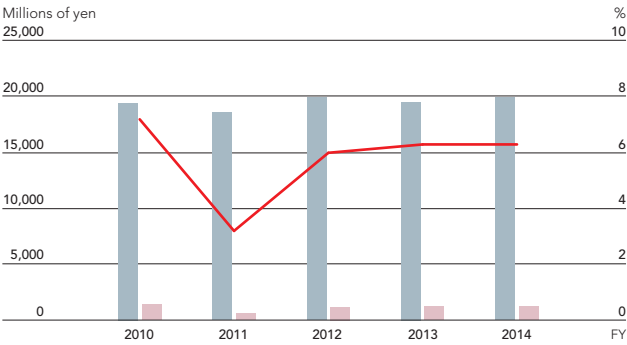


Investment Management Business

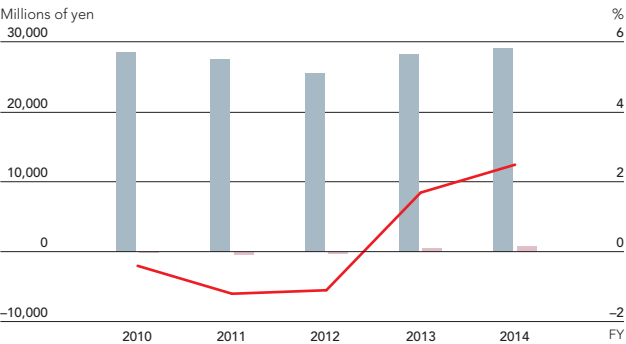


2. This segment did not exist.

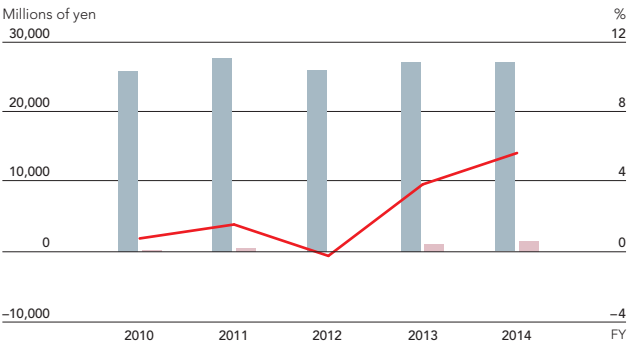
Architectural Design & Engineering Business



Hotel Business



Real Estate Services Business



Message from the Chairman of the Board



Constantly enhancing the corporate governance system is one of the highest management priorities of the Mitsubishi Estate Group. This emphasis arises from the desire of the Group to attain its fundamental mission of “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.” As chairman of the Board, I work to ensure the proper operation of our governance functions through the substantial discussions that I chair in the Board of Director meetings.

In addition to making decisions on important operational matters of the Company, the Board of Directors provides oversight of business execution. Adopting the outside director system in 2006, Mitsubishi Estate has four outside directors on its 13-member Board. These outside directors contribute considerably to the enrichment of the Board’s discussions by expressing opinions or giving advice that utilize their individual extensive business and management experience and expertise. Moreover, three out of the four statutory auditors participating in the Board meetings are outside statutory auditors. I take care to ensure that there is active discussion by all of the members attending the meetings, including the outside directors and statutory auditors, who have a variety of backgrounds.

The Group is currently addressing such issues as the strengthening of the urban function of Tokyo in terms of increasing its international competitiveness as a global city and the expansion of the Group’s international business. There are indispensable aspects in making full use of opportunities to take a giant step forward in business while responding on an ongoing basis to the changes in the business environment and markets. It is essential to pursue strategies and make business decisions that are bold yet prudent. In addition, we must establish a governance system to support those business actions. Going forward, I intend to tirelessly develop and strengthen appropriate governance systems for the Group, aiming to increase our long-term corporate value and generate social value.

August 2014

Reiji Hiruma
Chairman of the Board
Mitsubishi Estate Co., Ltd.

Corporate Governance Status

The Mitsubishi Estate Group endeavors to promote management that is focused on the interests of shareholders while fully supporting its statutory auditor system and the introduction of an executive officer system. To ensure greater transparency and objectivity, as well as to improve the management and oversight of the Board of Directors, outside directors are to be appointed, while efforts are continuing to promote separation and greater control of supervision and auditing, etc., as well as to strengthen the Group’s business execution functions.

Corporate Governance Reports: <http://www.mec.co.jp/e/investor/irlibrary/corp/>

Status of Board of Directors Meetings and Other Initiatives in Fiscal 2014

| Items | Details | | | | |
|--|-----------------------------|----|------------------|----|---------------------------------|
| Number of directors (outside directors) | 13 (4) | | | | |
| Frequency of Board of Directors (BOD) meetings | 15 | | | | |
| BOD attendance by outside directors | Isao Matsuhashi | 15 | Fumikatsu Tokiwa | 15 | Yasumasa Gomi 14 Shu Tomioka 15 |
| Number of statutory auditors (outside statutory auditors) | 4 (3) | | | | |
| Frequency of Board of Statutory Auditors (BOSA) meetings | 13 | | | | |
| BOSA attendance by statutory auditors (outside statutory auditors) | Kazuhiko Hasegawa | 13 | Kenjiro Hata* | 13 | Akio Utsumi 13 |
| BOD attendance by statutory auditors (outside statutory auditors) | Kazuhiko Hasegawa | 15 | Kenjiro Hata* | 14 | Akio Utsumi 15 |
| Accounting auditors | Ernst & Young ShinNihon LLC | | | | |
| Annual remuneration paid to independent audit corporation | ¥135 million | | | | |

* Retired as of the closing of the general meeting of shareholders on June 27, 2014.

Total Remuneration Paid to Directors and Statutory Auditors

| Category | Amount Paid |
|--|----------------------------|
| Total remuneration, etc., paid to directors (outside directors) | ¥606 million (¥40 million) |
| Total remuneration, etc., paid to statutory auditors (outside statutory directors) | ¥88 million (¥53 million) |

- Notes:
- The above amounts include remuneration payments made to the four directors who retired their positions as of the end of the 114th general meeting of shareholders held on June 27, 2013.
 - The Company has not paid any employee-based compensation to its directors.
 - The upper limit of remuneration paid to directors determined by general meeting of shareholders’ resolution is ¥800 million per fiscal year for ordinary remuneration (excluding employee-based compensation) and a separate upper limit of ¥200 million per fiscal year for deferred remuneration paid to directors based on the granting of stock options. These remuneration upper limits were decided at the 92nd and 107th general meetings of shareholders, respectively, held on June 27, 1991, and June 29, 2006. Please note that stock options are not granted to outside directors.
 - The upper limit of remuneration paid to statutory auditors determined by general meeting of shareholders’ resolution is ¥100 million per fiscal year. The upper limit was decided at the 107th general meeting of shareholders held on June 29, 2006.
 - The above amounts include stock option-based remuneration (¥77 million allotted to nine directors) paid in the fiscal year under review.
 - The Company’s outside directors and auditors have not received any remuneration, etc., as directors or auditors of any of the Company’s subsidiaries.

| | |
|---|---|
| Policy for Determining the Remuneration of Directors and Auditors | <p>The Company has decided on an upper limit for remuneration of ¥800 million per fiscal year and a separate upper limit of ¥200 million for remuneration by stock options per fiscal year as the total amount of remuneration for directors. Similarly, it has decided on an upper limit of ¥100 million per fiscal year as the amount of remuneration for statutory auditors.</p> <p>Looking at the composition of the remuneration, the Company has adopted a system that combines performance-linked remuneration and deferred remuneration stock options for all corporate officers except outside directors and statutory auditors. Outside directors only receive fixed remuneration because by definition they are not involved in business execution. Statutory auditors also only receive fixed remuneration in accordance with their roles as standing or non-standing statutory auditors as determined by discussion among the statutory auditors.</p> <p>Performance-linked remuneration consists of fixed and variable portions paid on an annual basis. Directors receive a fixed monetary portion for the discharge of their duties. The variable portion of their remuneration reflects corporate performance and the performances of the businesses for which they are responsible. Accounting for 30% of the annual monetary remuneration, the variable portion is calculated based on performance evaluations of corporate results and by-sector results as well as on comparisons with past results and fiscal year targets.</p> <p>In fiscal 2007, the Company introduced a deferred remuneration stock options system to inspire greater enthusiasm and motivation among directors to improve the Company’s stock price and business performance, thereby encouraging a common interest with shareholders. In the same fiscal year, the Company abolished the retirement benefits system for directors based on a resolution by the general meeting of shareholders.</p> <p>The Board of Directors approves the final decisions regarding remuneration for the Company’s corporate officers.</p> |
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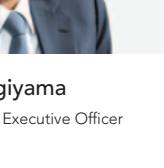
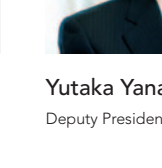
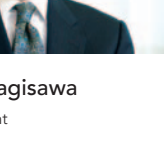
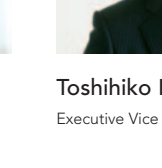




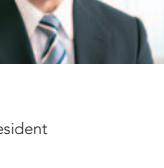
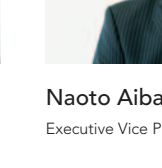
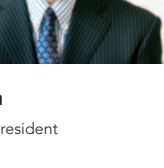
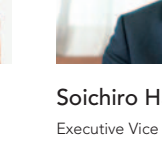



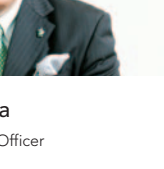
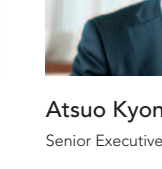
Directors and Statutory Auditors

| Directors and Statutory Auditors | | | | Name Position | |
|--|--|--|--|--|--|
| | | | | Appointment year Number of shares held (As reported in <i>Fiscal 2014 Financial Report</i> , available only in Japanese) | |
| Keiji Kimura | | Hirotaka Sugiyama | | Yutaka Yanagisawa | |
| Representative Director Chairman of the Board | | Representative Director President & Chief Executive Officer | | Representative Director | |
| 2000 26,000 shares | | 2007 21,000 shares | | 2009 13,000 shares | |
| Toshihiko Kazama | | Jo Kato | | | |
| Representative Director | | Representative Director | | | |
| 2013 12,000 shares | | 2011 50,213 shares | | | |
| Naoto Aiba | | Masamichi Ono | | Toru Okusa | |
| Representative Director | | Director | | Director | |
| 2013 18,000 shares | | 2010 7,000 shares | | 2013 19,000 shares | |
| Junichi Tanisawa | | | | | |
| Director | | | | | |
| 2014 3,000 shares | | | | | |

| | | | |
|--|---|--|--|
| <div><div><div><div><div></div><div>Isao Matsuhashi</div></div><div><div></div><div>Outside Director</div></div></div></div></div> | <div><div><div><div></div><div>Fumikatsu Tokiwa</div></div><div><div></div><div>Outside Director</div></div></div></div> | <div><div><div><div></div><div>Yasumasa Gomi</div></div><div><div></div><div>Outside Director</div></div></div></div> | <div><div><div><div></div><div>Shu Tomioka</div></div><div><div></div><div>Outside Director</div></div></div></div> |
| <div><div><div><div><div></div><div>2007</div></div><div><div></div><div>– shares</div></div></div></div><div><div><div><div></div><div>Born on April 16, 1933</div></div></div></div><div><div><div><div></div><div>Apr. 1956</div><div>Joined Japan Travel Bureau Foundation</div></div></div></div><div><div><div><div></div><div>Jun. 1990</div><div>Became President and Representative Director of JTB Corp.</div></div></div></div><div><div><div><div></div><div>Jun. 1996</div><div>Became Chairman and Representative Director of JTB Corp.</div></div></div></div><div><div><div><div></div><div>Jun. 2002</div><div>Became Director and Adviser of JTB Corp.</div></div></div></div><div><div><div><div></div><div>Apr. 2004</div><div>Became Chairman and Director of NARITA INTERNATIONAL AIRPORT CORPORATION</div></div></div></div><div><div><div><div></div><div>Jun. 2004</div><div>Became Adviser of JTB Corp. (incumbent)</div></div></div></div><div><div><div><div></div><div>Jun. 2007</div><div>Retired from the position as Chairman and Director of NARITA INTERNATIONAL AIRPORT CORPORATION</div></div></div></div><div><div><div><div></div><div>Jun. 2007</div><div>Became Director of the Company (incumbent)</div></div></div></div></div> | <div><div><div><div><div></div><div>2006</div></div><div><div></div><div>– shares</div></div></div></div><div><div><div><div></div><div>Born on November 13, 1933</div></div></div></div><div><div><div><div></div><div>Apr. 1957</div><div>Joined Kao Sekken Kabushiki Kaisha (currently Kao Corporation)</div></div></div></div><div><div><div><div></div><div>Jun. 1990</div><div>Became President and Director of Kao Corporation</div></div></div></div><div><div><div><div></div><div>Jun. 1997</div><div>Became Chairman and Director of Kao Corporation</div></div></div></div><div><div><div><div></div><div>Jun. 2000</div><div>Retired from Kao Corporation</div></div></div></div><div><div><div><div></div><div>Jun. 2006</div><div>Became Director of the Company (incumbent)</div></div></div></div></div> | <div><div><div><div><div></div><div>2009</div></div><div><div></div><div>– shares</div></div></div></div><div><div><div><div></div><div>Born on February 8, 1943</div></div></div></div><div><div><div><div></div><div>Apr. 1966</div><div>Joined Mitsubishi Bank, Ltd.</div></div></div></div><div><div><div><div></div><div>May 2003</div><div>Became Deputy President of Bank of Tokyo-Mitsubishi, Ltd.</div></div></div></div><div><div><div><div></div><div>Jun. 2004</div><div>Became Chairman and Director of Mitsubishi Securities Co., Ltd.</div></div></div></div><div><div><div><div></div><div>Oct. 2005</div><div>Became Chairman and Director of Mitsubishi UFJ Securities Co., Ltd.</div></div></div></div><div><div><div><div></div><div>May 2009</div><div>Became Senior Advisor of Mitsubishi UFJ Securities Co., Ltd.</div></div></div></div><div><div><div><div></div><div>Jun. 2009</div><div>Became Director of the Company (incumbent)</div></div></div></div><div><div><div><div></div><div>Apr. 2010</div><div>Became Senior Advisor of Mitsubishi UFJ Securities Holdings Co., Ltd.</div></div></div></div><div><div><div><div></div><div>Feb. 2013</div><div>Became Senior Advisor of Mitsubishi UFJ Securities Holdings Co., Ltd. (incumbent)</div></div></div></div></div> | <div><div><div><div><div></div><div>2006</div></div><div><div></div><div>– shares</div></div></div></div><div><div><div><div></div><div>Born on April 15, 1948</div></div></div></div><div><div><div><div></div><div>Nov. 1975</div><div>Joined Morgan Guaranty Trust Company of New York</div></div></div></div><div><div><div><div></div><div>Feb. 1991</div><div>Became Branch Manager and Representative in Japan of J.P. Morgan Securities Asia Pte. Limited, Tokyo Branch</div></div></div></div><div><div><div><div></div><div>Jul. 1998</div><div>Became Director and Vice Chairman of J.P. Morgan Securities Asia Pte. Limited</div></div></div></div><div><div><div><div></div><div>Apr. 1999</div><div>Became Representative in Japan of J.P. Morgan Securities Asia Pte. Limited</div></div></div></div><div><div><div><div></div><div>Mar. 2001</div><div>Became Vice Chairman of J.P. Morgan Securities Asia Pte. Limited</div></div></div></div><div><div><div><div></div><div>Oct. 2002</div><div>Retired from J.P. Morgan Securities Asia Pte. Limited</div></div></div></div><div><div><div><div></div><div>Jun. 2006</div><div>Became Director of the Company (incumbent)</div></div></div></div></div> |

| | | | |
|--|--|---|--|
| Hiroshi Danno Standing Statutory Auditor | Kazuhiko Hasegawa Outside Standing Statutory Auditor | Akio Utsumi Outside Statutory Auditor | Kenji Matsuo Outside Statutory Auditor |
| 2012 35,000 shares | 2008 13,000 shares Born on June 5, 1952 Apr. 1975 Joined Mitsubishi Bank, Ltd. Jun. 2002 Became Executive Officer of Bank of Tokyo-Mitsubishi, Ltd. Jun. 2005 Became Standing Statutory Auditor of Bank of Tokyo-Mitsubishi, Ltd. Jan. 2006 Became Standing Statutory Auditor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2008 Retired from The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2008 Became Standing Statutory Auditor of the Company (incumbent) | 2007 – shares Born on September 7, 1942 Apr. 1965 Joined Mitsubishi Trust and Banking Corporation Jun. 1999 Became President and Director of Mitsubishi Trust and Banking Corporation Apr. 2001 Became Chairman of the Board of Mitsubishi Tokyo Financial Group, Inc. Apr. 2004 Became Chairman of the Board of Mitsubishi Trust and Banking Corporation Jun. 2004 Became Director of Mitsubishi Tokyo Financial Group, Inc. Sep. 2005 Retired from the position as Director of Mitsubishi Tokyo Financial Group, Inc. Oct. 2005 Became Chairman of the Board of Mitsubishi UFJ Trust and Banking Corporation Jun. 2007 Became Statutory Auditor of the Company (incumbent) Jun. 2008 Became Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation (incumbent) | 2014 – shares Born on June 22, 1949 Apr. 1973 Joined Meiji Life Insurance Company Dec. 2005 Became President and Representative Director of Meiji Yasuda Life Insurance Company Jul. 2006 Became Director, President, and Representative Executive Officer of Meiji Yasuda Life Insurance Company Jul. 2013 Became Representative Executive Officer of Meiji Yasuda Life Insurance Company Jul. 2013 Became Special Advisor of Meiji Yasuda Life Insurance Company (incumbent) Jun. 2014 Became Statutory Auditor of the Company (incumbent) |

Executive Officers

| | | | |
|---|---|---|---|
|  <p>Hirotaka Sugiyama President & Chief Executive Officer</p> |  <p>Yutaka Yanagisawa Deputy President</p> |  <p>Toshihiko Kazama Executive Vice President</p> |  <p>Masamichi Ono Executive Vice President</p> |
|  <p>Jo Kato Executive Vice President</p> |  <p>Naoto Aiba Executive Vice President</p> |  <p>Soichiro Hayashi Executive Vice President</p> |  <p>Koji Kiyosawa Senior Executive Officer</p> |
|  <p>Kenichi Iwata Senior Executive Officer</p> |  <p>Atsuo Kyono Senior Executive Officer</p> |  <p>Toru Okusa Senior Executive Officer</p> |  <p>Yutaka Tajima Senior Executive Officer</p> |
|  <p>Tetsuji Arimori Senior Executive Officer</p> |  <p>Hidemi Waki Senior Executive Officer</p> |  <p>Junichi Tanisawa Senior Executive Officer</p> | <p>Executive Officers</p> <p>Kazuyuki Yabu</p> <p>Kazuhiko Arahata</p> <p>Masami Amano</p> <p>Hiroshi Katayama</p> <p>Shinichi Takeuchi</p> <p>Akinori Nakajo</p> <p>Noboru Nishigai</p> <p>Futoshi Chiba</p> <p>Akihiko Watanabe</p> <p>Hisashi Komada</p> <p>Kenji Hosokane</p> <p>Keiji Takano</p> |
|  <p>Junichi Yoshida Senior Executive Officer</p> |  <p>Tetsuo Yuasa Senior Executive Officer</p> | | |

RISK MANAGEMENT

In accordance with the Mitsubishi Estate Group Risk Management Regulations, the Group has formed a risk management system. Based on that organization and system, the Group thoroughly implements a Plan-Do-Check-Act (PDCA) cycle to identify risk exposures and to plan and implement mitigation measures and monitor risks.

Risks of Fluctuations in the Real Estate Market

The real estate market is closely correlated with movement in the economy. Deterioration in the economy has a strong impact on declines in real estate prices and rental fees and the increase in vacancy rates. In view of this correlation, the basic policy of the Group is to conclude relative long-term lease contracts with customers in its office building leasing business. The prospects of stable lease revenues mitigate to a certain degree the risk of sharp movements in the economy.

Risks of Changes in Laws and Regulations

As an expert in large-scale urban development, the Group must comply with various laws and regulations in its Japanese and overseas operations. Should there be any changes in these laws and regulations, such changes could have an impact on the Group's operations in terms of additional costs arising from adapting to the new systems and of substantial changes to the competitive environment. Therefore, the Group constantly monitors trends in revisions of its related legal systems.

Risks of Increases in Interest Rates

The Group acquires funding for its operations by borrowing from financial institutions or issuing corporate bonds.

The Bank of Japan (BOJ) has implemented a policy of quantitative and qualitative monetary easing in response to the credit crunch in financial markets and the slowdown in the global economy. Should interest rates rise, however, because of a change in BOJ policy or a deterioration in the demand-supply balance for Japanese government bonds (JGBs) caused by growth in the issuance of JGBs, it may negatively affect the performance, financial position, or other aspect of the Group's business.

The Group hedges the interest rate risk on a certain portion of its variable interest rate financing by interest rate swaps to convert its interest rate payments into fixed payments. In the future, the Group plans to manage its interest rate risk by procuring funds based on a consideration of its fixed and variable interest rate borrowings and its outstanding corporate bond balances.

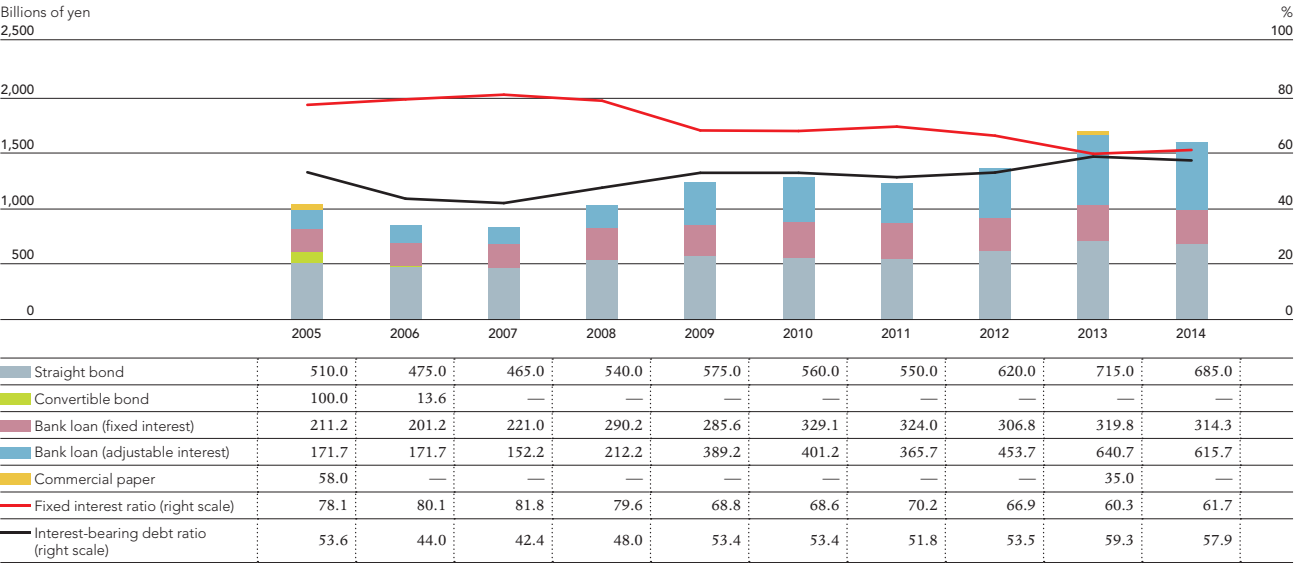
Risks of Fluctuations in Exchange Rates

In addition to those held in Japan, the Group is developing and holding assets in the United States, Europe, and Asia, for which the book values and income are accounted for in local currencies. Consequently, any fluctuation in exchange rates would affect the yen conversion rate used for foreign currency denominated assets and liabilities and business transactions. The group minimizes these risks of fluctuations in interest rates using such methods as borrowing funds in local currencies when procuring assets overseas.

Risks of Natural and Man-Made Disasters, Etc.

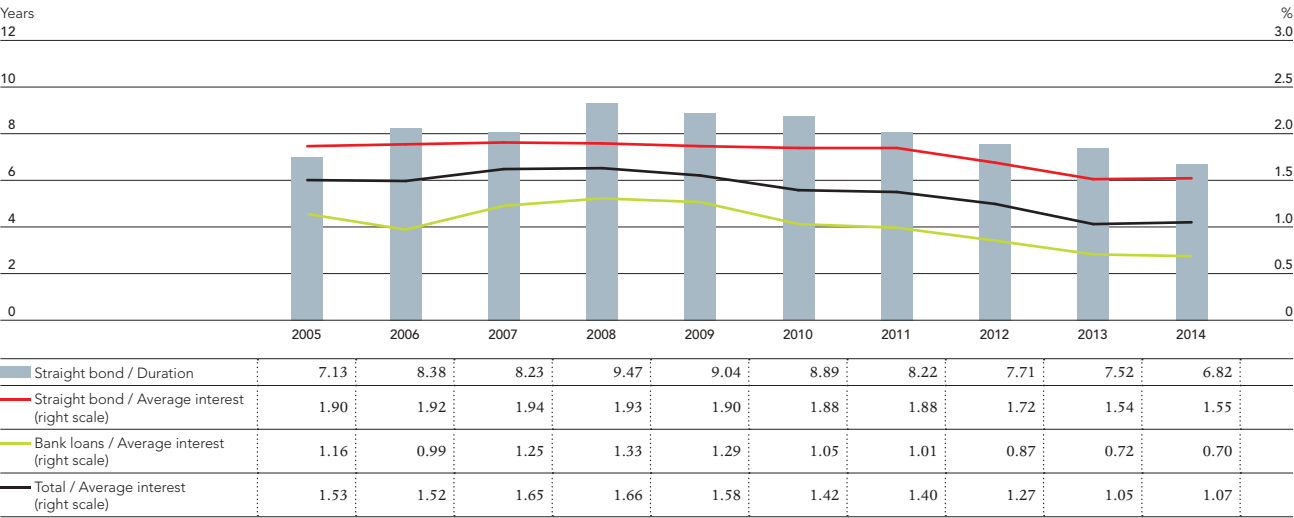
The occurrence of an earthquake, flood, or other natural disaster or an accident, fire, or other man-made disaster would impact the performance, financial position, or other aspect of the Group's business. The Group is redeveloping its properties to install advanced disaster management functions and has established disaster response measures through area management.

Interest-Bearing Debt (Mitsubishi Estate Non-Consolidated)



Years ended March 31

Interest and Residual Terms of Straight Bonds (Mitsubishi Estate Non-Consolidated)



Years ended March 31

Mitsubishi Estate's Ratings

(As of July 31, 2014)

| Rating agency | Long-term bonds | Short-term bonds |
|---|-----------------|------------------|
| Moody's | A2 | P-1 |
| Standard and Poor's (S&P) | A+ | A-1 |
| Rating & Investment Information, Inc. (R&I) | AA- | a-1+ |

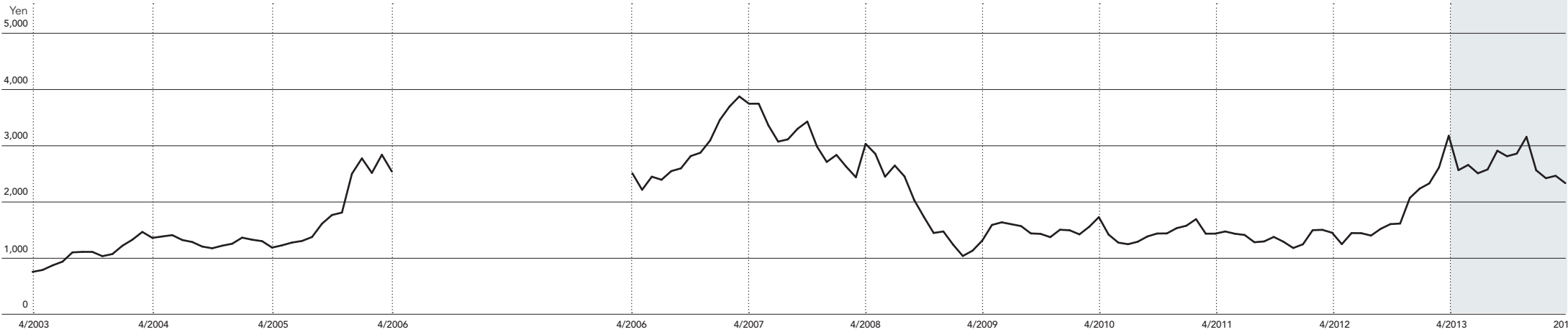
FINANCIAL SECTION

Years ended March 31

Eleven-Year Summary of Selected Financial Data (Consolidated)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|------------|-----------|------------|
| Financial Results (Millions of yen) | | | | | | | | | | | |
| Revenue from operations | ¥ 679,918 | ¥ 775,381 | ¥ 844,217 | ¥ 947,641 | ¥ 787,652 | ¥ 942,626 | ¥1,013,415 | ¥ 988,447 | ¥1,013,069 | ¥ 927,157 | ¥1,075,285 |
| Operating income | 103,749 | 118,233 | 137,614 | 166,165 | 177,983 | 138,567 | 148,972 | 158,258 | 146,299 | 118,349 | 161,271 |
| Ordinary income | 78,701 | 93,675 | 121,236 | 151,674 | 162,061 | 108,624 | 117,381 | 130,830 | 120,665 | 92,381 | 139,638 |
| Net income | 34,989 | 36,245 | 55,825 | 97,662 | 86,963 | 45,423 | 11,900 | 64,219 | 56,512 | 45,507 | 64,297 |
| Financial Position (Millions of yen) | | | | | | | | | | | |
| Total assets | 3,068,842 | 3,124,514 | 3,280,209 | 3,447,272 | 4,327,137 | 4,429,070 | 4,355,065 | 4,245,209 | 4,387,015 | 4,711,521 | 4,765,368 |
| Total equity ¹ | 897,499 | 920,930 | 1,133,623 | 1,225,644 | 1,238,889 | 1,148,494 | 1,183,156 | 1,202,270 | 1,256,791 | 1,239,547 | 1,329,057 |
| Interest-bearing debt | 1,211,888 | 1,198,371 | 1,007,761 | 1,012,588 | 1,645,407 | 1,834,195 | 1,762,111 | 1,639,050 | 1,716,890 | 2,085,417 | 1,973,042 |
| Capital expenditures | 70,205 | 79,793 | 62,204 | 138,169 | 270,798 | 201,088 | 114,085 | 76,332 | 282,171 | 208,135 | 159,677 |
| Depreciation and amortization | 57,024 | 55,545 | 53,655 | 54,257 | 56,867 | 60,364 | 73,926 | 70,628 | 67,465 | 73,364 | 74,805 |
| Cash Flows (Millions of yen) | | | | | | | | | | | |
| Cash flows from operating activities | 77,708 | 88,900 | 169,744 | 150,710 | (16,248) | 45,824 | 212,668 | 259,263 | 203,243 | 122,286 | 336,489 |
| Cash flows from investing activities | (60,645) | (92,409) | 29,883 | (85,389) | (212,207) | (214,500) | (112,639) | (67,223) | (272,009) | (217,992) | (133,537) |
| Cash flows from financing activities | (31,658) | (33,485) | (132,463) | (34,093) | 238,942 | 141,055 | (106,852) | (140,269) | 57,189 | 27,150 | (177,514) |
| Cash and cash equivalents at end of year | 136,063 | 97,324 | 167,090 | 206,089 | 219,712 | 184,552 | 177,825 | 229,062 | 215,771 | 191,837 | 224,739 |
| Per Share Amounts (Yen) | | | | | | | | | | | |
| Net income | ¥26.96 | ¥27.93 | ¥42.60 | ¥70.95 | ¥62.99 | ¥32.90 | ¥8.58 | ¥46.27 | ¥40.72 | ¥32.79 | ¥46.34 |
| Cash dividends | 8.00 | 8.00 | 10.00 | 14.00 | 16.00 | 16.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |
| Principal Financial Indicators | | | | | | | | | | | |
| EBITDA ² (Millions of yen) | ¥167,444 | ¥178,386 | ¥200,928 | ¥233,406 | ¥245,911 | ¥209,522 | ¥230,730 | ¥237,109 | ¥222,885 | ¥200,587 | ¥246,332 |
| ROA | 3.6% | 4.0% | 4.6% | 5.3% | 4.9% | 3.3% | 3.5% | 3.8% | 3.5% | 2.7% | 3.5% |
| Interest coverage ratio ³ (Times) | 3.9 | 4.7 | 7.4 | 9.5 | 8.5 | 4.7 | 5.2 | 6.6 | 6.5 | 5.0 | 7.5 |
| ROE | 4.0% | 4.0% | 5.4% | 8.3% | 7.1% | 3.8% | 1.0% | 5.4% | 4.6% | 3.6% | 5.0% |
| Payout ratio | 29.7% | 28.6% | 23.5% | 19.7% | 25.4% | 48.6% | 139.9% | 25.9% | 29.5% | 36.6% | 25.9% |
| Stock Information | | | | | | | | | | | |
| Stock price ⁴ (Yen) | ¥1,411 | ¥1,246 | ¥2,790 | ¥3,870 | ¥2,420 | ¥1,102 | ¥1,530 | ¥1,407 | ¥1,476 | ¥2,596 | ¥2,446 |
| Number of shares issued and outstanding (Thousands of shares) | 1,299,185 | 1,299,185 | 1,371,189 | 1,382,518 | 1,382,518 | 1,382,518 | 1,390,397 | 1,390,397 | 1,390,397 | 1,390,397 | 1,390,397 |

Mitsubishi Estate's Stock Price Changes in Tokyo Stock Exchange



Notes:
1. Total equity is calculated by deducting minority interests and stock acquisition rights from total net assets.
2. EBITDA is calculated as the sum total of operating income, interest and dividend income, equity in earnings of unconsolidated subsidiaries and affiliates, depreciation and amortization, and goodwill.
3. The interest coverage ratio (ICR) is calculated by dividing the sum total of operating income, interest and dividend income, and equity in earnings of unconsolidated subsidiaries and affiliates by the sum total of interest expenses and commercial paper interest.
4. As of March 31

Financial Review

Revenue from Operations / Operating Income

In fiscal 2014, the fiscal year ended March 31, 2014, consolidated revenue from operations increased ¥148,127 million, or 16.0%, from a year earlier, to ¥1,075,285 million. Consolidated operating income rose ¥42,921 million, or 36.3% year on year, to ¥161,271 million. Results for each business segment are as follows.

In the Building Business segment, revenue from operations increased because of a full year of rental revenue contributed by the buildings completed in the previous fiscal year and revenue from the sale of a property. As of March 31, 2014, the vacancy rate for all properties nationwide climbed to 5.29%, compared with 3.98% as of the end of the previous fiscal year. The higher vacancy rate resulted from the inclusion of the vacancies in the new building completed in fiscal 2013. Taking these factors into account, revenue from operations grew ¥41,481 million compared with fiscal 2013, to ¥484,229 million. Operating income increased ¥505 million, to ¥108,172 million.

In the Residential Business segment, Mitsubishi Estate’s revenue in the condominium business rose year on year because of an increase in the number of condominiums sold. As a result, revenue from operations increased ¥87,908 million, to ¥403,259 million. Operating income in this segment amounted to ¥27,778 million, surging ¥25,460 million compared with the previous fiscal year.

The Commercial Property Development & Investment Business segment recorded lower revenue compared with the previous fiscal year in reaction to the sale of a large-scale property in fiscal 2013. Consequently, revenue from operations declined ¥2,249 million year on year, to ¥48,029 million. Operating income also contracted, decreasing ¥3,049 million, to ¥8,130 million.

In the International Business segment, revenue increased compared with fiscal 2013 because of the sales of property located in the United Kingdom and the impact of the deterioration of the yen. As a result, revenue from operations rose ¥19,473 million from fiscal 2013, to ¥80,366 million, while operating income grew ¥17,207 million year on year, to ¥25,579 million.

Revenue in the Investment Management Business segment declined because of the absence of the revenue from the sale of

an equity investment and other income recorded in the previous fiscal year. As a result, revenue from operations decreased ¥820 million from a year earlier, to ¥6,288 million. On the other hand, operating income increased, rising ¥917 million year on year, to ¥3,046 million. Growth in asset management fees was responsible for the further improvement in operating income.

In the Architectural Design & Engineering Business segment, Mitsubishi Estate recorded revenue in connection with such projects as the Otemachi 1-1 Project (the tentative name for a project in Chiyoda-ku, Tokyo) and the Dai Nagoya Building (Nagoya, Aichi Prefecture). Although the number of projects generating earnings by the architectural design and engineering business and by the interior design and construction business increased in fiscal 2014, earnings decreased due to a decline in the average amount received per project. However, other income increased. As a result, segment revenue from operations and operating income were approximately the same as in the previous fiscal year, at ¥19,946 million and ¥1,252 million, respectively.

With a central role played by Royal Park Hotels and Resorts Co., Ltd., which oversees the Group’s Hotel Business activities, steps were taken to reinforce the management structure at each hotel under the Royal Park Hotel brand. At the same time, particular emphasis was placed on further promoting and developing a new hotel business under “THE SERIES” brand of Royal Park Hotels. In the fiscal year ended March 31, 2014, revenue from the accommodations department increased mainly because of the opening of Royal Park Hotel THE Nagoya. As a result, revenue from operations in the Hotel Business segment edged up ¥920 million, to ¥29,219 million. Operating income was ¥737 million, rising ¥262 million from a year earlier.

In the Real Estate Services Business segment, real estate brokerage revenue grew year on year because of an increase in the number of transactions. As a result, revenue from operations was approximately the same as in the previous fiscal year, amounting to ¥27,097 million. Operating income increased ¥485 million, to ¥1,544 million.

Revenue from operations in the Other segment decreased ¥733 million, to ¥3,674 million. Consequently, the Mitsubishi Estate Group incurred an operating loss of ¥246 million in the Other segment, a year-on-year deterioration of ¥235 million.

Other Income (Expenses)

Other income decreased ¥812 million year on year, to ¥9,323 million. Despite an increase in other income from equity in earnings of unconsolidated subsidiaries and affiliates, the elimination of amortization of negative goodwill and other factors resulted in an overall decline. Other expenses declined ¥5,148 million, to ¥30,956 million, due to a reduction in interest expenses, among other factors.

Looking at extraordinary items, Mitsubishi Estate booked extraordinary gains of ¥11,644 million, consisting of a gain on sales of fixed assets totaling ¥6,702 million and a gain on negative goodwill amounting to ¥4,942 million.

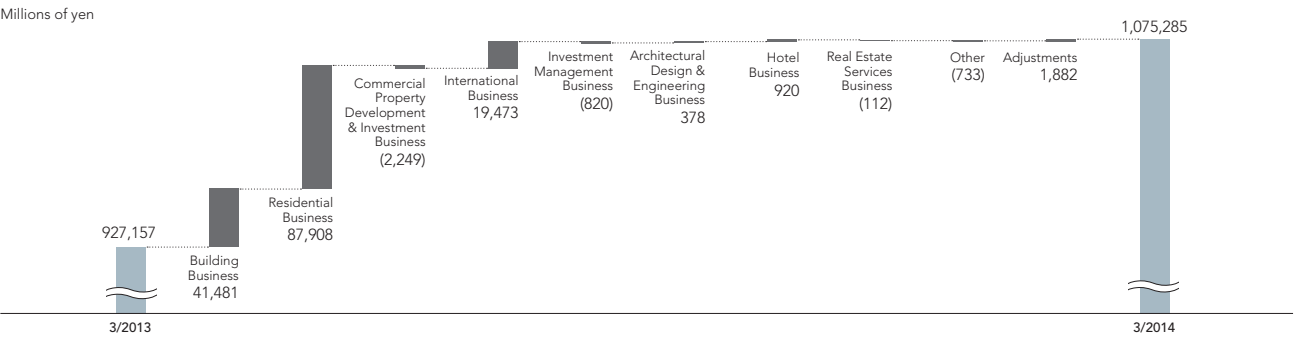
At the same time, the Company posted an extraordinary loss totaling ¥42,596 million. The breakdown consisted of ¥2,303 million in loss related to retirement of fixed assets, ¥32,644 million in impairment loss, and ¥7,648 million in impairment loss on equity investments.

Net Income

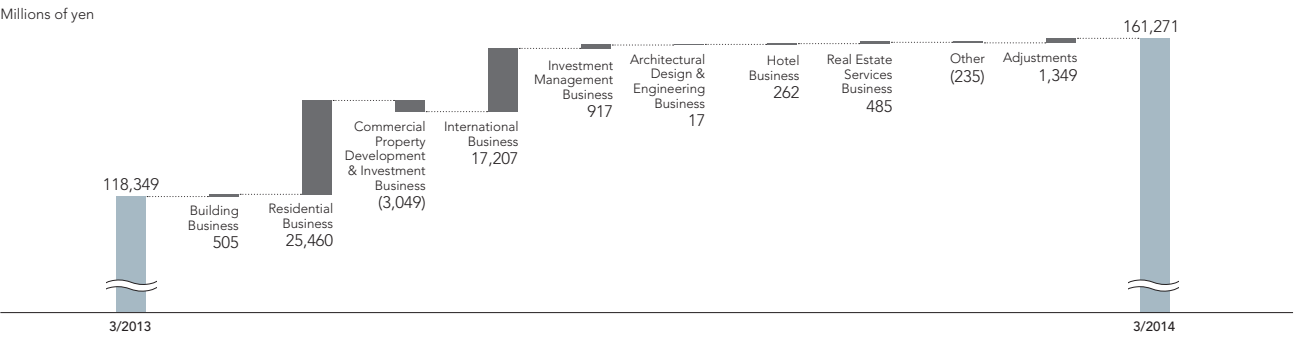
Income before income taxes and minority interests rose ¥51,944 million year on year, to ¥108,685 million. Net income increased ¥18,789 million, or 41.3%, to ¥64,297 million. Net income per share amounted to ¥46.34.

| Millions of yen | | | |
|---|-----------|----------|------------|
| | 3/2014 | 3/2013 | YOY Change |
| Revenue from Operations | 1,075,285 | 927,157 | 148,127 |
| Building Business | 484,229 | 442,748 | 41,481 |
| Residential Business | 403,259 | 315,351 | 87,908 |
| Commercial Property Development & Investment Business | 48,029 | 50,278 | (2,249) |
| International Business | 80,366 | 60,892 | 19,473 |
| Investment Management Business | 6,288 | 7,108 | (820) |
| Architectural Design & Engineering Business | 19,946 | 19,568 | 378 |
| Hotel Business | 29,219 | 28,299 | 920 |
| Real Estate Services Business | 27,097 | 27,209 | (112) |
| Other | 3,674 | 4,408 | (733) |
| Adjustments | (26,825) | (28,707) | 1,882 |
| Operating Income | 161,271 | 118,349 | 42,921 |
| Building Business | 108,172 | 107,667 | 505 |
| Residential Business | 27,778 | 2,317 | 25,460 |
| Commercial Property Development & Investment Business | 8,130 | 11,180 | (3,049) |
| International Business | 25,579 | 8,371 | 17,207 |
| Investment Management Business | 3,046 | 2,129 | 917 |
| Architectural Design & Engineering Business | 1,252 | 1,234 | 17 |
| Hotel Business | 737 | 474 | 262 |
| Real Estate Services Business | 1,544 | 1,058 | 485 |
| Other | (246) | (10) | (235) |
| Adjustments | (14,724) | (16,074) | 1,349 |

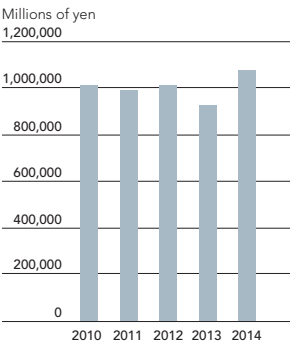
Comparison of Fiscal 2014 and Fiscal 2013 Revenue from Operations



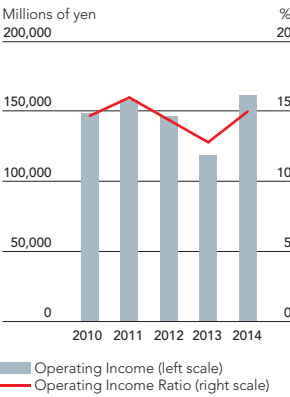
Comparison of Fiscal 2014 and Fiscal 2013 Operating Income



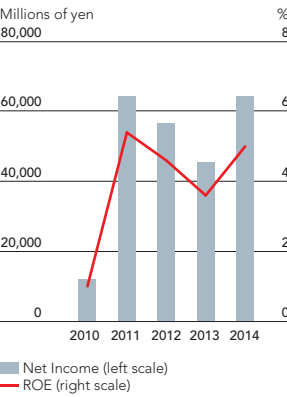
Revenue from Operations



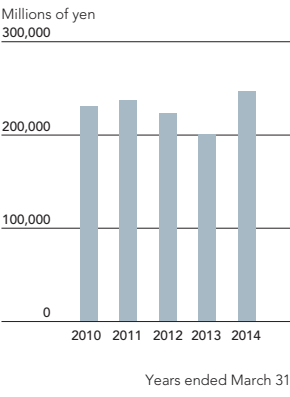
Operating Income / Operating Income Ratio



Net Income / ROE



EBITDA



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 ¥32,902 million year on year, to ¥224,739 million. Major cash inflows included income before income taxes and minority interests, decrease in inventories, and long-term borrowings. Major cash outflows included purchases of property and equipment and the repayment of long-term borrowings.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥336,489 million, up ¥214,202 million compared with the previous fiscal year. Income before income taxes and minority interests amounted to ¥108,685 million, while depreciation and amortization—a non-cash item—totaled ¥74,805 million. These and other cash inflows were adjusted to reflect movements in inventories, notes and accounts payable, and other items.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥133,537 million, up ¥84,455 million year on year. The increase in net cash used was primarily due to purchases of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥177,514 million, compared with net cash provided by financing activities of ¥27,150 million recorded in the previous fiscal year. The decline can mainly be attributed to repayment of long-term borrowings and corporate bonds compared with fiscal 2013.

(2) Consolidated Balance Sheets

Compared with March 31, 2013, total assets as of March 31, 2014, increased ¥53,847 million, to ¥4,765,368 million, principally as a result of the operating, investing, and financing activities previously identified, which led to movements in assets and liabilities.

Total liabilities contracted ¥27,234 million, to ¥3,318,275 million. The balance of interest-bearing debt as of March 31, 2014, declined ¥112,375 million compared with the year-end balance in fiscal 2013, to ¥1,973,042 million. Deducting cash and cash equivalents, the balance of net interest-bearing debt as of March 31, 2014, decreased ¥145,277 million year on year, to ¥1,748,303 million.

Net assets expanded ¥81,081 million year on year, to ¥1,447,093 million. Reductions in net assets caused by changes in such items as land revaluation reserve and remeasurements of defined benefit plans were more than offset by increases in retained earnings, foreign currency translation adjustments, and other items.

Matters Related to 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 rental properties containing self-use space.

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.

| Millions of yen | | |
|--|--|--|
| | Fiscal Year Ended March 31, 2014 (April 1, 2013, to March 31, 2014) | Fiscal Year Ended March 31, 2013 (April 1, 2012, to March 31, 2013) |
| Rental Properties | | |
| Amounts recorded on consolidated balance sheets | | |
| Balance as of the beginning of the period | 2,965,396 | 2,622,741 |
| Increase (decrease) during the period | 109,249 | 342,654 |
| Balance as of the end of the period | 3,074,645 | 2,965,396 |
| Market value as of the end of the period | 5,060,986 | 4,920,768 |
| Rental Properties Containing Self-Use Space | | |
| Amounts recorded on consolidated balance sheets | | |
| Balance as of the beginning of the period | 227,564 | 232,419 |
| Increase (decrease) during the period | (2,987) | (4,854) |
| Balance as of the end of the period | 224,577 | 227,564 |
| Market value as of the end of the period | 334,700 | 339,800 |

- Notes:
- 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.
 - The principal contributor to the increase (decrease) in rental properties and real estate that includes portions used as rental properties during the fiscal year under review was the increase resulting from the consolidation of the special purpose company, Shinjuku 6-chome (¥166,998 million).
 - Fair values as of the end of each consolidated fiscal year are as follows:
 - 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.

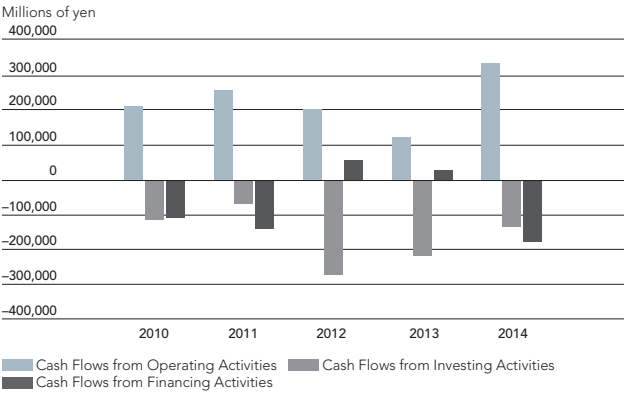
for each fiscal year.

| Millions of yen | | |
|--|--|--|
| | Fiscal Year Ended March 31, 2014 (April 1, 2013, to March 31, 2014) | Fiscal Year Ended March 31, 2013 (April 1, 2012, to March 31, 2013) |
| Rental Properties | | |
| Rental revenue | 373,047 | 349,767 |
| Rental costs | 256,935 | 231,696 |
| Difference | 116,111 | 118,070 |
| Other income (loss) | (30,873) | (17,189) |
| Rental Properties Containing Self-Use Space | | |
| Rental revenue | 17,074 | 17,646 |
| Rental costs | 16,227 | 16,431 |
| Difference | 847 | 1,215 |
| Other income (loss) | (1,474) | (5,534) |

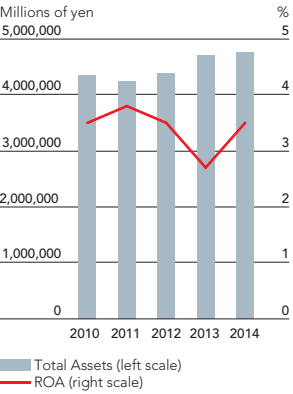
- Notes:
- Real estate that includes portions used as investment and rental properties has portions that are used by Mitsubishi Estate and some of its consolidated subsidiaries for the purpose of providing related services and conducting operation management. Accordingly, rental revenue associated with 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.
 - Other losses for the fiscal year under review included impairment losses of ¥32,365 million.

Also, the following table shows profit and loss related to real estate, including the rental properties containing self-use space

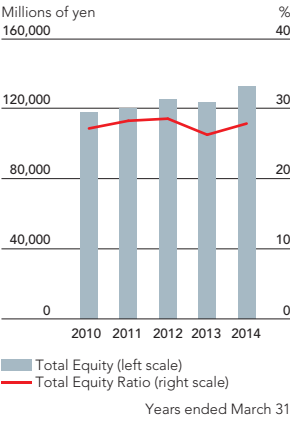
Cash Flow



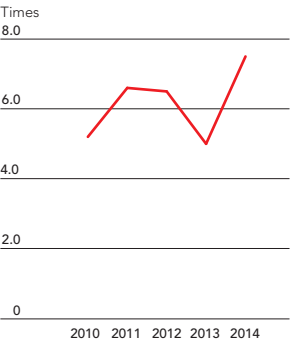
Total Assets / ROA



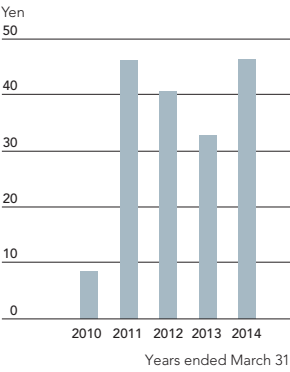
Total Equity / Total Equity Ratio



Interest Coverage Ratio



Net Income per Share



FINANCIAL SECTION

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|-------------|---------------------------------------|
| | 2014 | 2013 | 2014 |
| Assets | | | |
| Current assets: | | | |
| Cash on hand and in banks (Notes 6, 14 and 16) | ¥ 224,121 | ¥ 192,076 | \$ 2,177,625 |
| Notes and accounts receivable – trade (Notes 6 and 14) | 28,539 | 29,925 | 277,299 |
| Marketable securities (Notes 14 and 15) | 1,333 | 612 | 12,955 |
| Allowance for doubtful receivables | (208) | (201) | (2,022) |
| Inventories (Note 4) | 402,658 | 511,036 | 3,912,341 |
| Equity investments (Notes 14 and 15) | 223,911 | 208,523 | 2,175,583 |
| Deferred income taxes (Note 8) | 21,152 | 21,064 | 205,525 |
| Other current assets | 45,014 | 63,736 | 437,372 |
| Total current assets | 946,522 | 1,026,773 | 9,196,681 |
| | | | |
| | | | |
| | | | |
| | | | |
| Investments: | | | |
| Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14) | 17,730 | 15,663 | 172,278 |
| Investment securities (Notes 6, 14 and 15) | 196,076 | 185,491 | 1,905,131 |
| Asset for retirement benefits (Notes 2 and 7) | 6,320 | — | 61,414 |
| Other investments (Notes 5 and 14) | 163,909 | 148,525 | 1,592,592 |
| Total investments | 384,037 | 349,680 | 3,731,416 |
| | | | |
| | | | |
| | | | |
| | | | |
| Property and equipment (Note 6): | | | |
| Land | 1,897,116 | 1,883,246 | 18,432,926 |
| Land in trust | 440,852 | 377,854 | 4,283,448 |
| Buildings and structures | 2,148,557 | 2,063,217 | 20,875,991 |
| Machinery and equipment and other | 140,336 | 135,637 | 1,363,553 |
| Construction in progress | 53,657 | 33,909 | 521,347 |
| | 4,680,520 | 4,493,866 | 45,477,267 |
| Less accumulated depreciation | (1,351,915) | (1,270,029) | (13,135,593) |
| Property and equipment, net | 3,328,605 | 3,223,836 | 32,341,674 |
| | | | |
| | | | |
| | | | |
| Intangible and other assets | 106,203 | 111,230 | 1,031,904 |
| | | | |
| Total assets | ¥ 4,765,368 | ¥ 4,711,521 | \$ 46,301,677 |

See accompanying notes to consolidated financial statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|------------|---------------------------------------|
| | 2014 | 2013 | 2014 |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Short-term borrowings and current portion of long-term debt (Notes 6 and 14) | ¥ 463,486 | ¥ 327,304 | \$ 4,503,363 |
| Notes and accounts payable – trade (Note 14) | 105,271 | 53,044 | 1,022,846 |
| Accrued income taxes (Note 8) | 14,423 | 8,935 | 140,139 |
| Advances and deposits | 119,160 | 89,282 | 1,157,795 |
| Accrued expenses and other current liabilities | 65,406 | 60,877 | 635,509 |
| Total current liabilities | 767,747 | 539,444 | 7,459,654 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 6 and 14) | 1,500,052 | 1,747,905 | 14,574,938 |
| Lease deposits received (Note 14) | 383,083 | 378,876 | 3,722,149 |
| Accrued employees’ retirement benefits (Note 7) | — | 16,671 | — |
| Liability for retirement benefits (Notes 2 and 7) | 20,380 | — | 198,020 |
| Deferred income taxes (Note 8) | 512,028 | 516,800 | 4,975,018 |
| Negative goodwill | 92,356 | 88,143 | 897,362 |
| Other non-current liabilities | 42,625 | 57,668 | 414,164 |
| Total long-term liabilities | 2,550,527 | 2,806,065 | 24,781,652 |
| Total liabilities | 3,318,275 | 3,345,509 | 32,241,307 |
| Net assets: | | | |
| Shareholders’ equity (Note 9): | | | |
| Common stock, without par value: | | | |
| Authorized – 1,980,000,000 shares; | | | |
| Issued – 1,390,397,097 shares in 2014 and 2013 | 141,373 | 141,373 | 1,373,622 |
| Capital surplus | 170,485 | 170,485 | 1,656,486 |
| Retained earnings | 465,757 | 413,392 | 4,525,436 |
| Less treasury stock, at cost | (4,811) | (4,585) | (46,749) |
| Total shareholders’ equity | 772,805 | 720,666 | 7,508,796 |
| Accumulated other comprehensive income: | | | |
| Unrealized holding gain on securities | 75,971 | 70,608 | 738,162 |
| Deferred gain (loss) on hedging instruments | 125 | (221) | 1,214 |
| Land revaluation reserve | 493,153 | 498,103 | 4,791,620 |
| Foreign currency translation adjustments | (8,249) | (49,608) | (80,155) |
| Retirement benefits liability adjustments (Notes 2 and 7) | (4,748) | — | (46,135) |
| Total accumulated other comprehensive income | 556,252 | 518,881 | 5,404,707 |
| Stock acquisition rights | 494 | 500 | 4,809 |
| Minority interests | 117,540 | 125,963 | 1,142,057 |
| Contingent liabilities (Note 12) | | | |
| Total net assets | 1,447,093 | 1,366,011 | 14,060,369 |
| Total liabilities and net assets | ¥4,765,368 | ¥4,711,521 | \$46,301,677 |

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|-----------|---------------------------------------|
| | 2014 | 2013 | 2014 |
| Revenue from operations | ¥1,075,285 | ¥ 927,157 | \$10,447,775 |
| Cost of revenue from operations | (836,249) | (733,392) | (8,125,234) |
| Selling, general and administrative expenses | (77,764) | (75,415) | (755,586) |
| Operating income | 161,271 | 118,349 | 1,566,955 |
| Other income (expenses): | | | |
| Interest and dividend income | 4,109 | 4,023 | 39,926 |
| Interest expenses | (22,176) | (24,594) | (215,477) |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 1,547 | 517 | 15,039 |
| Other, net (Note 13) | (36,065) | (41,554) | (350,421) |
| | (52,585) | (61,608) | (510,932) |
| Income before income taxes and minority interests | 108,685 | 56,741 | 1,056,022 |
| Income taxes (Note 8): | | | |
| Current | (22,403) | (16,479) | (217,681) |
| Prior years | (20,684) | (48) | (200,973) |
| Deferred | 2,359 | 14,620 | 22,926 |
| | (40,728) | (1,907) | (395,728) |
| Income before minority interests | 67,957 | 54,833 | 660,293 |
| Minority interests | (3,660) | (9,325) | (35,562) |
| Net income | ¥ 64,297 | ¥ 45,507 | \$ 624,731 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|---------|---------------------------------------|
| | 2014 | 2013 | 2014 |
| Income before minority interests | ¥ 67,957 | ¥54,833 | \$ 660,293 |
| Other comprehensive income (Note 21): | | | |
| Unrealized holding gain (loss) on securities | 5,364 | 23,358 | 52,119 |
| Deferred gain (loss) on hedging instruments | 426 | (65) | 4,140 |
| Land revaluation reserve | (79) | (1,384) | (768) |
| Foreign currency translation adjustments | 41,754 | 19,556 | 405,693 |
| Share of other comprehensive income of companies accounted for by the equity method | 1,405 | 679 | 13,655 |
| Total other comprehensive income | 48,870 | 42,145 | 474,840 |
| Comprehensive income (Note 21) | ¥116,827 | ¥96,979 | \$1,135,134 |
| Total comprehensive income attributable to: | | | |
| Shareholders of Mitsubishi Estate Co., Ltd. | ¥111,287 | ¥87,337 | \$1,081,303 |
| Minority interests | ¥ 5,540 | ¥ 9,641 | \$ 53,830 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|--|---|
| | Shareholders' equity | | | | | Accumulated other comprehensive income | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Unrealized holding gain on securities | Deferred gain (loss) on hedging instruments |
| Balance at April 1, 2012 | ¥141,373 | ¥170,485 | ¥471,087 | ¥(4,366) | ¥778,580 | ¥47,251 | ¥(238) |
| Cumulative effect of changes in accounting policy | | | (89,146) | | (89,146) | | |
| Restated balance at April 1, 2012 | 141,373 | 170,485 | 381,940 | (4,366) | 689,433 | 47,251 | (238) |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | (16,652) | | (16,652) | | |
| Net income | | | 45,507 | | 45,507 | | |
| Purchase of treasury stock | | | | (384) | (384) | | |
| Disposal of treasury stock | | | (29) | 166 | 136 | | |
| Land revaluation reserve (Note 1-h) | | | 1,160 | | 1,160 | | |
| Changes in the scope of consolidation | | | 1,466 | | 1,466 | | |
| Net change in items other than those in shareholders' equity | | | | | | 23,356 | 16 |
| Total of changes in the year | | | 31,451 | (218) | 31,233 | 23,356 | 16 |
| Balance at April 1, 2013 | 141,373 | 170,485 | 413,392 | (4,585) | 720,666 | 70,608 | (221) |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | (16,651) | | (16,651) | | |
| Net income | | | 64,297 | | 64,297 | | |
| Purchase of treasury stock | | | | (411) | (411) | | |
| Disposal of treasury stock | | | (37) | 185 | 147 | | |
| Land revaluation reserve (Note 1-h) | | | 4,870 | | 4,870 | | |
| Changes in the scope of consolidation | | | (114) | | (114) | | |
| Net change in items other than those in shareholders' equity | | | | | | 5,363 | 346 |
| Total of changes in the year | | | 52,365 | (226) | 52,138 | 5,363 | 346 |
| Balance at March 31, 2014 | ¥141,373 | ¥170,485 | ¥465,757 | ¥(4,811) | ¥772,805 | ¥75,971 | ¥ 125 |

| | Millions of yen | | | | | | |
|--|--|--|---|--|--------------------------|--------------------|------------------|
| | Accumulated other comprehensive income | | | | Stock acquisition rights | Minority interests | Total net assets |
| | Land revaluation reserve | Foreign currency translation adjustments | Retirement benefits liability adjustments (Notes 2 and 7) | Total accumulated other comprehensive income | | | |
| Balance at April 1, 2012 | ¥500,647 | ¥(69,449) | — | ¥478,211 | ¥451 | ¥116,672 | ¥1,373,915 |
| Cumulative effect of changes in accounting policy | | | | | | | (89,146) |
| Restated balance at April 1, 2012 | 500,647 | (69,449) | — | 478,211 | 451 | 116,672 | 1,284,768 |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | | | | | (16,652) |
| Net income | | | | | | | 45,507 |
| Purchase of treasury stock | | | | | | | (384) |
| Disposal of treasury stock | | | | | | | 136 |
| Land revaluation reserve (Note 1-h) | | | | | | | 1,160 |
| Changes in the scope of consolidation | | | | | | | 1,466 |
| Net change in items other than those in shareholders' equity | (2,544) | 19,840 | — | 40,669 | 49 | 9,291 | 50,009 |
| Total of changes in the year | (2,544) | 19,840 | — | 40,669 | 49 | 9,291 | 81,243 |
| Balance at April 1, 2013 | 498,103 | (49,608) | — | 518,881 | 500 | 125,963 | 1,366,011 |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | | | | | (16,651) |
| Net income | | | | | | | 64,297 |
| Purchase of treasury stock | | | | | | | (411) |
| Disposal of treasury stock | | | | | | | 147 |
| Land revaluation reserve (Note 1-h) | | | | | | | 4,870 |
| Changes in the scope of consolidation | | | | | | | (114) |
| Net change in items other than those in shareholders' equity | (4,949) | 41,359 | ¥(4,748) | 37,371 | (5) | (8,423) | 28,942 |
| Total of changes in the year | (4,949) | 41,359 | (4,748) | 37,371 | (5) | (8,423) | 81,081 |
| Balance at March 31, 2014 | ¥493,153 | ¥ (8,249) | ¥(4,748) | ¥556,252 | ¥494 | ¥117,540 | ¥1,447,093 |

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, 2014 and 2013

| | Thousands of U.S. dollars (Note 3) | | | | | | |
|--|------------------------------------|-----------------|-------------------|----------------|----------------------------|--|---|
| | Shareholders' equity | | | | | Accumulated other comprehensive income | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Unrealized holding gain on securities | Deferred gain (loss) on hedging instruments |
| Balance at April 1, 2012 | \$1,373,622 | \$1,656,486 | \$4,577,224 | \$(42,428) | \$7,564,904 | \$459,109 | \$(2,316) |
| Cumulative effect of changes in accounting policy | | | (866,177) | | (866,177) | | |
| Restated balance at April 1, 2012 | 1,373,622 | 1,656,486 | 3,711,046 | (42,428) | 6,698,727 | 459,109 | (2,316) |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | (161,803) | | (161,803) | | |
| Net income | | | 442,164 | | 442,164 | | |
| Purchase of treasury stock | | | | (3,736) | (3,736) | | |
| Disposal of treasury stock | | | (283) | 1,614 | 1,330 | | |
| Land revaluation reserve (Note 1-h) | | | 11,271 | | 11,271 | | |
| Changes in the scope of consolidation | | | 14,246 | | 14,246 | | |
| Net change in items other than those in shareholders' equity | | | | | | 226,938 | 162 |
| Total of changes in the year | | | 305,595 | (2,122) | 303,472 | 226,938 | 162 |
| Balance at April 1, 2013 | 1,373,622 | 1,656,486 | 4,016,642 | (44,551) | 7,002,200 | 686,048 | (2,153) |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | (161,792) | | (161,792) | | |
| Net income | | | 624,731 | | 624,731 | | |
| Purchase of treasury stock | | | | (3,997) | (3,997) | | |
| Disposal of treasury stock | | | (362) | 1,799 | 1,437 | | |
| Land revaluation reserve (Note 1-h) | | | 47,327 | | 47,327 | | |
| Changes in the scope of consolidation | | | (1,109) | | (1,109) | | |
| Net change in items other than those in shareholders' equity | | | | | | 52,114 | 3,368 |
| Total of changes in the year | | | 508,793 | (2,197) | 506,595 | 52,114 | 3,368 |
| Balance at March 31, 2014 | \$1,373,622 | \$1,656,486 | \$4,525,436 | \$(46,749) | \$7,508,796 | \$738,162 | \$ 1,214 |

| | Thousands of U.S. dollars (Note 3) | | | | | | |
|--|--|--|---|--|---------|--------------------------|------------------|
| | Accumulated other comprehensive income | | | | | Stock acquisition rights | Total net assets |
| | Land revaluation reserve | Foreign currency translation adjustments | Retirement benefits liability adjustments (Notes 2 and 7) | Total accumulated other comprehensive income | | | |
| Balance at April 1, 2012 | \$4,864,437 | \$(674,789) | — | \$4,646,441 | \$4,384 | \$1,133,622 | \$13,349,353 |
| Cumulative effect of changes in accounting policy | | | | | | | (866,177) |
| Restated balance at April 1, 2012 | 4,864,437 | (674,789) | — | 4,646,441 | 4,384 | 1,133,622 | 12,483,175 |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | | | | | (161,803) |
| Net income | | | | | | | 442,164 |
| Purchase of treasury stock | | | | | | | (3,736) |
| Disposal of treasury stock | | | | | | | 1,330 |
| Land revaluation reserve (Note 1-h) | | | | | | | 11,271 |
| Changes in the scope of consolidation | | | | | | | 14,246 |
| Net change in items other than those in shareholders' equity | (24,720) | 192,775 | — | 395,156 | 479 | 90,275 | 485,911 |
| Total of changes in the year | (24,720) | 192,775 | — | 395,156 | 479 | 90,275 | 789,384 |
| Balance at April 1, 2013 | 4,839,716 | (482,013) | — | 5,041,597 | 4,864 | 1,223,898 | 13,272,560 |
| Changes in the year: | | | | | | | |
| Cash dividends paid | | | | | | | (161,792) |
| Net income | | | | | | | 624,731 |
| Purchase of treasury stock | | | | | | | (3,997) |
| Disposal of treasury stock | | | | | | | 1,437 |
| Land revaluation reserve (Note 1-h) | | | | | | | 47,327 |
| Changes in the scope of consolidation | | | | | | | (1,109) |
| Net change in items other than those in shareholders' equity | (48,095) | 401,858 | \$(46,135) | 363,110 | (55) | (81,840) | 281,214 |
| Total of changes in the year | (48,095) | 401,858 | (46,135) | 363,110 | (55) | (81,840) | 787,809 |
| Balance at March 31, 2014 | \$4,791,620 | \$ (80,155) | \$(46,135) | \$5,404,707 | \$4,809 | \$1,142,057 | \$14,060,369 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|-----------|------------------------------------|
| | 2014 | 2013 | 2014 |
| Cash flows from operating activities | | | |
| Income before income taxes and minority interests | ¥ 108,685 | ¥ 56,741 | \$ 1,056,022 |
| Depreciation and amortization | 74,805 | 73,364 | 726,836 |
| (Gain) loss on sales or disposal of property and equipment | (3,131) | 11,560 | (30,429) |
| (Gain) loss on sales of securities | (314) | (260) | (3,059) |
| Valuation loss on equity investments | 7,648 | 8,985 | 74,316 |
| Impairment loss | 32,644 | 2,826 | 317,187 |
| Equity in net income of affiliates | (1,547) | (517) | (15,039) |
| Increase (decrease) in allowances | (7,180) | 4,973 | (69,766) |
| Increase (decrease) in liability for retirement benefits | (2,746) | — | (26,688) |
| Interest and dividend income | (4,109) | (4,023) | (39,926) |
| Interest expense | 22,176 | 24,594 | 215,477 |
| (Increase) decrease in notes and accounts receivable | (1,143) | 11,672 | (11,114) |
| (Increase) decrease in inventories | 93,854 | 43,173 | 911,921 |
| (Increase) decrease in equity investments | (18,180) | (24,319) | (176,649) |
| Increase (decrease) in notes and accounts payable | 49,165 | (13,833) | 477,707 |
| Increase (decrease) in lease deposits received | 3,995 | 5,965 | 38,820 |
| Other | 28,593 | (26,539) | 277,820 |
| Subtotal | 383,216 | 174,363 | 3,723,435 |
| Interest and dividends received | 4,530 | 6,277 | 44,020 |
| Interest paid | (22,154) | (24,940) | (215,261) |
| Income taxes paid | (29,102) | (33,413) | (282,768) |
| Net cash provided by operating activities | 336,489 | 122,286 | 3,269,426 |
| Cash flows from investing activities | | | |
| Proceeds from sales of marketable securities | — | 181 | — |
| Proceeds from sales of property and equipment | 32,440 | 9,948 | 315,203 |
| Purchases of property and equipment | (159,366) | (206,608) | (1,548,453) |
| Proceeds from sales of investment securities | 1,034 | 2,247 | 10,050 |
| Purchases of investment securities | (1,401) | (2,804) | (13,617) |
| Other | (6,243) | (20,957) | (60,668) |
| Net cash used in investing activities | (133,537) | (217,992) | (1,297,485) |
| Cash flows from financing activities | | | |
| Net increase and decrease in short-term borrowings | (20,905) | (13,301) | (203,126) |
| Net increase and decrease in commercial paper | (35,000) | 35,000 | (340,069) |
| Increase in long-term borrowings | 165,587 | 399,752 | 1,608,898 |
| Repayment of long-term borrowings | (207,047) | (486,374) | (2,011,732) |
| Proceeds from issuance of corporate bonds | 15,761 | 187,650 | 153,143 |
| Repayment of corporate bonds | (68,207) | (82,881) | (662,721) |
| Cash dividends paid | (16,658) | (16,652) | (161,862) |
| Other | (11,044) | 3,958 | (107,312) |
| Net cash provided by (used in) financing activities | (177,514) | 27,150 | (1,724,783) |
| Effect of exchange rate changes on cash and cash equivalents | 8,321 | 3,838 | 80,851 |
| Net increase and decrease in cash and cash equivalents | 33,758 | (64,716) | 328,008 |
| Cash and cash equivalents at beginning of year | 191,837 | 215,771 | 1,863,945 |
| Increase in cash and cash equivalents arising from newly consolidated subsidiaries | — | 42,724 | — |
| Cash and cash equivalents of subsidiaries excluded from consolidation | (856) | (1,942) | (8,320) |
| Cash and cash equivalents at end of year (Note 16) | ¥ 224,739 | ¥ 191,837 | \$ 2,183,634 |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

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 Act 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 Financial Instruments and Exchange Act 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 sheets and cash equivalents at March 31, 2014 and 2013 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 sheets 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 exists. 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

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

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date.

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 1 year through 15 years), which are shorter than the average remaining years of service of employees.

Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain or loss.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of service of 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 the Companies Act 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.

o. Standards issued but not yet effective

(“Accounting Standard for Business Combinations”)
On September 13, 2013, the Accounting Standards Board of Japan (ASBJ) issued “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21) and “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7), “Revised Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2), “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10), and “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4).

(1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent’s ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to “minority interests” was changed to “non-controlling interests,” and transitional provisions for these accounting standards were also defined.

- (2) Scheduled date of adoption
The scheduled date of adoption is to be determined.
- (3) Impact of adopting revised accounting standards and guidance
The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.
 (“Accounting Standard for Retirement Benefits”)
On May 17, 2012, the ASBJ issued “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.
- (1) Overview
The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.
- (2) Scheduled date of adoption
The revised accounting standard and guidance were adopted as of the end of the fiscal year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.
- (3) Impact of adopting revised accounting standard and guidance
The Company is currently evaluating the effect of adopting this revised standard on its consolidated financial statements.

p. Additional information

To implement a plan for management integration between Mitsubishi Estate Community Co., Ltd. (hereinafter, “Mitsubishi Estate Community”), a subsidiary of the Company, and Marubeni Community Co., Ltd. (hereinafter, “Marubeni Community”), a subsidiary of Marubeni Corporation (hereinafter, “Marubeni”), the Company and Marubeni resolved at each meeting of their Board of Directors held on March 27, 2014 that the Company and Marubeni shall establish a holding company that will wholly own both Mitsubishi Estate Community and Marubeni Community by way of a joint stock transfer, and they concluded a management integration agreement as of March 28, 2014.

- The outline of the joint stock transfer is as follows:
- (1) Purpose of joint stock transfer
Through this management integration, the Company aims to provide even more satisfactory services to its customers through (i) improvement of the quality of property management services by the rationalization and effective use of the systems and expertise mutually held by Mitsubishi Estate Community and Marubeni Community; (ii) enhancement of the efficiency of business operations by taking advantage of benefits of scale arising from more than 300,000 units to be managed by the new holding company; and (iii) development of alliances, etc. with each company representing the residential value chain of both groups.
 - (2) Method of joint stock transfer
The Company will implement a joint stock transfer whereby a newly established holding company will hold all shares issued by Mitsubishi Estate Community and Marubeni Community.
 - (3) Effective date of joint stock transfer
July 1, 2014

2 CHANGES IN ACCOUNTING POLICY

(“Revised Accounting Standard for Retirement Benefits”)
The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014.

These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the “Accounting Standard for Retirement Benefits,” based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income.

As a result of this change, a liability for retirement benefits was recognized in the amount of ¥20,380 million (\$198,020 thousand), an asset for retirement benefits was recognized in the amount of ¥6,320 million (\$61,414 thousand), and accumulated other comprehensive income decreased by ¥4,748 million (\$46,135 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥3.42 (\$0.03).

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 ¥102.92 = U.S. \$1.00, the approximate rate of exchange prevailing on March 31, 2014. 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, 2014 and 2013 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Real estate for sale | ¥ 66,484 | ¥152,354 | \$ 645,978 |
| Land and housing projects in progress | 319,355 | 343,621 | 3,102,952 |
| Land held for development | 8,609 | 8,615 | 83,655 |
| Other | 8,208 | 6,444 | 79,755 |
| Total | ¥402,658 | ¥511,036 | \$3,912,341 |

5 OTHER INVESTMENTS

Other investments at March 31, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Lease deposits | ¥113,015 | ¥110,689 | \$1,098,089 |
| Long-term prepaid expenses and other | 50,894 | 37,836 | 494,503 |
| Total | ¥163,909 | ¥148,525 | \$1,592,592 |

6 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2014 and 2013, short-term borrowings and the current portion of long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Loans, principally from banks | ¥ 63,762 | ¥ 68,291 | \$ 619,537 |
| Commercial paper | — | 35,000 | — |
| Current portion of long-term debt | 399,723 | 224,013 | 3,883,825 |
| Total | ¥463,486 | ¥327,304 | \$4,503,363 |

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2014 and 2013 were 0.54% and 0.59%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2014 and 2013, long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------|-----------------|---------|---------------------------|
| | 2014 | 2013 | 2014 |
| 0.785% unsecured bonds due 2013 | — | ¥10,000 | — |
| 1.675% unsecured bonds due 2014 | — | 10,000 | — |
| 1.349% unsecured bonds due 2014 | — | 10,000 | — |
| 1.65% unsecured bonds due 2014 | ¥ 10,000 | 10,000 | \$ 97,162 |
| 1.75% unsecured bonds due 2014 | 10,000 | 10,000 | 97,162 |
| 0.42% secured bonds due 2014 | 4,647 | 4,664 | 45,156 |
| 1.655% unsecured bonds due 2014 | 10,000 | 10,000 | 97,162 |
| 1.409% unsecured bonds due 2015 | 10,000 | 10,000 | 97,162 |
| 1.295% unsecured bonds due 2015 | 10,000 | 10,000 | 97,162 |
| 1.572% unsecured bonds due 2015 | 10,000 | 10,000 | 97,162 |
| 1.443% unsecured bonds due 2016 | 15,000 | 15,000 | 145,744 |
| 1.985% unsecured bonds due 2016 | 10,000 | 10,000 | 97,162 |
| 1.88% unsecured bonds due 2016 | 10,000 | 10,000 | 97,162 |
| 0.553% unsecured bonds due 2016 | 15,000 | 15,000 | 145,744 |
| 0.459% unsecured bonds due 2016 | 10,000 | 10,000 | 97,162 |
| 1.79% unsecured bonds due 2017 | 10,000 | 10,000 | 97,162 |
| 0.428% unsecured bonds due 2017 | 20,000 | 20,000 | 194,325 |
| 2.045% unsecured bonds due 2017 | 10,000 | 10,000 | 97,162 |
| 1.825% unsecured bonds due 2017 | 10,000 | 10,000 | 97,162 |
| 3.125% unsecured bonds due 2017 | 10,000 | 10,000 | 97,162 |
| 1.77% unsecured bonds due 2017 | 20,000 | 20,000 | 194,325 |
| 0.187% unsecured bonds due 2018 | 15,000 | 15,000 | 145,744 |
| 1.65% unsecured bonds due 2018 | 10,000 | 10,000 | 97,162 |
| 2.005% unsecured bonds due 2018 | 10,000 | 10,000 | 97,162 |
| 0.811% unsecured bonds due 2018 | 10,000 | 10,000 | 97,162 |
| 3% unsecured bonds due 2018 | 10,000 | 10,000 | 97,162 |
| 1.84% unsecured bonds due 2018 | 15,000 | 15,000 | 145,744 |
| 1.72% unsecured bonds due 2018 | 10,000 | 10,000 | 97,162 |
| 0.631% unsecured bonds due 2019 | 10,000 | 10,000 | 97,162 |
| 1.87% unsecured bonds due 2019 | 15,000 | 15,000 | 145,744 |
| 1.62% unsecured bonds due 2019 | 10,000 | 10,000 | 97,162 |
| 0.571% unsecured bonds due 2019 | 10,000 | 10,000 | 97,162 |
| 1.53% unsecured bonds due 2019 | 10,000 | 10,000 | 97,162 |
| 1.975% unsecured bonds due 2019 | 10,000 | 10,000 | 97,162 |
| 1.805% unsecured bonds due 2019 | 10,000 | 10,000 | 97,162 |
| 2.5% unsecured bonds due 2020 | 10,000 | 10,000 | 97,162 |
| 1.165% unsecured bonds due 2020 | 10,000 | 10,000 | 97,162 |
| 0.577% unsecured bonds due 2020 | 15,000 | 15,000 | 145,744 |
| 0.54% unsecured bonds due 2021 | 15,000 | 15,000 | 145,744 |
| 1.262% unsecured bonds due 2021 | 15,000 | 15,000 | 145,744 |
| 1.103% unsecured bonds due 2021 | 20,000 | 20,000 | 194,325 |
| 1.095% unsecured bonds due 2021 | 10,000 | 10,000 | 97,162 |
| 1.178% unsecured bonds due 2022 | 20,000 | 20,000 | 194,325 |
| 1.087% unsecured bonds due 2022 | 20,000 | 20,000 | 194,325 |
| 1.026% unsecured bonds due 2022 | 30,000 | 30,000 | 291,488 |

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
| | 2014 | 2013 | 2014 |
| 2.42% unsecured bonds due 2022 | ¥ 10,000 | ¥ 10,000 | \$ 97,162 |
| 0.929% unsecured bonds due 2022 | 10,000 | 10,000 | 97,162 |
| 1.5% unsecured bonds due 2022 | 10,000 | 10,000 | 97,162 |
| 2.075% unsecured bonds due 2023 | 10,000 | 10,000 | 97,162 |
| 2.28% unsecured bonds due 2024 | 10,000 | 10,000 | 97,162 |
| 1.067% unsecured bonds due 2024 | 10,000 | 10,000 | 97,162 |
| 2.305% unsecured bonds due 2027 | 10,000 | 10,000 | 97,162 |
| 2.385% unsecured bonds due 2027 | 10,000 | 10,000 | 97,162 |
| 2.52% unsecured bonds due 2027 | 15,000 | 15,000 | 145,744 |
| 2.425% unsecured bonds due 2027 | 10,000 | 10,000 | 97,162 |
| 2.555% unsecured bonds due 2028 | 10,000 | 10,000 | 97,162 |
| 2.9% unsecured bonds due 2032 | 10,000 | 10,000 | 97,162 |
| 2.615% unsecured bonds due 2032 | 10,000 | 10,000 | 97,162 |
| 2.04% unsecured bonds due 2032 | 20,000 | 20,000 | 194,325 |
| 1.72% unsecured bonds due 2033 | 10,000 | 10,000 | 97,162 |
| Floating rate bonds due 2013 (payable in U.S. dollars) | — | 27,567 | — |
| Floating rate bonds due 2014 (payable in U.S. dollars) | 11,948 | — | 116,093 |
| Loans from banks and insurance companies: | | | |
| Secured | 221,849 | 236,212 | 2,155,556 |
| Unsecured | 976,330 | 988,473 | 9,486,301 |
| | 1,899,775 | 1,971,918 | 18,458,763 |
| Less current portion | (399,723) | (224,013) | (3,883,825) |
| | ¥1,500,052 | ¥1,747,905 | \$14,574,938 |

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 are summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2015 | ¥ 399,774 | \$ 3,884,326 |
| 2016 | 129,681 | 1,260,022 |
| 2017 | 241,574 | 2,347,208 |
| 2018 | 218,459 | 2,122,616 |
| 2019 | 193,818 | 1,883,198 |
| 2020 and thereafter | 716,517 | 6,961,891 |
| Total | ¥1,899,827 | \$18,459,265 |

The assets pledged as collateral for short-term borrowings of ¥100 million (\$971 thousand) and long-term debt of ¥226,497 million (\$2,200,713 thousand) at March 31, 2014 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|------------------------------|-----------------|---------------------------|
| Buildings and structures | ¥170,405 | \$1,655,712 |
| Machinery and equipment | 1,955 | 19,001 |
| Land | 311,833 | 3,029,866 |
| Construction in progress | 354 | 3,446 |
| Other property and equipment | 1,990 | 19,338 |
| Investment securities | 68 | 668 |
| Total | ¥486,609 | \$4,728,034 |

The following debts included in long-term debt are non-recourse loans at March 31, 2014 and 2013, which are secured by collaterals as the ultimate sources of repayment.

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Current portion of long-term debt: | | | |
| Bonds | ¥ 4,647 | — | \$ 45,156 |
| Long-term borrowings | 174,061 | — | 1,691,229 |
| Bonds | — | ¥ 4,664 | — |
| Long-term borrowings | — | 174,635 | — |
| Total | ¥178,708 | ¥179,299 | \$1,736,385 |

The repayment sources at March 31, 2014 and 2013 are the following assets and their accompaniments.

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Cash on hand and in banks | ¥ 16,307 | ¥ 15,693 | \$ 158,450 |
| Notes and accounts receivable – trade | 1,834 | 1,103 | 17,820 |
| Buildings and structures | 43,821 | 45,692 | 425,786 |
| Machinery and equipment | 138 | 155 | 1,345 |
| Land | 123,721 | 137,505 | 1,202,115 |
| Construction in progress | 354 | 353 | 3,446 |
| Other property and equipment | 1,989 | 2,171 | 19,331 |
| Total | ¥188,168 | ¥202,675 | \$1,828,298 |

7 RETIREMENT BENEFIT PLANS

For the year ended March 31, 2014

The Company and most of its domestic consolidated subsidiaries have either funded or unfunded defined benefit plans, defined contribution plans and lump-sum payment plans in the form of a defined benefit plan. The Company has adopted a retirement benefit trust for the lump-sum payment plan and defined benefit plan. Rockefeller Group, Inc., a foreign consolidated subsidiary of the Company, has adopted defined benefit plans.

The simplified method, which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year end, has been adopted in accounting for defined benefit plans for some consolidated subsidiaries and the Company’s executive officers.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Retirement benefit obligation at April 1, 2013 | ¥108,134 | \$1,050,666 |
| Service cost | 4,735 | 46,011 |
| Interest cost | 1,621 | 15,750 |
| Actuarial gain | (1,651) | (16,042) |
| Retirement benefit paid | (4,387) | (42,626) |
| Prior service cost | 30 | 299 |
| Foreign currency translation adjustments | 2,902 | 28,201 |
| Other | (1,541) | (14,976) |
| Retirement benefit obligation at March 31, 2014 | ¥109,844 | \$1,067,284 |

The changes in plan assets during the year ended March 31, 2014 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Plan assets at April 1, 2013 | ¥80,940 | \$786,441 |
| Expected return on plan assets | 1,933 | 18,782 |
| Actuarial gain | 9,966 | 96,838 |
| Contributions by the Company | 4,489 | 43,624 |
| Retirement benefits paid | (3,059) | (29,722) |
| Foreign currency translation adjustments | 1,801 | 17,504 |
| Other | (563) | (5,472) |
| Plan assets at March 31, 2014 | ¥95,509 | \$927,995 |

FINANCIAL SECTION

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Funded retirement benefit obligation | ¥ 96,033 | \$ 933,092 |
| Plan assets at fair value | (95,509) | (927,995) |
| | 524 | 5,097 |
| Unfunded retirement benefit obligation | 13,810 | 134,191 |
| Net liability for retirement benefits in the balance sheet | 14,335 | 139,288 |
| Liability for retirement benefits | 20,380 | 198,020 |
| Asset for retirement benefits | (6,320) | (61,414) |
| Other current liabilities | 276 | 2,682 |
| Net liability for retirement benefits in the balance sheet | ¥ 14,335 | \$ 139,288 |

* The accrued employees' retirement benefits recognized by Rockefeller Group, Inc., a consolidated subsidiary, at March 31, 2014 were included in "Other current liabilities."

The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Service cost | ¥ 4,735 | \$ 46,011 |
| Interest cost | 1,621 | 15,750 |
| Expected return on plan assets | (1,933) | (18,782) |
| Amortization of actuarial loss | 729 | 7,088 |
| Amortization of prior service cost | (61) | (599) |
| Amortization of net retirement benefit obligation at transition | (116) | (1,127) |
| Other | 442 | 4,297 |
| Retirement benefit expense | ¥ 5,417 | \$ 52,638 |

* Retirement benefit expenses for executive officers of the Company and some domestic consolidated subsidiaries adopting the simplified method are included in "Service cost."

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------------------|-----------------|---------------------------|
| Unrecognized prior service cost | ¥ 328 | \$ 3,190 |
| Unrecognized actuarial loss | (8,097) | (78,674) |
| Total | ¥(7,768) | \$(75,484) |

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

| | |
|---|------|
| Bonds | 20% |
| Stocks | 56% |
| General accounts at insurance companies | 14% |
| Other | 10% |
| Total | 100% |

* Approximately 40% of total plan assets are held in the retirement benefit trust.

The expected rate of return on the plan assets was estimated based on the current and anticipated allocation of plan assets as well as the current and anticipated long-term returns on various kinds of assets constituting the plan assets.

The assumptions used in accounting for the above plans are as follows:

| | |
|---|-------------|
| Discount rates | 1.0 – 3.95% |
| Expected rates of return on plan assets | 0.5 – 7.5% |

The required contribution to defined contribution plans by the consolidated subsidiaries for the year ended March 31, 2014 is ¥234 million (\$2,305 thousand).

For the year ended March 31, 2013

| | Millions of yen |
|---|-----------------|
| Retirement benefit obligation | ¥(108,134) |
| Plan assets at fair value | 80,940 |
| Unfunded retirement benefit obligation | (27,194) |
| The net retirement benefit obligation at transition of the accounting standards | (116) |
| Unrecognized actuarial loss | 19,408 |
| Unrecognized prior service cost | (155) |
| Net amounts recognized in the consolidated balance sheets | (8,058) |
| Prepaid pension expenses | 8,845 |
| Accrued employees' retirement benefits | ¥ (16,903) |

* The accrued employees' retirement benefits recognized by Rockefeller Group, Inc., a consolidated subsidiary, in the amount of ¥232 million at March 31, 2013 was included in "Other current liabilities."

The components of expenses related to the pension and severance plans for the years ended March 31, 2013 were as follows:

| | Millions of yen |
|---|-----------------|
| Service cost | ¥ 4,437 |
| Interest cost | 2,116 |
| Expected return on plan assets | (1,654) |
| Amortization of net retirement benefit obligation at transition | 3 |
| Amortization of actuarial loss | 1,611 |
| Other | 746 |
| Total | ¥ 7,261 |

The assumptions used in accounting for the pension and severance plans for the years ended March 31, 2013 were as follows:

| | |
|---|------------|
| Discount rates | 1.0 – 4.6% |
| Expected rates of return on plan assets | 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 a statutory tax rate of 38.01% for the year ended March 31, 2014 and 2013. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2014 and 2013 differ from the statutory tax rate for the following reasons:

| | 2014 | 2013 |
|--|------|---------|
| Statutory tax rate | — | 38.01% |
| Increase (decrease) in income taxes resulting from: | | |
| Change in valuation allowance | — | (17.68) |
| Different tax rates applied | — | (0.28) |
| Revenues deductible for income tax purposes | — | (0.74) |
| Expenses not deductible for income tax purposes | — | 2.99 |
| Undistributed earnings of affiliates | — | 0.26 |
| Equity income | — | (0.33) |
| Reversal of temporary differences associated with investment in affiliates | — | (19.44) |
| Other | — | 0.57 |
| Effective tax rates | — | 3.36% |

* Disclosure of the reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2014 has been omitted since the difference is less than 5% of the statutory tax rate.

The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
| | 2014 | 2013 | 2014 |
| Deferred tax assets: | | | |
| Net operating loss carry forwards | ¥ 3,111 | ¥ 9,151 | \$ 30,230 |
| Accrued retirement allowances and pension costs | — | 13,647 | — |
| Liability for retirement benefits | 15,952 | — | 154,994 |
| Valuation loss on inventories | 14,362 | 18,620 | 139,549 |
| Unrealized loss on property and equipment | 86,280 | 82,926 | 838,322 |
| Unrealized loss on property and equipment by consolidation | 11,568 | 13,466 | 112,400 |
| Land revaluation reserve | 29,755 | 29,834 | 289,116 |
| Loss on valuation of equity investments | 8,031 | 4,626 | 78,034 |
| Other | 29,553 | 32,245 | 287,147 |
| Total gross deferred tax assets | 198,614 | 204,519 | 1,929,795 |
| Valuation allowance | (77,589) | (67,509) | (753,880) |
| Total deferred tax assets | 121,025 | 137,010 | 1,175,914 |
| Deferred tax liabilities: | | | |
| Reserves under Special Taxation Measures Law | (51,707) | (74,104) | (502,403) |
| Land revaluation reserve | (319,090) | (322,051) | (3,100,373) |
| Unrealized gain on property and equipment by consolidation | (123,472) | (122,681) | (1,199,697) |
| Unrealized gain on property and equipment | (42,679) | (42,644) | (414,688) |
| Unrealized gain on securities | (39,307) | (36,494) | (381,923) |
| Other | (26,439) | (18,851) | (256,896) |
| Total deferred tax liabilities | (602,697) | (616,827) | (5,855,984) |
| Net deferred tax liabilities | ¥(481,672) | ¥(479,817) | \$(4,680,069) |

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. In addition, the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 4 of 2014) and the “Act for Partial Amendment of the Local Corporate Tax Act, etc.” (Act No. 11 of 2014) were promulgated on March 31, 2014, and the Company is subject to the amended Local Corporate Tax effective for fiscal years beginning on or after April 1, 2015.

9 SHAREHOLDERS’ EQUITY

The Companies Act of Japan 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

As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 38.01% to 35.64% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014.

The announced reduction of the effective statutory tax rate did not have a significant impact on deferred tax assets and liabilities as of March 31, 2014.

million (\$1,656,486 thousand), and the legal reserve amounted to ¥21,663 million (\$210,491 thousand) at March 31, 2014. 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

| Year ended March 31, | Yen | | U.S. dollars |
|---------------------------------------|---------|---------|--------------|
| | 2014 | 2013 | 2014 |
| Net income: | | | |
| Basic | ¥46.34 | ¥32.79 | \$0.45 |
| Diluted | 46.32 | 32.78 | 0.45 |
| Cash dividends applicable to the year | 12.00 | 12.00 | 0.11 |
| | | | |
| As of March 31, | Yen | | U.S. dollars |
| | 2014 | 2013 | 2014 |
| Net assets | ¥957.80 | ¥893.27 | \$9.30 |

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

Future minimum lease payments subsequent to March 31, 2014 on noncancelable operating leases are summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2015 | ¥ 6,644 | \$ 64,563 |
| 2016 and thereafter | 139,189 | 1,352,408 |
| Total | ¥145,834 | \$1,416,972 |

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, 2014 from noncancelable operating leases is summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2015 | ¥204,868 | \$1,990,565 |
| 2016 and thereafter | 661,932 | 6,431,523 |
| Total | ¥866,801 | \$8,422,088 |

12 CONTINGENT LIABILITIES

At March 31, 2014, the Company and its consolidated subsidiaries had the following contingent liabilities:

(1) Guarantee of loans

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Guarantees of affiliates’ loans from banks | ¥ 420 | \$ 4,080 |
| Guarantees of house purchasers’ loans from banks | 75,597 | 734,526 |
| Other | 54 | 525 |
| Total | ¥76,071 | \$739,132 |

(2) Guarantee for business undertakings

| | Millions of yen | Thousands of U.S. dollars |
|---------------------------------|-----------------|---------------------------|
| Business undertaking guarantees | ¥16,342 | \$158,784 |

Mitsubishi Estate Asia Pte. Ltd. provides business undertaking guarantees for residential development projects in proportion to its share.

(3)Obligation of additional investment

| | Millions of yen | Thousands of U.S. dollars |
|-------------------------------------|-----------------|---------------------------|
| Obligation of additional investment | ¥28,500 | \$276,914 |

The Company’s additional contribution obligation for the special purpose company is 50% as its stake.

13 OTHER INCOME (EXPENSES)

The components of “Other, net” in “Other income (expenses)” for each of the years ended March 31, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Amortization of negative goodwill | — | ¥ 835 | — |
| Gain on sales of fixed assets | ¥ 6,702 | 6,165 | \$ 65,119 |
| Gain on negative goodwill | 4,942 | 1,374 | 48,021 |
| Loss on disposal of fixed assets | (4,029) | (5,744) | (39,154) |
| Loss related to retirement of fixed assets | (2,303) | (24,338) | (22,379) |
| Impairment loss*1 | (32,644) | (2,826) | (317,187) |
| Loss on valuation of equity investments | (7,648) | (8,985) | (74,316) |
| Provision for loss on guarantees | — | (7,030) | — |
| Other, net | (1,083) | (1,005) | (10,523) |
| | ¥(36,065) | ¥(41,554) | \$(350,421) |

*1. Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2014:

| Major Application | Category | Location |
|--|-----------------------|--|
| Leased assets, etc. (total 24 groups) | Land, Buildings, etc. | Osaka, Osaka Prefecture, Nagoya, Aichi Prefecture, etc. |

Asset grouping for the Company and its consolidated subsidiaries (collectively, 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, 2014, the book values of 24 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 impairment losses in the amount of ¥32,644 million (\$317,187 thousand).

The breakdown of such impairment losses was ¥18,418 million (\$178,963 thousand) in land, and ¥14,226 million (\$138,224 thousand) in buildings and structures.

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, 2013:

| Major Application | Category | Location |
|--|-----------------------|-----------------------------------|
| Leased assets, etc. (total 19 groups) | Land, Buildings, etc. | Saitama, Saitama Prefecture, 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, 2013, the book values of 19 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 impairment losses in the amount of ¥2,826 million.

The breakdown of such impairment losses was ¥1,615 million in land, and ¥1,210 million in buildings and structures.

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.

14 FINANCIAL INSTRUMENTS

OVERVIEW

(1) Policy for financial instruments

In consideration of plans for capital investment, the Group raises 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 exposure to interest rate, reducing interest expenses, and hedging the risk of fluctuations in foreign exchange rates 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 20 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 swaps, currency swaps and forward foreign exchange contracts. 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 sheets as of March 31, 2014 and 2013 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 | | |
|--|-----------------|----------------------|------------|---------------------------|----------------------|------------|
| | 2014 | | | | | |
| | Carrying Value | Estimated Fair Value | Difference | Carrying Value | Estimated Fair Value | Difference |
| 1) Cash on hand and in banks | ¥ 224,121 | ¥ 224,121 | — | \$ 2,177,625 | \$ 2,177,625 | — |
| 2) Notes and accounts receivable – trade | 28,539 | | | 277,299 | | |
| Allowance for doubtful receivables(*1) | (208) | | | (2,022) | | |
| | 28,331 | 28,331 | — | 275,276 | 275,276 | — |
| 3) Securities and Investment securities | | | | | | |
| (i) Held-to-maturity debt securities | 622 | 635 | ¥ 12 | 6,052 | 6,177 | \$ 124 |
| (ii) Other securities | 190,975 | 191,141 | 165 | 1,855,574 | 1,857,182 | 1,608 |
| 4) Equity investments | 10,526 | 10,526 | — | 102,281 | 102,281 | — |
| Total assets | ¥ 454,578 | ¥ 454,756 | ¥ 178 | \$ 4,416,811 | \$ 4,418,544 | \$ 1,733 |
| 1) Notes and accounts payable – trade | ¥ 105,271 | ¥ 105,271 | — | \$ 1,022,846 | \$ 1,022,846 | — |
| 2) Short-term borrowings | 63,762 | 63,762 | — | 619,537 | 619,537 | — |
| 3) Current portion of long-term borrowings | 343,127 | 343,127 | — | 3,333,923 | 3,333,923 | — |
| 4) Commercial paper | — | — | — | — | — | — |
| 5) Current portion of long-term bonds | 56,595 | 56,595 | — | 549,901 | 549,901 | — |
| 6) Long-term bonds | 645,000 | 685,169 | ¥40,169 | 6,267,003 | 6,657,306 | \$390,302 |
| 7) Long-term borrowings | 855,052 | 865,951 | 10,898 | 8,307,934 | 8,413,831 | 105,897 |
| Total liabilities | ¥2,068,810 | ¥2,119,879 | ¥51,068 | \$20,101,147 | \$20,597,347 | \$496,199 |

| | Millions of yen | | |
|--|-----------------|----------------------|------------|
| | 2013 | | |
| | Carrying Value | Estimated Fair Value | Difference |
| 1) Cash on hand and in banks | ¥ 192,076 | ¥ 192,076 | — |
| 2) Notes and accounts receivable – trade | 29,925 | | |
| Allowance for doubtful receivables(*1) | (201) | | |
| | 29,724 | 29,724 | — |
| 3) Securities and Investment securities | | | |
| (i) Held-to-maturity debt securities | 624 | 645 | ¥ 20 |
| (ii) Other securities | 179,609 | 179,746 | 137 |
| 4) Equity investments | 13,097 | 13,097 | — |
| Total assets | ¥ 415,132 | ¥ 415,290 | ¥ 157 |
| 1) Notes and accounts payable – trade | ¥ 53,044 | ¥ 53,044 | — |
| 2) Short-term borrowings | 68,291 | 68,291 | — |
| 3) Current portion of long-term borrowings | 166,445 | 166,445 | — |
| 4) Commercial paper | 35,000 | 35,000 | — |
| 5) Current portion of long-term bonds | 57,567 | 57,567 | — |
| 6) Long-term bonds | 689,664 | 736,636 | ¥46,972 |
| 7) Long-term borrowings | 1,058,240 | 1,071,791 | 13,550 |
| Total liabilities | ¥2,128,254 | ¥2,188,777 | ¥60,523 |

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

FINANCIAL SECTION

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.

Commercial paper
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 |
|---|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| (i) Unlisted stocks* ¹ | ¥ 23,391 | ¥ 21,383 | \$ 227,280 |
| (ii) Equity investments* ² | 213,384 | 195,426 | 2,073,301 |
| (iii) Lease and guarantee deposit receivables* ³ | 113,015 | 110,689 | 1,098,089 |
| (iv) Lease and guarantee deposit payables* ⁴ | 383,083 | 378,876 | 3,722,149 |

- *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, 2014

| As of March 31, 2014 | Millions of yen | | | | Thousands of U.S. dollars | | | |
|--|-------------------------|---------------------------------------|--|---------------------|---------------------------|---------------------------------------|--|---------------------|
| | 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 | ¥224,121 | — | — | — | \$2,177,625 | — | — | — |
| Notes and accounts receivable – trade | 28,539 | — | — | — | 277,299 | — | — | — |
| Marketable securities and investment securities: | | | | | | | | |
| Held-to-maturity debt securities | | | | | | | | |
| National and local government bonds | 110 | ¥ 35 | ¥234 | — | 1,068 | \$ 340 | \$2,273 | — |
| Corporate bonds | — | 223 | — | — | — | 2,166 | — | — |
| Other | 25 | — | — | — | 242 | — | — | — |
| Other marketable securities with maturities: | | | | | | | | |
| Corporate bonds | — | — | — | — | — | — | — | — |
| Other | 1,200 | — | 119 | — | 11,659 | — | 1,160 | — |
| Total | ¥253,995 | ¥258 | ¥353 | — | \$2,467,896 | \$2,506 | \$3,434 | — |

| As of March 31, 2013 | Millions of yen | | | |
|--|-------------------------|---------------------------------------|--|---------------------|
| | 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 | ¥192,076 | — | — | — |
| Notes and accounts receivable – trade | 29,925 | — | — | — |
| Marketable securities and investment securities: | | | | |
| Held-to-maturity debt securities | | | | |
| National and local government bonds | 10 | ¥145 | ¥234 | — |
| Corporate bonds | 233 | — | — | — |
| Other | — | 25 | — | — |
| Other marketable securities with maturities: | | | | |
| Corporate bonds | — | — | — | — |
| Other | 350 | — | — | — |
| Total | ¥222,595 | ¥170 | ¥234 | — |

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

| As of March 31, 2014 | Millions of yen | | | | | | | 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 | 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 | Due in One Year or Less | Due after Five Years |
| Corporate bonds | ¥ 56,647 | ¥ 20,000 | ¥ 70,000 | ¥ 85,000 | ¥ 65,000 | ¥405,000 | \$ 550,403 | \$ 194,325 | \$ 680,139 | \$ 825,884 | \$ 631,558 | \$3,935,095 | | |
| Long-term borrowings | 343,127 | 109,681 | 171,574 | 133,459 | 128,818 | 311,517 | 3,333,923 | 1,065,696 | 1,667,069 | 1,296,732 | 1,251,640 | 3,026,796 | | |
| Total | ¥399,774 | ¥129,681 | ¥241,574 | ¥218,459 | ¥193,818 | ¥716,517 | \$3,884,326 | \$1,260,022 | \$2,347,208 | \$2,122,616 | \$1,883,198 | \$6,961,891 | | |

| As of March 31, 2013 | 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 | ¥ 57,800 | ¥ 44,664 | ¥ 20,000 | ¥ 70,000 | ¥ 85,000 | ¥470,000 |
| Long-term borrowings | 166,445 | 337,875 | 118,913 | 166,077 | 111,148 | 324,224 |
| Total | ¥224,245 | ¥382,540 | ¥138,913 | ¥236,077 | ¥196,148 | ¥794,224 |

15 MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable and investment securities classified as other securities at March 31, 2014 and 2013 are summarized as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|-----------------|------------|------------------------|---------------------------|-------------|------------------------|
| | | | 2014 | | | 2014 |
| | Cost | Fair Value | Unrealized Gain (Loss) | Cost | Fair Value | Unrealized Gain (Loss) |
| Securities whose fair value exceeds their cost: | | | | | | |
| Equity securities | ¥72,565 | ¥182,304 | ¥109,739 | \$705,067 | \$1,771,323 | \$1,066,255 |
| Other | 5,331 | 10,527 | 5,196 | 51,799 | 102,292 | 50,492 |
| Subtotal | 77,896 | 192,832 | 114,935 | 756,867 | 1,873,616 | 1,116,748 |

| | | | | | | |
|---|---------|----------|----------|-----------|-------------|-------------|
| Securities whose cost exceeds their fair value: | | | | | | |
| Equity securities | 8,065 | 7,450 | (614) | 78,364 | 72,393 | (5,971) |
| Corporate bonds | 10 | 10 | — | 97 | 97 | — |
| Other | 1,342 | 1,209 | (133) | 13,047 | 11,749 | (1,297) |
| Subtotal | 9,418 | 8,670 | (748) | 91,509 | 84,240 | (7,268) |
| Total | ¥87,314 | ¥201,502 | ¥114,187 | \$848,377 | \$1,957,856 | \$1,109,479 |

| | Millions of yen | | |
|---|-----------------|------------|------------------------|
| | | | 2013 |
| | Cost | Fair Value | Unrealized Gain (Loss) |
| Securities whose fair value exceeds their cost: | | | |
| Equity securities | ¥72,476 | ¥172,229 | ¥ 99,752 |
| Other | 5,331 | 13,098 | 7,767 |
| Subtotal | 77,807 | 185,328 | 107,520 |

| | | | |
|---|---------|----------|----------|
| Securities whose cost exceeds their fair value: | | | |
| Equity securities | 8,276 | 7,009 | (1,266) |
| Corporate bonds | 10 | 10 | — |
| Other | 492 | 359 | (133) |
| Subtotal | 8,778 | 7,378 | (1,400) |
| Total | ¥86,586 | ¥192,706 | ¥106,120 |

Proceeds from sales of securities classified as other securities totaled ¥377 million (\$3,670 thousand) and ¥759 million in 2014 and 2013, respectively. Gross realized gain was ¥345 million (\$3,355 thousand) and ¥362 million in 2014 and 2013, respectively. Gross realized loss was ¥40 million (\$388 thousand) and ¥101 million in 2014 and 2013, respectively.

Marketable debt securities classified as held-to-maturity securities at March 31, 2014 and 2013 are summarized as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|--|-----------------|------------|------------------------|---------------------------|------------|------------------------|
| | | | 2014 | | | 2014 |
| | Amortized Cost | Fair Value | Unrealized Gain (Loss) | Amortized Cost | Fair Value | Unrealized Gain (Loss) |
| Debt securities whose fair value exceeds their cost: | | | | | | |
| Government bonds | ¥399 | ¥413 | ¥13 | \$3,885 | \$4,013 | \$127 |
| Corporate bonds | — | — | — | — | — | — |
| Subtotal | 399 | 413 | 13 | 3,885 | 4,013 | 127 |
| Debt securities whose cost exceeds their fair value: | | | | | | |
| Corporate bonds | 223 | 222 | (0) | 2,166 | 2,163 | (3) |
| Subtotal | 223 | 222 | (0) | 2,166 | 2,163 | (3) |
| Total | ¥622 | ¥635 | ¥12 | \$6,052 | \$6,177 | \$124 |

| | Millions of yen | | |
|--|-----------------|------------|------------------------|
| | | | 2013 |
| | Amortized Cost | Fair Value | Unrealized Gain (Loss) |
| Debt securities whose fair value exceeds their cost: | | | |
| Government bonds | ¥389 | ¥405 | ¥16 |
| Corporate bonds | 235 | 239 | 3 |
| Subtotal | 624 | 645 | 20 |
| Debt securities whose cost exceeds their fair value: | | | |
| Corporate bonds | — | — | — |
| Subtotal | — | — | — |
| Total | ¥624 | ¥645 | ¥20 |

16 SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2014 and 2013:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Cash on hand and in banks | ¥224,121 | ¥192,076 | \$2,177,625 |
| Time deposits with maturities of more than three months | (605) | (605) | (5,880) |
| Marketable securities with maturities of three months or less | 1,223 | 366 | 11,888 |
| Cash and cash equivalents | ¥224,739 | ¥191,837 | \$2,183,634 |

17 DERIVATIVES AND HEDGING ACTIVITIES

1. Currency related transactions

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|------------------------------------|-------------------------------|-----------------|--------------------|------------|---------------------------|--------------------|------------|
| | | 2014 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair Value | Notional Amount | Due after One Year | Fair Value |
| Forward foreign exchange contracts | Loans to affiliated companies | — | — | — | — | — | — |
| Total | | — | — | — | — | — | — |

| | | Millions of yen | | | | | |
|------------------------------------|-------------------------------|-----------------|--------------------|------------|--|--|--|
| | | 2013 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair Value | | | |
| Forward foreign exchange contracts | Loans to affiliated companies | ¥4,496 | — | ¥(61) | | | |
| Total | | ¥4,496 | — | ¥(61) | | | |

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 | | |
|--|--|-----------------|--------------------|------------|---------------------------|--------------------|------------|
| | | 2014 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair Value | Notional Amount | Due after One Year | Fair Value |
| Interest rate swap contracts Fixed rate payment and floating rate receipt | Long-term borrowings | ¥ 23,818 | ¥23,818 | ¥52 | \$ 231,423 | \$231,423 | \$513 |
| Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt | Long-term borrowings and Corporate bonds | 142,099 | 74,402 | (*) | 1,380,680 | 722,914 | (*) |
| Total | | ¥165,917 | ¥98,220 | ¥52 | \$1,612,103 | \$954,338 | \$513 |

| | | Millions of yen | | | | | |
|--|--|-----------------|--------------------|------------|--|--|--|
| | | 2013 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair Value | | | |
| Interest rate swap contracts Fixed rate payment and floating rate receipt | Long-term borrowings | ¥ 19,567 | ¥ 19,567 | ¥(443) | | | |
| Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt | Long-term borrowings and Corporate bonds | 147,073 | 136,863 | (*) | | | |
| Total | | ¥166,640 | ¥156,430 | ¥(443) | | | |

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.

3. Interest and currency related transactions

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|--|------------------------------|-----------------|--------------------|------------|---------------------------|--------------------|------------|
| | | 2014 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair Value | Notional Amount | Due after One Year | Fair Value |
| Interest rate and currency swap contracts Payment in GBP and receipt in JPY Floating rate payment and fixed rate receipt | Corporate bonds | ¥12,000 | — | ¥(719) | \$116,595 | — | \$(6,993) |
| Total | | ¥12,000 | — | ¥(719) | \$116,595 | — | \$(6,993) |

| | | Millions of yen | | | | | |
|--|------------------------------|-----------------|--------------------|------------|--|--|--|
| | | 2013 | | | | | |
| Class of Transactions | Subject to hedged accounting | Notional Amount | Due after One Year | Fair Value | | | |
| Interest rate and currency swap contracts Payment in GBP and receipt in JPY Floating rate payment and fixed rate receipt | Corporate bonds | ¥27,800 | — | ¥(2,113) | | | |
| Total | | ¥27,800 | — | ¥(2,113) | | | |

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

18 SEGMENT INFORMATION

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 following segments: (1) Building Business; (2) Residential Business; (3) Commercial Property Development and Investment; (4) International Business; (5) Investment Management; (6) Architectural Design and Engineering; (7) Hotels Business; (8) Real Estate Services; and (9) Other businesses.

The reportable segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2014 and 2013 is summarized as follows:

| | Millions of yen | | | | | | | | | | | |
|--|---------------------|----------------------|--|------------------------|-----------------------|--------------------------------------|----------------|----------------------|------------|---------|------------|--|
| | 2014 | | | | | | | | | | | |
| | Reportable Segments | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Revenue, operating income and assets by reportable segment | | | | | | | | | | | | |
| Revenue from: | | | | | | | | | | | | |
| External customers | ¥ 476,636 | ¥401,037 | ¥ 42,616 | ¥ 80,366 | ¥ 6,264 | ¥12,981 | ¥28,772 | ¥25,956 | ¥1,074,630 | ¥ 654 | ¥1,075,285 | — ¥1,075,285 |
| Intersegment or transfers | 7,593 | 2,222 | 5,412 | — | 24 | 6,964 | 447 | 1,140 | 23,805 | 3,020 | 26,825 | ¥(26,825) — |
| Total revenue | 484,229 | 403,259 | 48,029 | 80,366 | 6,288 | 19,946 | 29,219 | 27,097 | 1,098,435 | 3,674 | 1,102,110 | (26,825) 1,075,285 |
| Segment income (loss) | ¥ 108,172 | ¥ 27,778 | ¥ 8,130 | ¥ 25,579 | ¥ 3,046 | ¥ 1,252 | ¥ 737 | ¥ 1,544 | ¥ 176,241 | ¥ (246) | ¥ 175,995 | ¥(14,724) ¥ 161,271 |
| Segment assets | ¥3,040,634 | ¥662,350 | ¥403,188 | ¥452,048 | ¥30,035 | ¥24,246 | ¥24,636 | ¥24,781 | ¥4,661,921 | ¥28,025 | ¥4,689,947 | ¥ 75,420 ¥4,765,368 |
| Other items | | | | | | | | | | | | |
| Depreciation and amortization | ¥ 57,500 | ¥ 3,032 | ¥ 4,985 | ¥ 6,748 | ¥ 43 | ¥ 72 | ¥ 1,162 | ¥ 407 | ¥ 73,953 | ¥ 223 | ¥ 74,176 | ¥ 629 ¥ 74,805 |
| Capital expenditures | ¥ 91,242 | ¥ 18,380 | ¥ 4,907 | ¥ 48,394 | ¥ 35 | ¥ 53 | ¥ 2,040 | ¥ 294 | ¥ 165,349 | ¥ 869 | ¥ 166,218 | ¥ 6,360 ¥ 172,579 |

FINANCIAL SECTION

| Thousands of U.S. dollars | | | | | | | | | | | | |
|--|-------------------|----------------------|--|------------------------|-----------------------|--------------------------------------|----------------|----------------------|--------------|------------|--------------|--|
| 2014 | | | | | | | | | | | | |
| Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Revenue, operating income and assets by reportable segment | | | | | | | | | | | | |
| Revenue from: | | | | | | | | | | | | |
| External customers | \$ 4,631,133 | \$ 3,896,592 | \$ 414,069 | \$ 780,859 | \$ 60,864 | \$126,135 | \$279,558 | \$252,202 | \$10,441,416 | \$ 6,358 | \$10,447,775 | — \$10,447,775 |
| Intersegment or transfers | 73,776 | 21,593 | 52,593 | — | 233 | 67,672 | 4,345 | 11,080 | 231,296 | 29,345 | 260,642 | \$(260,642) — |
| Total revenue | 4,704,910 | 3,918,185 | 466,663 | 780,859 | 61,097 | 193,808 | 283,904 | 263,282 | 10,672,713 | 35,704 | 10,708,418 | (260,642) 10,447,775 |
| Segment income (loss) | \$ 1,051,037 | \$ 269,899 | \$ 79,000 | \$ 248,534 | \$ 29,604 | \$ 12,167 | \$ 7,164 | \$ 15,006 | \$ 1,712,415 | \$ (2,391) | \$ 1,710,024 | \$(143,069) \$ 1,566,955 |
| Segment assets | \$29,543,669 | \$6,435,588 | \$3,917,496 | \$4,392,230 | \$291,831 | \$235,583 | \$239,374 | \$240,784 | \$45,296,559 | \$272,306 | \$45,568,866 | \$ 732,810 \$46,301,677 |
| Other items | | | | | | | | | | | | |
| Depreciation and amortization | \$ 558,689 | \$ 29,461 | \$ 48,441 | \$ 65,573 | \$ 421 | \$ 706 | \$ 11,291 | \$ 3,964 | \$ 718,549 | \$ 2,170 | \$ 720,720 | \$ 6,115 \$ 726,836 |
| Capital expenditures | \$ 886,535 | \$ 178,588 | \$ 47,679 | \$ 470,218 | \$ 345 | \$ 523 | \$ 19,825 | \$ 2,861 | \$ 1,606,579 | \$ 8,446 | \$ 1,615,025 | \$ 61,801 \$ 1,676,827 |
| Millions of yen | | | | | | | | | | | | |
| 2013 | | | | | | | | | | | | |
| Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Revenue, operating income and assets by reportable segment | | | | | | | | | | | | |
| Revenue from: | | | | | | | | | | | | |
| External customers | ¥ 434,743 | ¥310,833 | ¥ 46,113 | ¥ 60,892 | ¥ 7,044 | ¥12,582 | ¥27,841 | ¥26,126 | ¥ 926,176 | ¥ 980 | ¥ 927,157 | — ¥ 927,157 |
| Intersegment or transfers | 8,004 | 4,517 | 4,165 | — | 64 | 6,986 | 457 | 1,083 | 25,280 | 3,427 | 28,707 | ¥ (28,707) — |
| Total revenue | 442,748 | 315,351 | 50,278 | 60,892 | 7,108 | 19,568 | 28,299 | 27,209 | 951,456 | 4,408 | 955,865 | (28,707) 927,157 |
| Segment income (loss) | ¥ 107,667 | ¥ 2,317 | ¥ 11,180 | ¥ 8,371 | ¥ 2,129 | ¥ 1,234 | ¥ 474 | ¥ 1,058 | ¥ 134,434 | ¥ (10) | ¥ 134,423 | ¥ (16,074) ¥ 118,349 |
| Segment assets | ¥3,030,858 | ¥602,166 | ¥432,556 | ¥383,824 | ¥31,240 | ¥23,108 | ¥24,152 | ¥25,103 | ¥4,553,010 | ¥27,261 | ¥4,580,272 | ¥131,248 ¥4,711,521 |
| Other items | | | | | | | | | | | | |
| Depreciation and amortization | ¥ 56,479 | ¥ 2,664 | ¥ 6,248 | ¥ 5,987 | ¥ 38 | ¥ 72 | ¥ 1,088 | ¥ 457 | ¥ 73,036 | ¥ 84 | ¥ 73,121 | ¥ 242 ¥ 73,364 |
| Capital expenditures | ¥ 128,016 | ¥ 32,254 | ¥ 45,910 | ¥ 5,196 | ¥ 16 | ¥ 39 | ¥ 793 | ¥ 469 | ¥ 212,696 | ¥ 25 | ¥ 212,722 | ¥ 1,759 ¥ 214,481 |

Impairment losses of the Company and its consolidated subsidiaries on fixed assets by reportable segments for the years ended March 31, 2014 and 2013 are summarized as follows:

| Millions of yen | | | | | | | | | | | | |
|---------------------------|-------------------|----------------------|--|------------------------|-----------------------|--------------------------------------|----------------|----------------------|-----------|-------|-----------|--|
| 2014 | | | | | | | | | | | | |
| Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Impairment loss | ¥24,600 | ¥5,507 | ¥12 | ¥2,430 | — | — | — | — | ¥32,552 | — | ¥32,552 | ¥92 ¥32,644 |
| Thousands of U.S. dollars | | | | | | | | | | | | |
| Impairment loss | \$239,028 | \$53,511 | \$125 | \$23,618 | — | — | — | — | \$316,284 | — | \$316,284 | \$902 \$317,187 |
| Millions of yen | | | | | | | | | | | | |
| 2013 | | | | | | | | | | | | |
| Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Impairment loss | ¥16 | ¥2,715 | — | ¥94 | — | — | — | — | ¥2,826 | — | ¥2,826 | — ¥2,826 |

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2014 and 2013 by reportable segment:

| Millions of yen | | | | | | | | | | | | |
|-----------------------------------|-------------------|----------------------|--|------------------------|-----------------------|--------------------------------------|----------------|----------------------|----------|-------|----------|--|
| 2014 | | | | | | | | | | | | |
| Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Amortization of goodwill | ¥ 501 | ¥ 3,126 | — | ¥ 899 | ¥70 | — | — | — | ¥ 4,598 | ¥0 | ¥ 4,598 | — ¥ 4,598 |
| Balance of goodwill | — | ¥11,471 | — | ¥5,993 | — | — | — | — | ¥ 17,465 | ¥0 | ¥ 17,465 | — ¥ 17,465 |
| Amortization of negative goodwill | — | — | — | — | — | — | — | — | — | — | — | — |
| Balance of negative goodwill | ¥109,821 | — | — | — | — | — | — | — | ¥109,821 | — | ¥109,821 | — ¥109,821 |

| Thousands of U.S. dollars | | | | | | | | | | | | |
|-----------------------------------|-------------------|----------------------|--|------------------------|-----------------------|--------------------------------------|----------------|----------------------|-------------|-------|-------------|--|
| 2014 | | | | | | | | | | | | |
| Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Amortization of goodwill | \$ 4,877 | \$ 30,373 | — | \$ 8,741 | \$683 | — | — | — | \$ 44,675 | \$3 | \$ 44,679 | — \$ 44,679 |
| Balance of goodwill | — | \$111,461 | — | \$58,237 | — | — | — | — | \$ 169,698 | \$0 | \$ 169,698 | — \$ 169,698 |
| Amortization of negative goodwill | — | — | — | — | — | — | — | — | — | — | — | — |
| Balance of negative goodwill | \$1,067,061 | — | — | — | — | — | — | — | \$1,067,061 | — | \$1,067,061 | — \$1,067,061 |
| Millions of yen | | | | | | | | | | | | |
| 2013 | | | | | | | | | | | | |
| Reportable Segments | | | | | | | | | | | | |
| | Building Business | Residential Business | Commercial Property Development and Investment | International Business | Investment Management | Architectural Design and Engineering | Hotel Business | Real Estate Services | Subtotal | Other | Total | Eliminations or Corporate Consolidated |
| Amortization of goodwill | ¥ 388 | ¥ 3,126 | — | ¥ 746 | ¥70 | — | — | — | ¥ 4,331 | ¥0 | ¥ 4,331 | — ¥ 4,331 |
| Balance of goodwill | — | ¥14,597 | — | ¥6,530 | ¥70 | — | — | — | ¥ 21,198 | ¥0 | ¥ 21,199 | — ¥ 21,199 |
| Amortization of negative goodwill | ¥ 835 | — | — | — | — | — | — | — | ¥ 835 | — | ¥ 835 | — ¥ 835 |
| Balance of negative goodwill | ¥109,342 | — | — | — | — | — | — | — | ¥109,342 | — | ¥109,342 | — ¥109,342 |

Products and Service Information

Refer to reportable segment information.

Geographic Area Information

Geographic area information has been omitted since revenue from external customers in Japan and property and equipment located in Japan accounted for more than 90% of revenue from operations on the consolidated income statement and property and equipment on the consolidated balance sheet, respectively.

Major Customer Information

The Company does not have any major customers whose share of revenue from operations accounted for more than 10% of revenue from operations shown on the consolidated income statement. Accordingly major customer information has been omitted.

19 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 changes in the carrying value during the year ended March 31, 2014 and the fair values of these rental properties and real estate including space used as rental properties as of March 31, 2014 are as follows;

| Millions of yen | | | | | | | | Thousands of U.S. dollars | |
|--|------------|----------------------|----------------------|---------------------|--------------|----------------------|----------------------|---------------------------|------------|
| | | | | | | | | 2014 | |
| | | Carrying Value | | Fair Value | | | | Carrying Value | Fair Value |
| As of April 1, 2013 | Net Change | As of March 31, 2014 | As of March 31, 2014 | As of April 1, 2013 | Net Change | As of March 31, 2014 | As of March 31, 2014 | | |
| Rental properties | ¥2,965,396 | ¥109,249 | ¥3,074,645 | ¥5,060,986 | \$28,812,631 | \$1,061,498 | \$29,874,130 | \$49,173,980 | |
| Real estate including spaces used as rental properties | 227,564 | (2,987) | 224,577 | 334,700 | 2,211,083 | (29,023) | 2,182,060 | 3,252,040 | |

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 changes in the carrying value during the year ended March 31, 2013 and the fair values of these rental properties and real estate including space used as rental properties as of March 31, 2013 are as follows;

| | Millions of yen | | | |
|--|---------------------|------------|----------------------|----------------------|
| | | | 2013 | |
| | | | Carrying Value | Fair Value |
| | As of April 1, 2012 | Net Change | As of March 31, 2013 | As of March 31, 2013 |
| Rental properties | ¥2,622,741 | ¥342,654 | ¥2,965,396 | ¥4,920,768 |
| Real estate including spaces used as rental properties | 232,419 | (4,854) | 227,564 | 339,800 |

1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. The components of net change in carrying value included increases mainly due to the consolidation of Shinjuku 6-chome Tokutei Mokuteki Kaisya in the amount of ¥166,998 million.
3. 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 years ended March 31, 2014 and 2013 were as follows:

| | Millions of yen | | | | | | | | Thousands of U.S. dollars | | | |
|---|-----------------|------------|-------------------|--------------|----------------|------------|-------------------|--------------|---------------------------|-------------|-------------------|--------------|
| | 2014 | | | | 2013 | | | | 2014 | | | |
| | 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 | ¥373,047 | ¥256,935 | ¥116,111 | ¥(30,873) | ¥349,767 | ¥231,696 | ¥118,070 | ¥(17,189) | \$3,624,631 | \$2,496,455 | \$1,128,176 | \$(299,977) |
| Real estate including space used as rental properties | 17,074 | 16,227 | 847 | (1,474) | 17,646 | 16,431 | 1,215 | (5,534) | 165,900 | 157,669 | 8,230 | (14,324) |

*1 Lease income excludes that from real estate including space used as rental properties used by the Company and some of its consolidated subsidiaries for leasing service and operating management.
*2 Other, net includes impairment loss in the amount of ¥32,365 million (\$314,474 thousand) in 2014.

20 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 0.3% and 2.6%.
3. The changes in asset retirement obligations during the years ended March 31, 2014 and 2013 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|------|---------------------------|
| | 2014 | 2013 | 2014 |
| Balance at the beginning of the year | ¥ 490 | ¥401 | \$ 4,763 |
| Increase due to the acquisition of property and equipment | 819 | 222 | 7,962 |
| Adjustments due to the elapse of time | 10 | 10 | 100 |
| Increase (Decrease) due to the change of estimate | — | (52) | — |
| Decrease due to the fulfillment of asset retirement obligations | (3) | (10) | (34) |
| Other | — | (81) | — |
| Balance at the end of the year | ¥1,316 | ¥490 | \$12,791 |

(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, 2014, 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, 2014, 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.

21 OTHER COMPREHENSIVE INCOME

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2013:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Unrealized holding gain (loss) on securities: | | | |
| Amount arising during the year | ¥ 8,042 | ¥ 34,488 | \$ 78,147 |
| Reclassification adjustments for gains and losses included in net income | — | 101 | — |
| Amount before tax effects | 8,042 | 34,589 | 78,147 |
| Tax effects | (2,678) | (11,231) | (26,027) |
| Unrealized holding gain (loss) on securities | 5,364 | 23,358 | 52,119 |
| Deferred gain (loss) on hedging instruments: | | | |
| Amount arising during the year | 929 | (539) | 9,034 |
| Reclassification adjustments for gains and losses included in net income | (237) | 468 | (2,306) |
| Amount before tax effects | 692 | (71) | 6,728 |
| Tax effects | (266) | 6 | (2,587) |
| Deferred gain (loss) on hedging instruments | 426 | (65) | 4,140 |
| Revaluation reserve for Land: | | | |
| Tax effects | (79) | (1,384) | (768) |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year | 41,806 | 19,708 | 406,203 |
| Amount before tax effects | 41,806 | 19,708 | 406,203 |
| Tax effects | (52) | (151) | (509) |
| Foreign currency translation adjustments | 41,754 | 19,556 | 405,693 |
| Share of other comprehensive income of companies accounted for by the equity method: | | | |
| Amount arising during the year | 1,405 | 679 | 13,655 |
| Total other comprehensive income | ¥48,870 | ¥ 42,145 | \$474,840 |

22 BUSINESS COMBINATION

1. ACQUISITION

(1) Outline of the acquisition

- i. Name and business of the acquired entity
Name: MM Development Tokutei Mokuteki Kaisya
Business: Holding, developing and disposing of real estate
- ii. Objective of the acquisition
To increase the involvement in operations of “MARK IS Minatomirai,” a shopping mall owned by MM Development Tokutei Mokuteki Kaisya, by purchasing all the newly issued preferred stocks.
- iii. Date of the acquisition
August 1, 2013
- iv. Legal form of the acquisition
Purchase of the newly issued preferred stocks
- v. Name of the acquired entity after the acquisition
MM Development Tokutei Mokuteki Kaisya
- vi. Change in the ownership ratio
Before the acquisition: 39.5%
After the acquisition: 81.0%
- vii. Major rationale for determining the acquirer
As a result of the purchase of the newly issued preferred stocks, the Company obtained the substantial control of MM Development Tokutei Mokuteki Kaisya.

- (2) Period for which the operational results of the acquiree were included in the consolidated financial statements of the acquirer
From August 1, 2013 through January 31, 2014
- (3) Consideration transferred for the acquisition
Cash on hand and in banks of ¥25,750 million (\$250,194 thousand)
- (4) Amount of the recognized gain on the negative goodwill and its cause
Amount: ¥470 million (\$4,572 thousand)
Cause: The consideration transferred was less than the fair value of the net assets acquired.
- (5) Amount of the assets acquired and the liabilities assumed at the acquisition date and their major categories
Current assets ¥ 2,853 million (\$ 27,725 thousand)
Fixed assets ¥32,100 million (\$311,892 thousand)
Total assets ¥34,953 million (\$339,618 thousand)
Current liabilities ¥22,623 million (\$219,815 thousand)
Total liabilities ¥22,623 million (\$219,815 thousand)
- (6) Effect on the consolidated statement of income assuming the acquisition was completed at the beginning of the fiscal year ended March 31, 2014 and the measurement method
Omitted due to immateriality

2. Common control transaction etc.

(1) Outline of the transaction

- i. Name and business of the combined entity
Name: MM Development Tokutei Mokuteki Kaisya
Business: Holding, developing and disposing of real estate
- ii. Date of the transaction
August 2, 2013
- iii. Legal form of the transaction
Purchase of the existing preferred stocks from minority stockholders
- iv. Name of the combined entity after the transaction
MM Development Tokutei Mokuteki Kaisya
- v. Other matters with regard to the transaction
To increase the flexibility and the swiftness of managerial decision making by purchasing the preferred stocks owned by minority stockholders

(2) Outline of the accounting treatment

The transaction was treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of December 26, 2008) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 of December 26, 2008).

(3) Consideration transferred for the acquisition

Cash consideration of ¥6,448 million (\$6,657 thousand)

(4) Amount of goodwill recorded, its cause and method and period of amortization

- i. Amount: ¥22 million (\$221 thousand)
- ii. Cause: The consideration transferred was greater than the fair value of the net assets acquired.
- iii. Method and period of amortization: Expensed in full in the fiscal year ended March 31, 2014

23 SIGNIFICANT SUBSEQUENT EVENTS

Consolidation of an anonymous partnership, Tokumei Kumiai First M

(1) Outline of the business combination

- i. Name and business of the acquired entity
Name: Tokumei Kumiai First M
Business: Holding, developing and disposing of real estate
- ii. Objective of the acquisition
Managerial decision making on the operational strategy of the rental office building owned by Tokumei Kumiai First M is necessary since the sole lessee will vacate the property.
- iii. Date of the acquisition
April 7, 2014
- iv. Legal form of the acquisition
—
- v. Name of the acquired entity after the acquisition
Tokumei Kumiai First M
- vi. Change in the ownership ratio
No change from the existing 51%
- vii. Major rationale for determining the acquirer
In the course of starting to undertake managerial decision making on the operational strategy for the rental office building owned by Tokumei Kumiai First M, the Company obtained substantial control of the acquired entity.

(2) Consideration transferred for the acquisition

Cash consideration of ¥1,883 million (\$18,300 thousand)

(3) Amount of the recognized gain on negative goodwill and its cause

Amount: Approximately ¥12.0 billion (\$116 million)
Cause: The consideration transferred was less than the fair value of the net assets acquired

(4) Amount of the assets acquired and the liabilities assumed at the acquisition date and their major categories (approximate amounts)

| | | | |
|-----------------------|----------------------------------|------------------|--------------|
| Current assets | ¥ | 6.5 billion (\$ | 63 million) |
| Fixed assets | ¥118.4 billion (\$1,150 million) | | |
| Total assets | ¥124.9 billion (\$1,213 million) | | |
| Current liabilities | ¥ | 0.7 billion (\$ | 6 million) |
| Long-term liabilities | ¥ | 84.0 billion (\$ | 816 million) |
| Total liabilities | ¥ | 84.7 billion (\$ | 823 million) |

Independent Auditor’s Report



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Independent Auditor’s Report

The Board of Directors
Mitsubishi Estate Co., Ltd.

We have audited the accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 27, 2014
Tokyo, Japan

CORPORATE DATA

Principal Mitsubishi Estate Group Companies

■ Consolidated Subsidiary □ Affiliate Accounted for by the Equity Method

| BUILDING BUSINESS | Address | Phone | Business Activities | Share of Voting Rights (%) |
|--|---|-----------------|---|----------------------------|
| Building Leasing Business | | | | |
| ■ Sunshine City Corporation | World Import Mart Building, Sunshine City, 1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-8630 | +81-3-3989-3321 | Management of Sunshine City and other buildings | 63.2 |
| ■ Mitsubishi Estate-Simon Co., Ltd. | Otemachi Financial City South Tower, 9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-3275-5252 | Management of outlet malls | 60.0 |
| ■ Yokohama Sky Building Co., Ltd. | 19-12, Takashima 2-chome, Nishi-ku, Yokohama, Kanagawa Prefecture 220-0011 | +81-45-441-1221 | Management of the Sky Building and the Yokohama Shintoshii Building | 54.4 |
| ■ Tokyo Kotsu Kaikan Co., Ltd. | Tokyo Kotsu Kaikan, 10-1, Yurakucho 2-chome, Chiyoda-ku, Tokyo 100-0006 | +81-3-3212-2931 | Management of Tokyo Kotsu Kaikan and other buildings | 50.0 |
| Building Management Business | | | | |
| ■ Mitsubishi Jisho Property Management Co., Ltd. | Marunouchi Nakadori Building, 2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3287-4111 | Comprehensive building operation and management | 100.0 |
| ■ Hokuryo City Service Co., Ltd. | Hokkaido Building, 4-1, Kita 2-jou Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002 | +81-11-242-7411 | Management and operation of buildings, residences, and sporting facilities | 100.0 |
| ■ Mitsubishi Jisho Retail Management Co., Ltd. | 7-1, Daiba 1-chome, Minato-ku, Tokyo 135-8707 | +81-3-5579-6671 | Operation and management of commercial facilities | 100.0 |
| ■ IMS Co., Ltd. | Tenjin MM Building, 7-11, Tenjin 1-chome, Chuo-ku, Fukuoka, Fukuoka Prefecture 810-0001 | +81-92-733-2006 | Operation and management of the Tenjin MM Building | 92.0 |
| ■ Yuden Building Kanri Co., Ltd. | Yurakucho Denki Building, 7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006 | +81-3-3211-7833 | Operation and management of the Yurakucho Denki Building | 62.5 |
| Parking Business | | | | |
| ■ Grand Parking Center Co., Ltd. | Nihon Building, 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-3270-5048 | Management of the Japan Parking Center | 97.0 |
| ■ Tokyo Garage Co., Ltd. | Sanno Grand Building, 14-2, Nagatacho 2-chome, Chiyoda-ku, Tokyo 100-0014 | +81-3-3504-0610 | Operation and management of building garages and sale of various gasoline products | 54.9 |
| District Heating and Cooling Business | | | | |
| ■ Marunouchi Heat Supply Co., Ltd. | Kishimoto Building, 2-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3287-2288 | Cooling and heating supply business in the Marunouchi, Otemachi, Yurakucho, and other districts | 64.2 |
| ■ Ikebukuro District Heating and Cooling Co., Ltd. | World Import Mart Building, Sunshine City 1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-8630 | +81-3-3988-6771 | Cooling and heating supply business in the Higashi-Ikebukuro district | 50.7 |
| □ O.A.P.D.H.C. Supply Co., Ltd. | OAP Tower, 8-30, Tenmabashi 1-chome, Kita-ku, Osaka, Osaka Prefecture 530-6004 | +81-6-6881-5170 | Cooling and heating supply business in the Osaka OAP district | 35.0 |
| □ Minato Mirai 21 D.H.C. Co., Ltd. | 1-45, Sakuragicho 1-chome, Naka-ku, Yokohama, Kanagawa Prefecture 231-0062 | +81-45-221-0321 | Cooling and heating supply business in the Yokohama Minato Mirai district | 29.6 |
| Others | | | | |
| ■ Marunouchi Direct Access Limited | Shin-Tokyo Building, 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3214-4881 | Dark fiber leasing and data center housing businesses in the Marunouchi and Otemachi districts | 51.0 |
| □ Marunouchi Hotel Co., Ltd. | 6-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3217-1111 | Management of the Marunouchi Hotel | 31.4 |

RESIDENTIAL BUSINESS

| | | | | |
|--|--|-----------------|--|-------|
| Real Estate Sales | | | | |
| ■ Mitsubishi Jisho Residence Co., Ltd. | Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8189 | +81-3-3287-8800 | Real estate development, sales, leasing, and management | 100.0 |
| Custom-Built Housing | | | | |
| ■ Mitsubishi Estate Home Co., Ltd. | Kokusai-Shin-Akasaka Building Higashi-kan, 14-27, Akasaka 2-chome, Minato-ku, Tokyo 107-0052 | +81-3-6887-8200 | Design and construction of single-unit homes and housing complexes, renovation of homes and retail shops | 100.0 |
| ■ Mitsubishi Estate Housing Components Co., Ltd. | 228-4, Shinminato, Mihama-ku, Chiba, Chiba Prefecture 261-0002 | +81-43-242-9031 | Manufacture, processing, and sale of construction materials | 91.7 |
| □ Prime Truss Co., Ltd. | 15-12, Kiba 2-chome, Koto-ku, Tokyo 135-0042 | +81-3-3643-3310 | Manufacture and sale of housing construction materials | 18.3 |
| Residence Management Business | | | | |
| ■ Izumi Park Town Service Co., Ltd. | 7-2, Takamori, Izumi-ku, Sendai, Miyagi Prefecture 981-3203 | +81-22-378-0022 | Comprehensive management of Izumi Park Town | 100.0 |
| ■ Mitsubishi Jisho Community Holdings Co., Ltd. | Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-5208-5740 | Business management and operations related to the condominium management business | 71.5* |
| ■ Mitsubishi Jisho Community Co., Ltd. | Mitsubishi Jisho Community Headquarters Building, 3-13, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028 | +81-3-6895-3800 | Overall condominium and building management, renovations, and related businesses | 71.5* |
| ■ Mitsubishi Jisho Marubeni Residence Services Co., Ltd. | Shiba 520 Building, 20-6, Shiba 5-chome, Minato-ku, Tokyo 108-0014 | +81-3-5418-7233 | Condominium management and real estate businesses | 71.5* |
| ■ MT Community Staff Co., Ltd. | Kyobashi Park Building, 7-4, Hatchobori 3-chome, Chuo-ku, Tokyo 104-0032 | +81-3-6222-7127 | Property management operations and associated training operations for condominiums and other properties | 71.5* |
| ■ Hokkaido Benny Estate Co., Ltd. | 4F Odori Bus Center Building, 5-1, Minami 1-jou Higashi 1-chome, Chuo-ku, Sapporo, Hokkaido 060-0051 | +81-11-212-2114 | Condominium management business, real estate agency, and leasing | 71.5* |

| | Address | Phone | Business Activities | Share of Voting Rights (%) |
|--|---|-----------------|---|----------------------------|
| Recreational Facilities | | | | |
| ■ Higashinihon Kaihatsu Co., Ltd. | 1442-23, Yosawa Oyamacho, Sunto-gun, Shizuoka Prefecture 410-1326 | +81-550-78-3211 | Management of the Higashi Fuji Country Club, Fuji International Golf Club, and other properties | 100.0 |
| ■ MEC Urban Resort Tohoku Co., Ltd. | 1-1, Akedori 1-chome, Izumi-ku, Sendai, Miyagi Prefecture 981-3206 | +81-22-377-3136 | Operation and management of Izumi Park Town Golf Club and other properties | 100.0 |
| ■ Towa Nasu Resort Co. | 3376 Osoyama, Takakuotsu, Nasu-machi, Nasu-gun, Tochigi Prefecture 325-0398 | +81-287-78-2700 | Operation of leisure facilities and hotels, real estate sales and management, and engineering contracting | 100.0 |
| □ Sakura Golf Development Co., Ltd. | 670 Soshiyama, Uchida, Sakura, Chiba Prefecture 285-0077 | +81-43-498-6630 | Management of Asakura Golf Club | 49.0 |
| Others | | | | |
| ■ MEC Eco LIFE Co., Ltd. | 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-5222-9671 | Research and creation of environmental design proposals | 100.0 |
| ■ Ryoei Life Service Co., Ltd. | Royal Life Okusawa, 33-13, Okusawa 3-chome, Setagaya-ku, Tokyo 158-0083 | +81-3-3748-2650 | Management of commercial nursing homes | 85.0 |
| □ Tsunagu Network Communications, Inc. | Shin-Otemachi Building, 2-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-4477-2000 | Internet connection services for housing complexes | 20.0 |

INTERNATIONAL BUSINESS

| | | | | |
|--|--|------------------|--|-------|
| ■ Rockefeller Group, Inc. (RGI) | 1221 Avenue of the Americas, New York, New York 10020-1095, U.S.A. | +1-212-282-2000 | Real estate operations | 100.0 |
| ■ Mitsubishi Estate New York Inc. | 1221 Avenue of the Americas, New York, New York 10020-1095, U.S.A. | +1-212-698-2200 | Real estate operations in the United States | 100.0 |
| ■ Mitsubishi Estate London Limited | 88 Wood Street, London EC2V 7DA, U.K. | +44-20-7776-6900 | Real estate operations in the United Kingdom | 100.0 |
| ■ Mitsubishi Estate Asia Pte. Ltd. | 6 Battery Road, Singapore 049909 | +65-6576-5790 | Real estate operations in Asia | 100.0 |
| Mitsubishi Estate (Shanghai) Ltd. (Outside the scope of consolidation) | Raffles City, 268 Xizang Middle Road, Shanghai 200001, P.R.C. | +21-6340-3000 | Real estate business in China | 100.0 |

INVESTMENT MANAGEMENT BUSINESS

| | | | | |
|--|--|-----------------|--|-------|
| ■ Mitsubishi Jisho Investment Advisors, Inc. | Marunouchi 2-chome Building, 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3218-0031 | Specialist real estate investment management services (real estate investment advisory and other services) | 100.0 |
| ■ Japan Real Estate Asset Management Co., Ltd. | Shin-Tokyo Building, 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3211-7921 | Investment corporation asset management | 63.0 |

ARCHITECTURAL DESIGN & ENGINEERING BUSINESS

| | | | | |
|--|--|-----------------|---|-------|
| ■ Mitsubishi Jisho Sekkei Inc. | Marunouchi 2-chome Building, 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3287-5555 | Construction and civil engineering design administration | 100.0 |
| ■ MEC Design International Corporation | Inui Building Kachidoki, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo 104-0054 | +81-3-6704-0100 | Interior design administration and construction, manufacture, and sale of furniture and household items | 100.0 |

HOTEL BUSINESS

| | | | | |
|---|--|-----------------|---|-------|
| ■ Royal Park Hotels and Resorts Co., Ltd. | Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-3211-6180 | Comprehensive management and management support of hotels | 100.0 |
| ■ Yokohama Royal Park Hotel Co., Ltd. | Yokohama Landmark Tower, 2-1-3, Minato Mirai 2-chome, Nishi-ku, Yokohama, Kanagawa Prefecture 220-8173 | +81-45-221-1111 | Operation of Yokohama Royal Park Hotel | 100.0 |
| ■ Tohoku Royal Park Hotel Co., Ltd. | 2-1, Teraoka 6-chome, Izumi-ku, Sendai, Miyagi Prefecture 981-3204 | +81-22-377-1111 | Operation of Sendai Royal Park Hotel | 100.0 |
| ■ Royal Park Hotel Management Co., Ltd. | Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-5224-6200 | Operation of “THE SERIES” brand of hotels | 100.0 |
| ■ Royal Park Hotel Co., Ltd. | 1-1, Kakigaracho 2-chome, Nihonbashi, Chuo-ku, Tokyo 103-8520 | +81-3-3667-1111 | Management of Royal Park Hotels | 55.7 |

REAL ESTATE SERVICES BUSINESS

| | | | | |
|---|--|-----------------|---|-------|
| ■ Mitsubishi Real Estate Services Co., Ltd. | Shin-Otemachi Building, 2-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8113 | +81-3-3510-8011 | Corporate brokerage, office leasing brokerage and management, real estate appraisal, and parking business | 100.0 |
| ■ Mitsubishi Jisho House Net Co., Ltd. | Shinjuku Front Tower, 21-1, Kita-Shinjuku 2-chome, Shinjuku-ku, Tokyo 169-0074 | +81-3-6908-5560 | Purchase, sales, and leasing brokerage of homes for individuals, leasing management | 100.0 |

OTHERS

| | | | | |
|---|--|-----------------|--|-------|
| ■ MEC Human Resources, Inc. | Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-3212-8674 | Human resource-related services | 100.0 |
| ■ MEC Information Development Co., Ltd. | Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004 | +81-3-3214-9300 | Development and management of information systems and software | 100.0 |
| ■ Keiyo Tochi Kaihatsu Co., Ltd. | Shin-Tokyo Building, 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-0005 | +81-3-3212-0555 | Management of the Minoria Inage Kaigan commercial facility | 55.3 |
| □ Tokyo Ryutsu Center Inc. | 1-1, Heiwajima 6-chome, Ota-ku, Tokyo 143-0006 | +81-3-3767-2111 | Leasing and operating management of logistics and office buildings | 29.3 |

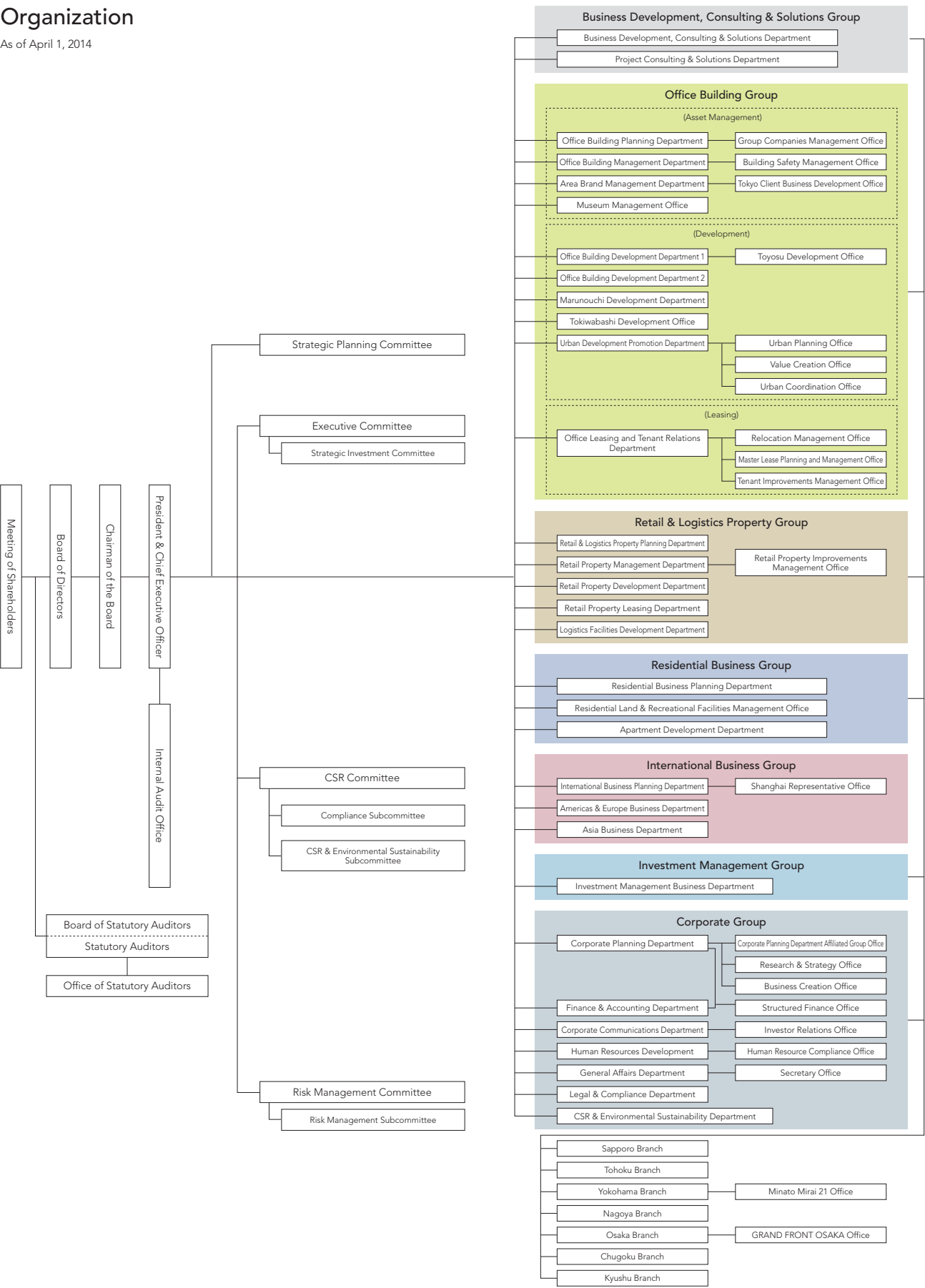
Note: Percentage of voting rights held is as of March 31, 2014; figures denoted by an asterisk are as of July 1, 2014.

Corporate History

| History | | Major Properties |
|--|------|--|
| The Marunouchi site purchased by Mitsubishi Company from the Japanese government. | 1890 | |
| Mitsubishi Goshi Kaisha (limited partnership) established. Achieved further expansion of business. | 1893 | |
| | 1894 | Completed Mitsubishi Ichigokan, the first Western-style office architecture in Marunouchi. |
| | 1923 | Marunouchi Building completed in front of Tokyo Station. |
| Mitsubishi Estate Company, Limited, established with paid-in capital totaling ¥15 million, with the ownership of the Marunouchi Building and site, as well as business rights for buildings and land within the Marunouchi area, transferred from Mitsubishi Goshi Kaisha. | 1937 | |
| | 1952 | Shin-Marunouchi Building completed. |
| Mitsubishi Estate's shares listed on the Tokyo Stock Exchange and the Osaka Securities Exchange. | 1953 | |
| Marunouchi Remodeling Plan formulated. Met demand for offices in the years of high economic growth. | 1959 | |
| | 1962 | Hokkaido Building completed. |
| | 1969 | |
| Akasaka Park House offered for sale in lots, marking the launch of the Condominium Business. | | |
| Mitsubishi Estate New York Inc. established. Began expansion of business overseas. | 1972 | The first phase of the Izumi Park Town Project launched. |
| Mitsubishi Real Estate Services Co., Ltd., established. | | |
| Branches established in Sapporo, Sendai, Nagoya, and Osaka. Strengthened business in major Japanese cities. | 1973 | |
| Nagoya Dai-Ichi Hotel opened (Hotel Business launched). | 1983 | |
| Mitsubishi Estate Home Co., Ltd., established. | 1984 | |
| MEC UK Limited established. | 1986 | |
| Yokohama Office established (reorganized as Yokohama Branch in April 2000). | | |
| Hiroshima Branch (renamed Chugoku Branch in April 2000) and Kyushu Branch established. | 1989 | Tenjin MM Building (IMS) opened in Fukuoka City. Royal Park Hotel in Hakozaki, Tokyo, opened. Hiroshima Park Building completed. |
| Participation in the City of London's Paternoster Square Project announced. Capital investment in Rockefeller Group, Inc., initiated. | 1990 | |
| | 1993 | Yokohama Landmark Tower completed. Yokohama Royal Park Hotel opened. |
| Reconstruction of Marunouchi Building announced. | 1995 | |
| | 1996 | Osaka Amenity Park (OAP) completed. |
| Began first stage of Marunouchi redevelopment. | 1998 | |
| | 2000 | GOTEMBA PREMIUM OUTLETS opened. |
| Mitsubishi Jisho Investment Advisors, Inc., established. | 2001 | |
| Properties and equipment revaluated in accordance with the Law Concerning Revaluation of Land and other relevant laws and regulations. | 2002 | Marunouchi Building opened. |
| Head Office relocated to Otemachi Building. | 2003 | Mitsubishi Trust and Banking Building completed (renamed Mitsubishi UFJ Trust and Banking Building in October 2005). Paternoster Square completed in the City of London. |
| | 2004 | Marunouchi OAZO opened. |
| | 2005 | Tokyo Building opened. |
| | 2007 | Shin-Marunouchi Building opened. The Peninsula Tokyo opened. |
| Sunshine City Corporation becomes a Mitsubishi Estate consolidated subsidiary. Mitsubishi Estate Asia Pte. Ltd. commenced operations. | 2008 | |
| Chelsea Japan Co., Ltd., becomes a Mitsubishi Estate consolidated subsidiary (renamed Mitsubishi Estate-Simon Co., Ltd., in February 2013). | 2009 | Marunouchi Park Building and Mitsubishi Ichigokan completed. |
| | 2010 | Mitsubishi Ichigokan Museum opened. |
| Mitsubishi Jisho Residence Co., Ltd., established. | 2011 | |
| Keiji Kimura and Hirotaka Sugiyama appointed chairman and president, respectively. | | |
| | 2012 | Marunouchi Eiraku Building completed. Otemachi Financial City opened. |
| Mitsubishi Estate (Shanghai) Ltd. established. | 2013 | MARK IS Shizuoka opened. SHISUI PREMIUM OUTLETS opened. Grand Front Osaka opened. Construction commenced on the Dai Nagoya Building. MARK IS minatomirai opened. |
| Integrated Mitsubishi Estate Building Management and Mitsubishi Estate Property Management. | 2014 | |

Organization

As of April 1, 2014



Corporate Information

As of March 31, 2014

Stock Information

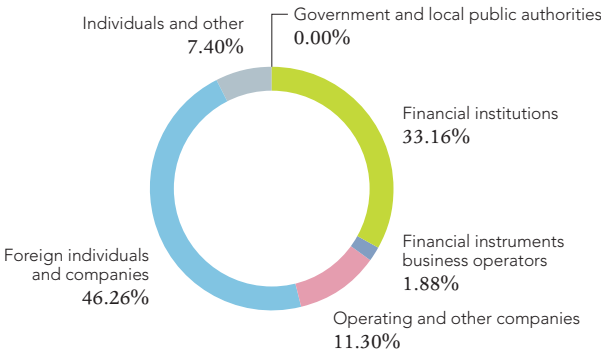
Stock Details

Number of authorized shares: 1,980,000,000 shares

Number of shares issued and outstanding: 1,390,397,097
(No change from the end of the previous fiscal year)

Number of shareholders: 64,417
(Decrease of 3,221 shareholders compared with the end of the previous fiscal year)

Shareholder Composition (Shareholding Percentage)



| Major Shareholders | Number of Shares Held (Thousands of shares) | Percentage Shareholding (%) |
|--|--|-----------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 84,680 | 6.09 |
| Meiji Yasuda Life Insurance Company | 46,882 | 3.37 |
| Japan Trustee Service Bank, Ltd. (Trust Account) | 46,568 | 3.34 |
| State Street Bank and Trust Company | 43,076 | 3.09 |
| CBLDN- STICHTING PGGM DEPOSITARY - LISTED REAL ESTATE PF FUND | 30,209 | 2.17 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 26,865 | 1.93 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 25,963 | 1.86 |
| The Bank of New York, Treaty JASDAQ Account | 25,131 | 1.80 |
| Asahi Glass Co., Ltd. | 22,714 | 1.63 |
| State Street Bank and Trust Company 505223 | 19,519 | 1.40 |

Company Name

Mitsubishi Estate Co., Ltd.

Date of Establishment

May 7, 1937

Paid-in Capital

¥141,373 million

Business Activities

Development, leasing, and management of office buildings, commercial, and other facilities

Development of real estate for investment purposes and asset management

Development and sale of land for housing, research, and other facility use

Management of leisure and other facilities

Sale and brokerage of real estate and related consulting services

Number of Employees (Excluding temporary staff)

Non-consolidated: 690

Consolidated: 7,952

URL

http://www.mec.co.jp/index_e.html

Head Office

Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100-8133
Phone: +81-3-3287-5100

Sapporo Branch

Hokkaido Building, 4-1, Kita 2-jou Nishi, Chuo-ku,
Sapporo, Hokkaido 060-0002
Phone: +81-11-221-6101

Tohoku Branch

Sendai Park Building, 6-1, Kokubun-cho 3-chome, Aoba-ku,
Sendai, Miyagi Prefecture 980-0803
Phone: +81-22-261-1361

Yokohama Branch

Yokohama Landmark Tower, 2-1, Minato Mirai 2-chome, Nishi-ku,
Yokohama, Kanagawa Prefecture 220-8115
Phone: +81-45-224-2211

Nagoya Branch

Nagoya Hirokoji Building, 3-1, Sakae 2-chome, Naka-ku,
Nagoya, Aichi Prefecture 460-0008
Phone: +81-52-218-7755

Osaka Branch

OAP Tower, 8-30, Tenmabashi 1-chome, Kita-ku,
Osaka, Osaka Prefecture 530-6033
Phone: +81-6-6881-5160

Chugoku Branch

Hiroshima Park Building, 7-5, Otemachi 3-chome, Naka-ku,
Hiroshima, Hiroshima Prefecture 730-0051
Phone: +81-82-245-1241

Kyushu Branch

Tenjin Twin Building, 6-8, Tenjin 1-chome, Chuo-ku,
Fukuoka, Fukuoka Prefecture 810-0001
Phone: +81-92-731-2211

Three Principles

“Shoki Hoko”

Corporate Responsibility to Society

Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

“Shoji Komei”

Integrity and Fairness

Maintain principles of transparency and openness, conducting business with integrity and fairness.

“Ritsugyo Boeki”

Global Understanding through Business

Expand business, based on an all-encompassing global perspective.

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 on the Mitsubishi Estate Group Guidelines for Conduct:

<http://www.mec.co.jp/e/company/charter/index.html>

(Formulated December 1, 1997; revised on August 1, 2002, and January 1, 2006)



<http://www.mec.co.jp/e/investor/index.html>

In addition to financial information and quarterly earnings highlights, a range of investor relations (IR) materials are available for downloading on the **Mitsubishi Estate Group’s IR website**.